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 AD 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

The Individual financial statements of Specialized Logistics Systems have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise: Financial Reporting Standards and Interpretations Committee interpretations (IFRIC) interpretations approved by the International Financial Reporting Interpretations Committee International Accounting Standards (IASB) and International Accounting Standards and Standing Interpretations Committee (SIC) interpretations adopted by the International Accounting Standards Committee (IASB) effective since 1 January 2018 and adopted by the Commission of the European Union. IFRS adopted by the EU is the common name of the general purpose accounting framework equivalent to the framework introduced by the definition under § 1 (8) of the Additional Provisions of the Accountancy Act under the name International Accounting Standards (IAS).

Management is responsible for the preparation and fair presentation of the information in these financial statements.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and adopted by the EU, in which investments in subsidiaries are accounted for and disclosed in accordance with IFRS 10 "Consolidated Financial Statements".

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" (amended) effective from 1 January, 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 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 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.

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 Company from an earlier date

As of the date of approval of these financial statements, *new standards, amendments and interpretations to existing standards have been published but have not entered into force or been adopted by the EU for the financial year beginning on 1 January 2018 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 Company's accounting policies for the first period beginning after the date of their entry into force.

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 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 improve reporting comparability of companies that already apply IFRSs and do not recognize such amounts, the standard requires separate disclosure of the effect of regulated prices.

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.

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 Company 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 Company 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 Company 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

In this financial statement the company presents comparative information for the previous 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

To determine whether and how to recognize revenue, the Company applies the following 5 steps:

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
5. 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 Company has satisfied its performance liabilities by delivering the promised goods or services to its clients.

The Company 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 Company 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 Company 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 Company 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 company has the right to remuneration that is unconditional before the ownership of the good or service is transferred.

The Company 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 Company 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 Company 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 are mainly the corresponding interest on the borrowings of the Company. 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 Company'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 evaluation

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 is not 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.

As at the end of the period under review, the Company does not own tangible fixed and intangible fixed assets.

Depreciation 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 derecognized 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 Company 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 Company 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 Company 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 Company 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 Company has no contracts for financial and operating leases.

In accordance with the requirements of IAS 17 Leases, disposal rights are transferred by the lessor to the lessee in cases where the lessee bears the significant risks and rewards of 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 Company is not a lessor under lease agreements.

2.13. Share capital and reserves

The Company is a shareholder company and is required to register with the Commercial Register a certain amount of share capital that serves as collateral for the claims of creditors to 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 company is 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 Company has the right and intent to offset the current tax assets or liabilities from the same tax institution.
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 recognized when the Company becomes a party to contractual arrangements involving financial instruments.

Financial assets are derecognized 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 derecognized when the liability, specified in the contract, have been fulfilled, derecognized or expires.

2.15.2. 3.16 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 Company;
- 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:

- the company 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 Company 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 Company 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 Company recognizes financial assets at fair value in other comprehensive income if the assets meet the following conditions:

- The Company 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 recognized in the revaluation reserve of the instruments is reclassified to retained profit.

For the disposal of debt instruments in this category, any value recognized 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 Company 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 Company 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 Company 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 Company 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 Company recognizes the expected 12-month credit losses for financial assets measured at fair value through other comprehensive income. At each reporting date, the Company measures whether there is a significant increase in the credit risk of the instrument.

In measuring these risks, the Company relies on available available information such as credit ratings issued by the major credit rating agencies for the asset concerned. The company holds only simple financial instruments for which are usually available which specific credit ratings. 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 Company 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 Company 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 Company 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 recognized in profit or loss are included in financial expenses or financial income.

As at 31 December 2018, the fair value of financial assets at fair value through profit or loss amounts to BGN 35,138 thousand. The revaluation is done at the closing exchange rate of the Bulgarian Stock Exchange AD.

	31.12.2018	31.12.2017
	Thousand BGN	*Thousand BGN*
Initial balance on 01 January 2018	**32 154**	**1 576**
Purchases	98 045	158 434
Sales	(97 064)	(129 572)
Net gain / (loss) from adjustment to fair value	2 003	1 716
Final balance on 31.12.2018	**35 138**	**32 154**

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 an entity will experience difficulties in meeting its liabilities under its current liabilities. The entity'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 entity's reputation.

The table below presents the assets and liabilities of Specialized Logistic Systems AD 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 of 31.12.2018 (in thousand BGN)	Up to 1 month	3-12 months	1 - 15 years	Total
Assets				
Cash and cash equivalents	275	-	-	**275**
Trade and other receivables	-	57 649	68 585	**126 234**
Financial assets	-	35 138	-	**35 138**
Total assets	**275**	**92 787**	**68 585**	**161 647**
Liabilities				
Debenture loans	-	297	10 433	**10 730**

Trade and other payables	-	7 134	143 555	**150 689**
Total liabilities	**-**	**7 431**	**153 988**	**161 419**
Net maturity difference	**275**	**85 356**	**(85 403)**	**228**

Currency Risk

Specialized Logistic Systems AD carries its operations in 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. Total comprehensive income	**31.12.2018 Thousand BGN**	**31.12.2017 Thousand BGN**
Financial revenues, by types		
Income from interest	3 138	2 221
Income from dividends	92	1 607
Income from transactions in financial instruments	2 706	3 509
Revenues from foreign exchange differences	398	-
Other financial income	308	-
Total financial income	**6 642**	**7 337**
Financial expenses, by types		
Interest expenses	(3 789)	(1 546)
Expenses from transactions in financial instruments	(583)	(1 319)
Exchange rate differences	(669)	(83)
Other financial expenses*	(771)	-
Total financial expenses	**(5 812)**	**(2 948)**
Outcome from financial activity	**830**	**4 389**

4. Total comprehensive income *(continued)*	31.12.2018 *Thousand BGN*	31.12.2017 *Thousand BGN*
Income from services	**-**	**30**
Expenses for external services by types:		
Consultancy, Auditing, Legal fees	(53)	(4)
Commissions	(253)	(230)
Rents	(245)	(106)
Bond costs	(11)	(13)
Bank fees and commissions	(6)	(4)
Other external services	(74)	(30)
Total	**(642)**	**(387)**

e - tax financial resultFinancial outcome before tax	**188**	**4 032**
Current corporate taxes:	-	(60)
(Cost)/Deferred corporation tax savings	297	-
Total taxes:	**297**	**(60)**
Total comprehensive income, net of taxes	**485**	**3 972**

*Revenues from operations with financial instruments include BGN 252 thousand of trading revenue and BGN 2 454 thousand in revenue from revaluation of financial assets in 2018 compared to BGN 1 587 thousand and BGN 1 922 thousand in 2017 respectively.

Expenditures from operations with financial instruments include BGN 131 thousand from trading in financial instruments and BGN 452 thousand from impairment for 2018 compared to BGN 1 113 thousand from trading in financial instruments and BGN 206 thousand from impairment in 2017

*Other financial income amounting to BGN 308 thousand represent recognized credit losses in 2018, accrued on 01.01.2018.

*Other financial expenses amounting to BGN 771 thousand represent the expected credit losses accrued as at 31.12.2018.

5. INVESTMENTS

	Share in capital	31.12.2018 Thousand BGN	31.12.2017 Thousand BGN
Subsidiaries:			
IT Soft EAD	100.00%	5	5
GPS Control EAD	100.00%	855	855
Profonika EOOD	100.00%	150	150
Smartnet EAD	100.00%	50	50
Balkan Telecommunication Company EOOD	100.00%	8	8
SAL Real Estate REIT	33.43%	-	92
Sentinel Advisors s.a.	99.54%	7 823	-
Total		**8 891**	**1 160**
Associated and minority co-participations			
SAL Real Estate REIT	33.43%	92	-
Eurosys OOD	10.00%	-	-
Associated and minority participations		**92**	**-**
Total investments		**8 983**	**1 160**

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 OOD. Thus, the participation of IT Soft EAD has decreased from 51% to 41%.

In the second quarter of 2018, Specialized Logistics Systems acquired 99.583% of the capital of the Romanian company Sentinel Advisors S.A.

6. RECEIVABLES FROM RELATED COMPANIES

	31.12.2018	31.12.2017
	Thousand	*Thousand*

	BGN	*BGN*
Non-current receivables from related companies		
Non-current receivables from related companies gross amount before impairment	40 320	51 049
Expected credit losses and impairment losses	*(464)*	-
Non-current receivables from related companies value after impairment, incl.	**39 856**	
IT Soft EAD	39 540	51 049
Profonika EOOD	245	-
Smart IT Solutions EOOD - under common control	71	-
Total on-current receivables from related companies	**39 856**	**51 049**

Receivables from related parties are from loans granted, with a maturity date of 31.12.2024, at 3.2% annual interest. Receivables from Smart IT Solutions EOOD, a company under common control, is under a cession contract from December 2018.

Current receivables from related companies		
Current receivables from related companies gross amount before impairment	13 884	*1 734*
Expected credit losses and impairment losses	*(86)*	-
Current receivables from related companies value after impairment, incl.	**13798**	**1 734**
GPS Control EAD	5 666	-
Profonika EOOD	91	459
IT Soft EAD	8 031	1 275
Smart IT Solutions EOOD	10	-
Total current trade and other receivables	**13 798**	**1 734**

The receivables from GSP Control EAD is under a contract for the purchase and sale of securities. Maturity date 31.12.2019

Receivables from Profonica EOOD and Smart IT Solutions EOOD include interest on loans.

The receivables from IT Soft EAD consist of loan interest at the amount of BGN 319 thousand and receivables under a contract for purchase and sale of securities amounting to BGN 7 712 thousand.

7. TRADE AND OTHER RECEIVABLES

	31.12.2018	31.12.2017
	Thousand BGN	*Thousand BGN*
Non-current trade and other receivables		
Non-current trade and other receivables gross amount before impairment	29 063	25 624
Expected credit losses and impairment losses	*(334)*	-
Non-current trade and other receivables value after impairment, incl.	**28 729**	**25 624**
Receivables from loans granted	6 744	25 624
Claims on cession	21 985	-
Total trade and other receivables	**28 729**	**25 624**
Current trade and other receivables		
Current trade and other receivables gross amount before impairment	44 547	1 724

Expected credit losses and impairment losses	*(708)*	-
Current trade and other receivables value after impairment, incl.	**43 839**	**1724**
Receivables from loans granted	2 265	1 724
Trade receivables	21	32
Receivables from securities transactions	13 689	577
Receivables on cessions	27 864	16 769
Total current trade and other receivables	**43 839**	**19 102**

8. Deferred tax assets	31.12.2018	31.12.2017
	Thousand BGN	*Thousand BGN*
Loss from previous years	137	-
Derecognized receivables/payables	160	-
Total	**297**	**-**

9. FINANCIAL ACTIVES	31.12.2018	31.12.2017
	Thousand BGN	*Thousand BGN*
Shares	33 949	32 154
Bonds	1 189	-
Total:	**35 138**	**32 154**

10. Cash and cash equivalents	31.12.2018	31.12.2017
	Thousand BGN	*Thousand BGN*
Cash and cash equivalents, gross amount before impairment	280	256
Expected credit losses	*(5)*	-
Cash and cash equivalents value after impairment, incl.	**275**	**256**
Funds in cash	8	33
Financial assets in bank accounts	267	223
Total cash and cash equivalents	**275**	**256**

11. EQUITY	31.12.2018	31.12.2017
	Thousand BGN	*Thousand BGN*
Major share capital	535	535
Reserves	535	535
Undistributed profit from previous years	7 954	5 116
Current financial result profit/(loss)	485	3 972
Total:	**9 509**	**10 158**

12. Payables to related parties	31.12.2018	31.12.2017
	Thousand BGN	*Thousand BGN*
Non-current liabilities to related parties:		
GPS Control EAD	**6 647**	**6 945**
Current liabilities to related parties:		
GPS Control EAD	**90**	**115**

The liability to JPS Control EAD is under a loan agreement signed on January 10, 2011 at a limit of BGN 8 000 thousand for a period of five years with 7.5% annual interest. The loan is not secured due to the fact that Specialized Logistic Systems AD is the sole owner of the capital of GPS Control EAD. In case of principal or interests delayed payment, the borrower shall owe to the creditor the statutory interest for delay on the any overdue amounts. As of 01.10.2016, the loan was renegotiated at 6% interest and maturity date 31.12.2021.

13. LIABILITIES ON BORROWING LOANS	31.12.2018	31.12.2017
	Thousand BGN	*Thousand BGN*
Non-current:		
Bond ISIN: BG2100004105 - principal	2 933	3 129
Bond ISIN: BG2100004170 - principal	7 500	7 500
	10 433	**10 629**
Current:		
Bond ISIN: BG2100004105 - principal	196	196
Bond ISIN: BG2100004105 - interest	29	31
Bond ISIN: BG2100004170 - interest	72	72
	297	**299**

On 04 May 2010 the Company 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 22.03.2017, Specialized Logistic Systems AD issued a new bond loan amounting to BGN 7,500,000 (seven million five hundred thousand). The nominal and issue value of each bond is 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%.

14. TRADE AND OTHER PAYABLES

	31.12.2018	31.12.2017
	Thousand BGN	*Thousand BGN*
Non-current liabilities		
Bank loans	136 908	97 791
Total non-current liabilities	**136 908**	**97 791**
Current liabilities		
Bank loans	-	455
Trade liabilities	210	242
Liabilities on loans from third parties	43	40
Current corporate taxes:	-	60
Liabilities in securities	6 778	4 344
Other	-	1
Total current liabilities	**7 031**	**5 142**

On 27.09.2017 The 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 liquid financial instruments. At the beginning of 2018 the limit was increased by EUR 20 million, and the interest rate was changed to 2.1% on an annual basis.
The maturity of current liabilities is 2019.

15. DISCLOSURE OF RELATED PERSONS

Persons with controlling interest:
- Ilian Zafirov Dinev - 444 050 pcs. shares - 83%
- Vanyo Stoyanov Ivanov - 90 950 pcs. shares - 17%

Subsidiaries
- *JPS Control EAD - 835 000 pcs. shares shares - 100%*
- *IT Soft EAD - 5 000 pcs. shares - 100%*

- *Profonica EOOD - 485 050 pcs. shares - 100%*
- *Smartnet EOOD - 50 000 pcs.shares - 100%*
- *Balkan Telecommunication Company EOOD - 50 shares - 100%*
- *Sentinel Advisors -102 073 shares – 99,54%*

Other related parties

- GPS Control R s.r.l. E- Romania - subsidiary of GPS Control EAD
- Eurosys OOD - an associate company of IT Soft EAD
- Smart IT Solutions EOOD - sole owner of the capital Vanyo Ivanov
- Delta Credit Management EAD - sole owner of the capital Ilian Dinev.

The total amount of related party transactions and outstanding balances for the current and prior reporting periods are presented as follows:

Related party transactions reported in the statement of comprehensive income		Income from interest *Thousand BGN*	Income from dividends *Thousand BGN*	Income from transactions in financial instruments *Thousand BGN*	Revenue from expected losses *Thousand BGN*	Interest expenses *Thousand BGN*	Expenses for expected losses *Thousand BGN*
IT Soft EAD	2017	125	1 607	612	-	-	-
IT Soft EAD	2018	1 280	-	-	27	-	2
GPS Control EAD	2017	-	-	-	-	481	-
GPS Control EAD	2018	-	-	-	-	389	34
Profonika EOOD	2017	22	-	-	-	-	-
Profonika EOOD	2018	9	-	-	1	-	-
Smart IT Solutions EOOD	2018	-	-	-	-	-	1
TOTAL	**2017**	**147**	1 607	612	-	**481**	-
TOTAL	**2018**	**1 289**	-	-	**28**	**389**	**37**

Deals with related persons, recognized in Statement of financial position		Receivables from related parties *Thousand BGN*	Payables to related parties *Thousand BGN*
IT Soft EAD	2017	52 324	
IT Soft EAD	2018	47 571	
GPS Control EAD	2017	-	7 060
GPS Control EAD	2018	5 666	6 737
Profonika EOOD	2017	459	-
Profonika EOOD	2018	336	-
Smart IT Solutions EOOD	2018	81	
TOTAL	**2017**	**52 783**	**7 060**
TOTAL	**2018**	**53 654**	**6 737**

Related party transactions reported in the cash flow statement		Proceeds from loans *Thousand BGN*	Payment on loans received *Thousand BGN*	Dividends received *Thousand BGN*	Interest paid on loans *Thousand BGN*	Interest received on loans granted *Thousand BGN*	Amounts received from trading in financial assets *Thousand BGN*
GPS Control EAD	2017	-	94	-	556	-	-
GPS Control EAD	2018	1 200	1 498	-	414	-	-

IT Soft EAD	2017	-	-	421	-	-	-
IT Soft EAD	2018	15	14	1 150	-	670	3290
Profonika EOOD	2018	49	-		-		79
TOTAL	**2017**	**-**	**94**	**421**	**556**	**-**	**-**
TOTAL	**2018**	**1 264**	**1 512**	**1 150**	**414**	**640**	**3 369**

Conditions of the related party transactions

The sales and purchases are carried out at negotiated prices. Unsettled balances at the end of the year are unsecured, interest-free (excluding loans) and settled with cash. There have been no guarantees provided or received for any related party receivables or payables.

Executive Director /illegible signature/
Iliyan Zafirov Dinev

Prepared by: /illegible signature/
Nikolay Atanasov Dachev

Round seal ofSpecialized Logistic Systems