Telelink Business Services Group EAD

Combined Financial Statements

For the years ended 31 December 2018, 2017 and 2016

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Independent auditor's report

To the sole shareholder of

Telelink Business Services Group EAD

Opinion

We have audited the accompanying combined financial statements of Telelink Business Services Group EAD, carving out the financial information of business services segment (the Group), which comprise the combined statement of financial position as at 31 December 2018, and the combined statement of profit or loss and comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the combined Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the combined financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 2 and 3 to the combined financial statements which describes the purpose of the financial statements and the basis for their preparation, including the methods applied and judgements made in establishing the assets, liabilities, revenue and expenses of the Group. Our opinion is not modified in respect of this matter.

Translation in English of the official Auditor's report issued in Bulgarian.

A member firm of Ernst & Young Global Limited

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Other matter

The comparative information included in the accompanying combined financial statements of the Group for the year ended 31 December 2018 is unaudited.

Responsibilities of Management for the combined Financial Statements

Management is responsible for the preparation and presentation of the combined financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves true and fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Audit Firm Ernst & Young Audit OOD:

Nikolay Garnev

Legal Representative and

Registered Auditor in charge of the audit

Sofia, Bulgaria

30 August 2019

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

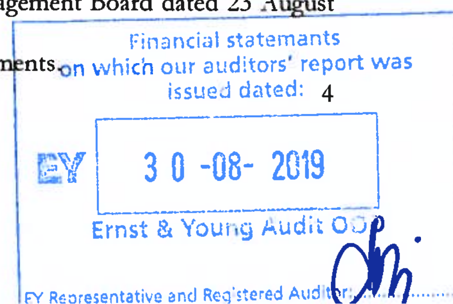
	Notes	*2018 BGN'000*	*2017 BGN'000*	*2016 BGN'000*
Revenue	8	116,367	105,987	98,663
Cost of sales	11	(97,806)	(91,852)	(84,841)
Gross profit		**18,561**	**14,135**	**13,822**
Other operating income	12	323	112	152
General and administrative expenses	9,11	(4,541)	(3,833)	(3,264)
Sales and marketing expenses	10, 11	(4,962)	(4,555)	(4,396)
Other operating expenses	12	(161)	(131)	(87)
Net impairment of receivables and contract assets	22	8	(59)	-
Operating profit		**9,228**	**5,669**	**6,227**
Finance income	13	1	7	116
Finance costs	13	(461)	(335)	(339)
Impairment loss on loans		-	-	-
Profit / (loss) before taxes		**8,768**	**5,341**	**6,004**
Income tax expense	15	(1,104)	(665)	(757)
Profit / (loss) for the year		**7,664**	**4,676**	**5,247**
Other comprehensive income				
Foreign exchange differences from translation of foreign operations		8	102	(59)
Total comprehensive income for the year, net of taxes		**7,672**	**4,778**	**5,188**
Total comprehensive income attributable to:				
Parent company equity owners		7,672	4,778	5,188
Non-controlling interest		-	-	-
		7,672	**4,778**	**5,188**
Normalised EBITDA				
Operating profit		**8,768**	**5,341**	**6,004**
Interest expenses / (income) (net)		181	91	175
Depreciation / amortisation		919	1,546	938
EBITDA (earnings before interest, taxes, depreciation and amortisation)		**9,868**	**6,978**	**7,117**
Net impairment of receivables and contract assets		(8)	59	-
Normalised EBITDA		**9,860**	**7,037**	**7,117**

Ivan Krasimirov Zhitiyanov
Executive Director

Rositsa Georgieva Antonova
Preparer

The financial statements were approved for issue by decision of the Management Board dated 23 August 2019.

The notes on pages 10 to 64 are an inseparable part of these financial statements.



COMBINED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	*2018 BGN'000*	*2017 BGN'000*	*2016 BGN'000*
Assets				
Non-current assets				
Property, plant and equipment	18	2,132	1,654	751
Investment properties	19	342	332	332
Intangible assets	20	802	461	1,310
Prepayments	17	2,704	2,044	2,489
Other non-current assets		1	2	2
Deferred tax assets	15	637	526	265
		6,618	**5,019**	**5,149**
Current assets				
Inventories	21	3,865	4,063	1,875
Trade and other receivables	22	26,384	26,055	24,384
Contract assets	8, 22	3,746	-	-
Loans granted	23	6,426	-	-
Prepayments	17	4,173	5,433	5,657
Cash and cash equivalents	24	3,313	7,408	1,256
Income tax receivable		-	108	276
Assets classified as held for sale	16	933	405	405
TOTAL ASSETS		**48,840**	**43,472**	**33,853**
		55,458	**48,491**	**39,002**

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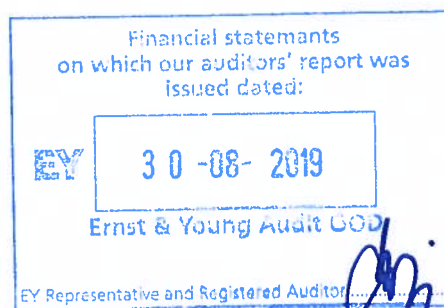

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Executive Director

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Preparer

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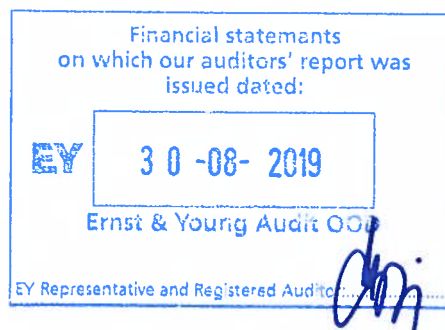
COMBINED STATEMENT OF FINANCIAL POSITION
As at 31 December

Continued from page 5

	Notes	*2018* *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
EQUITY AND LIABILITIES				
Equity		9,034	6,236	3,907
Translation reserve		(565)	(573)	(675)
Total equity		**8,469**	**5,663**	**3,232**
Non-current liabilities				
Obligations under finance lease	27	890	766	23
Employee benefits	30	8	5	7
Government grants	25	42	-	1
Deferred income		-	2,055	1,975
Contract liabilities	8, 29	2,584	-	-
		3,524	**2,826**	**2,006**
Current liabilities				
Interest-bearing loans and borrowings	26	5,312	1,845	4,047
Obligations under finance lease	27	538	277	14
Derivatives		-	-	7
Trade and other payables	28	27,038	32,934	25,087
Government grants	25	130	1	1
Deferred income		-	4,918	4,481
Contract liabilities	8, 29	10,000	-	-
Income tax liabilities		447	27	127
		43,465	**40,002**	**33,764**
Total liabilities		**46,989**	**42,828**	**35,770**
TOTAL EQUITY AND LIABILITIES		**55,458**	**48,491**	**39,002**



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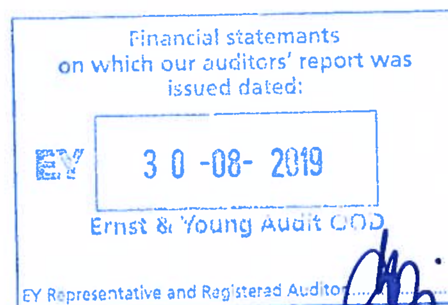
COMBINED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Notes	Equity	Translation reserve	Total equity
		BGN'000	*BGN'000*	*BGN'000*
Balance on 1 January 2016		**272**	**(616)**	**(344)**
Current profit		5,247	-	**5,247**
Other comprehensive income		-	(59)	**(59)**
Total comprehensive income		**5,247**	**(59)**	**5,188**
Dividend distributed	32	(1,702)	-	**(1,702)**
Capital increase		90	-	**90**
Balance on 31 December 2016		**3,907**	**(675)**	**3,232**
Balance on 1 January 2017		**3,907**	**(675)**	**3,232**
Current profit		4,676	-	**4,676**
Other comprehensive income		-	102	**102**
Total comprehensive income		**4,676**	**102**	**4,778**
Dividend distributed	32	(2,347)	-	**(2,347)**
Balance on 31 December 2017		**6,236**	**(573)**	**5,663**
Balance on 1 January 2018		**6,236**	**(573)**	**5,663**
Current profit		7,664	-	**7,664**
Other comprehensive income		-	8	**8**
Total comprehensive income		**7,664**	**8**	**7,672**
Dividend distributed	32	(4,866)	-	**(4,866)**
Balance on 31 December 2018		**9,034**	**(565)**	**8,469**



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COMBINED STATEMENT OF CASH FLOWS
For the year ended 31 December

	Notes	*2018 BGN'000*	*2017 BGN'000*	*2016 BGN'000*
OPERATING ACTIVITIES				
(Loss)/ Profit before income taxes		8,768	5,341	6,004
Adjustments to reconcile profit before tax to net cash flows:				
Non-cash adjustments:				
Net finance costs / (income)		373	266	282
Dividend income		-	-	(28)
Movements in defined benefit plans and government grants	25, 30	(198)	16	(20)
Impairment of trade receivables and contract assets		(8)	59	-
Trade and other payables written off		(5)	-	-
Write down of inventories	21	-	-	57
Change in the fair value of investment property	19	(10)	-	(51)
(Gain) on sale of property, plant and equipment	12	(48)	(26)	(7)
Depreciation / Amortisation	18, 20	919	1,546	938
Working capital adjustments:				
Decrease / (Increase) in inventories		93	(2,188)	342
Decrease / (Increase) in trade and other receivables, contract assets		(3,466)	(1,061)	9,023
(Decrease) / Increase in trade and other payables, contract liabilities		(803)	8,364	(12,349)
Bank charges paid		(192)	(175)	(107)
Income taxes paid		(503)	(619)	(712)
Net cash flows from/ (used in) operating activities		**4,920**	**11,523**	**3,372**

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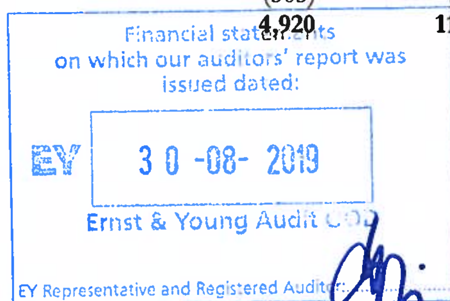

Ivan Krasimirov Zhitiyanov
Executive Director

Rositsa Georgieva Antonova
Preparer

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COMBINED STATEMENT OF CASH FLOWS
For the year ended 31 December

Continued from page 8

	Notes	*2018 BGN'000*	*2017 BGN'000*	*2016 BGN'000*
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	18	(223)	(158)	(355)
Acquisition of intangible assets	20	(688)	(178)	(1,713)
Proceeds from sale of property, plant and equipment and intangible assets		98	189	7
Government grants	25	372	-	-
Loans granted	23	(6,429)	-	-
Dividends received		-	-	28
Net cash flows (used in) / from investing activities		**(6,870)**	**(147)**	**(2,033)**
FINANCING ACTIVITIES				
Proceeds from loans	26	23,566	2,695	18,221
Repayment of loans	26	(20,749)	(5,019)	(19,875)
Repayment of finance lease liabilities		(387)	(420)	(20)
Dividends paid	32	(4,348)	(2,347)	(1,702)
Interest paid on loans and finance lease		(234)	(89)	(173)
Net cash flows used in financing activities		**(2,152)**	**(5,180)**	**(3,549)**
Net change in cash and cash equivalents		(4,102)	6,196	(2,210)
Foreign exchange differences, net		7	(44)	(54)
Cash and cash equivalents on 1 January		7,408	1,256	3,520
Cash and cash equivalents on 31 December	24	**3,313**	**7,408**	**1,256**

Financial statements
on which our auditors' report was
issued dated:
EY 30-08-2019
Ernst & Young Audit OOD
EY Representative and Registered Auditor

Ivan Krasimirov Zhitiyanov
Executive Director

Rositsa Georgieva Antonova
Preparer

The financial statements were authorised for issue by decision of the Management Board dated 23 August 2019.

The notes on pages 10 to 64 are an inseparable part of these financial statements.

1. Corporate information

Telelink Group, which comprises Telelink Bulgaria EAD (the parent company) and operational subsidiaries located in East and West Europe, is incorporating proprietary and third-party information and communication technology (ICT) and industry automation systems and products, and implementing intelligent, efficient and secure physical and technological infrastructures by providing professional value-adding services to telecommunication companies, public institutions and corporate clients across its established points of territorial presence and globally.

The areas of operation of Telelink Group are focused on the following three segments based on the technological and business scope, type and substance of the covered activities, products and services:

- Business services covering the ICT system integration;
- Infrastructure-related services covering the construction of physical network infrastructures and integration of security technology and automation;
- Product development uniting research and development activities, production and marketing of in-house hardware, software and integrated systems in the area of intelligent management of urban processes, cryptographic security, Internet of Things, etc.

In view of the current organisational structure, Telelink Holdings B.V. is the sole owner of Telelink Bulgaria EAD. On 19 June 2019, the Managing Director of Telelink Holdings B.V. announced publicly the plans to spin off a designated activity relating to the management of investments in subsidiaries involved in the Business Services business line in a new, independent company – Telelink Business Services Group EAD, which shares will be listed for trading on the Bulgarian stock exchange. The spin-off of the designated activity from Telelink Bulgaria EAD was completed in August 2019 in compliance with the provision of Art. 262c of the Commercial Act. Strategically, the transformation of Telelink Bulgaria EAD is a continuation of the reorganization of Telelink Group, which began in 2017, aiming at establishing separate organizational structures optimally responding to the specificity and needs of the various areas of activity.

It is expected that the registration of the shares Telelink Business Services Group EAD for trading on the Bulgarian stock exchange will be completed by the end of 2019 and will not be accompanied by a new share issue.

2. Scope and purpose of the combined financial statements

The combined financial statements combine financial information on the Business Services business line of the following companies existing during the covered period – Telelink Business Services EAD (Bulgaria), Comutel DOO (Serbia), Telelink DOO (Montenegro), Telelink DOO (Bosnia and Herzegovina), and Telelink DOO (Slovenia), the shares, and respectively the stocks, of which are subject to the spin-off described in item 1 above, and which therefore are viewed as having established a union representative for Telelink Business Services Group (the Group) during that period.

The purpose of these combined financial statements is to provide historical financial information about the Group covering the last three years, which to be included in the prospectus published on the admission of securities to trading on a regulated market in accordance with Regulation (EU) 2019/980 of the European Parliament and of the Council of 14 March 2019. In this case, the information covers the financial years from 1 January 2018 to 31 December 2018, 1 January 2017 to 31 December 2017, and 1 January 2016 to 31 December 2016.

Considering the applicable definitions of Regulation (EU) 211/2007, Telelink Business Services Group EAD has a “complex financial history” as the newly incorporated holding company, which has occurred as a result of the spin-off from the existing entity, unites companies under joint control that, from a legal point of view, were not part of a group during the period from 1 January 2016 to 31 December 2018.

2. Scope and purpose of the combined financial statements (continued)

The legal reorganization including the spin-off of the companies' investments in Telelink Business Services Group EAD was accomplished in 2019. Therefore, the Group has prepared combined financial statements for the financial years from 1 January to 31 December 2018, from 1 January to 31 December 2017, and from 1 January to 31 December 2016.

3. Basis of preparation

Compliance with IFRS

Considering the specifics intrinsic to the preparation of combined financial statements, these combined financial statements have been prepared in compliance with International Financial Reporting Standards, as adopted by the European Union („IFRS adopted by the EU"). The reporting framework "IFRS, adopted by EU" in its essence is the national accounting basis IAS, adopted by EU, settled in the Accountancy Act and defined in p.8 in its Additional Provisions. IFRS provides no guidance on the preparation of combined financial statements, which is therefore subject to the rules in paragraph IAS 8.12. This paragraph requires consideration of the most recent pronouncements of other standards-setting bodies, other accounting literature and accepted industry practices.

Following IAS 8.12, when preparing the Group's combined financial statements the „predecessor value method" was applied in compliance with the rules for accounting for a business combination under joint control. The above means that the financial information included on the combined financial statements is derived from the consolidated financial statements of Telelink Bulgaria EAD and reflects income and expenses, assets and liabilities intrinsic to the Business Services business line that have historically been included in these statements for the three years.

In general, the Group applied the same accounting policies and principles to the preparation of the combined financial statements as the ones applied to the preparation of the consolidated financial statements of Telelink Group. The transactions among the Group and the companies that have remained under the control of Telelink Group are recognized in compliance with IFRS and have been classified as related party transactions.

All intra-group balances within the combined group, income, expenses and unrealized gains and losses on transactions among the Group companies have been eliminated in the combined financial statements.

Due to the preparation of the combined financial statements, the presentation of the Group's equity differs from the presentation of the equity as prescribed by IAS 1. The Group's equity comprises share capital, equity reserves and retained earnings of the respective entities. Therefore, the presentation of the earnings per share in compliance with IAS 33 Earnings per Share is not applicable.

Accounting treatment of a joint venture within the combined group

Until September 2017, the business activity of Telelink Business Services EAD (renamed from Telelink EAD) covered activities in both business lines - Business Services and Infrastructure Services (a joint venture).
In November 2017, Telelink Bulgaria EAD, in its capacity as a sole equity owner of Telelink EAD, took a decision to transform itself in accordance with Art. 262 of the Commercial Act to Telelink EAD. As a result, the activities under Infrastructure Services business line, as also the associated staff, assets and liabilities, had been separated from the transferor Telelink EAD and transferred to the transferee Telelink Infra Services EAD, with the effective accounting date being 01 September 2017. Following the reorganization of Telelink EAD, the company was renamed to Telelink Business Services EAD and continued its activity in the Business Services business line.

Accordingly, the assets, liabilities, income and expenses of Telelink Business Services EAD are included in the combined group insofar as they are economically intrinsic and necessary for the Business Services business line. Including, general administrative expenses, sales and marketing expenses, as well as assets and liabilities that cannot be specifically separated between business lines, are included to the extent determined on the basis of the revenue

3. Basis of preparation (continued)

Accounting treatment of a joint venture within the combined group (continued)

ratio of the two business lines. Tax items in the combined statement of profit or loss and other comprehensive income are calculated in accordance with the results obtained for the Business Services business line after the distribution of the above items.

Miscellaneous

These combined financial statements have been prepared on a historical cost basis except for investment properties, derivative financial instruments measured at fair value, and defined benefit plans measured at the present value of the obligations.

The combined financial statements are presented in Bulgarian leva (BGN), which is the Group companies' functional currency. All values are rounded to the nearest thousand (BGN' 000), unless otherwise stated.

The combined financial statements were authorised for issue by decision of the Management Board of Telelink Business Services Group EAD dated 23 August 2019.

4. Summary of significant accounting policies

Foreign currency translation

The combined financial statements have been prepared in Bulgarian leva, which is the Group's functional and reporting currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency at the rate of exchange ruling at the reporting date. Any differences are taken to the statement of profit or loss and other comprehensive income. Non-monetary assts and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the exchange rate as at the date of the initial transaction (acquisition).

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Joint Arrangements

A participation in joint arrangements is determined within contractual relations, which entitle the parties to joint control over the agreement. Joint arrangements are either joint operations or joint ventures. The Group analyses its participation in joint arrangements by considering its rights and obligations, as well as the structure and legal form of each arrangement, and the contractual terms agreed to in the arrangement. In respect of its participation in a joint venture, the Group recognises the assets, liabilities, revenue from the sale of the products of the joint arrangement, expenses, including those incurred jointly and accounted for in the assets, liabilities, income and

4. Summary of significant accounting policies (continued)

expenses associated with their participation in the joint arrangement in compliance with IFRSs applicable to the specific assets, liabilities, income and expenses.

Assets held for sale

The Group classifies non-current assets (or disposal group) as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition and its sale is highly probable. For the sale to be highly probable, management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when events or circumstances beyond the Group's control may extend the period and if there is evidence that management is still committed to its plan to sell the asset.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of any accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the machinery and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the machinery and equipment as a replacement if the recognition criteria are satisfied. Any other repair and maintenance costs are recognised in the statement of profit or loss in the period in which they were incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

Type of the asset	Useful life in years
Computers	2 years
Machinery and equipment	3.33 years
Motor vehicles	4 years
Managed services hardware	in accordance with the duration of the contract for the provision of such services - usually 4/7 years
Furniture and fixtures and fittings	6.67 years
Other assets	6.67 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if the expectations differ from the previous accounting estimates.

4. Summary of significant accounting policies (continued)

Investment property

Investment property is property held to earn rental income or for capital appreciation or both. Investment property is measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are recognized in profit or loss in the period in which they arise.

Investment property is derecognised on disposal of or when the investment property is permanently retired and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal are recognized in the statement of profit or loss and other comprehensive income in the period of retirement or disposal.

Transfers from or to investment properties are made only in case of change of their use. For a transfer from investment property carried at fair value to owner-occupied property or inventory, the deemed cost for subsequent accounting under IAS 16 or IAS 2 is the fair value at the date of change in use. If an owner-occupied property becomes an investment property, the Group applies IAS 16 up to the date of change in use.

Borrowings costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Government grants

Government grants are recognised initially where there is reasonable assurance that the grant will be received and all attached conditions will be complied with by the Group. Subsequently, they are recognized in profits and losses on a systemic basis over the asset's useful life.

Government grants that compensate the Group for expenses incurred are recognized in profits and losses on a systemic basis in the periods, in which the expenses were incurred.

Intangible assets

Non-current intangible assets acquired separately are measured initially at cost. The cost comprises the purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on bringing the asset to its intended use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these two conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Internally generated intangible assets, excluding development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

4. Summary of significant accounting policies (continued)

Intangible assets (continued)

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. To assess whether an internally generated intangible asset meets the criteria for recognition, the Group classifies the generation of the asset into a research phase and a development phase. If the Group cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the Group treats the expenditure on that project as if it were incurred in the research phase only. Development costs are recognised for assets if the Group has control and expects future economic benefits from it.

The Group recognizes the incremental costs of obtaining a contract with a customer if the costs are expected to be recovered. The incremental costs of obtaining a contract are costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The useful life of the intangible assets is assessed to be finite.

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Type of asset	Useful life in years
Software	2 years
Managed services software	in accordance with the duration of the contract years - usually 4/7 years
Contract assets	Within the contract period
Other assets	Within the contract period

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is classified by function in the statement of profit or loss and other comprehensive income, depending on the use of the intangible asset.

Any gain or loss arising on derecognition of an intangible asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of profit or loss and other comprehensive income for the year in which the asset is derecognised.

4. Summary of significant accounting policies (continued)

Inventories

Inventories include materials, goods for trading, and work in progress. Inventories are measured at the lower of cost or net realizable value. The cost of inventories reflects their purchase price plus any other costs necessary to bring them to their present location and condition and is determined using the weighted average method. Net realizable value for goods for trading and finished products is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Work in progress includes cost of direct materials and labour and a proportion of overheads based on normal operating capacity but excluding borrowing costs.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment losses on continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For all non-financial assets excluding goodwill, the Group assesses whether there are indications that the impairment loss on an asset other than goodwill recognized in prior periods may no longer exist or may have decreased. If such indications exist, the Group determines the recoverable amount of the asset or cash-generating unit. An impairment loss is reversed only when there has been a change in the estimates used to determine the recoverable amount of the asset after recognition of the last impairment loss. If that is the case the carrying amount of the asset is increased to its recoverable amount. The reversal of an impairment loss is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount, after deduction of amortization, that would have been determined had no impairment loss been recognized for asset in previous periods. The reversal of an impairment loss is recognized in the statement of profit or loss and other comprehensive income for the year.

4. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and short term deposits comprise cash in bank accounts and on hand, and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets at amortised cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

4. Summary of significant accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Group has not designated any financial liabilities as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 28 „Interest-bearing loans and borrowings".

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4. Summary of significant accounting policies (continued)

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranties

Provisions are recognized for expected warranty claims on products and services sold during the last year, based on experience of the level of repairs and returns. Assumptions used to calculate the provision for warranties were based on current sales level and information available about returns based on the three year warranty period for products sold.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Employee benefits

Short-term employee benefits include salaries, interim and annual bonuses, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Group. Short-term employee benefits are measured at the undiscounted amount of the expected cost of the benefit.

State social security plan

All employees of the Group are members of the Bulgarian Social Security Plan. In the normal course of business, the Group makes payments to the National Social Security Fund and National Health Insurance Fund based on employee's remuneration, at rates determined by the Bulgarian Social Security Code. The share of the Group in the social security contributions is treated as payments made under a defined contribution plan and is recognized as expense at the time when incurred. Under the State Social Security Plan, all related risks are assumed by the employees. The Group bears no other obligation.

4. Summary of significant accounting policies (continued)

Retirement benefits

The Group operates a defined benefit plan arising from the requirement of the Bulgarian labour legislation to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the Company for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. These retirement benefits are unfunded. The cost of providing benefits under the retirement benefit plan is determined by the Group using the actuarial projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Interest expense is calculated by applying the discount rate to the retirement benefit liability. The changes in the defined benefit obligation are recognised by the Group in profit or loss for the period and are presented as follows:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements within “Emplyee benefit expense”;
- Net interest expense or income within “Finance costs”.

Dividends

A liability to make cash or non-cash distributions to the equity owners of the parent company is recognised when the distribution is authorised (ie authorised by the shareholders) and is no longer at the discretion of the Company. A corresponding amount is debited directly to equity.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 5.

Sale of goods/equipment

Revenue from sale of goods and equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

4. Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group provides also an extended warranty beyond fixing defects that existed at the time of sale. These service-type warranties are sold either separately or bundled together with the sale of fire prevention equipment.

Contracts for bundled sales of equipment and a service-type warranty comprise two performance obligations because the promises to transfer the equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and recognised as a contract liability. Revenue is recognised over the period in which the service-type warranty is provided based on the time elapsed.

Installation services

The Group provides installation services that are either sold separately or bundled together with the sale of equipment to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the equipment. Contracts for bundled sales of equipment and installation services are comprised of two performance obligations because the promises to transfer equipment and provide installation services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services.

The Group recognises revenue from installation services over time by considering the stage of completion of installation services. Usually, these services are carried out shortly after the delivery of the equipment. The sales revenue of the equipment is recognized at a point in time, upon the delivery of the equipment.

Provision of services related to licensing and software, developed by third parties

The Group provides services related to the transfer of software licenses under contracts with customers, which is fulfilled by downloading and activating a license key. An integral part of the contracts is the provision of consultancy services to the customers regarding the choice of an optimal package of software products and offering them assistance with the implementation of the licensing system.

As for the customer contracts that involve a combination of consultancy services and licensing, developed by third party, revenue is recognized at the time of delivery of the software product.

4. Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

Provision of managed services

These services include long-term customer contracts (typically between five and seven years) to support and manage the customer's IT infrastructure, which includes ongoing proactive surveillance, remote management, and on-site support. Under the majority of the contracts, the Group provides network and/or voice communications equipment for use as part of its contractual obligation. Revenue under managed service contracts is recognized over the term of the contract on a monthly basis.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract and costs to fulfil a contract

Incremental costs of obtaining a contract and certain costs to fulfil a contract may be recognised as an asset if certain criteria are met. Any capitalised contract costs assets are amortised on a systematic basis that is consistent with the entity's transfer of the related goods or services to the customer.

Interest

Interest income is recognised as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend income

Income is recognised when the Company's right (as a parent company) to receive the payment is established.

4. Summary of significant accounting policies (continued)

Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A lease that transfers substantially all the risks and rewards incidental to ownership to the lessee is classified as a finance lease. All other leases are classified as operating leases.

The Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged reflected in the profit or loss for the year.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Taxes

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

4. Summary of significant accounting policies (continued)

Deferred tax (continued)

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss and other comprehensive income for the year.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

5. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of the contingent liabilities at the date of the statement of financial position, as well as on the income and expenses reported for the period. However, uncertainty about these assumptions and estimates could result in outcome that requires a material adjustment to the carrying amount of the asset or liability in subsequent reporting periods.

Judgements
In the process of applying the adopted accounting policies, the Group's management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Joint Arrangements

The Group assesses its participation in each consortium, where joint control is present as joint arrangements. Management analysed the rights and obligations by considering the structure and legal form of each arrangement, the contractual terms agreed to by the parties to the arrangement and all other relevant facts and circumstances, in order to determine the type of Joint Arrangement it is involved in – Joint Operations or Joint Venture. The analysis performed by management has determined that the participation in all the consortiums meets the criteria of recognition as Joint Operations.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Identifying performance obligations in a bundled sale of equipment and installation services

The Group provides installation services that are bundled together with the sale of equipment to a customer. The installation services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group has determined that both the equipment and installation services are capable of being distinct. The Group has also determined that the promises to transfer the equipment and to provide installation services are distinct within the context of more contracts. The equipment and installation are not inputs to a combined item in the contract. The Group is not providing significant integration services because the presence of the equipment and installation services together in the contract does not result in any additional or combined functionality. In addition, the equipment and installation services are not highly interdependent or highly interrelated, because the Group would be able to transfer the equipment even if the customer declined installation services and the customer itself, would be able to ensure installation services in relation to products offered by other distributors. Consequently, the Group allocates a portion of the transaction price to the equipment and the installation services based on relative stand-alone selling prices.

- Principal versus agent considerations

The Group enters into contracts with its customers for the sale of equipment/goods and licenses/software produced by produced by various suppliers. The Group has determined that it controls the goods before they are transferred to customers, and it has the ability to direct the use of the equipment or obtain benefits from the equipment. The following factors indicate that the Group controls the goods before they are being transferred to customers. Therefore, the Group has determined that it acts as a principal in these contracts.

- The Group is primarily responsible for fulfilling the promise to provide the specified equipment.
- The Group bears the inventory risk before or after the specified equipment has been transferred to the customer as it purchases equipment and holds it in a warehouse.
- The Group has discretion in establishing the price for the specified equipment

5. Significant accounting judgements, estimates and assumptions (continued)

Judgements (continued)

Revenue from contracts with customers *(continued)*

In addition, the Group has concluded that it transfers control over its services at a point in time, upon completed tests of functioning equipment and acceptance by the customer.

- Determining the timing of satisfaction of services

Judgment is required to determine the degree of satisfaction of the performance obligation.

The Group determined that the cost-plus-margin method of inputs is the best method in measuring progress of services provided.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property, plant and equipment, and intangible assets

Financial reporting of plant and equipment, and intangible assets involves estimates as to their expected useful lives and residual values, based on management assessments. Further details about the useful lives of property, plant and equipment, and intangible assets are provided in Note 4 „Summary of significant accounting policies”.

Revaluation of investment property

The Group measures its investment property at fair value with any changes in the fair value being recognised in the statement of profit or loss and other comprehensive income. The Group engages an independent valuer to determine the fair value at the reporting period-end or at the date of change in use. The key assumptions used to determine the fair value of investment property and sensitivity analyses are provided in Note 19 „Investment property“.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

5. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Write down of inventories

In general, inventories are written down to net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

Income tax

Current income tax liabilities are for the current and prior periods and are measured at the amounts expected to be paid to the taxation authorities, using the tax rates that have been enacted by the balance sheet date. Provision for income taxes reported in the respective income tax returns includes an estimate of the potential additional tax assessments that may be imposed by the tax authorities upon settlement of the open tax years. Accordingly, the final settlement of the income taxes might differ from the income taxes that have been accounted for in the financial statements.

Warranty provisions

Provisions are recognized for expected warranty claims on products and services sold during the year, based on experience of the level of repairs and returns. The determination of the provision for warranty service requires management to make estimate on the probability and the costs to cover these obligations. Further details are provided under the accounting policy for warranty provision under note 4 “Summary of significant accounting policies” to the financial statements.

Fair value measurement

The Group measures financial instruments, such as, derivatives and non-financial assets, such as, investment property at fair value at each reporting date. The fair values of financial instruments and investment properties are disclosed in note 33 "Fair value measurement".

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

5. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Fair value measurement *(continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

6. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applies IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

6. Changes in accounting policies and disclosures (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with the initial application date of 1 January 2018 and has not restated comparative information for prior periods that continues to be reported under IAS 39. There are no significant differences arising from the adoption of IFRS 9 that are recognised in retained earnings and other components of equity.

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

Impairment

IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Group did not recognize any additional impairment on the Group's Trade receivables and Debt instruments at fair value through OCI, as the expected credit losses were assessed as insignificant. The estimated ECLs were calculated based on actual credit loss experience over the past three years. The Group performed the calculation of ECL rates separately for related parties and third parties clients. Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

6. Changes in accounting policies and disclosures (continued)

IFRS 15 Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of initial application of IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information is not restated and continues to be accounted for under IAS 18 and related Interpretations. The adoption of IFRS 15 did not impact the Group's financial position as at 1 January 2018.

The amounts by which each item of the financial statements have been affected as at and for the year ended 31 December 2018 as a result of adopting IFRS 15 and IFRS 9 are shown in the following table:

	Under IFRS 15 and IFRS 9 BGN'000	Increase / (Decrease) BGN'000	Under previous IFRSs BGN'000
Revenue from contracts with customers	116,367	-	116,367
Cost of sales	(97,806)	-	(97,806)
Loss on write down of inventories and contract assets	8	-	8
Loss on impairment of loans granted	-	-	-
Income tax	(1,104)	-	(1,104)
Others	(9,801)	-	(9,801)
Profit for the year	**7,664**	-	**7,664**

6. Changes in accounting policies and disclosures (continued)

	Under IFRS 15 and IFRS 9 BGN'000	Increase / (Decrease) BGN'000	Under previous IFRSs BGN'000
Assets			
Intangible assets	802	-	802
Inventories	3,865	-	3,865
Loans granted	6,426	-	6,426
Trade and other receivables	26,384	3,746	30,130
Contract assets	3,746	(3,746)	-
Deferred tax assets	637	-	637
Other assets	13,598	-	13,598
Total assets	**55,458**	**-**	**55,458**
Equity			
Retained earnings	(304)		(304)
Current profit	7,664		7,664
Others	1,109		1,109
Total equity	**8,469**		**8,469**
Liabilities			
Trade and other payables	27,038	5,930	32,968
Deferred income	-	6,654	6,654
Provisions	-	-	-
Contract liabilities	12,584	(12,584)	-
Income tax liabilities	447	-	447
Others	6,920	-	6,920
Total liabilities	**46,989**	**-**	**46,989**
TOTAL EQUITY AND LIABILITIES	**55,458**	**-**	**55,458**

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. This Interpretation does not have any impact on the Group's financial position or performance.

IFRS 2 Share-based Payments (Amendments): Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments have no effect on the financial position or performance of the Group.

6. Changes in accounting policies and disclosures (continued)

IAS 40 Investment Property (Amendments): Transfers of Investment Property

The amendments clarify transfers of property to, or from, investment property when there is a change in the use of such property which is supported by evidence. A change in the management's intention only is not sufficient evidence of change in use. The amendments have no effect on the financial position or performance of the Group.

Annual improvements to IFRSs 2014-2016 Cycle

Summary of amendments to related standards is provided below:

- IAS 28 Investments in Associates and Joint Ventures - Measuring investees at fair value.

These amendments have no effect on the financial position or performance of the Group.

7. Standards issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt those standards when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. At present, the most significant identified effect is that the Group will recognize new assets and liabilities under its operating leases.

7. Standards issued but not yet effective and not early adopted (continued)

IFRS 16 Leases (continued)

Determining whether an arrangement contains a lease

Management considers that for the existing contracts as at 31 December 2018 there will be no change in the classification of contracts as containing lease as per IAS 17 and IFRIC 4, and as per the definition in IFRS 16.

Transition

The Group plans to apply IFRS 16 initially on 1 January 2019 by electing the modified retrospective approach. Hence, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information

The Group will use the practical expedients included in the Standard for lease contracts, for which the lease term expire in 12 months from the date of initial application and lease contracts of low value assets.

At the date of issuing its 2018 financial statements, the Group is in the process of finalizing the analysis of the effects from initial application of IFRS 16. The assessment of the possible impact that application of IFRS 16 will have on the financial statements in the period of initial application is presented below in summary. As such the disclosed below information may be subject to further changes in 2019 as a result of the finalization of the analysis related to initial application of IFRS.

	BGN'000
Assets	
Right-of-use assets	3,461
Liabilities	
Lease liabilities	3,371
Trade and other payables	90

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business or a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. It is not expected that these amendments would impact the financial position or performance of the Group.

7. Standards issued but not yet effective and not early adopted (continued)

IFRIC 23 *Uncertainty over Income Tax Treatments*
The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Group is in the process of assessing the impact of the new interpretation on its financial position or performance.

IFRS 9 *Financial Instruments*: *Classification and Measurement (Amendments): Prepayment Features with Negative Compensation*
The amendments, effective for annual periods beginning on or after 1 January 2019 with earlier application permitted, propose a change to IFRS 9 for particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a negative prepayment feature. Specifically, for a financial asset that contains a prepayment option that may result in the payment of a reasonable negative compensation amount, the Amendments require the financial asset to be measured at amortised cost or at fair value through other comprehensive income, subject to the assessment of the business model in which it is held. It is not expected that these amendments would impact the financial position or performance of the Group.

IAS 28 *Investments in associates (Amendments): Long-term Interests in Associates and Joint Ventures*
The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. It is not expected that these amendments would impact the financial position or performance of the Group.

IAS 19 *Employee Benefits (Amendments): Plan Amendment, Curtailment or Settlement*
The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

IFRS 3 *Business combinations (Amendments): Definition of a business*
The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the minimum requirements for a business and narrow the definition of a business. The amendments also remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive and introduce an optional fair value concentration test. These amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

7. Standards issued but not yet effective and not early adopted (continued)

Amendments to* IAS 1 *Presentation of Financial Statements and* IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material'
The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The amendments also specify that materiality will depend on the nature or magnitude of information. These amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

The Conceptual Framework for Financial Reporting
The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018, which is effective for annual periods beginning on or after 1 January 2020. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The main amendments introduced in the revised Conceptual framework for financial reporting are related to measurement, including factors, which should be considered when choosing measurement basis, and to presentation and disclosure, including income and expenses which should be classified in other comprehensive income. The Conceptual framework also provides updated definitions for asset and liability and criteria for their recognition in the financial statements. The Conceptual framework for financial reporting has not yet been endorsed by the EU. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

Annual Improvements to IFRSs 2015-2017 Cycle
In the 2015-2017 annual improvements cycle, the IASB issued amendments to standards which are effective for annual periods beginning on or after 1 January 2019. Summary of amendments and related standards are provided below:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – clarifying previously held interest in a joint operation;
- IAS 12 Income taxes – clarifying income tax consequences of payments on financial instruments classified as equity;
- IAS 23 Borrowing costs - clarifying borrowing costs eligible for capitalization.

The improvements to IFRSs 2015 – 2017 Cycle have not yet been endorsed by EU. The Group is in the process of assessing the impact of the amendments on its financial statements.

8. Revenue from contracts with customers

Set out below, is the disaggregation of the revenue from contracts with customers:

	2018
	BGN'000
Revenue from contracts with customers	
Geographical markets	
Bulgaria	49,541
Other European countries	66,466
Other non-European countries	360
	116,367
Timing of revenue recognition	
Transferred at a point in time	94,354
Transferred over time	22,013
	116,367

The geographical information on revenue from the sale of products and provision of services is based on the customer's location.

Contract balances

	2018
	BGN'000
Trade receivables (Note 22)	25,428
Contract assets (Note 22)	3,746
Contract liabilities (Note 22)	12,584

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

Contract assets are initially recognised for obligations fulfilled, which have not yet been invoiced to the customer, as well as payments withheld by the customer as warranties. When the payment becomes due, the amounts recognised as contract assets are reclassified to trade receivables.

Contract liabilities include advances from customers. They are recognized as revenue when the performance obligation is satisfied.

Performance obligations

Sale of equipment / goods
The performance obligation is satisfied upon delivery of the equipment / goods and payment is generally due within 30 to 90 days from delivery.

Extended maintenance
Contracts which provide for an extended warranty for new equipment or equipment owned by the customer. Maintenance is accounted for as a separate performance obligation and part of the transaction price is allocated to it. The performance obligation with regard to the extended warranty is satisfied over the maintenance period (one, three, five years) based on time elapsed.

Installation services
The performance obligation is satisfied over time and payment is generally due upon completion of installation and its acceptance by the customer.

8. Revenue from contracts with customers (continued)

Managed services
Long-term contracts for a period of three to five years for managing the customers' IT infrastructure where the performance obligation is satisfied over time.

Services related to licensing and software, developed by third parties
As for the customer contracts that involve a combination of consultancy services and licensing, developed by third parties, revenue is recognized at the time of delivery of the software product.

Revenue recognised over the current year from amounts included in contract liabilities at 1 January 2018 amounts to BGN 11,246 thousand.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2018 *BGN'000*
Within one year	9,886
More than one year	2,582
	12,468

9. General and administrative expenses

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Employee benefit expenses	(2,292)	(2,348)	(2,083)
Depreciation / amortization expenses	(126)	(95)	(102)
Consulting services	(1,361)	(467)	(408)
Office rent and utilities	(202)	(213)	(219)
Representative expenses	(129)	(118)	(182)
Other expenses	(431)	(592)	(270)
	(4,541)	**(3,833)**	**(3,264)**

10. Sales and marketing expenses

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Employee benefit expenses	(2,005)	(1,796)	(1,381)
Depreciation / amortization expenses	(382)	(991)	(460)
Consulting and agency services	(404)	(303)	(1,082)
Marketing and advertising expenses	(1,602)	(945)	(874)
Other expenses	(569)	(520)	(599)
	(4,962)	**(4,555)**	**(4,396)**

11. Expenses by nature

Expenses by nature, included in the cost of sales, administrative expenses and sales and marketing expenses are as follows:

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Change in finished products and work in progress	(748)	1,031	(24)
Capitalized development costs and contracts with customers	533	166	715
Expenses on raw materials and materials	(395)	(420)	(506)
Hired service costs	(24,648)	(22,923)	(19,358)
Employee benefits (Note 14)	(7,375)	(6,322)	(5,498)
Depreciation/amortization expenses (Notes 18, 20)	(919)	(1,546)	(938)
Other expenses, including costs of goods sold	(73,757)	(70,226)	(66,892)
	(107,309)	**(100,240)**	**(92,501)**

12. Other operating income / (expenses)

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Other operating income			
Gain on sale of property, plant and equipment	48	26	7
Change in fair value of investment property	10	-	51
Compensation received from insurance company	-	1	8
Gain on settlement of trade receivables	-	4	-
Government grants	201	1	10
Rentals	29	41	8
Other income	35	39	68
	323	**112**	**152**

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Other operating expenses			
Penalties	(118)	(8)	(1)
Other expenses	(43)	(123)	(86)
	(161)	**(131)**	**(87)**

13. Finance income and finance costs

	2018 BGN'000	2017 BGN'000	2016 BGN'000
Finance costs			
Interest expenses	(182)	(91)	(175)
Net foreign exchange losses	(87)	(62)	31
Loss on financial instruments at fair value	-	(7)	(88)
Other finance costs	(192)	(175)	(107)
	(461)	**(335)**	**(336)**

	2018 BGN'000	2017 BGN'000	2016 BGN'000
Finance income			
Interest income on loans granted	1	-	-
Gain on financial instruments at fair value	-	7	88
Dividend income	-	-	28
	1	**7**	**116**

14. Employee benefit expenses

	2018 BGN'000	2017 BGN'000	2016 BGN'000
Salaries	(6,453)	(5,573)	(4,844)
Compulsory social and other contributions	(925)	(751)	(664)
Defined benefit plans	3	2	10
	(7,375)	**(6,322)**	**(5,498)**

The average full-time staff number and its breakdown by function are presented below:

	2018 BGN'000	2017 BGN'000	2016 BGN'000
Management staff	4	4	4
Operations	105	89	78
Sales	22	19	16
Administrative staff	24	19	20
	155	**131**	**118**

15. Income tax

The major components of income tax expenses are as follows:

	2018 BGN'000	*2017 BGN'000*	*2016 BGN'000*
Current income tax			
Current income tax expense	(1,031)	(687)	(786)
Deferred tax			
Relating to origination and reversal of temporary differences	(73)	22	29
Income tax expense recognized in the statement of comprehensive income	**(1,104)**	**(665)**	**(757)**

The reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate for the Group for the years 2018, 2017 and 2016 is as follows:

	2018 BGN'000	*2017 BGN'000*	*2016 BGN'000*
Accounting profit / (loss) before income tax	8,768	5,341	6,004
Accounting profit before income tax	**8,768**	**5,341**	**6,004**
Income tax rate	10%	10%	10%
Tas at a rate of 10%	(877)	(534)	(600)
Tax effects from the taxation of the profit of entities at a different tax rate	(214)	(112)	(155)
Tax effect of non-deductible expenses	(13)	(19)	(2)
	(1,104)	**(665)**	**(757)**
Effective income tax rate	13%	12%	13%
Income tax recognized in the financial statements	(1,104)	(665)	(757)
	(1,104)	**(665)**	**(757)**

Deferred taxes of the Group as at 31 December 2018, 2017 and 2016 relate to the following items:

	Statement of financial position			***Statement of profits or losses and other comprehensive income***		
	2018 BGN'000	*2017 BGN'000*	*2016 BGN'000*	*2018 BGN'000*	*2017 BGN'000*	*2016 BGN'000*
Deferred tax assets / (liabilities)						
Provisions	-	-	-	-	-	(10)
Expenses accrued	123	132	138	(9)	(6)	72
Employee benefit expenses	67	73	51	(6)	22	(17)
Property, plant and equipment /Intangible assets	(58)	8	(1)	(66)	9	-
Write down and write off of receivables and loans granted	60	60	60	-	-	-
Deferred tax not recognised in the statement of comprehensive income*	427	243	4	-	-	-
Others	18	10	13	8	(3)	(16)
Deferred tax assets / (liabilities)	**637**	**526**	**265**			
Movement in deferred taxes				**(73)**	**22**	**29**

15. Income tax (continued)

* Deferred tax recognized in the statement of comprehensive income relates to the impairment of financial assets of Telelink Business Services EAD, which are not intrinsic to the Business Services business line and therefore, they have not been included in the combined financial statements (see Note 3). Telelink Business Services EAD has a legal right to refund the deferred tax asset if a taxable profit is earned in a future reporting period.

The reconciliation between the movement in deferred tax assets / liabilities for 2018, 2017 and 2016 is as follows:

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Balance on 1 January	526	265	232
Deferred tax recognised in the statement of comprehensive income	(73)	22	29
Change in deferred tax not recognised in the statement of comprehensive income	184	239	4
Balance on 31 December	**637**	**526**	**265**

The Group's tax liabilities are based on the tax returns submitted to the tax authorities and are determined finally after being verified by the national tax authorities or after the expiry of a five-year term following the year of submission, as the case may be.

16. Assets classified as held for sale

In 2016, Telelink Business Services EAD acquired apartments located in town of Aheloi against its trade receivables from a customer as a result of a public sale procedure completed on 9 December 2016.

In October 2018, Telelink Business Services EAD acquired apartments in Serbia as collateral on a loan.

The apartments have been classified as held for sale as management is committed to a plan for their sale.

At the end of 2018 and 2017, an external valuer was engaged to assess the market value of the properties; the assessment showed no indications of impairment of these assets.

17. Prepayments

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Balance on 1 January	**7,477**	**8,146**	**6,154**
Charged during the year	9,676	11,739	11,777
Recognised in profit or loss	(10,276)	(12,408)	(9,785)
Balance on 31 December	**6,877**	**7,477**	**8,146**
Current	4,173	5,433	5,657
Non-current	2,704	2,044	2,489
	6,877	**7,477**	**8,146**

Prepayments comprise mainly prepaid extended maintenance in addition to the standard warranty provided by the suppliers of the equipment.

18. Property, plant and equipment

at 31 December 2018	Land and Buildings	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Total
Cost	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2018	-	1,173	854	521	520	1,201	**4,269**
Additions	-	83	239	16	1	656	**995**
Disposals	-	(151)	(89)	(394)	(10)	(2)	**(646)**
Transferred from inventory	-	-	119	-	-	-	**119**
Transferred to inventory	-	(92)	-	-	-	-	**(92)**
Exchange adjustment	-	-	-	1	-	-	**1**
Balance as of 31 December 2018	-	1,013	1,123	144	511	1,855	**4,646**
Accumulated depreciation:							
Balance as of 1 January 2018	-	(1,014)	(706)	(449)	(376)	(70)	**(2,615)**
Depreciation for the year	-	(100)	(184)	(20)	(57)	(211)	**(572)**
Disposals	-	150	85	349	10	2	**596**
Transferred to inventory	-	78	-	-	-	-	**78**
Exchange adjustment	-	-	-	(1)	-	-	**(1)**
Balance as of 31 December 2018	-	(886)	(805)	(121)	(423)	(279)	(2,514)
Net book value as of 1 January 2018	**-**	**159**	**148**	**72**	**144**	**1,131**	**1,654**
Net book value as of 31 December 2018	**-**	**127**	**318**	**23**	**88**	**1,576**	**2,132**

at 31 December 2017	Land and Buildings	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Total
Cost	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2017	-	1,131	827	518	521	16	**3,013**
Additions	-	40	177	182	-	1,185	**1,584**
Disposals	-	(6)	(154)	(181)	(1)	-	**(342)**
Transferred from inventory	-	7	-	-	-	-	**7**
Transferred to inventory	-	(7)	-	-	-	-	**(7)**
Exchange adjustment	-	8	4	2	-	-	**14**
Balance as of 31 December 2017	-	1,173	854	521	520	1,201	**4,269**
Accumulated depreciation:							
Balance as of 1 January 2017	-	(877)	(691)	(377)	(301)	(16)	**(2,262)**
Depreciation for the year	-	(136)	(144)	(110)	(75)	(54)	**(519)**
Disposals	-	6	132	40	1	-	**179**
Transferred to inventory	-	1	-	-	-	-	**1**
Exchange adjustment	-	(8)	(3)	(2)	(1)	-	**(14)**
Balance as of 31 December 2017	-	(1,014)	(706)	(449)	(376)	(70)	**(2,615)**
Net book value as of 1 January 2017	**-**	**254**	**136**	**141**	**220**	**-**	**751**
Net book value as of 31 December 2017	**-**	**159**	**148**	**72**	**144**	**1,131**	**1,654**

18. Property, plant and equipment (continued)

at 31 December 2016	Land and Buildings	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Total
Cost	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2016	323	967	668	499	521	21	**2,999**
Additions	-	180	171	21	2	-	**374**
Disposals	-	(14)	(10)	-	-	(5)	**(29)**
Change in use	(319)	-	-	-	-	-	**(319)**
Exchange adjustment	(4)	(2)	(2)	(2)	(2)	-	**(12)**
Balance as of 31 December 2016	-	1,131	827	518	521	16	**3,013**
Accumulated depreciation:							
Balance as of 1 January 2016	(27)	(753)	(537)	(298)	(227)	(19)	**(1,861)**
Depreciation for the year	(10)	(139)	(168)	(79)	(76)	(2)	**(474)**
Disposals	-	14	10	-	-	5	**29**
Change in use	37	-	-	-	-	-	**37**
Exchange adjustment	-	1	4	-	2	-	**7**
Balance as of 31 December 2016	-	(877)	(691)	(377)	(301)	(16)	**(2,262)**
Net book value as of 1 January 2016	**296**	**214**	**131**	**201**	**294**	**2**	**1,138**
Net book value as of 31 December 2016	**-**	**254**	**136**	**141**	**220**	**-**	**751**

The Group has established registered pledges over all movable assets, machinery and equipment of Telelink Business Services EAD in favour of a creditor bank (2018: BGN 648 thousand, 2017: BGN 505 thousand; 2016: BGN 678 thousand).

As at 31 December 2018, the net carrying amount of assets acquired by the Group under finance leases was BGN 1,644 thousand (2017: BGN 1,131 thousand; 2016: BGN 42 thousand).

19. Investment property

	2018	***2017***	***2016***
	BGN'000	***BGN'000***	***BGN'000***
Balance on 1 January	332	332	-
Transferred from owner-occupied to investment property	-	-	332
Change in the fair value of investment property	10	-	-
Balance on 31 December	**342**	**332**	**332**

	2018	***2017***	***2016***
	BGN'000	***BGN'000***	***BGN'000***
Rental income derived from investment property	29	41	6
Net profit on investment property carried at fair value	**29**	**41**	**6**

19. Investment property (continued)

Description of valuation techniques and key assumptions used in determining the fair value of the investment property

Valuation technique	Discounted cash flow method (DCF method)
Key assumptions	
− Estimated rent per sq.m. per month	EUR 7.10 – 6.61
− Rent growth per year	1%
− Discount rate	9%

20. Intangible assets

at 31 December 2018	Software	Development Costs	Other	Total
Cost	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Balance as of 1 January 2018	2,283	167	67	**2,517**
Additions	155	533	-	**688**
Disposals	(21)	-	(57)	**(78)**
Balance as of 31 December 2018	2,417	700	10	**3,127**
Accumulated amortization:				
Balance as of 1 January 2018	(1,992)	-	(64)	**(2,056)**
Amortisation for the year	(346)	-	(1)	**(347)**
Disposals	21	-	57	**78**
Balance as of 31 December 2018	(2,317)	-	(8)	(2,325)
Net book value as of 1 January 2018	**291**	**167**	**3**	**461**
Net book value as of 31 December 2018	**100**	**700**	**2**	**802**

at 31 December 2017	Software	Development Costs	Other	Total
Cost	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Balance as of 1 January 2017	1,556	716	67	**2,339**
Additions	12	166	-	**178**
Transfers	715	(715)	-	**-**
Balance as of 31 December 2017	2,283	167	67	**2,517**
Accumulated amortization:				
Balance as of 1 January 2017	(966)	-	(63)	**(1,029)**
Amortisation for the year	(1,026)	-	(1)	**(1,027)**
Balance as of 31 December 2017	(1,992)	-	(64)	**(2,056)**
Net book value as of 1 January 2017	**590**	**716**	**4**	**1,310**
Net book value as of 31 December 2017	**291**	**167**	**3**	**461**

20. Intangible assets (continued)

at 31 December 2016	Software	Development Costs	Other	Total
Cost	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2016	559	-	71	**630**
Additions	997	716	-	**1,713**
Disposals	-	-	(4)	**(4)**
Balance as of 31 December 2016	1 556	716	67	**2,339**
Accumulated amortization:				
Balance as of 1 January 2016	(514)	-	(55)	**(569)**
Amortisation for the year	(452)	-	(12)	**(464)**
Disposals	-	-	4	**4**
Balance as of 31 December 2016	(966)	-	(63)	**(1,029)**
Net book value as of 1 January 2016	**45**	**-**	**16**	**61**
Net book value as of 31 December 2016	**590**	**716**	**4**	**1,310**

The Group invests considerable resources in the development of new products - software solutions in areas, such as, next generation communications, information and cyber security, integrated security, Internet of Things.

The Group carried out an annual impairment testing as at the end of 2018. There were no indicators that the carrying amount of the intangible assets exceeded their recoverable amount and, as a result, no impairment loss was recognized in the financial statements.

21. Inventories

	2018	*2017*	*2016*
	BGN'000	*BGN'000*	*BGN'000*
Materials	48	48	33
Goods	2,425	1,151	1,200
Dispatched goods	763	1,488	297
Work in progress	629	1,376	345
	3,865	**4,063**	**1,875**

Inventories written down

	2018	*2017*	*2016*
	BGN'000	*BGN'000*	*BGN'000*
Balance on 1 January	62	72	15
Impairment accrued	-	-	57
Impairment utilized	-	(10)	-
Balance on 31 December	**62**	**62**	**72**

22. Trade and other receivables and contract assets

Trade and other receivables

	2018	*2017*	*2016*
	BGN'000	*BGN'000*	*BGN'000*
Trade receivables from related parties, gross (Note 31)	588	353	363
Trade receivables from third parties, gross	25,157	23,203	23,105
Impairment	(317)	(325)	(266)
Accrued revenue*	-	2,136	788
Trade receivables	**25,428**	**25,367**	**23,990**
Other receivables*	956	688	394
Trade and other receivables	**26,384**	**26,055**	**24,384**

*On the initial application of IFRS 15, Accrued revenue and Warranty receivables were excluded from Trade and other receivables and classified as Contract assets.

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.

The Group has established registered pledge over the trade receivables of Telelink Business Services EAD in favour of a creditor bank (2018: BGN 7,947 thousand, 2017: BGN 12,123 thousand; 2016: BGN 4,587 thousand).

Under the conditions of the loan agreement signed between Comutel DOO and Raiffeisen AD Beograd, the respective loan funds are utilized against a pledge of at least equal amounts of the receivables from a key account. As at 31 December 2018, the funds utilized amounted to BGN 5,308 thousand.

Contract assets

As at 31 December 2018, the Group had contract assets of BGN 3,746 thousand. The Group did not expect credit losses on contract assets.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2018	*2017*	*2016*
	BGN'000	*BGN'000*	*BGN'000*
Impairment on 1 January under IAS 39	**325**	**266**	**303**
Adjustments on initial application of IFRS 9	-	-	-
Impairment on 1 January under IFRS 9	**325**	**266**	**303**
Amounts written off	-	-	(37)
Net impairment	(8)	59	-
Impairment on 31 December	**317**	**325**	**266**

22. Trade and other receivables and contract assets (continued)

The ageing analysis of trade receivables and contract assets as at 31 December 2018 is presented in the following table:

			Days past due				
	Current	**< 30 days**	**31-60 days**	**61-90 days**	**91-180 days**	**>181 days**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Trade receivables from related parties, gross	555	8	1	4	12	8	**588**
Trade receivables from third parties, gross	23,992	208	352	17	78	510	**25,157**
Contract assets, gross	3,746	-	-	-	-	-	**3,746**
Expected credit loss	-	-	-	-	-	(317)	**(317)**
Total trade receivables and contract assets	**28,293**	**216**	**353**	**21**	**90**	**201**	**29,174**

23. Loans granted

	Maturity	*2018 BGN'000*	*2017 BGN'000*	*2016 BGN'000*
Current				
Related parties (Note 31)	2018/2019	6,426	-	-
		6,426	**-**	**-**

The loan to related parties represents amounts transferred to Telelink Bulgaria EAD under a cash management agreement. According to the contract terms and conditions, the interest rate is 0.50%.

24. Cash and cash equivalents

	2018 BGN'000	*2017 BGN'000*	*2016 BGN'000*
Cash on hand	2	6	-
Cash and cash equivalents in current accounts	3,282	4,509	1,238
Cash and cash equivalents in accounts subject of special conditions	-	2,862	-
Short-term deposits	29	31	18
	3,313	**7,408**	**1,256**

Cash in bank accounts bear floating interest rates based on the daily interest rates on bank deposits. Short-term deposits are made for various periods between one week and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits at 31 December 2018 equals their carrying amount.

25. Government grants

In 2012 Telelink Business Services EAD received approval for government grants in the scope of Operational Programme Competitiveness' procedure "Achieving compliance with internationally recognized standards and introduction of management control system in the enterprises". In 2017, Telelink Business Services EAD entered into another contract with the Ministry of Economic to receive a grant under the project "Implementation of Innovative Services" as part of the Operational Program "Innovation and Competitiveness" 2014-2020.

Under both contracts, the grants were utilised for the purchase of certain items of property, plant and equipment and intangible assets, as well as for the provision of hired services under the 2017 contract. There are no unfulfilled conditions concerning the contracts.

Government grants are recognized in profit and loss on a systematic basis in the periods in which the costs arise.

25. Government grants (continued)

	2018 BGN'000	***2017 BGN'000***	***2016 BGN'000***
Balance on 1 January	1	2	12
Received during the year	372	-	-
Recognized in profit or loss (Note 12)	(201)	(1)	(10)
Balance on 31 December	**172**	**1**	**2**
Current	130	1	1
Non-current	42	-	1
	172	**1**	**2**

26. Interest-bearing loans and borrowings

Current	**Interest rate, %**	***2018 BGN'000***	***2017 BGN'000***	***2016 BGN'000***
Interest-bearing loans from related parties	2% - 5%	4	1,845	-
Revolving credit facilities		5,308	-	1,351
Bank loans	2% - 6.5%	-	-	2,696
		5,312	**1,845**	**4,047**

Interest-bearing loans from related parties
In December 2017, Telelink Business Services EAD signed a financial support contract with Telelink Bulgaria EAD. According to the agreement, an interest rate of 2.25% is applied. The amount outstanding as 31 December 2018 was BGN 4 thousand.

Revolving credit lines
On 28 January 2018, Comutel DOO concluded with a bank a short-term loan for working capital of an agreed amount of BGN 8,541 thousand (USD 5,000 thousand), maturing within one year. The loan is fully secured by a pledge of receivables from a key account. The funds utilized as at 31 December 2018 amounted to BGN 5,308 thousand.

26. Interest-bearing loans and borrowings (continued)

Reconciliation of the movement of liabilities to cash flows from financing activity:

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Interest-bearing loans and borrowings on 1 January	**1,845**	**4,047**	**5,698**
Proceeds from borrowings	23,566	2,695	18,221
Repayments of borrowings	(20,749)	(5,019)	(19,875)
Set-off of borrowings	626	120	93
Loans converted into capital	-	-	(90)
Interest expenses	159	78	172
Interest paid	(135)	(76)	(172)
Interest-bearing loans and borrowings on 31 December	**5,312**	**1,845**	**4,047**

27. Leases

Finance lease

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments for the Group:

	2018		**2017**		**2016**	
	Minimum payments	*Present value of payments*	*Minimum payments*	*Present value of payments*	*Minimum payments*	*Present value of payments*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Within 1year	535	538	299	277	15	14
From 1 to 5 years	921	890	793	766	24	23
Total minimum payments	1,456	1,428	1,092	1,043	39	37
Finance costs – decrease	(28)	-	(49)	-	(2)	-
Present value of minimum payments	**1,428**	**1,428**	**1,043**	**1,043**	**37**	**37**

Operating lease commitments – the Group as a lessee:

The Group has entered into commercial leases on certain offices. There are no restrictions placed upon the lessee. Future minimum rentals payable under operating leases as at 31 December for the Group are as follows:

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Within 1year	921	998	1,058
From 1 to 5 years	3,362	74	1,193
	4,283	**1,072**	**2,251**

28. Trade and other payables

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Trade payables to related parties (Note 31)	439	3,749	60
Trade payables to third parties	22,387	18,254	21,562
Expenses accrued	1,203	1,403	1,036
Trade payables	**24,029**	**23,406**	**22,658**
Tax liabilities	1,590	2,154	1,028
Dividends and other payables to related parties (Note 32)	508	-	-
Other payables	911	7,374	1,401
Trade and other payables	**27,038**	**32,934**	**25,087**

Trade payables are non-interest bearing and are normally settled on 30-60-day terms.

Tax liabilities are non-interest bearing and are settled within the statutory deadlines.

Other payables are non-interest bearing and have an average term of 30 days.

29. Contract liabilities

	2018 *BGN'000*	*On 1 January 2018* *BGN'000*
Contract liabilities	110	10
Advances received	5,820	6,982
Deferred income	6,654	6,973
Total contract liabilities	**12,584**	**13,965**
Current	10,000	11,900
Non-current	2,584	2,065
	12,584	**13,965**

Upon initial application of IFRS 15, Advances received and Deferred income, representing amounts billed to customers prior to performance of the contractual obligation, are classified within Contract liabilities.

30. Retirement benefit liability

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Balance on 1 January	5	7	17
Charged for the year	3	-	4
Utilized for the year	-	(2)	(14)
Transferred in restructuring	-	-	-
Balance on 31 December	**8**	**5**	**7**

30. Retirement benefit liability (continued)

Principle assumptions used for accounting purposes:

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Discount rate	2,36%	2,36%	2,36%
Future salary increase	5%	5%	5%
Personnel retention rate	80,14%	80,14%	80,14%

There have been no reasonably possible changes in key assumptions that could have a significant impact on the retirement benefit liability as of year-end.

The average duration of the retirement benefit obligation is 27.79 years.

31. Related party disclosure

Name	Nature of relationship*	Group Companies Affected
Telelink Business Services EAD (Bulgaria)	Subsidiary of	Telelink Business Services Group EAD – 100%
Comutel DOO (Serbia)	Subsidiary of	Telelink Business Services Group EAD – 100%
Telelink DOO – Podgorica (Montenegro)	Subsidiary of	Telelink Business Services Group EAD – 100%
Telelink DOO (Bosna and Herzegovina)	Subsidiary of	Telelink Business Services Group EAD – 100%
Telelink DOO (Slovenia)	Subsidiary of	Telelink Business Services Group EAD – 100%

*For the purposes of preparation of these combined financial statements, the companies have been treated as subsidiaries of Telelink Business Services Group EAD.

Other related parties

Name	Nature of relationship*	Group Companies Affected	Remarks
Marifons Holdings Limited (Cyprus)	Ultimate parent company		
V_investment Holdings B.V. (The Netherlands)	Shareholder of	Telelink Holdings B.V. – 87.65%	
Promiteria Enterprises LTD (Cyprus)	Shareholder of	Telelink Holdings B.V. – 12.35%	
Telelink Holdings B.V. (The Netherlands)	Parent company	Telelink Business Services Group EAD – 100%	
Telelink Bulgaria EAD (Bulgaria)	Subsidiary of	Telelink Holdings B.V. – 100%	Incorporated in 2017
Telelink Infra Services EAD (Bulgaria)	Subsidiary of	Telelink Bulgaria EAD – 100%	Incorporated in 2017
Telelink City Services EAD (Bulgaria)	Subsidiary of	Telelink Bulgaria EAD – 100%	Incorporated in 2017
Telelink Labs EOOD (Bulgaria)	Subsidiary of	Telelink Bulgaria EAD – 100%	Acquired in 2018
Secnet EAD (Bulgaria)	Under the control of	Telelink Business Services EAD – 49%	Sold in 2019

31. Related party disclosure (continued)

Other related parties

Name	Nature of relationship*	Group Companies Affected	Remarks
Telelink Services Romania SRL (Romania)	Subsidiary of	Telelink Bulgaria EAD – 100%	
Telelink MK DOOEL (North Macedonia)	Subsidiary of	Telelink Bulgaria EAD – 90%	
Telelink (UK) Limited (United Kingdom)	Subsidiary of	Telelink Bulgaria EAD – 100%	
Telelink GmbH (Germany)	Subsidiary of	Telelink Bulgaria EAD – 100%	
Telelink DOO (Serbia)	Subsidiary of	Telelink Bulgaria EAD – 100%	Sold in 2018
URT TOV (Ukraine)	Subsidiary of	Telelink Bulgaria EAD – 100%	Sold in 2018
Richhill EOOD (Bulgaria)	Under joint control		
V-Investment Bulgaria EOOD (Bulgaria)	Under joint control		

Participation in joint arrangements

Name	Nature of relationship*	Affected Group companies
Consortium E-Health (Bulgaria)	Interest	Telelink Business Services EAD – 80%
Green Border OOD (Bulgaria)	Interest	Telelink Business Services EAD – 50%
Consortium ATP Services (Bulgaria)	Interest	Telelink Business Services EAD
Consortium Telesec (Bulgaria)	Interest	Telelink Business Services EAD – 50%
Consortium Telelink Info (Bulgaria)	Interest	Telelink Business Services EAD – 78%
Consortium Telelink Group (Bulgaria)	Interest	Telelink Business Services EAD – 50%
Consortium Green Broder 3 (Bulgaria)	Interest	Telelink Business Services EAD – 75.91%

Set out below is the total amount of the transactions concluded with related parties throughout the respective financial year, as well as the outstanding balances as at the end of each financial year:

Trade	**Sales to related parties**			**Purchases from related parties**		
	2018	***2017***	***2016***	***2018***	***2017***	***2016***
Name	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Entities with controlling interest in the Group	-	-	-	28	90	136
Other related parties (under common control)	1,540	264	740	1,868	199	61
	1,540	**264**	**740**	**1,896**	**289**	**197**

Interest	**Charged to related parties**			**Charged by related parties**		
	2018	***2017***	***2016***	***2018***	***2017***	***2016***
Name	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Entities with controlling interest in the Group	-	-	-	-	-	1
Other related parties (under common control)	1	1	-	65	3	-
	1	**1**	**-**	**65**	**3**	**1**

31. Related party disclosure (continued)

Trade	Receivables from related parties			Payables to related parties		
	2018	*2017*	*2016*	*2018*	*2017*	*2016*
Name	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Entities with controlling interest in the Group	-	-	-	29	31	-
Other related parties (under common control)	588	294	363	410	3,718	60
	588	**294**	**363**	**439**	**3,749**	**60**

Loans granted (Principal+Interest)	Receivables from related parties			Payables to related parties		
	2018	*2017*	*2016*	*2018*	*2017*	*2016*
Name	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Other related parties (under common control)	6,426	-	-	4	1,845	-
	6,426	**-**	**-**	**4**	**1,845**	**-**

Amounts due by related parties are included in trade and other receivables (Note 22) and loans granted (Note 23). Amounts due to related parties are included in trade and other payables (Note 28) and interest-bearing loans and borrowings (Note 26).

Receivables and payables from and to related parties cannot be set-off. Outstanding balances of trade receivables and trade payables at the year-end are unsecured, interest-free and settlement occurs in cash.

Joint arrangements

The interests of Telelink Business Services EAD in joint arrangements are regulated by consortium agreements. Telelink Business Services EAD and the other parties agree, based on mutual cooperation, to combine their efforts in the form of consortium to implement certain projects where no party holds control. The partners participate with assets, liabilities, income and expenses corresponding to their share in the consortium. The consortiums generate no profit or loss.

Set out below are the interests of Telelink Business Services EAD – income, expenses, assets and liabilities in the consortiums:

Trade	Sales			Purchases		
	2018	*2017*	*2016*	*2018*	*2017*	*2016*
Name	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Consortium E-Health (Bulgaria)	-	800	1,438	-	-	-
Consortium ATP Services	201	101	86	-	-	-
Consortium Telesec	1,470	2,136	-	-	-	-
Consortium Telelink Info	-	1,183	-	-	-	-
	1,671	**4,220**	**1,524**	**-**	**-**	**-**

Trade	Receivables			Payables		
	2018	*2017*	*2016*	*2018*	*2017*	*2016*
Name	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Consortium E-Health (Bulgaria)	-	-	264	-	-	-
Consortium ATP Services	387	77	-	-	-	-
Consortium Telesec	-	496	-	-	-	-
	387	**573**	**264**	**-**	**-**	**-**

31. Related party disclosure (continued)

Remuneration of key management personnel

	2018 BGN'000	*2017 BGN'000*	*2016 BGN'000*
Short-term benefits	929	1,740	2,525
Post-employment benefits	-	-	-
Termination benefits	-	-	-
	929	**1,740**	**2,525**

32. Dividends distributed

Set out below are the dividends distributed by the Group companies to the parent company Telelink Holdings B.V. in 2018, 2017 and 2016:

	2018 BGN'000	*2017 BGN'000*	*2016 BGN'000*
Name			
Comutel DOO	3,129	2,347	1,702
Telelink DOO – Podgorica	219	-	-
Telelink DOO, Bosna and Herzegovina	211	-	-
Telelink DOO, Slovenia	307	-	-
Telelink Business Services EAD	1,000	-	-
	4,866	**2,347**	**1,702**

The dividends from Telelink DOO, Bosnia and Herzegovina, and Telelink DOO, Slovenia, were not paid as at 31 December 2018.

33. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. If carrying amounts approximate fair values of financial assets and liabilities not measured at fair value, no information on the fair values is shown.

			Fair value measurement through use of		
2018	**Date of valuation**	**Total** *BGN'000*	**Quoted prices in active markets (Level 1)** *BGN'000*	**Significant observable inputs (Level 2)** *BGN'000*	**Significant unobservable inputs (Level 3)** *BGN'000*
Assets measured at fair value					
Investment property					
Office properties	18.01.2019	342	-	-	342
Total		**342**	**-**	**-**	**342**

33. Fair value measurement (continued)

			Fair value measurement through use of		
2017	Date of valuation	Total *BGN'000*	Quoted prices in active markets (Level 1) *BGN'000*	Significant observable inputs (Level 2) *BGN'000*	Significant unobservable inputs (Level 3) *BGN'000*
Assets measured at fair value					
Investment property					
Office properties	01.11.2016	332	-	-	332
Total		**332**	**-**	**-**	**332**

			Fair value measurement through use of		
2016	Date of valuation	Total *BGN'000*	Quoted prices in active markets (Level 1) *BGN'000*	Significant observable inputs (Level 2) *BGN'000*	Significant unobservable inputs (Level 3) *BGN'000*
Assets measured at fair value					
Investment property					
Office properties	01.11.2016	332	-	-	332
Total		**332**	**-**	**-**	**332**
Liabilities measured at fair value					
Financial liabilities measured at					
Derivatives not designated as hedges (Interest rate swap)	31.12.2016	7	-	7	-
Total		**7**	**-**	**7**	**-**

34. Commitments and contingencies

Litigations and claims: There are no significant litigation or claims against the Group.

Guarantees: Bank guarantees under contracts with clients and participation in tenders, issued by the Group servicing banks at 31 December 2018, amounted to BGN 10,748 thousand.

Capital commitments: The Group had no capital commitments as at 31 December 2018, 2017 and 2016.

35. Financial risk and capital management objectives and policies

The Group's principal financial liabilities comprise interest-bearing loans and borrowings, and trade payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, loans granted, and cash and short-term deposits that derive directly from its operations.

In 2018 and 2017, the Group neither owned nor traded in derivative financial instruments.

35. Financial risk and capital management objectives and policies

The Group is exposed primarily to interest rate risk, liquidity risk, currency risk, and credit risk. The Group's policies for managing each of these risks are summarised below.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's revolving credit lines for current financing of working capital and to a lesser extent, to finance lease contracts bearing floating (variable) interest rates (Note 26).

The Group's policy is to manage its interest expenses by employing financial instruments bearing fixed and floating interest rates and assuming the risk relating to revolving credit lines due to the inherently variable nature of exposures thereto; moreover, the Group keeps track of changes in periodically updated floating and variable indices with a view to possibly fixing or hedging interest rates on financial leases.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments is:

	2018	*2017*	*2016*
	BGN'000	***BGN'000***	***BGN'000***
Fixed-rate instruments			
Financial assets	9,736	7,402	1,256
Loans granted (principal)	6,425	-	-
Cash and cash equivalents	3,311	7,402	1,256
Financial liabilities	(663)	(1,842)	-
Interest-bearing loans and borrowings (principal)	-	(1,842)	-
Finance leases	(663)	-	-
	9,073	**5,560**	**1,256**
Effect (relative amount) of interest rate swaps	-	-	(539)
	9,073	**5,560**	**717**

	2018	*2017*	*2016*
	BGN'000	***BGN'000***	***BGN'000***
Floating-rate instruments			
Financial assets	-	-	-
Loans granted (principal)	-	-	-
Financial liabilities	(6,073)	(1,043)	(4,084)
Interest-bearing loans and borrowings (principal)	(5,308)	-	(4,047)
Finance leases	(765)	(1,043)	(37)
	(6,073)	**(1,043)**	**(4,084)**
Effect (relative amount) of interest rate swaps	-	-	539
	(6,073	**(1,043)**	**(3,545)**

A change of 100 basis points in interest rates at the date of the financial statements would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

35. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

Effect in thousands of Bulgarian leva	**Profits or losses**	
	1.00% Increase	**-1.00%** Decrease
31 December 2018		
Floating-rate instruments	(59)	53
Interest rate swap	-	-
Sensitivity of cash flows (net)	**(59)**	**53**
31 December 2017		
Floating-rate instruments	(10)	-
Interest rate swap	-	-
Sensitivity of cash flows (net)	**(10)**	**-**
31 December 2016		
Floating-rate instruments	(32)	14
Interest rate swap	5	(5)
Sensitivity of cash flows (net)	**(27)**	**9**

Due to the negotiation of minimal interest rates equal to either interest margin or total interest rate at the date of signature of the contract for certain instruments, the effects of an increase and decrease by the same change in interest rate are asymmetrical.

Currency risk

The Group trades in different markets and in local currencies that are different from its functional currency, as well as in third-party currencies, including mostly purchases in US dollars. Consequently, it faces transaction and translation exchange rate risks. The Group's exposure to changes in exchange rates of local currencies is is substantially limited owing to the fixed EUR/BGN and EUR / BAM exchange rate maintained under the currency board systems operating in Bulgaria and Bosnia and Herzegovina, as well as by the adoption of the Euro as a National currency of Montenegro. Therefore, the total sales and profits generated in jurisdictions using or pegged to the Euro or BGN have the largest share in the consolidated results. The Group is exposed to translation currency risk in Serbia relative to the floating exchange rates of Serbian Dinar (RSD).

A significant part of revenue and cost of sales, including locally sourced goods and services, labour and other fixed costs, are denominated in the local currencies of the operational subsidiaries.

Third-party currency risk relative to other trading is limited by existing contractual arrangements for the exchange rate indexation of receivables in Serbia and Slovenia.

Outstanding risks from foreign currency trading are mitigated by Group companies by matching the timing and currencies of its trade receivables and payables, to the extent possible, as well as by occasional forward purchases of US Dollars for the payment of uncovered payables.

35. Financial risk management objectives and policies (continued)

Currency risk (continued)

The tables below demonstrate the sensitivity to a possible changes on the following exchange rates:

	USD BGN'000	RSD BGN'000
Interest-bearing loans and borrowings (principal)	(5,308)	-
Trade and other payables	(12,240)	(415)
Contract liabilities	(40)	-
Trade and other receivables	2,613	10,836
	(14,975)	**10,420**

	Effect on pre-tax profit	
	+5% BGN'000	**-5%** BGN'000
Change in USD exchange rate	(749)	749
Change in RSD exchange rate	521	(521)
	(228)	**228**

Credit risk

The Group seeks to trade only with recognised, creditworthy third parties, such as, leading telecoms, public institutions and multinational companies, and long-lasting partners with proven credit history. The receivable balances and maturities are monitored on an ongoing basis. Therefore, the Group's credit risk exposure is very limited.

The credit risk that arises from other financial assets of the Group, such as cash and other financial assets, is related to the Group's credit exposure to default risks on the part of its counterparties.

The maximum credit exposure of the Group related to the recognised financial assets equals their carrying amount as stated in the balance sheet as of 31 December 2018.

Liquidity risk

Liquidity risk is managed through the planning of cash flows and ensuring sufficient cash, as also by agreeing credit limits and financial support with renown local banks and strategically engaged partners.

The following table summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

35. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

31 December 2018	On demand	< 3 months	3-12 months	1 - 5 years	> 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest-bearing loans and borrowings	-	4	-	5,308	-	5,312
Finance leases	-	-	535	921	-	1,456
Trade and other payables	4,809	19,364	391	-	-	24,564
Contract liability	-	432	9,570	2,582	-	12,584

31 December 2017	On demand	< 3 months	3-12 months	1 - 5 years	> 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest-bearing loans and borrowings	-	1,845	-	-	-	1,845
Finance leases	-	-	299	793	-	1,092
Trade and other payables	4,676	18,307	539	-	-	23,523

31 December 2016	On demand	< 3 months	3-12 months	1 - 5 years	> 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest-bearing loans and borrowings	1,351	2,696	-	-	-	4,047
Finance leases	-	-	15	24	-	39
Trade and other payables	9,456	13,286	8	-	-	22,750
Other financial liability	-	5	2	-	-	7

Capital management

The main objective of capital management of the Group is to ensure stable credit rating and equity ratios in view of continuation of its business and maximizing its value to the shareholders.

The Group manages its capital structure and adjusts it, where necessary, depending on the changes in the economic environment. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018, 2017 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest-bearing loans and borrowings, finance lease liabilities, trade and other payables, contract liabilities, less cash and cash equivalents, excluding discontinued operations.

35. Financial risk management objectives and policies (continued)

	2018 *BGN'000*	*2017* *BGN'000*	*2016* *BGN'000*
Interest-bearing loans and borrowings	5,312	1,845	4,047
Finance lease liabilities	1,428	1,043	37
Trade and other payables	27,038	32,934	25,087
Contract liabilities	12,584	-	-
Less cash and short-term deposits	(3,313)	(7,408)	(1,256)
Net debt	**43,049**	**28,414**	**27,915**
Equity	9,034	6,236	3,906
Adjusted equity	**9,034**	**6,236**	**3,906**
Capital and net debt	**52,083**	**34,650**	**31,821**
Gearing ratio	83%	82%	88%

36. Events after the date of the combined financial statements

On 20 May 2019, the Board of Directors of Telelink Bulgaria EAD decided to incorporate Telelink Albania ShPK, a limited liability company from Albania. The company's capital amounts to BGN 20 thousand (EUR 10 thousand), 90% held by Telelink Bulgaria EAD and 10% by Picard Ivanov DOOEL, a limited liability company, from North Macedonia. The company was incorporated on 3 June 2019. By the decision for transformation of Telelink Bulgaria EAD dated 29 July 2019, 90% of the company's capital was transferred to Telelink Business Services Group EAD. At the date of preparation of these combined financial statements, the capital was fully paid-in.
The dividends distributed by the Group companies to Telelink Bulgaria EAD after the date of the combined financial statements amount to BGN 5,858 thousand, which includes BGN 3,444 thousand from Comutel DOO, BGN 2,000 thousand from Telelink Business Services EAD, and BGN 415 thousand from Telelink DOO - Podgorica.

On 14 August 2019 the Decision for reorganization of Telelink Bulgaria EAD pursuant to Art 262(s) of the Commercial Act of the Republic of Bulgaria is registered in the Trade Register. As of that date Telelink Business Services Group EAD as an Accepting company becomes the successor of all assets, rights and obligations related to the separate activity.

On 19 August 2018, Telelink Holdings B.V. concluded a contract with Lyubomir Mihaylov Minchev for the sale of 9,831,250 ordinary, registered, materialised shares conferring a right to one vote, representing 78,65% of the capital of Telelink Business Services Group EAD, for a purchase price of BGN 9,359 thousand (EUR 4,785 thousand), payable within one month as of the date of signature of the contract.

On 19 August 2018, Telelink Holdings B.V. concluded a contract with Marifons Holdings Limited for the sale of 1,125,000 ordinary, registered, materialised shares conferring a right to one vote, representing 9% of the capital of Telelink Business Services Group EAD, for a purchase price of BGN 1,071 thousand (EUR 548 thousand), payable within one month as of the date of signature of the contract.

On 19 August 2018, Telelink Holdings B.V. concluded a contract with Alexandrea Invest Group OOD for the sale of 771,875 ordinary, registered, materialised shares conferring a right to one vote, representing 6,175% of the

36. Events after the date of the combined financial statements (continued)

capital of Telelink Business Services Group EAD, for a purchase price of BGN 735 thousand (EUR 376 thousand), payable within one month as of the date of signature of the contract.

On 19 August 2018, Telelink Holdings B.V. concluded a contract with Asset Management EAD for the sale of 771,875 ordinary, registered, materialised shares conferring a right to one vote, representing 6,175% of the capital of Telelink Business Services Group EAD, for a purchase price of BGN 735 thousand (EUR 376 thousand), payable within one month as of the date of signature of the contract.

The Group's management declares that after the end of the reporting period and until the date of approval of these consolidated financial statements there have been no other significant and/or important events, besides those described above, which would affect the results or operations of the Group that, if not disclosed, would affect the true and fair presentation of the financial statements.