Specialized Logistics Systems AD (SLS) has prepared this annual consolidated financial statement in accordance with the provisions of the Accountancy Act, Art. 100н, para. 7 of the Public Offering of Securities Act (POSA), and Annex 10 to Art. 32, para. 1, item 2 of Ordinance No. 2 dated 17.09.2003 for the prospects at public offering and access to trade on a regulated securities market and for disclosure of information by public companies and other issuers of securities.
The interim consolidated financial statement of Specialized Logistics Systems AD gives material information about the financial position of and the results achieved by the group.. The statement reflects the position and the development perspectives of the group.
In the past third quarter, Specialized Logistics Systems AD took an active part in the management of the subsidiaries in order to achieve higher economic efficiency, improve the organizational structure of the companies, improve the organization of work and increase the qualification and skills of the human factor.

1. INFORMATION FOR THE COMPANY

Specialized Logistic Systems AD is a trade company registered under company registration 1295/1996 of the Sofia Regional Court in the Republic of Bulgaria with address of management city of Sofia, 43, Christopher Columbus blvd., The company's scope of business mainly comprises financial instruments trade.
Specialized Logistic Systems JSC is represented and managed by the Executive Director, Mr. Ilian Zafirov Dinev

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis of preparation of the financial statements

This financial statement is prepared in compliance with all International Financial Reporting Standards (IFRS), which comprise: standards and interpretations of the Standing Interpretation Committee (SIC), as approved by the International Accounting Standards Committee (IASC), which remain in force.
The companies keep their books in Bulgarian leva (BGN). The data in the financial statement are presented in thousand BGN.
To present the financial statements in compliance with the International Financial Reporting Standards requires the management to make the best estimates, accruals and reasonably justified assumptions, which affect the reported amounts of assets and liabilities and the disclosure of contingent receivables and payables as of the reporting date, and the reported amounts of revenue and expenses for the reporting year, respectively. Such estimates, accruals and assumptions are based on the information available as of the financial statement date and therefore the future actual results might be different therefrom.
The accounting policies adopted are consistent with those of the previous reporting period, , unless otherwise stated.

New standards, amendments and Interpretations to IFRS that came into effect on 1 January 2018

The Company applies the following new standards, amendments and interpretations to IFRS developed and published by the International Accounting Standards Board, which have an impact on the Company's financial statements and are mandatory for annual periods beginning on or after 1 January 2018:

IFRS 9 "Financial Instruments" in force as of January 1, 2018, adopted by the EU

IFRS 9 Financial Instruments supersedes IAS 39 Financial Instruments: Recognition and Measurement". The new standard introduces significant changes in the classification and assessment of financial assets and a new model of expected credit loss for impairment of financial assets.
In applying IFRS 9, **the Company has used the transitional relief and has chosen not to recalculate previous periods. Differences arising from the application of IFRS 9 in relation to classification, measurement and impairment are recognized in retained profit.**

Classification and assessment of the Company's financial assets have been reviewed on the basis of the new criteria that take into account the agreed cash flows for the assets and the business model under which they are managed.
Only two major categories of ratings are identified - at depreciated value and at fair value.
Upon the entry into force of IFRS 9 as of January 1, 2018 the previously existing categories in IAS 39 are eliminated: 1. Held-to-Maturity investments, 2. Credits and receivables, 3. Available-for-sale financial assets and 4. Financial Assets reported at Fair Value in Profit or Loss.
On the basis of the Company's business model on the management of financial assets and the characteristics of the resulting contractual cash flows, management has decided to classify financial assets primarily in the "Financial assets measured at depreciated value" and "Financial assets measured at fair value through profit or loss"
The new model of expected credit loss replaces the incurred loss model in IAS 39, which means that there will be no need to have an event, related loss before recognizing impairment. Based on the calculations made on January 1, 2018, the impairment of financial assets that is reported in the current financial statements of the Company has a material effect on both the value of the financial assets and the accumulated earnings/losses from the beginning of the reporting period.
The effect of applying IFRS 9, the approach, reclassification and measurements are disclosed in explanatory note 2.2. "Preparation basis - changes in accounting policies" and explanatory note 2.16 "Effect from changes in accounting policies".
IFRS 9 "Financial Instruments" (as amended) - Prepayments features with negative compensation, effective from 1 January 2019, adopted by the EU - the amendments allow companies to measure certain financial assets that can be paid early on with negative compensation at fair value in other comprehensive income instead of profit or loss.

IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018 - adopted by the EC). This standard is an entirely new standard. It introduces a comprehensive set of principles, rules and approaches for the recognition, reporting and disclosure of information on the type, amount, period and uncertainty associated with income and cash flows arising from contracts with counterparties. The Standard replaces the current income recognition standards, mainly IAS 18 and IAS 11, and the related interpretations. The guiding principle of the new standard is the creation of a model of steps whereby the determination of parameters and timing of revenue are commensurate with the liability of each party to the transaction between them. The key components are: (a) commercial contracts with customers and an assessment of the probability that the entity will collect the contracted amounts under the terms of the contract; (b) identification of the individual performance liabilities under the contract for goods or services - a possibility to distinguish from other commitments under the contract from which the client would derive benefits; (c) Determination of transaction price - the amount the entity expects to receive against the transfer of the relevant good or service to the customer - Particular attention shall be paid to the variable component of the price, financial component and component received in kind ; (d) allocation of the transaction price between the individual execution liabilities under the contract - normally based on the individual (individual) selling price of each component; and (e) the timing or period of revenue recognition - in the successful execution of a contractual liability by transferring control over the promised good or service, either at a given time or for a certain period of time. The following clarifications are made: (a) to identify performance liabilities on the basis of specific promises for the supply of goods or services, (b) to identify whether a company is the principal or agent in the supply of goods or services, and (c) for the transfer of licenses. The Standard permits both full retrospective application and modified retrospective application from the beginning of the current reporting period with certain disclosures for prior periods. The new standard has no impact on the accounting policy as well as on the values and classification of the Company's assets, liabilities, operations and results in respect of its operating income and/or receivables.

IFRS 16 "Leases" effective from 1 January 2019, adopted by the EU - This Standard supersedes the guidance in IAS 17 Leasing and introduces significant changes in the reporting of leases, especially on the part of lessees. Under IAS 17, lessees were required to distinguish between a finance lease (recognized in the balance sheet) and an operating lease (recognized off-balance-sheet). IFRS 16 requires lessees to recognize a lease liability that reflects future lease payments and a 'right to use an asset' for almost all lease contracts. The IASB has included a right of option for some short-term leases and leases of under-priced assets; this exception can only be applied by the lessee.
Accounting by the lessors remains almost unchanged.

Under IFRS 16 about a contract that is or contains a lease, it is considered a contract that confers the right to control the use of the asset for a certain period of time against consideration.
Management is in the process of assessment the effect of applying the standard, but can not yet provide quantitative information. In order to determine the effect, the following actions have been taken

- a full review of all contracts is carried out in oder to assess whether additional contracts will not be considered as leasing contracts under the new definition of IFRS 16;
- it shall be decided which implementing conditions to be selected; or full retrospective application or partial retrospective implementation (meaning that comparative information will not be changed). Partial implementation allows current contracts not to be judged whether they contain leases or other benefits. The decision on which approach to be chosen is important because it can not be changed later;
- current disclosures about finance lease contracts are reviewed.
- it is determined which accounting simplification is applicable to the leasing contracts and whether the right of exemption will be used;
- the additional disclosures required are considered.

The amendments in Transfers of Investment Property (Amendments to IAS 40) in force from January 1, 2018, adopted by the EU - the amendment clarifies that transfer to and from investment properties can only take place if there is a change in the use of the property due to the fact that these properties start or cease to meet the definition of investment property.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration " effective from 1 January 2018 adopted by the EU - the Interpretation provides guidance on how to account for prepayments or payments of non-monetary assets or non-monetary liabilities, respectively, before the entity recognizes the related asset, expense or income. For the purposes of determining the exchange rate, the transaction date is the date of the original prepayment for a non-monetary asset or a deferred income liability. If there are several advance payments or receipts, for each individual payment, a transaction date should be specified.

Annual improvements to IFRS 2014-2016, in force since 1 January 2018, adopted by the EU

- IFRS 1 "First-time implementation of IFRS" - Elimination of short-term exemptions for first-time adopters of IFRSs on the transition to IFRS 7, IAS 19 and IFRS 10 which are no longer applicable.

- IAS 28 Investments in Associates and Joint Ventures - Evaluation of an associate or a joint venture at fair value. The amendment clarifies that the choice by the venture capital organizations, joint ventures, trusts and similar organizations to evaluate investments in associates or joint ventures at fair value through profit or loss should be carried out separately for each associate or joint venture upon initial recognition.

Standards, amendments and interpretations to existing standards that are not yet effective and are not applied by the Group from an earlier date

At the date of approval of these financial statements, new standards, amendments and interpretations have been published to existing standards that have not yet entered into force or were not adopted by the EU for the financial year beginning 1 January 2019 and have not been applied. from an earlier date by the Company. Below is represented an information about these standards and amendments that have an impact on the Company's financial statements.

The management expects all standards and amendments to be adopted in the Group's accounting policies for the first period beginning after the date of their entry into force.

IFRS 14 "Deferred Accounts at Regulated Prices" effective from 1 January 2018, not yet adopted by the EU - IFRS 14 allows first-time adopters to continue recognizing amounts, related to regulated prices in accordance with the requirements of their previous accounting bases when applying IFRSs. In order to enhance the comparability of financial reporting of entities which are already applying IFRS and do not recognise such balances, the Standard requires separate disclosure of the effect of the regulated prices.

IAS 19 "Employee Benefits" (as amended) - Change in plan, termination or settlement - in effect from 1 January 2019, not yet adopted by the EU - These amendments require the Company to:

- to use updated assumptions to determine expenses for current length of service and net interest rate for the remainder of the period following the change, reduction or settlement of the plan; and
- recognized in the profit or loss as part of past service cost or settlement profit or loss any reduction in surplus, even if this surplus has not previously been recognized due to the impact of the asset's upper limit.

IAS 28 Investments in Associates and Joint Ventures - Long-term Investments in Associates and Joint Ventures effective from 1 January 2019) - not yet adopted by the EU - The amendment clarifies that companies should recognize long-term participations in associates and joint ventures for which the equity method does not apply in accordance with IFRS 9.

IFRIC 23 "Uncertainty about reporting income tax" effective from 1 January 2019 has not yet been adopted by the EU - The Interpretation provides guidance on how the IAS 12 Recognition and Measurement requirements should be applied when there is uncertainty about the reporting of income tax.

Annual improvements to IFRS 2015-2017, in force since 1 January 2019, have not yet been adopted by the EU - These amendments include minor changes to:

- IFRS 3 Business Combinations - the company should reassess its previous share in a jointly controlled activity when it acquires control of the business.
- IFRS 11 Joint ventures - the company should reassess its previous share in a jointly controlled activity when it acquires joint control of the business.
- IAS 12 "Taxes on revenue" - the Company recognizes all tax consequences of dividend payments in the same way as they themselves.
- IAS 23 Borrowing Costs - the Company considers each loan originally taken to develop an asset as part of total loans when the asset is ready for the intended use or sale.

2.2. Preparation basis - Changes in accounting policy

The accounting policy adopted is consistent with that one applied in the previous year, with the exception of the new IFRS 9 which is applied for the first time with effect from 1 January 2018.

The application of IFRS 9 has affected the following areas:

Changes resulting from IFRS 9 - Classification and measurement of financial assets
The Group has adopted the following approach for the classification of its financial assets when switching from IAS 39 to IFRS 9 categories:

Categories under IAS 39	Categories under IFRS 9
Credits and receivables	Financial assets, debt instruments measured at depreciated value, including:
	• Monetary funds and deposits - Monetary funds held in banks "on demand", as well as deposits with maturity and stock for more than 3 months from the relevant reporting date.
	Trade and other receivables constituting financial assets - are trade receivables from the ordinary course of trade, which also include the specific taxes/fees due on the total transactions realized in the course of normal business operations

	Credits and loans
Investments held-to-maturity	Financial assets, debt instruments measured at depreciated value
Financial assets measured at fair value in profit and loss	Financial assets measured at fair value through profit or loss
Available-for-sale financial assets	Financial assets, equity instruments, measured at fair value through profit or loss

Changes resulting from IFRS 9 - Impairment of financial assets
Regarding the measurement and measurement of the expected credit losses of the financial assets, the management of the Group has adopted the following approaches:
- trade and other receivables - a simplified approach based on the "expected default rate", using a provision matrix, over the life of the asset.
- Loans and loans granted - a common (three-tier) standardized approach based on the "probability of default" method and the Group assesses at which reporting date the financial asset that is subject to impairment testing at each reporting date after the initial recognition. The stage defines the relevant impairment requirements.

Stage 1	Stage 2	Stage 3
Includes financially sustainable financial assets that are expected to be serviced under their contractual terms and for which there are no signs of increased credit risk. Impairment is formed on the basis of the expected loss for the next 12 months instead of the full term of the asset.	Includes financial assets whose credit risk has increased significantly since their initial recognition, but there is no objective evidence of credit impairment. The transition to Stage 2 is triggered by the relative change in credit risk and not by the absolute credit risk available at the reporting date. Impairment shall be formed on the basis of the expected loss for the entire life of the asset.	Includes financial assets whose credit risk has increased significantly since their initial recognition анд there is objective evidence of impairment. Impairment shall be formed on the basis of the expected loss for the entire life of the asset.

2.3. Comparative data and recalculation of initial balances

The Group presents comparative information in this financial report for one prior year.
Where necessary, comparative data are reclassified in order to achieve comparability with the changes in the amounts presented in the current year.

2.4. Reporting currency

The Bulgarian Lev (BGN) is the functional and reporting currency of the Company. Since 01.07.1997 the RON is fixed in accordance with the BGN 1: DEM 1 Law of the BNB, and with the introduction of the euro as the official currency of the European Union with the euro in the amount of BGN 1.95583: EUR 1.
Cash, receivables and payables denominated in foreign currency are reported in BGN at the exchange rate as of the date of the operation and are revaluated on monthly basis by using the official exchange rate of the Bulgarian National Bank at the last working day of the month. At the end of the reporting period they are presented at the closing rate of the BNB
Exchange rate gains and losses are treated as current revenue and expense and are presented in the income statement as financial revenues and expenses.

2.5. Revenues

The Group uses the following 5 steps to determine whether and how to recognize revenue:

1. Identification of contract with customer

2. Identifying performance liabilities in contracts

3. Determining the transaction price

4. Allocation of the transaction price to the liabilities to be executed

Revenue recognition when the liabilities to be executed have been met.

Revenue shall be recognized either at a given time or over the time when, or until the Group has satisfied its performance liabilities by delivering the promised goods or services to its clients.

The Group recognizes a consideration as a liability under a contract received in respect of unmet payments that are enforceable and presents them as "other liabilities" in the statement of financial position. Similarly, if the Group satisfies a payment to be executed before receiving the remuneration, it recognizes it in the statement of financial position either as an asset under the contract or as a receivable, depending on whether or not something other than a specified time is required of the remuneration.

In any event, the total transaction price for a given contract should be distributed among the various payments to be executed on the basis of the relative standalone sales prices of the individual products and services. The transaction price under the contract excludes all amounts collected in the name and on behalf of third parties.

Income from interest

Interest income is related to loans provided by the company. They are reported on a daily basis using the effective interest method.

Income from dividends

Dividend income is recognized when the entitlement to such dividend is established.

Assets and liabilities under contracts with customers

The Group recognizes assets and/or liabilities under contract when one of the parties to the contract has fulfilled its liabilities depending on the relationship between the business of the enterprise and the payment by the customer. The Group recognizes as separate one any unconditional right to remuneration as a receivable. Receivable is the unconditional right of an enterprise to receive remuneration.

Liabilities under a contract are recognized in the statement of financial position if a client pays a fee or the Group has the right to remuneration that is unconditional before the ownership of the good or service is transferred.

The Group recognizes them as assets under contract when the liabilities to be executed have been satisfied and the payment is not due on the part of the customer. An asset under contract is the entity's right to receive remuneration in exchange for the goods or services that the enterprise has transferred to a customer.

Subsequently, the Group determines the amount of impairment for an asset under contract in accordance with IFRS 9 "Financial Instruments".

2.6. Expenses

Operating expenses

Operating expenses are recognized in profit or loss on the use of the services or at the date of their occurrence. The Group recognizes two types of costs related to the execution of contracts with customers for the delivery of services/goods: expenses of signing/reaching the contract and expenses of execution of the contract. When costs are not eligible for deferral under IFRS 15, they should be recognized as current expenses at the time they are incurred, such as not expected to be reimbursed or the re-routing period is up to one year.

The following operating costs are always reflected as current expense when they occur:

- Common and administrative expenses (unless they are at the client's expense);
- Expenditure dedicated to scrapping on inventories;
- Expenditure related to payment execution;
- Costs for which an entity can not determine whether it is related to a satisfied or unsatisfied payment to be executed.

Warranty costs are recognized and deducted from the related provisions when recognizing the related revenue.

Interest and borrowing expense

Interest expense is accounted on a regular basis using the effective interest method. Borrowing costs represent mainly interest on the Group's borrowings. All borrowing costs that may be directly attributable to the purchase, construction or production of a qualifying asset are capitalized during the period in which the asset is expected to be completed and ready for use or sale. Other borrowing costs should be recognized as an expense for the period in which they arise are included in the profit or loss/profit or loss account and other comprehensive income in the line "Financial expenses".

Where loans have been assigned without a specific purpose and are used to acquire a qualifying asset, the amount of borrowing costs that may be capitalized is determined by applying a capitalization rate to the cost of that asset. The capitalization rate is the weighted average of borrowing costs attributable to the Group's borrowings that are outstanding during the period, excluding loans received specifically for the purpose of acquiring a qualifying asset.

2.7. Property, machinery and equipment

Property, machinery and equipment (fixed tangible assets) are presented at cost, less accrued depreciation and impairment losses.

Initial acquisition

Upon initial acquisition of property, machinery and equipment, they are valued at cost, which includes the purchase price, customs fees and all other direct costs necessary to bring the asset into working condition. Direct expenses mainly are as follows: expenses for preparation of the object, expenses for initial supply and processing, expenses for installation, expenses for project related persons' fees, non-refundable taxes, etc.

Subsequent measurement

The approach chosen for the subsequent balancing evaluation of property, machinery and equipment is the recommended approach under IAS 16 - acquisition price reduced by accrued amortization and accumulated impairment losses.

Subsequent expenses

Subsequent expenditures relating to property, machinery and equipment that have the nature of replacement of certain components, key parts and aggregates, or of improvements and reconstruction are capitalized to the carrying amount of the respective asset. At the same time, the unamortized part of the replaced components is written off from the carrying amount of the assets and is recognized in the current expense for the reorganization period.

Interest expenses

Expenses on interest on loans/loans that relate specifically to the property which is under construction are capitalized in the value of the property.

Depreciation Methods

A straight-line method of amortization of intangible assets is used Land shall not be depreciated. The expiry date by individual assets is determined taking into account: physical wear and tear, specifics of the equipment, future intentions for use and the assumed obsolescence. The expiry date by asset group is as follows:

- machinery, facilities and equipment - from 3 to 4 years
- computers, peripheral devices, software - 2 years
- cars - 4 years
- others - 6 to 7 years

The specified periods of useful lives of the fixed assets are reviewed at the end of each period under review and if significant deviations are identified with respect to future expectations about the period of use of assets, the same is corrected prospectively.

Impairment of assets

The net book values of property, machinery and equipment are subject to impairment review when events or change in circumstances have occurred, indicating that the net book value might be permanently different from their recoverable amount. If such indications exist showing that the estimate recoverable amount is less than their net book value, the latter is derecognised up to the assets' recoverable amount. The recoverable amount of tangible fixed assets is the higher of the both: net market price or value in use. For the determination of the value in use of assets, the future cash flows are discounted to their present value by applying a discount factor before tax which reflects the current market conditions and estimates of the time value of the money and the risks specific to the asset. Impairment losses shall be recognized in Statement income, unless if for respective asset is not formed a revaluation reserve. Then the impairment shall be treated as a reduction of that reserve, unless it is not exceeding its amount, and the excess is included as an expense in income statements.

2.8. Intangible assets

An asset is classified as an intangible asset when it is an identifiable non-financial resource that is acquired and controlled by the entity that has no physical substance (although the asset may be a physical substance); which is essential for the enterprise's business; the acquisition could be reliably estimated and has a value of not less than BGN 700, as well as an economic benefit is expected from its use.

Intangible assets acquired from an external supplier are initially measured at acquisition price. Assets created in the enterprise are initially valued at cost, which is determined in a manner identical to the method of determining the cost of production produced in the enterprise.

Research and development costs are recognized in the cost of an asset only if the company can demonstrate the technical feasibility of the asset's completion that it will be available for use or sale and that the intangible asset will generate probable future economic benefits. Otherwise, costs should be recognized at the moment they are incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses

The useful life of intangible assets is defined as limited, as follows:

Software	from 2 to 5 years
Licenses	from 1 to 3 years
Trademarks	from 1 to 10 years

Intangible assets with definite useful 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 definite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expenses of intangible assets with definite useful lives are classified as per their function in the statement of comprehensive income, in accordance with the use (purpose) of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

2.9. Investment properties

Investment property is initially measured at cost, including the purchase price and any costs that are directly related to the investment property, such as fees for legal services, property transfer taxes and other transaction costs.

The Group recognizes land and/or buildings that are held for rental income and/or for capital increase as investment property on a fair value model basis.

Investment properties are revalued on an annual basis and their market values are included in the statement of financial position. They are defined by independent valuers with the necessary professional qualifications and significant professional experience depending on the nature and location of the investment property, based on evidence of market conditions.

Any gain or loss attributable to a change in fair value or sale of an investment property is recognized immediately in profit or loss in the line "Change in the fair value of investment property". As at the end of the period under review, the Group does not own investment property.

2.10. Investments in subsidiaries and associates

Long-term investments representing shares in subsidiaries and associates are presented at are presented at cost.
The Group classifies its financial assets in the following categories: **Financial assets accounted for at fair value through profit or loss**; receivables and financial assets held for sale. The classification is made according to the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at the time of purchase and reevaluates it at each reporting date. When the conditions for depreciation are established, the same is recognized in the income statement.

2.11. Inventory

Inventories include materials, work in progress and goods. The cost of inventories includes direct costs of purchase or production, processing and other direct costs associated with their delivery, as well as part of total production costs determined on the basis of normal production capacity. Financial costs are not included in the value of inventories. At the end of each reporting period, inventories are measured at the lower of the two values - their cost and their net realizable value. The amount of any impairment of inventories to their net realizable value is recognized as an expense for the period of impairment.
Net realizable value is the estimated selling price of inventories, reduced by the expected costs of the sale. In the event that inventories have already been impaired to their net realizable value, and in a subsequent accounting period, it appears that the conditions that led to the impairment are no longer present, then their new net realizable value is assumed. The amount of the refund may only be up to the carrying amount of inventories before impairment. The amount of any reversal of any write-down of inventories, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.
The Group determines the cost of inventories using the weighted average method.
In the case of the sale of inventories, their carrying amount shall be recognized as an expense in the period in which the revenue is recognized.

2.12. Leasing

The Group have concluded financial leasing contracts.
In accordance with the requirements of IAS 17 Leases, the rights to dispose of the asset are transferred from the lessor to the lessee where the lessee bears the material risks and rewards, varising from ownership of the leased asset.
When a finance lease contract is concluded, the asset is recognized in the statement of financial position of the lessee at the lower of the two values, the fair value of the leased asset and the present value of the minimum lease payments plus unforeseen payments, if any. The statement of financial position also reflects the related financial lease liability, regardless of whether part of the lease payments are due in advance when the finance lease contract is concluded.
Subsequently, lease payments are allocated between finance expense and a reduction in the unpaid finance lease liability.
Leases of land and buildings are classified separately by allocation between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease.
Assets acquired under finance leases are depreciated in accordance with IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets.

The interest portion of the lease payment represents a constant percentage of the outstanding liability and is recognized in the profit or loss statement for the lease term.
All other leasing contracts are considered as operating leasing contracts. Payments under an operating leasing contracts are recognized as an expense on the straight-line basis over the term of the arrangement. Expenses related to operating leases, such as maintenance and insurance costs, are recognized in profit or loss at the time they arise.
The Group is not a lessor under lease agreements.

2.13. Share capital and reserves

The joint stock companies in the Group are obliged to register in the Commercial Register a certain amount of share capital to serve as collateral for creditors' claims towards them. The shareholders are responsible for the liabilities of to the amount of the share capital and may claim returning of this share only in liquidation or bankruptcy.
Pursuant to the requirements of the Commercial Law and the Articles of Association, the companies are obliged to form a reserve - the "Reserve Fund", which is formed on behalf of:

- at least one tenth of the profit which is set aside until the funds in the fund reach one tenth of the share capital or a larger part determined by decision of the General Meeting of Shareholders;
- the funds received over the nominal value of the shares upon their issuance (premium reserve);
- other sources provided by decision of the General Meeting.

Resources from the reserve fund can only be used to cover annual loss or losses from previous years. When the resources in the fund reached the determined in the Articles of Association minimum amount, the exceeding resources can be used to increase of the share capital.

2.14. Profit tax

Taxes recognized in profit or loss include the amount of deferred and current taxes, which are not recognized in other comprehensive income or directly in equity.
Current tax assets and/or liabilities represent these liabilities to or receivables from the tax institutions, relating to current or prior reporting periods that were not paid at the date of preparation of the financial statements. Current tax is payable on taxable income that is different from profit or loss in the financial statements. The calculation of the current tax is based on the tax rates and tax laws in force at the end of the reporting period.
Deferred tax is calculated using the passive method for all temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax is not provided for when the asset or liability is initially recognized, unless the transaction concerned affects tax or accounting profit.
Deferred tax assets and liabilities are not subject to discounting. In their calculation, tax rates that are expected to be applicable for the period of their realization are used, provided they have entered into force or are certain to become effective at the end of the reporting period.
Deferred tax liabilities are recognized in full amount.
Deferred tax assets are recognized only if they are probable that they will be accrued through future taxable profits.
Deferred tax assets and liabilities are offset only when the Group has legal ground and intention to offset the current tax assets or liabilities within the scope of the same tax authority.
Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss unless they are related to items recognized in other comprehensive income or directly in equity,where the relevant deferred tax is recognized in other comprehensive income or in equity.

2.15 Financial instruments

2.15.1. Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to contractual arrangements involving financial instruments.

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

Financial liabilities are derecognised when the liability, specified in the contract, have been fulfilled, derecognised or expires.

2.15.2. Classification and measurement of financial assets

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

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

- Financial assets, debt instruments measured at depreciated value
- Financial assets at fair value through profit and loss;
- financial assets at fair value through other comprehensive income, with or without reclassification in profit or loss, depending on whether they are debt or equity instruments.

The classification of financial assets is determined on the basis of the following two conditions:

- the business model for managing the financial assets of the Group;
- the characteristics of the contractual cash flows of the financial asset.

All income and expense associated with financial assets recognized in profit or loss should be included in financial expenses, financial income or other financial items, except for the impairment of trade receivables, which is presented under 'Other expenses' in the profit or loss statement and other comprehensive income.

2.15.3. Subsequent measurement of financial assets

Financial assets, debt instruments measured at depreciated value

Financial assets are measured at amortized cost if the assets meet the following criteria and are not designated for fair value through profit or loss:

- Group manages assets in a business model that aims to hold financial assets and to collect contractual cash flows;
- under the contractual terms of the financial asset, on specific dates cash flows arise, which represent only principal and interest payments on the outstanding amount of the principal.

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest rate. Discarding is not performed when its effect is inessential. In this category, the Group also classifies cash and cash equivalents/cash, trade and other receivables that were previously classified as held-to-maturity financial assets in accordance with IAS 39.

Financial assets at fair value through profit and loss;

Financial assets for which the business model "Held for the collection of contractual cash flows" or business model "Held for collection and sale" is not applicable, as well as financial assets whose contractual cash flows are not only principal and interest payments shall be reported at fair value through profit or loss. All derivative financial instruments are accounted in this category except for those that are designated and effective as hedging instruments and for which hedge accounting requirements apply (see below).

This category also includes investment in equity instruments. The Group recognizes this investment at fair value through profit or loss and has not made an irrevocable choice for accounting at fair value through other comprehensive income.

Changes in the fair value of assets in this category are accounted in profit or loss. The fair value of financial assets in this category is determined by quoted prices in an active market or by using valuation techniques in the absence of such an active market.

Financial assets measured at fair value through other comprehensive income

The Group recognises financial assets at fair value in other comprehensive income if the assets meet the following conditions:

- The Group manages assets in a business model that aims to hold the financial assets to collect contractual cash flows and sell them; and

- under the contractual terms of the financial asset, on specific dates cash flows arise, which represent only principal and interests payments on the outstanding amount of the principal.

Financial assets measured at fair value through other comprehensive income includes:

- Equity securities that are not held for trading and which the company irrevocably has chosen at initial recognition to be recognized in this category.

- Debt securities where the contractual cash flows are only principal and interest and the purpose of the holding company's business model is achieved both by collecting contractual cash flows as well as by selling the financial assets.

For the disposal of equity instruments in this category, any value recognised in the revaluation reserve of the instruments is reclassified to retained profit.

For the disposal of debt instruments in this category, any value recognised in the revaluation reserve of the instruments is reclassified to profit or loss for the period.

2.15.4. Impairment of financial assets

The new impairment requirements under IFRS 9 use more information oriented to the future to recognize the expected credit losses - the "expected credit losses" model replaces the "incurred loss model" presented in IAS 39.

Instruments that fall within the scope of the new requirements, include loans and other debt financial assets measured at amortized cost and at fair value through other comprehensive income, trade receivables, assets under contracts recognized and measured under IFRS 15, and credit commitments and certain financial guarantee contracts (with the issuer), which are not recognized at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the occurrence of a event with credit loss . Instead, in assessing credit risk and assessing expected credit losses, the Group considers a wider range of information, including past events, current conditions, reasonable and supporting forecasts that affect the expected future cash flow of the instrument.

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

- financial instruments whose credit quality did not deteriorate significantly compared to the time of initial recognition or have a low credit risk (Stage 1) and

- financial instruments whose credit quality has deteriorate significantly compared to the time of initial recognition or or where the credit risk is not low (Stage 2)

- "Stage 3" covers financial assets that have objective evidence of impairment at the accounting date.

12-month expected credit losses are recognized in the first category while the expected loss for the full term of the financial instruments are recognized in the second category. Expected credit losses are determined as the difference between all contractual cash flows that are due to the Group and the cash flows it is actually expected to receive ("cash deficit"). This difference is discounted at the original effective interest rate (or the adjusted effective interest rate against the credit).

The calculation of expected credit losses is determined on the basis of the probability-weighted measurement of credit losses during the expected period of the financial instruments.

Trade and other receivables, assets under contracts and receivables under leasing contracts

In accounting for trade and other receivables as well as contract assets, the Group uses a **simplified approach** and recognizes impairment losses as expected credit losses over the entire period. They represent the expected deficit in contractual cash flows, given the possibility of default at any time during the term of the financial instrument. The Group uses its accumulated experience, external indicators and long-term information to calculate the expected credit losses by allocating customers to 4 major groups according to their specific characteristics (see explanatory note 2.2). Basis of preparation - Changes in accounting policy, trade and other receivables/and using a provision matrix.

Financial assets measured at fair value through other comprehensive income

The Group recognizes the expected 12-month credit losses for financial assets measured at fair value through other comprehensive income. At each reporting date, the Group measures whether there is a significant increase in the credit risk of the instrument.

In measuring these risks, the Group relies on available available information such as credit ratings issued by the major credit rating agencies for the asset concerned. The group holds only simple financial instruments for which specific credit ratings are usually available. If there is no information or information on the factors affecting the rating of the available asset is limited, the Company shall aggregate similar instruments in a portfolio to assess whether there is a significant increase in credit risk.

In addition, the Group considers other indicators such as adverse business changes, economic or financial conditions that may affect the ability of the issuer of the equity instrument/borrower to satisfy its debt payments or unexpected changes in the issuer/borrower's operating results

If any of these indicators results in a significant increase in the credit risk of the instruments, the Group shall recognize these instruments or class of these instruments as expected credit losses for the entire life of the instrument. /See also explanatory note 2.2. Preparation basis - Changes in accounting policy

2.15.5. Classification and measurement of financial liabilities

The financial liabilities of the Group include borrowings, trade and other financial liabilities.

Financial liabilities are initially measured at fair value and, where applicable, shall be adjusted in respect of transaction costs.

Financial liabilities are subsequently measured at amortized cost using the effective interest method.

All costs related to interest and, if applicable, changes in the fair value of the instrument that are recognised in profit or loss are included in financial expenses or financial income.

As at 31 30.09.2019, the fair value of financial assets at fair value through profit or loss amounts to BGN 61 330 thousand. The revaluation made is at the closing rate of the primary market in which the financial instruments are traded.

	30.09.2019	*31.12.2018*
	BGN'000	*BGN'000*
At beginning of the period	**58 251**	**48 000**
Purchases	9 141	103 653
Sales	(12 124)	(97 064)
Net gain / (loss) from adjustment to fair value	5 195	3 662
At the end of the period	**60 643**	**58 251**

2. 16 Effect of changes in accounting policy

As disclosed, IFRS 9 and IFRS 15 have been applied without recalculation of comparative information. Reclassifications and adjustments arising from these changes in the Company's accounting policies are not accounted for in the statement of financial position at 31 December 2017 but are recognized in the statement of financial position as at 1 January 2018

The following table shows the adjustments recognized for each individual item. Positions not affected by the changes are not included.

Statement of financial position	**31 December 2017 Thousand BGN**	**IFRS 9 Thousand BGN**	**1 January 2018 Thousand BGN Recalculated**
Non-current assets			
Receivables from related parties	51 049	(74)	50 975
Trade and other receivables	25 624	(535)	25 089
	76 673	**(609)**	**76 064**
Current assets			
Receivables from related parties	1 734	(466)	1 268
Trade and other receivables	19 102	(59)	19 043
	20 836	**(525)**	**20 311**
Total	**97 509**	**(1 134)**	**96 375**
Equity			
Equity attributable to the owners of the parent-company:			
Retained earnings/(Accumulated loss)	5 116	(1 134)	3 982
Total	**5 116**	**(1 134)**	**3 982**

The overall effect on the retained earnings of the Company as at 1 January 2018 is presented as follows:

	Retained earnings Thousand BGN
Closing balance at 31 December 2017 - IAS 39/IAS 18	**5 116**
Adjustments from the application of IFRS 9:	
Increase in impairment of trade receivables and assets under contracts	(1 134)
Opening balance as at 1 January 2018 - IFRS 9	**3 982**

3. RISK MANAGEMENT DISCLOSURES.

Liquidity Risk

Liquidity risk is the risk that the Group will experience difficulties in meeting its liabilities under its current liabilities. The Group's approach for liquidity management is to guarantee, as far as possible, that it will always have sufficient liquidity to meet its liability when they are due in normal and unusual situation, without sustaining any unreasonable losses or damages for the its reputation.

The table below presents the assets and liabilities of the Group by groups depending on their maturity on the basis of remaining term as from the date of the balance sheet until the date of agreed maturity:

Residual maturity of assets and liabilities as at 31.12.2019 (in thousands of BGN)	Up to 1 month	3-12 months	1 - 15 years	Total
Assets				
Cash and cash equivalents	1 144	-	-	1 144
Trade and other receivables	-	28 836	92 793	121 629
Financial assets	-	59 020	-	59 020
Total assets	**1 144**	**87 856**	**92 793**	**181 793**
Liabilities				
Bank and bond loans	-	1 979	154 879	156 858
Trade and other payables	-	16 933	228	17 161
Total liabilities	**-**	**18 912**	**155 107**	**174 019**
Net maturity difference	**1 144**	**68 944**	**(62 314)**	**7 774**

Currency Risk

The Group operates in Bulgarian lev - BGN. The management believes that under the conditions of Currency Board and fixed BGN/EUR exchange rate, the entity is not exposed to substantial unfavourable impacts of fluctuations in the BGN/EUR exchange rate.

Interest rate risk

As interest-bearing liabilities (borrowings) are fixed-rate, the company's exposure to interest rate risk is considered by the management as low.

Credit Risk

The entity's management determines the credit risk as low, which stems from the specificity of the entity's business as the services are paid in a timely manner.

4. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS OF THE SPECIALIZED LOGISTICS SYSTEMS AD AS OF 30 SEPTEMBER

The notes to the consolidated financial statements present information about the individual status of the companies included in this consolidation after eliminating all domestic transactions and balances within the Group.

4.1. REVENUE FROM SALES, (NET)	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Revenue from sale of production	1	-
Revenue from the sale of goods	610	802
Carrying amount of assets sold (excluding production)	(282)	(409)
Income from sales of goods and merchandise (net)	**329**	**393**
Revenue from sale of services	6 001	6 573
Other revenue	12	13
Total operating income (net)	**6 342**	**6 979**
Expenditure by type of activity:		
Change in stocks of production and work in progress	(1)	-
Expenses for inventory	(254)	(306)
Expenses for external services	(2 830)	(3 382)
Expenses for depreciation	(350)	(446)
Remunerations expenses and for social insurance	(2 662)	(2 309)
Other expenses	(229)	(970)
Total expenses from operation:	**(6 326)**	**(7 413)**
RESULT OF MAIN ACTIVITY	**16**	**(434)**

4.2. EXPENSES FOR INVENTORY	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
IT Soft EAD	177	230
GPS Control EAD	33	31
Prophonica EOOD	38	42
Balkan Telecommunication Company EOOD	2	2
Santinel Advisors	4	1
Total:	**254**	**306**

4.3. EXPENSES FOR EXTERNAL SERVICES	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Specialized Logistic Systems AD - parent company	370	580
IT Soft EAD	1 000	1 376
GPS Control EAD	568	473

Prophonica EOOD	778	838
Balkan Telecommunication Company EOOD	34	15
Santinel Advisors	80	100
Total	**2 830**	**3 382**

4.4. EXPENSES FOR DEPRECIATION	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
IT Soft EAD	102	184
GPS Control EAD	84	92
Prophonica EOOD	163	168
Balkan Telecommunication Company EOOD	1	1
Santinel Advisors	-	1
Total	**350**	**446**

4.5. STAFF COSTS	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
IT Soft EAD	1 327	1 119
GPS Control EAD	560	511
Prophonica EOOD	590	605
Balkan Telecommunication Company EOOD	48	55
Santinel Advisors	137	19
Total	**2 662**	**2 309**

4.6. OTHER EXPENSES	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Specialized Logistic Systems AD - parent company	26	345
IT Soft EAD	110	512
GPS Control EAD	41	26
Prophonica EOOD	52	87
Total	**229**	**970**

4.7. INCOME FROM INTEREST	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Specialized Logistic Systems AD - parent company	2 367	1 773
IT Soft EAD	1 817	1 936

GPS Control EAD	2	1
Prophonica EOOD	-	1
Santinel Advisors	-	1
Total	**4 186**	**3 712**

4.8. INCOME FROM DIVIDENDS	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Specialized Logistic Systems AD - parent company	156	92
IT Soft EAD	92	67
GPS Control EAD	48	35
Total	**296**	**194**

4.9. REVENUE FROM OPERATIONS WITH FINANCIAL INSTRUMENTS	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Specialized Logistic Systems AD - parent company	6 528	2 818
IT Soft EAD	3 462	1 223
GPS Control EAD	1 786	631
Total	**11 776**	**4 672**

Revenue from operations with financial instruments includes BGN 382 thousand of trading income and BGN 11 394 thousand of income from revaluation of financial assets for 2019, compared to BGN 287 thousand of trading and BGN 4 385 thousand respectively. 2018 revaluations

4.10. REVENUE FROM FOREIGN CURRENCY DIFFERENCES	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Specialized Logistic Systems AD - parent company	419	3
Santinel Advisors	1	159
Total	**420**	**162**

4.11. OTHER FINANCIAL INCOME	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Specialized Logistic Systems AD - parent company	34	-
IT Soft EAD	33	-
Prophonica EOOD	-	4

Santinel Advisors	-	4
Total	**67**	**8**

4.12. INTEREST EXPENSES	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Specialized Logistic Systems AD - parent company	3 859	3 298
IT Soft EAD	437	276
GPS Control EAD	341	365
Prophonica EOOD	71	100
Balkan Telecommunication Company EOOD	5	4
Total	**4 713**	**4 043**

4.13. OPERATING EXPENDITURE ON FINANCIAL INSTRUMENTS	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Specialized Logistic Systems AD - parent company	3 796	888
IT Soft EAD	2 370	221
GPS Control EAD	1 216	114
Total	**7 382**	**1 223**

4.14. EXPENSES FOR FOREIGN EXCHANGE RATES DIFFERENCES	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Specialized Logistic Systems AD - parent company	5	450
IT Soft EAD	1	1
GPS Control EAD	1	2
Santinel Advisors	2	24
Total	**9**	**477**

4.15. OTHER FINANCIAL EXPENSES	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Balkan Telecommunication Company EOOD	1	1
Santinel Advisors	-	317
Total	**1**	**318**

4.16. OTHER COMPREHENSIVE INCOME FROM RECALCULATION OF STATEMENTS IN FOREIGN CURRENCY	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
GPS Control EAD	(6)	-
Santinel Advisors	(60)	-
Total	**(66)**	**-**

4.17. TAX EXPENSES	**31 December 2019 BGN '000**	**31 December 2018 BGN '000**
Current corporate taxes:		
GPS Control EAD	(1)	(1)
Total current corporate taxes:	**(1)**	**(1)**
Deferred taxes:		
IT Soft EAD	-	42
GPS Control EAD	(2)	-
Prophonica EOOD	-	(1)
Total deferred taxes:	**(2)**	**41**

4.18. MACHINERY, FACILITIES AND EQUIPMENT	***Machinery, facilities, equipment***	***Cars***	***Others***	***Total***
Reporting value:				
Balance at 1 January 2019	**468**	**555**	**156**	**1 179**
Acquired	57	80	31	168
Written-off	(3)	-	(19)	(22)
Balance at 31 December 2019	**522**	**635**	**168**	**1 325**
Depreciation				
Balance at 1 January 2019	**396**	**187**	**126**	**709**
Accrued	60	134	20	214
Written-off	(3)	-	(16)	(19)
Balance at 31 December 2019	**453**	**321**	**130**	**904**
Carrying value as of 1 January 2019	**72**	**368**	**30**	**470**
Book value as of 31 December 2019	**69**	**314**	**38**	**421**

4.19. INTANGIBLE ASSETS	**Software products**
Reporting value:	
Balance at 1 January 2019	**1 630**
Acquired	27
Written-off	-
Balance at 31 December 2019	**1 657**

Depreciation

Balance at 1 January 2019	**1 040**
Accrued	136
Written-off	-
Balance at 31 December 2019	**1 176**
Carrying value as of 1 January 2019	**590**
Book value as of 31 December 2019	**481**

4.20. FINANCIAL ACTIVES

	31 December 2019 BGN'000	31 December 2018 BGN'000
Investments in associated and joint enterprises		
Specialized Logistic Systems AD - parent company	81	92
IT Soft EAD	2	2
Total non-current financial assets	**83**	**94**
Current financial assets		
Specialized Logistic Systems AD - parent company	35 399	35 138
IT Soft EAD	12 800	11 247
GPS Control EAD	6 688	6 118
Sentinel Advisors	5 576	5 748
Total current financial assets	**60 463**	**58 251**

On 08.03.2018 the subsidiary IT Soft EAD sold 10 shares to Specialized Logistic Systems AD, which make up 10% of the capital of Eurosys EOOD. Thus, the participation of IT Soft EAD has decreased from 51% to 41%.

In the second quarter of 2018, SLS acquires 99.538% of the capital of Sentinel Advisors.

In April 2019, Specialized Logistics Systems AD sold its stake in Smartnet EAD. The latter had no economic activity and its sale will not have no impact on the financial position of the SLS.

4.21. DEFERRED TAX ASSETS

	31 December 2019 BGN'000	31 December 2018 BGN'000
Specialized Logistic Systems AD - parent company	297	297
IT Soft EAD	76	76
GPS Control EAD	24	26
Total	**397**	**399**

4.22. RECEIVABLES FROM RELATED COMPANIES

	31 December 2019 BGN'000	31 December 2018 BGN'000
Non-current receivables from related companies		
Specialized Logistic Systems AD - parent company	1 000	71
Total non-current receivables	**1 000**	**71**
Current receivables from related companies		
Specialized Logistic Systems AD - parent company	8	10

IT Soft EAD	-	1
GPS Control EAD	1	2
Prophonica EOOD	10	-
Total current receivables	**19**	**13**

The non-current receivable is under contract for loan granted and the current receivables are for interest and supplies of goods and services provided to jointly controlled entities.

4.23. OTHER RECEIVABLES

	31 December 2019 BGN'000	31 December 2018 BGN'000
Other non-current receivables:		
Specialized Logistic Systems AD - parent company	49 596	28 729
IT Soft EAD	42 197	42 663
Total non-current receivables	**91 793**	**71 392**

The receivables of Specialized Logistics Systems AD stems from loan agreements with several companies, the maturity of which is until 31.12.2024.

The receivables of IT Soft EAD is under concluded loan agreements with several companies, the maturity of which is 31.12.2024. at 4.2% annual interest rate.

Other current receivables		
Specialized Logistic Systems AD - parent company	23 360	43 817
IT Soft EAD	3 342	2 189
GPS Control EAD	4	19
Prophonica EOOD	699	13
Balkan Telecommunication Company EOOD	34	34
Total current receivables	**27 439**	**46 072**

Current receivables of Specialized Logistics Systems AD include BGN 10 262 thousand of cession receivables, BGN 13 098 thousand of loans granted.

The receivables of IT Soft EAD are on loans granted, of which the principal - BGN 417 thousand and interest - BGN 2 922 thousand and other BGN 3 thousand

During the reporting period the Company collected receivables from acquired cessions in the amount of BGN 27 505 thousand and provided loans to external companies in the amount of BGN 27 915 thousand at an average annual interest rate of 3.2% and repayment period up to 2024.

4.24. COMMERCIAL REPUTATION

	31 December 2019 BGN'000	31 December 2018 BGN'000
IT Soft EAD	88	88
Prophonica EOOD	402	402
Smartnet EAD	-	41
GPS Control R s.r.l.	36	36
Balkan Telecommunication Company EOOD	39	39
Total	**565**	**606**

4.25. PREPAID EXPENSES

	31 December 2019 BGN'000	31 December 2018 BGN'000
Current prepaid expenses:		
Specialized Logistic Systems AD - parent company	1	1
IT Soft EAD	39	51
GPS Control EAD	12	29
Prophonica EOOD	19	31
Total current expenses	**71**	**112**

4.26. INVENTORIES

	31 December 2019 BGN'000	31 December 2018 BGN'000
IT Soft EAD	712	606
GPS Control EAD	568	573
Prophonica EOOD	133	135
Total	**1 413**	**1 314**

4.27. RECEIVABLES FROM CUSTOMERS AND SUPPLIERS

	31 December 2019 BGN'000	31 December 2018 BGN'000
Specialized Logistic Systems AD - parent company	21	21
IT Soft EAD	409	266
GPS Control EAD	321	533
Prophonica EOOD	604	367
Balkan Telecommunication Company EOOD	23	24
Total	**1 378**	**1 211**

4.28. RECEIVABLES ON ADVANCES GRANTED

	31 December 2019 BGN'000	31 December 2018 BGN'000
Prophonica EOOD	-	6
Total	**-**	**6**

4.29. COURT AND JUDGMENT RECEIVABLES

	31 December 2019 BGN'000	31 December 2018 BGN'000
GPS Control EAD	28	3
Total	**28**	**3**

4.30. TAX RECOVERY

	31 December 2019 BGN'000	31 December 2018 BGN'000
GPS Control EAD	19	9
Sentinel Advisors	3	-
Total	**22**	**9**

4.31. CASH AND CASH EQUIVALENTS

	31 December 2019 BGN'000	31 December 2018 BGN'000
Specialized Logistic Systems AD - parent company	37	275
IT Soft EAD	103	14
GPS Control EAD	902	508
Prophonica EOOD	42	125
Smartnet EAD	-	5
Balkan Telecommunication Company EOOD	36	31
Sentinel Advisors	24	-
Total	**1 144**	**958**

4.32. EQUITY

	31 December 2019 BGN'000	31 December 2018 BGN'000
Main share capital	535	535
Reserves	535	535
Undistributed profits from past years	9 004	7 892
Uncovered losses from past years	(2 705)	(2 705)
Current financial result profit/(loss)	4 653	2 785

Total	**12 022**	**9 042**

4.33. BANK LOANS RECEIVED	**31 December 2019 BGN'000**	**31 December 2018 BGN'000**
Non-current liabilities on bank loans:		
Specialized Logistic Systems AD - parent company	128 107	136 908
IT Soft EAD	3 470	-
Total non-current expenses	**131 577**	**136 908**

On 27.09.2017 The parent-company has signed a long-term loan agreement with a European bank. The loan is for the amount of 50 million euro at 1.8% annual interest rate and is secured by pledge on bank accounts and securities accounts. The loan funds will be used to implement the Company's growth strategy by acquiring minority holdings in several European companies that will support and further develop the activities of the other companies in the Group as well as plans to expand its portfolio of investments in low risk and high liquidity financial instruments. In March 2018, the loan was renegotiated, with the limit increased by EUR 20 million, at an annual interest rate of 2.1%. As of 30.09.2019, EUR 4.5 million were repaid and the interest was renegotiated at 2.5%.

In February 2019, IT Soft EAD has received a bank loan of EUR 2 750 thousand. at an annual interest rate of 4% per annum + 6 months EURIBOR, but not less than 4% for the whole contract period until February 2024. and with equal monthly installments of EUR 40 thousand. The Company's current liability to the parent company is repaid with the financial resources from the financing received.

4.34. LIABILITIES ON BORROWING LOANS	**31 December 2019 BGN'000**	**31 December 2018 BGN'000**
Non-current liabilities on bbond loans:		
Specialized Logistic Systems AD - parent company	10 043	10 433
IT Soft EAD	7 000	7 000
GPS Control EAD	6 259	6 650
Total	**23 302**	**24 083**

On 22.03.2017 Specialized Logistics Systems AD issues a new bond loan worth BGN 7,500 thousand. (seven million five hundred thousand leva). The nominal and issue value of each bond is BGN 1,000 (one thousand levs). The issue is maturing on 22 March 2022, the principal being payable once at maturity, together with the last interest payment. Interest on bonds is paid every six months. The nominal annual interest rate is fixed at 3.5%.

On 04 May 2010 the Specialized Logistics Systems AD has issued a bond loan amounting to BGN 2 000 thousand for a period of 5 years at 7.5% annual interest. The interest shall be paid every six months, and the principal is equal to two equal installments of 1 000 thousand euro together with the last two interest payments. On 19.11.2014 the company convened a meeting of the general meeting of the bondholders, where it was decided to change the bond parameters. The term of the bond is extended by another four years, namely until 04.05.2019. A new repayment plan is adopted and the fixed interest coupon is changed to 6% (six per cent) on an annual basis. On 03.12.2018, a general meeting of the bondholders took a decision to change the parameters of the bond loan. A new repayment plan has been adopted. The term of the bond is extended until 04.05.2019. The interest rate changes to 5.25% on an annual basis and will apply to the interest rate period beginning on 04.05.2019 to 04.05.2024 in respect of all interest payments.

On 24.10.2017г. IT Soft EAD has issued a bond issue in the amount of 7,000 bonds each 1,000 leva for a period of seven years at 3.85% annual interest. The principal is payable in five installments, the first of which is due on 24.10.2022 and the next every six months. The first four installments amount to BGN 250,000, the latter being due at maturity, together with the last interest payment, amounting to BGN 6,000,000. Interest on the bond is payable every six months. Payments on the bond loan will be made by Piraeus Bank Bulgaria AD and Central Depository AD. On 10.04.2018г. a general meeting of the bondholders took a decision to change the coefficients but the issue. Maximum value of liabilities/assets ratio changes from 0.90 to 0.98. Maximum value of Interest expense coverage ratio changes from 1.05 to 1.01

On January 10, 2011, GPS Control EAD issued a bond issue of 4,000 bonds of EUR 1,000 each for five years at 7% annual interest rate. The interest on the bond is payable every six months and the principal together with the last interest payment is on January 10, 2016. On 29 December 2015 The General Meeting of Bondholders has adopted a new repayment plan and extension of the bond until 10/01/2020. at 5% annual interest rate. On 24.10.2018г. The General Meeting of Bondholders has adopted a new repayment plan and extension of the bond until 10.01.2026. The interest coupon is reduced to 4.5% on an annual basis and will be applied from the interest period starting on 10.01.2021 and the end date is 10.01.2026 and in respect of all subsequent interest periods until the principal is finally repaid.

4.35. OTHER PAYABLES

	31 December 2019 BGN'000	31 December 2018 BGN'000
Other non-current liabilities		
IT Soft EAD	151	130
GPS Control EAD	57	77
Prophonica EOOD	20	32
Total non-current liabilities	**228**	**239**
Other current liabilities		
Specialized Logistic Systems AD - parent company	14 386	7 132
IT Soft EAD	50	50
GPS Control EAD	159	168
Prophonica EOOD	3	2 093
Balkan Telecommunication Company EOOD	8	118
Sentinel Advisors	5	1
Total current liabilities	**14 611**	**9 562**

Current liabilities of Specialized Logistics Systems AD include BGN 2 922 thousand and other BGN 3 thousand thousand of debt for securities transactions, BGN 229 thousand of debt due and 152 interest on loans with maturity in 2019.

4.36. PREPAID REVENUE

	31 December 2019 BGN'000	31 December 2018 BGN'000
Current prepaid revenus:		
GPS Control EAD	208	207
Total current prepaid earnings	**208**	**207**

4.37. CURRENT, PART OF NON-CURRENT LIABILITIES

	31 December 2019 BGN'000	31 December 2018 BGN'000
Specialized Logistic Systems AD - parent company	391	196
IT Soft EAD	1 177	34
GPS Control EAD	411	410
Total	**1 979**	**640**

The liabilities of Specialized Logistics Systems are under a debenture loan with maturity of 04.11.2019 and 04.05.2020.

The liabilities of IT Soft EAD include BGN 1,126 thousand principal on a bank loan and BGN 51 thousand on financial leasing.

The liabilities of GPS Control include BGN 391 thousand of principal on a debenture loan and BGN 20 thousand on financial leasing contracts.

4.38. LIABILITIES TO ASSOCIATED ENTERPRISES

	31 December 2019 BGN'000	31 December 2018 BGN'000
Current liabilities		
Specialized Logistic Systems AD - parent company	1 660	-
Balkan Telecommunication Company EOOD	117	-
Total current liabilities	**1 777**	**-**

The obligation of Specialized Logistic Systems AD in the amount of BGN 1 660 thousand is in accordance with the decision of the General Meeting of Shareholders for distributed dividend.
The obligation of Balkan Telecommunication Company EOOD is under contract for entering into debt.

4.39. SUBSCRIPTIONS TO SUPPLIERS AND CLIENTS

	31 December 2019 BGN'000	31 December 2018 BGN'000
IT Soft EAD	197	168
GPS Control EAD	77	17
Prophonica EOOD	239	283
Balkan Telecommunication Company EOOD	32	2
Sentinel Advisors	-	1
Total	**545**	**471**

4.40. LIABILITIES UNDER ADVANCES RECEIVED

	31 December 2019 BGN'000	31 December 2018 BGN'000
GPS Control EAD	-	2
Total	**-**	**2**

4.41. LIABILITIES TO STAFF

	31 December 2019 BGN'000	31 December 2018 BGN'000
IT Soft EAD	75	69
GPS Control EAD	29	34
Prophonica EOOD	77	55
Balkan Telecommunication Company EOOD	2	4
Total	**183**	**162**

4.42. LIABILITIES TO INSURANCE COMPANIES

	31 December 2019 BGN'000	31 December 2018 BGN'000
IT Soft EAD	47	21
GPS Control EAD	11	11
Prophonica EOOD	24	23
Balkan Telecommunication Company EOOD	1	1
Total	**83**	**56**

4.43. TAX LIABILITIES

	31 December 2019 BGN'000	31 December 2018 BGN'000
Specialized Logistic Systems AD - parent company	100	-
IT Soft EAD	55	162
GPS Control EAD	16	21
Prophonica EOOD	30	14
Balkan Telecommunication Company EOOD	-	2
Sentinel Advisors	1	-
Total	**202**	**199**

2/24/2020
City of Sofia

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Executive Director	Prepared by