Telelink Business Services Group AD

Interim Consolidated Financial Statements

For the period 01 January – 30 June 2020

CONTENTS

Supervisory Board (SB)

Hans van Houwelingen – Chair of SB, independent member;
Ivo Evgeniev Evgeniev – member of SB;
Bernard Jean Luc Moscheni – member of SB, independent member.

Management Board (MB)

Ivan Zhitiyanov – Chair of MB and Executive Director;
Teodor Dobrev – member of MB;
Paun Ivanov – member of MB;
Nikoleta Stanailova - member of MB;
Gojko Martinovic - member of MB

Head office and registered Office

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Business Center Richhill, Block B, 2nd floor
1766 Sofia

Servicing banks
Unicredit Bulbank AD

Legal consultants
Consult 2002 EOOD
42, Alabin St. fl. 2
Sofia

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June

	Notes	1 January - 30 June 2020 BGN'000	1 January - 30 June 2019 BGN'000
Revenue	8	65,040	46,840
Cost of sales	11	(52,338)	(38,605)
Gross profit		12,702	8,235
Other operating income	12	226	155
General and administrative expenses	9	(2,039)	(2,301)
Selling and marketing expenses	10	(3,118)	(2,472)
Other operating expenses	12	(19)	(2)
Operating profit		7,752	3,615
Finance income	13	5	2
Finance costs	13	(436)	(462)
Profit before tax		7,321	3,155
Income tax expense	15	(916)	(358)
		6,405	**2,797**
Other comprehensive income			
Exchange differences on translation of foreign operations		(2)	(1)
Total comprehensive income for the year, net of tax		**6,403**	**2,796**
Attributable to:			
Owners of the company		6,403	2,796
Non-controlling interests		-	-
		6,403	**2,796**

Normalised EBITDA		
Operating profit	**7,321**	**3,155**
Interest expenses (net)	142	162
Depreciation / amortisation expenses	1,244	993
EBITDA (earnings before interest, taxes, depreciation and amortisation)	**8,707**	**4,310**
Net impairment of receivables and contract assets	-	-
Normalised EBITDA	**8,707**	**4,310**
Net profit on share	**0.512**	**-**

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Executive Director

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Deputy Financial Director

The accompanying notes from 1 to 37 are an integral part of these financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Notes	*30 June 2020*	*31 December 2019*
ASSETS		*BGN'000*	*BGN'000*
Non-current assets			
Property, plant and equipment	18	8,078	8,166
Investment properties	19	362	362
Intangible assets	20	739	574
Prepayments	17	5,212	3,617
Deferred tax asset	15	532	516
		14,923	13,235
Current assets			
Inventories	21	5,165	5,170
Trade and other receivables	22	27,723	24,871
Contract assets	8, 22	6,998	1,700
Prepayments	17	4,643	5,013
Cash and cash equivalents	24	6,046	2,199
Income taxes receivable		475	472
Assets classified as held for sale	16	729	729
		51,779	40,154
TOTAL ASSETS		**66,702**	**53,389**

Continued to page 3

Ivan Krasimirov Zhitiyanov
Executive Director

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

Continued from page 2

EQUITY AND LIABILITIES		*30 June 2020* *BGN'000*	*31 December 2019* *BGN'000*
Share capital	32	12,500	12,500
Legal reserves	32	317	317
Other reserves		(14,110)	(14,108)
Retained earnings		9,631	6,834
Profit for the year		6,405	2,797
Equity		14,743	8,340
Foreign currency translation reserve		(558)	(556)
Total equity		14,185	7,784
Non-current liabilities			
Lease liabilities	27	3,537	4 168
Employee benefits	30	10	10
Government grants	25	-	72
Contract liabilities	8, 29	5,259	2,988
		8,806	7,238
Current liabilities			
Interest-bearing loans and borrowings	26	3,327	4,124
Lease liabilities	27	1,783	1,841
Trade and other payables	28	27,364	26,796
Government grants	25	187	328
Contract liabilities	8, 29	10,129	4,939
Income tax payable		921	339
		43,711	38,367
Total liabilities		52,517	45,605
TOTAL EQUITY AND LIABILITIES		**66,702**	**53,389**

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 30 June 2020

	Share Capital *BGN'000*	Legal reserves *BGN'000*	Other reserves *BGN'000*	Retained earnings *BGN'000*	Equity attributable to the owners *BGN'000*	Foreign currency translation reserve *BGN'000*	Total equity *BGN'000*
Balance at 01 January 2019	**1,574**	**100**	**-**	**7,360**	**9,034**	**(565)**	**8,469**
Profit for the year	-	-	-	2,797	2,797	-	**2,797**
Other comprehensive income	-	-	-	-	-	(1)	**(1)**
Total comprehensive income	**-**	**-**	**-**	**2,797**	**2,797**	**(1)**	**2,796**
Dividends distributed (note 33)	-	-	-	(5,881)	(5,881)	-	**(5,881)**
Balance at 30 June 2019	**1,574**	**100**	**-**	**4,276**	**5,950**	**(566)**	**5,384**
Balance at 01 January 2020	**12,500**	**317**	**(14,108)**	**9,631**	**8,340**	**(556)**	**7,784**
Profit for the year	-	-	-	6,405	6,405	-	**6,405**
Other comprehensive income	-	-	-	-	-	(2)	**(2)**
Total comprehensive income	**-**	**-**	**-**	**6,405**	**6,405**	**(2)**	**6,403**
Transfers	-	-	(2)	-	(2)	-	**(2)**
Balance at 30 June 2020	**12,500**	**317**	**(14,110)**	**16,036**	**14,743**	**(558)**	**14,185**

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INTERIM CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 June 2020

	Notes	*1 January - 30 June 2020 BGN'000*	*1 January - 30 June 2019 BGN'000*
Operating activities			
Profit before income tax from continuing operations		7,321	3,155
Adjustment to reconcile profit before tax to net cash flows			
Non-cash transfers:			
Net finance costs		249	293
Movements in retirement benefits obligations and government grants	25,30	(213)	(84)
(Gain) on disposal of property, plant and equipment	12	-	(1)
Depreciation & amortisation	18,20	1,244	993
Working capital adjustments			
Decrease in inventories		(6)	(5 341)
Increase in trade and other receivables, contract assets		(9,375)	(699)
Increase/ (Decrease) in trade and other payables, contract liabilities		7,973	(2 597)
Bank charges paid		(107)	(131)
Income taxes paid		(228)	(718)
Net cash flows from/ (used in) operating activities		**6,858**	**(5,130)**

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Ivan Krasimirov Zhitiyanov
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INTERIM CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 June 2020

Continued from page 5

		1 January - 30 June 2020	*1 January - 30 June 2019*
		BGN'000	*BGN'000*
Investing activities			
Purchase of property, plant and equipment	18	(797)	(1,212)
Purchase of intangible assets	20	(287)	(85)
Proceeds from sale of property, plant and equipment		20	2
Receipt of government grants	25	-	464
Proceeds from loans		-	6,426
Interest received		-	2
Net cash flows used in / (from) investing activities		**(1,064)**	**5,597**
Financing activities			
Proceeds form borrowings	26	30,750	18,092
Repayment of borrowings	26	(31,547)	(14,632)
Payments on finance leases		(987)	(460)
Dividends paid	32	-	(4,166)
Interest paid		(101)	(118)
Interest paid on leases		(65)	(47)
Net cash flows used in financing activities		**(1,950)**	**(1,331)**
Net change in cash and cash equivalents		3,844	(864)
Net foreign exchange difference		3	2
Cash and cash equivalents at 1 January		2,199	3,313
Cash and cash equivalents at 30 June	24	**6,046**	**2,451**

Ivan Krasimirov Zhitiyanov
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

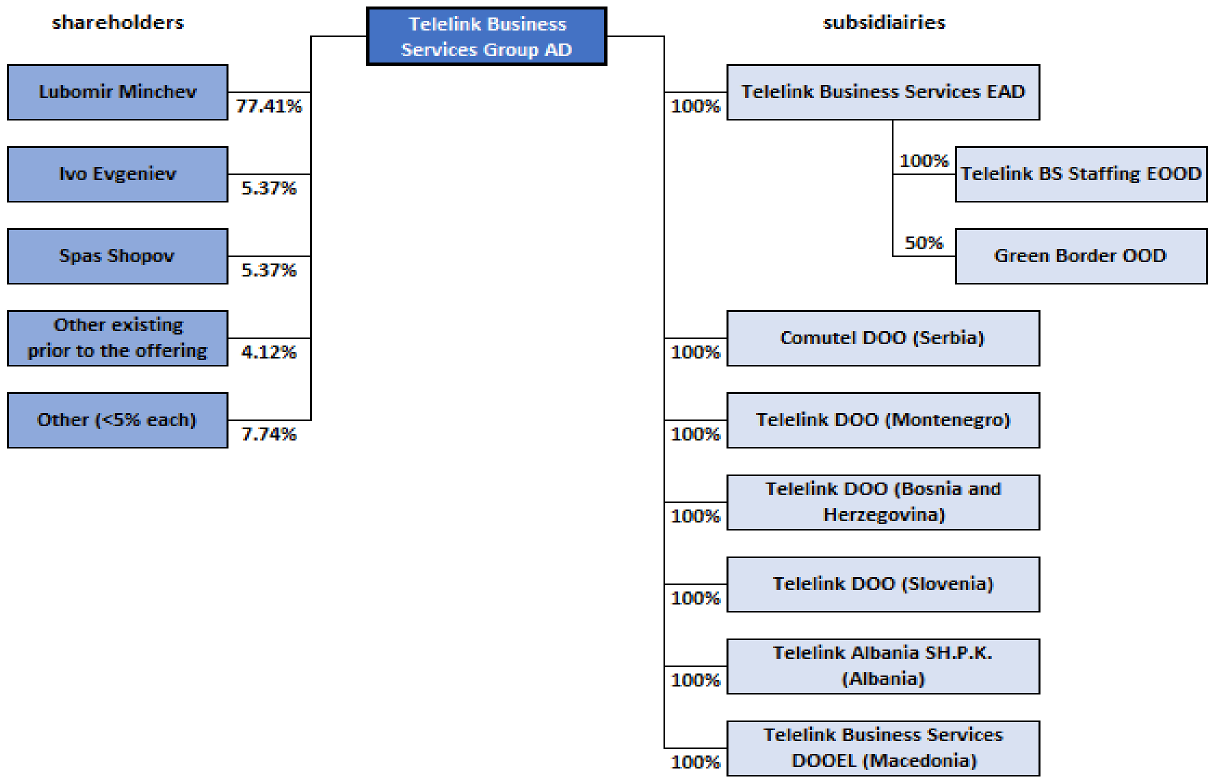
1. Corporate information

Incorporation

Telelink Business Services Group EAD was incorporated on 12 July 2019 as a sole-shareholder joint stock company with an owner Telelink Holdings BV (The Netherlands), registered with the Trade Register of the Registry Agency under UIC 205744019. The registered office of the Company is: Vitosha region, v.a. Malinova dolina, 6 Panorama Sofia Str., Business Center Richhill, Block B, 2nd floor, 1766 Sofia, Bulgaria.
Telelink Business Services Group AD is a public company registered on 28 November 2019 by the Financial Supervision Commission.
The shares of the company are listed on Bulgarian Stock Exchange.

Shareholders

A first tranche of the Company's planned offering on the BSE was carried out between June 08 and 11 2020, whereby selling shareholders Lubomir Minchev, Spas Shopov and Ivo Evgeniev sold a total of 982,487 shares or 7.86% of the existing 12,500,000 shares in the Company's total capital at a price of BGN 7.60 per share, obtaining total proceeds of BGN 7,466,901. The conducted offering was limited strictly to existing shares and did not include any capital increase, nor any proceeds to the Company. At 30 June 2020 individuals holding more than 5% of the Company's capital are still Lyubomir Minchev with a stake of 77.41% and Ivo Evgeniev and Spas Shopov, each one of them holding a stake of 5.37%.



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

1. Corporate information (continued)

Business

Telelink Business Services Group specializes in providing services related to systems integration and maintenance of customers' information and communication systems in the three main market segments: mobile telecommunications service providers, fixed telecommunications service providers, and large and mid-sized public and private organizations within the area of the group's territorial presence and globally.

The consolidated financial statements present financial information of Telelink Business Services Group AD and its subsidiaries - Telelink Business Services EAD (Bulgaria), Comutel DOO (Serbia), Telelink DOO (Montenegro), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia), Telelink Business Services DOOEL (North Macedonia), Telelink Albania SH.P.K. (Albania), all of them jointly the "Group".

2. Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for investment properties measured at fair value and defined benefit obligations measured at the present value of the obligations. The financial statements are presented in Bulgarian leva (BGN), which is the Group's functional currency. All values are rounded off to the nearest thousand (BGN' 000), except when otherwise stated.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). The reporting framework "IFRS, adopted by EU" in its essence is the national accounting basis IAS, adopted by EU, settled in the Accountancy Act and defined in p.8 in its Additional Provisions.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of Telelink Business Services Group AD and its subsidiaries as at 30 June 2020.

Subsidiaries are all entities over which the Group has control. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its return. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Non-controlling interests are measured at the proportionate share of the acquiree's identifiable net assets at the date of the acquisition. Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for as an equity transaction.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

3. Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises the related assets and liabilities of the subsidiary, and non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained in a former subsidiary is recognised at fair value at the time the control is lost.

All intra-group balances and transactions, unrealised income and expenses, resulting from intra-group transactions, are eliminated. Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of impairment.

Telelink Business Services Group AD is a newly incorporated entity established in 2019. After its registration, an activity is separated from an existing entity, comprising companies which were under common control, but did not form a legal group as of 31 December 2018.

Business combinations between entities under common control are accounted for using predecessor value method. Under this method, the newly established company, Telelink Business Services Group AD, incorporates the assets and liabilities of the entities acquired in 2019 using the acquiree's values from the consolidated financial statements of the previous parent entity. The acquired entity's results are included in the consolidated financial statements retrospectively: the financial statements reflect full year's results of Telelink Business Services EAD, Comutel DOO (Serbia), Telelink DOO (Montenegro), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia) for 2018, even though the business combination occurred in 2019. In addition, the corresponding amounts for the previous year reflect the combined results of the new group structure, even though the transformation occurred in the current year. Intragroup balances and unrealized gains and losses on transactions within the Group are eliminated.

Telelink Business Services Group AD has prepared its first consolidated financial statements for the year ended 31 December 2019, which include comparative data from the financial statements of Telelink Bulgaria EAD for previous years.

The Group has not identified reporting segments and does not disclose segment information in accordance with IFRS 8 Operating Segments.

4. **Summary of significant accounting policies**

Foreign currency translation

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

Business combinations

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

Business combinations under common control

Business combinations between entities under common control are accounted for as if the acquisition had taken place at the beginning of the earliest comparative period presented or, if later, on the date on which joint control existed, and for the purpose, the comparative information is restated. Assets and liabilities are recognised at the carrying amounts previously reported in the consolidated financial statements of the shareholder exercising control over the Group ('predecessor value method'). The acquirees' results are included in the consolidated financial statements retrospectively, i.e. the comparative date for previous years reflect summarised results of the new structure of the Group, even though the transformation occurred in the current year. Intragroup balances and unrealized gains and losses on transactions withing the Group are eliminated.

Joint Arrangements

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

4. Summary of significant accounting policies (continued)

Discontinued operation

Discontinued operations comprise a component of the Group's business, transactions and cash flows that can be clearly distinguished from the other Group's activities and that:

- represent a separate major line of business or geographical area of operations;
- is part of a single coordinated plant to dispose of a sperate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to be resold.

The classification as a discontinued operation is made at the earlier derecognition or when the activity meets the criteria of being classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit and loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Assets held for sale

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

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

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

Property, plant and equipment

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

4. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

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

Investment property

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

4. Summary of significant accounting policies (continued)

Investment property (continued)

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

Borrowings costs

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

Government grants

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

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

Intangible assets

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

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

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

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use. To assess whether an internally generated intangible asset meets the criteria for recognition, the Group classifies the generation of the asset into a research phase and a development phase.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

4. Summary of significant accounting policies (continued)

Intangible assets (continued)

If the Group cannot distinguish the research phase from the development phase of an internal project to create an intangible asset, the Group treats the expenditure on that project as if it were incurred in the research phase only. Development costs are recognised for assets if the Group has control and expects future economic benefits from it.

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

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

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

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

4. Summary of significant accounting policies (continued)

Inventories

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

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

Impairment of non-financial assets

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

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

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

4. Summary of significant accounting policies (continued)

Cash and cash equivalents

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

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

Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

4. Summary of significant accounting policies (continued)

Financial assets (continued)

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

Financial assets at amortised cost (debt instruments)

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

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

Financial assets at amortised cost are subsequently measured using effective interest rate method and are impaired. Gains and losses are recognized in profit or loss statement when the asset is derecognised, modified or impaired.

Financial assets at amortised cost of the Group include trade receivables and loans to third parties.

Financial assets at fair value through other comprehensive income (debt instruments)

The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

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

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

4. Summary of significant accounting policies (continued)

Financial assets (continued)

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

Upon initial recognition, the Group may choose to classify irrevocably as equity instruments at fair value through other com comprehensive income when they meet the equity requirements under IAS 32 Financial Instruments: Presentation and when they are not held for trading. The classification is determined on the basis of an individual instrument.

Gains and losses on these financial assets are never "recycled" into profit or loss. Dividends are recognised as other income in the income statement when the right to payment is established, except when the Group benefits from such income as a refund of part of the cost of the financial asset, in which case the gains are recognized in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not tested for impairment

Financial assets at fair value through profit or loss

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

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

Derecognition

A financial asset is derecognized when:

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

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

Financial assets (continued)

liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

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

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

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

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

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

4. Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 26 „Interest-bearing loans and borrowings".

4. Summary of significant accounting policies (continued)

Financial liabilities (continued)

Derecognition

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

Offsetting of financial instruments

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

Provisions

General

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

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

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

Warranties

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

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

4. Summary of significant accounting policies (continued)

Employee benefits

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

State social security plan

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

Retirement benefits

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

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

4. Summary of significant accounting policies (continued)

Revenue from contracts with customers

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

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

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

Sale of goods/equipment

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

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

Significant financing component

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

Warranty obligations

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

4. Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

Installation services

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

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

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

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

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

Provision of managed services

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

Contract balances

Contract assets

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

4. Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

Trade receivables

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

Contract liabilities

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

Costs to obtain a contract and costs to fulfil a contract

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

Interest

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

Dividend income

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

Dividends

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

4. Summary of significant accounting policies (continued)

Lease

The determination of whether an arrangement is, or contains, a lease is made at inception date. And namely, whether the arrangement conveys a right to use the asset for a certain period of time.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (i.e. leases with a lease contract term of less than 12 months) and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery 3.33 years
- Motor vehicles and other equipment 4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating the lease, if the lease term reflects the entity exercising the option to terminate.

4. Summary of significant accounting policies (continued)

Lease (continued)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses borrowing interest rate based on interest rate statistics because the interest rate implicit in the lease is not at any time readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low- value assets are recognised as expense on a straight-line basis over the lease term.

The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Accounting policy for leases before 1 January 2019 - Company as a lessee

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

4. Summary of significant accounting policies (continued)

Lease (continued)

Assets acquired under finance leases are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

Taxes

Current tax

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

Deferred tax

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

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

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

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

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

4. Summary of significant accounting policies (continued)

Taxes (continued)

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

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

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss and other comprehensive income for the year.
Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax

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

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

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

5. Significant accounting judgements, estimates and assumptions

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

Judgements

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

Joint Arrangements

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

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

Judgements (continued)

Revenue from contracts with customers

The reporting of revenue from contracts with customers requires significant judgments to be made by the Group's management to determine the individual performance obligations under contracts with customers, which significantly affect the amount of revenue recognized in the reporting period. Key judgements include an analysis of the economic nature and commercial context of contracts with customers to identify individual performance obligations, as well as an assessment of their progress at the end of the reporting period, including estimates and assumptions about the volume of services, activities and inventories that are required for satisfaction of the performance obligations; the expected total contract costs; the remaining costs of completing the contract; the total revenue from the contract, as well as the risks under the contracts, including technical, regulatory and legal risks.
The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

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

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

- Principal versus agent considerations

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

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

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

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

Judgements (continued)

Revenue from contracts with customers (continued)

- Determining the timing of satisfaction of services

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

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

Estimates and assumptions

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

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

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

Revaluation of investment property

The Group measures its investment property at fair value with any changes in the fair value being recognised in the statement of profit or loss and other comprehensive income. The Group engages an independent valuer to determine the fair value at the reporting period-end or at the date of change in use. The key assumptions used to determine the fair value of investment property and sensitivity analyses are provided in Note 20 „Investment property“.

Provision for expected credit losses of trade receivables and contract assets

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

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

Estimates and assumptions (continued)

Write down of inventories

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

Income tax

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

Warranty provisions

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

Fair value measurement

The Group measures financial instruments, such as, derivatives and non-financial assets, such as, investment property at fair value at each reporting date. The fair values of financial instruments and investment properties are disclosed in note 35 "Fair value measurement".

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

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

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

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

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

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

Estimates and assumptions (continued)

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

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

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

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

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

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

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

6. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applies IFRS 16 for the first time on 1st of January 2019. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

For the first time in 2019 some other amendments and clarifications are applied, but they have no impact on the financial statements of the Group. The Group has not adopted standards, clarifications or amendments that have been published but have not yet entered into force.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

6. Changes in accounting policies and disclosures (continued)

IFRS 16 *Leases*

IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases—Incentives, SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and requires lessees to account all lease contracts based on uniform balance method, that is similar to the accounting treatment of finance lease in accordance with IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively and the cumulative effect of its adoption is recognized on the date of initial application.

The effect of adopting IFRS 16 as at 1 January 2019 is as follows:

	BGN'000
Assets	
Right-of-use assets	4,907
Property, plant and equipment	(1,444)
Total assets	**3,463**
Liabilities	
Lease liabilities	3,953
Trade and other payables	(490)
Total liabilities	**3,463**
Total effect on the equity :	-
Retained earnings	-

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

- Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

- Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised by the Group based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020
6. Changes in accounting policies and disclosures (continued)

IFRS 16 *Leases (continued)*

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application of the standard
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of -use assets of BGN 4,907 thousand were recognised in the statement of financial position. This includes the lease assets recognised previously under finance leases of BGN 1,444 thousand that were reclassified from other type of Property, plant and equipment.
- Additional lease liabilities of BGN 3,953 thousand were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Operating lease commitments disclosed as at 31 December 2018	**4,110**
Discounted operating lease commitments as at 1 January 2019	3,953
Add: Commitments relating to leases previously classified as finance leases	1,428
Less: Additional services provided for in the lease contract	(581)
Lease liabilities as at 1 January 2019	**4,800**

6. Changes in accounting policies and disclosures (continued)

IFRIC 23 ***Uncertainty over Income Tax Treatments***

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The adoption of the amendment had no impact on the financial position or performance of the Group.

IFRS 9 ***Financial Instruments*****:** ***Classification and Measurement (Amendments): Prepayment Features with Negative Compensation***

The amendments, effective for annual periods beginning on or after 1 January 2019 with earlier application permitted, propose a change to IFRS 9 for particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a negative prepayment feature. Specifically, for a financial asset that contains a prepayment option that may result in the payment of a reasonable negative compensation amount, the Amendments require the financial asset to be measured at amortised cost or at fair value through other comprehensive income, subject to the assessment of the business model in which it is held. The adoption of the amendments had no impact on the financial position or performance of the Group.

IAS 28 ***Investments in associates (Amendments): Long-term Interests in Associates and Joint Ventures***

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The adoption of the amendments had no impact on the financial position or performance of the Group.

IAS 19 ***Employee Benefits (Amendments): Plan Amendment, Curtailment or Settlement***

The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The adoption of the amendments had no impact on the financial position or performance of the Group.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

6. Changes in accounting policies and disclosures (continued)

Annual Improvements to IFRSs 2015-2017 Cycle

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

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

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

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

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. It is not applicable for the Group.

IFRS 3 *Business combinations (Amendments): Definition of a business*

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

Amendments to* IAS 1 *Presentation of Financial Statements and* IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material'

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. The amendments also specify that materiality will depend on the nature or magnitude of information. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

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

The Conceptual Framework for Financial Reporting

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018, which is effective for annual periods beginning on or after 1 January 2020. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The main amendments introduced in the revised Conceptual framework for financial reporting are related to measurement, including factors, which should be considered when choosing measurement basis, and to presentation and disclosure, including income and expenses which should be classified in other comprehensive income. The Conceptual framework also provides updated definitions for asset and liability and criteria for their recognition in the financial statements.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The Group is in the process of assessing the impact of these amendments on its financial position or performance.

8. Revenue from contracts with customers

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

Revenue from contracts with customers	***1 January - 30 June 2020 BGN'000***	***1 January - 30 June 2019 BGN'000***
Geographical markets		
Bulgaria	33,918	25,166
Other European countries	29,889	21,534
Other non-European countries	1,233	140
	65,040	**46,840**
Timing of revenue recognition		
Transferred at a point in time	53,308	39,709
Transferred over time	11,732	7,131
	65,040	**46,840**

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

Contract balances

	30 June 2020 BGN'000	***31 December 2019 BGN'000***
Trade receivables (note 22)	26,888	24,120
Contract assets (note 23)	6,998	1,700
Contract liabilities (note 29)	15,388	7,927

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

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

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

Performance obligations

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

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

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9. Revenue from contracts with customers (continued)

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

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

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

Revenue recognised over the current year from amounts included in contract liabilities at 1 January 2020 amounts to BGN 3,990 thousand (at 1 January 2019: BGN 10,122 thousand).

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2020 and 31 December 2019 are, as follows:

	30 June 2020 BGN'000	*31 December 2019 BGN'000*
Within one year	9,934	4,829
More than one year	5,251	3,462
	15,185	**8,291**

9. General and administrative expenses

	1 January - 30 June 2020 BGN'000	*1 January - 30 June 2019 BGN'000*
Employee benefit expenses	(1,196)	(1,221)
Depreciation & amortisation	(72)	(62)
Consulting services	(131)	(430)
Office support and utilities	(170)	(278)
Representative expenses	(41)	(60)
Other	(429)	(250)
	(2,039)	**(2,301)**

10. Sales and marketing expenses

	1 January - 30 June 2020 BGN'000	*1 January - 30 June 2019 BGN'000*
Employee benefit expenses	(1,304)	(1,371)
Depreciation & amortisation	(60)	(16)
Consulting and agency services	(220)	(230)
Marketing and advertisement	(481)	(521)
Other	(1,053)	(334)
	(3,118)	**(2,472)**

11. Expenses by nature

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

	1 January - 30 June 2020 BGN'000	*1 January - 30 June 2019 BGN'000*
Changes in inventories of finished goods and work in progress	(62)	913
Capitalised development costs and contract costs	194	13
Raw materials and consumables	(187)	(244)
Hired services	(13,256)	(9,510)
Employee benefit expenses (note 14)	(5,652)	(4,139)
Depreciation and amortisation	(1,244)	(993)
Other, including Cost of goods sold	(37,288)	(29,418)
	(57,495)	**(43,378)**

12. Other operating income / (expenses)

Other operating income	*1 January - 30 June 2020 BGN'000*	*1 January - 30 June 2019 BGN'000*
Gain on disposal of property, plant and equipment	-	1
Government grants	213	84
Rental income	7	15
Other	6	55
	226	**155**

Other operating expenses	*1 January - 30 June 2020 EUR'000*	*1 January - 30 June 2019 EUR'000*
Penalties	(15)	(1)
Other	(4)	(1)
	(19)	**(2)**

13. Finance income and finance costs

	1 January - 30 June 2020 BGN'000	*1 January - 30 June 2019 BGN'000*
Finance costs		
Interest on financing	(147)	(164)
Net foreign exchange loss	(182)	(167)
Other financial costs	(107)	(131)
	(436)	**(462)**

	1 January - 30 June 2020 BGN'000	*1 January - 30 June 2019 BGN'000*
Finance income		
Interest income - loans granted	5	2
	5	**2**

14. Employee benefit expenses

	1 January - 30 June 2020 BGN'000	*1 January - 30 June 2019 BGN'000*
Salaries	(4,863)	(3,598)
Social security contributions	(789)	(541)
	(5,652)	**(4,139)**

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

	1 January - 30 June 2020 Number	*1 January - 30 June 2019 Number*
Management	10	4
Operations	137	101
Sales	40	24
Administration	40	32
	227	**161**

15. Income tax

The major components of income tax expenses are as follows:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

15. Income tax (continued)

	1 January - 30 June 2020 BGN'000	*1 January - 30 June 2019 BGN'000*
Current income tax		
Current income tax charge	(932)	(372)
Relating to origination and reversal of temporary differences	16	14
Income tax reported in the statement of comprehensive income	**(916)**	**(358)**

The reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate for the Group for the periods January – June 2020 and January – June 2019 is as follows:

	1 January - 30 June 2020 BGN'000	*1 January - 30 June 2019 BGN'000*
Accounting profit before income tax	7,321	3,155
Accounting profit before income tax	7,321	3,155
Income tax rate	10%	10%
At parent's corporate income tax rate 10% (2019: 10%)	(732)	(316)
Tax effects of profits from subsidiaries taxed at different rate	(95)	(41)
Tax effect of non-deductible expenses or income	(89)	(1)
	(916)	**(358)**
At the effective income tax rate of:	13%	11%
Income tax reported in the statement of comprehensive income	(916)	(358)
	(916)	**(358)**

Deferred taxes of the Group as at 30 June 2020 and 31 December 2019 relate to the following items:

	Statement of financial position		**Statement of comprehensive income**	
Deferred income tax assets / (liabilities)	*30 June 2020 BGN'000*	*31 December 2019 BGN'000*	*1 January - 30 June 2020 BGN'000*	*1 January - 30 June 2019 BGN'000*
Accrued expenses	200	185	15	14
Employee benefits	121	120	1	-
Property, plant and equipment and intangible assets	(137)	(137)	-	-
Net impairment losses on fanancial and contract assets	330	330	-	-
Other	18	18	-	-
Deferred income tax asset / (liability)	**532**	**516**		
Movement in deferred taxes			**16**	**14**

16. Assets classified as held for sale

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

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

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

At the end of 2019, an external valuer was engaged to assess the market value of the properties; the assessment showed no indications of impairment of these assets.

17. Prepayments

	30 June 2020	*31 December 2019*
	BGN'000	*BGN'000*
Balance on 1 January	**8,630**	**6,877**
Accrued during the year	6,100	10,162
Released to profit and loss	(4,874)	(8,409)
Balance at the end of the period	**9,855**	**8,630**
Current	4,643	5,013
Non-current	5,212	3,617
	9,855	**8,630**

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

18. Property, plant and equipment

	Right-of-use assets	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Total
Book value	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2020	7,468	1,292	1 418	26	702	1,313	12,219
Additions	246	118	164	-	69	446	1,043
Disposals	-	(64)	(142)	-	(16)	(1)	(223)
Transferred from inventory	-	-	-	-	-	11	11
Balance as of 30 June 2020	7,714	1,346	1,440	26	755	1,769	13,050
Accumulated depreciation:							
Balance as of 1 January 2020	(1,476)	(917)	(1,111)	(10)	(440)	(99)	(4,053)
Depreciation for the year	(714)	(78)	(146)	(3)	(31)	(150)	(1,122)
Disposals	-	64	122	-	16	1	203
Balance as of 30 June2020	(2,190)	(931)	(1,135)	(13)	(455)	(248)	(4,972)
Net book value as of 1 January 2020	**5,992**	**375**	**307**	**16**	**262**	**1,214**	**8,166**
Net book value as of 30 June 2020	**5,524**	**415**	**305**	**13**	**300**	**1,521**	**8,078**

	Right-of-use assets	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Total
Book value	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2019	-	1,019	1 223	143	513	1,855	4,753
Adjustment on transition to IFRS 16	5,217	-	-	(63)	-	(1,691)	3,463
Additions	2,251	347	262	7	216	1,150	4,233
Disposals	-	(86)	(74)	(61)	(27)	(1)	(249)
Transferred in reorganization	-	12	8	-	-	-	20
Transferred from inventory	-	-	4	-	-	-	4
Transferred to inventory	-	-	(5)	-	-	-	(5)
Balance as of 31 December 2019	7,468	1,292	1,418	26	702	1,313	12,219
Accumulated depreciation:							
Balance as of 1 January 2019	-	(892)	(905)	(120)	(425)	(279)	(2,621)
Adjustment on transition to IFRS 16	(310)	-	-	53	-	257	-
Depreciation for the year	(1,166)	(95)	(280)	(4)	(42)	(78)	(1,665)
Disposals	-	70	73	61	27	1	232
Transferred in reorganization	-	(1)	(4)	-	-	-	(5)
Transferred to inventory	-	-	4	-	-	-	4
Exchange adjustment	-	1	1	-	-	-	2
Balance as of 31 December 2019	(1,476)	(917)	(1,111)	(10)	(440)	(99)	(4,053)
Net book value as of 1 January 2019	**-**	**127**	**318**	**23**	**88**	**1,576**	**2,132**
Net book value as of 31 December 2019	**5,992**	**375**	**307**	**16**	**262**	**1,214**	**8,166**

19. Investment property

	30 June 2020	*31 December 2019*
	BGN'000	*BGN'000*
Opening balance at 1 January	362	342
Net result from a fair value remeasurement	-	20
Closing balance at the end of the period	**362**	**362**

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

Valuation technique (DCF method)	
Significant unobservable inputs	Range
-Estimated rental value per sqm per month	EUR 8,22 – 7,1
-Rent growth p.a.	1%
-Discount rate	9%

20. Intangible assets

	Software	**Development Costs**	**Other**	**Total**
Book value:	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2020	2,921	264	185	3,370
Additions	-	194	93	287
Disposals	(10)	-	(3)	(13)
Balance as of 30 June2020	2,911	458	275	3,644
Accumulated amortization:				
Balance as of 1 January 2020	(2,747)	-	(49)	(2,796)
Amortisation for the year	(100)	-	(22)	(122)
Disposals	10	-	3	13
Balance as of 30 June2020	(2,837)	-	(68)	(2,905)
Net book value as of 1 January 2020	**174**	**264**	**136**	**574**
Net book value as of 30 June 2020	**74**	**458**	**207**	**739**

20. Intangible assets (continued)

	Software	Development Costs	Other	Total
Book value:	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2019	2,417	700	10	3,127
Additions	-	162	70	232
Disposals	(31)	(63)	-	(94)
Transfers	535	(535)	105	105
Balance as of 31 December 2019	2,921	264	185	3,370
Accumulated amortization:				
Balance as of 1 January 2019	(2,316)	-	(9)	(2,325)
Amortisation for the year	(462)	-	(21)	(483)
Transfers	-	-	(19)	(19)
Disposals	31	-	-	31
Balance as of 31 December 2019	(2,747)	-	(49)	(2,796)
Net book value as of 1 January 2019	**101**	**700**	**1**	**802**
Net book value as of 31 December 2019	**174**	**264**	**136**	**574**

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

21. Inventories

	30 June 2020	*31 December 2019*
	BGN'000	*BGN'000*
Materials	258	72
Goods	3,742	3,182
Dispatched goods	-	690
Work in progress	1,165	1,226
	5,165	**5,170**

Write-down allowance for inventories

	30 June 2020	*31 December 2019*
	BGN'000	*BGN'000*
At 1 January	62	62
At the end of the period	**62**	**62**

22. Trade and other receivables

Trade and other receivables

	30 June 2020	*31 December 2019*
	BGN'000	***BGN'000***
Trade receivables from related parties, gross (note 31)	2,854	2 143
Trade receivables from third parties, gross	24,505	22,448
Loss allowance	(471)	(471)
Trade receivables	**26,888**	**24,120**
Dividend and other receivables from related parties	-	2
Other receivables	835	749
Trade and other receivables	**27,723**	**24,871**

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

The Group has established registered pledge over current and future trade receivables under individual contracts of Telelink Business Services EAD in order to secure the funds utilised under an overdraft facility and additional pledges of current and future receivables of Telelink Business Services EAD under the projects financed by the revolving credit facility. The funds utilized by Telelink Business Services EAD under the contract amounted to BGN 0 as of 30 June 2020 (BGN 1,623 thousands as at 31 December 2019).

Under the conditions of the loan agreement signed between Comutel DOO and Raiffeisen AD Beograd, the respective loan funds are utilized against a pledge of at least equal amounts of the receivables from a key account. As at 30 June 2020, the funds utilized amounted to BGN 2,891 thousand (BGN 2,501 thousands as at 31 December 2019).

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

	30 June 2020	*31 December 2019*
	BGN'000	***BGN'000***
Loss allowance at 01 January under IAS 39	**471**	**317**
Adjustment on initial application of IFRS 9	-	**-**
Loss allowance at 01 January under IFRS 9	**471**	**317**
Amounts written off		**72**
Net impairment losses		**82**
Loss allowance at the end of the period	**471**	**471**

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22. Trade and other receivables (continued)

The ageing analysis of trade receivables and contract assets as at 30 June 2020 and 31 December 2019 is presented in the following table:

30 June 2020	Current BGN'000	Days past due: < 30 days BGN'000	31-60 days BGN'000	61 - 90 days BGN'000	91 - 180 days BGN'000	> 181 days BGN'000	Total BGN'000
Expected credit loss rate	0%	0%	0%	0%	0%	0%	
Receivables from related parties, gross	2,474	377	-	-	2	1	**2,854**
Receivables from third-party customers, gross	21,009	474	1 405	282	630	705	**24,505**
Contract assets, gross	6,998	-	-	-	-	-	**6,998**
Loss allowance of trade receivables and contract assets	-	-	-	-	-	(471)	**(471)**
Total trade receivables and contract assets	**30,481**	**851**	**1 405**	**282**	**632**	**235**	**33,886**

31 December 2019	Current BGN'000	Days past due: < 30 days BGN'000	31-60 days BGN'000	61 - 90 days BGN'000	91 - 180 days BGN'000	> 181 days BGN'000	Total BGN'000
Expected credit loss rate	0%	0%	0%	0%	0%	0%	
Receivables from related parties, gross	1,998	16	32	8	88	1	**2,143**
Receivables from third-party customers, gross	20,530	930	117	190	121	560	**22,448**
Contract assets, gross	1,700	-	-	-	-	-	**1,700**
Loss allowance of trade receivables and contract assets	-	-	-	-	-	(471)	**(471)**
Total trade receivables and contract assets	**24,228**	**946**	**149**	**198**	**209**	**90**	**25,820**

23. Contract assets

As at 3 June 2020, the Group had contract assets amounted BGN 6,998 thousand (31 December 2019: BGN 1,700 thousand). The Group does not expect credit losses on contract assets.

24. Cash and cash equivalents

	30 June 2020 BGN'000	*31 December 2019 BGN'000*
Cash and cash equivalents in hand	7	6
Cash and cash equivalents in current accounts	5,941	2,095
Short-term deposits	98	98
	6,046	**2,199**

Cash in bank accounts bear floating interest rates based on the daily interest rates on bank deposits. Short-term deposits are made for various periods between one week and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits at 30 June 2020 and 31 December 2019 equals their carrying amount.

25. Government grants

In 2017, Telelink Business Services EAD entered into a contract with the Ministry of Economic to receive a grant under the project "Implementation of Innovative Services" as part of the Operational Program "Innovation and Competitiveness" 2014-2020.

Under the contract, the grants were utilised for the purchase of certain items of property, plant and equipment and intangible assets, as well as for the provision of hired services under the 2017 contract. There are no unfulfilled conditions concerning the contracts. In 2018, the Company received the financing under the contract from 2017 of BGN 373 thousand.

In 2019, Telelink Business Services EAD, being part of a Consortium, in which more than 30 partners from various European countries participate, received the first tranche from financing under the Operational Program ECHO European network of Cybersecurity centres and competence Hub for innovation and Operations. The funds of BGN 463 thousand under the Program was provided and utilized to cover personnel costs.

The amount of government grants recognized in the financial statements corresponds to the useful life of the acquired items of property, plant and equipment, and intangible assets, and the hired services used:

	30 June 2020	*31 December 2019*
	BGN'000	*BGN'000*
Balance on 1 January	400	172
Received during the year	-	464
Released to profit and loss	(213)	(236)
Balance at the end of the period	**187**	**400**
Current	187	328
Non-current	-	72
	187	**400**

26. Interest-bearing loans and borrowings

Current	**Interest rate %**	*30 June 2020* *BGN'000*	*31 December 2019* *BGN'000*
Bank loans	0%	436	-
Revolving credit facilities	1M LIBOR + 1.6%.	2,891	2,501
Bank loans	1-month EURIBOR +1.5%	-	1,623
		3,327	**4,124**

26. Interest-bearing loans and borrowings (continued)

Overdraft loan facility

On 10 October 2019, Telelink Business Services EAD signed an agreement for underwriting commitments under an overdraft loan facility with Unicredit Bulbank AD; the limit for effective utilization of funds and taking contingent commitments is up to BGN 5,867 thousand as an overdraft for general financing of working capital needs. As of 30 June 2020, the funds utilized amounted to BGN 0 (as at 31 December 2019 - BGN 392 thousand). The loan is secured by a pledge of current and future receivables under individual contracts.

Revolving credit lines

The limit of Telelink Business Services EAD under the contract of 10 October 2019 is up to BGN 3,912 thousand as a revolving loan facility to finance partially specific projects in an amount capped to 80% of the difference between their total value and the advance payments received, which is subject to utilization on the grounds of specific requests and approvals on a case-by-case basis. As of 30 June 2020, the funds utilized amounted to BGN 0 (as at 31 December 2019 - BGN 1,231 thousand).

On June 30 2020 the company also signed an Annex for the annual renewal of the same agreement with an availability period until May 31 2021.
The provisions of the latter Annex regarding the limits for the effective drawing of cash funds and the undertaking of contingent commitments under the agreement include:

- an unchanged overdraft limit of up to EUR 3,000 thousand for the general funding of working capital needs;
- an increase of the revolving credit limit for the partial financing of specific projects up to 80% of the difference between their total value and advances received, subject to utilization on the basis of separate requests and approvals by project, from EUR 2,000 thousand to EUR 10,000 thousands;
- an increase of the limit for issuing bank guarantees and letters of credit from EUR 10,000 thousand to EUR13,000 thousand, as well as of the total credit amount, including utilized overdraft, revolving credit and issued bank guarantees and letters of credit – from EUR 11,000 thousand to EUR 13,000 thousands.

Comutel DOO concluded with a bank a working capital short-term contract with an agreed amount of USD 5,000 thousand. On January 28 2020, Comutel signed an Annex for the annual renewal of its Credit facility agreement with Raiffeisen Banka AD Beograd (Serbia).
The loan is fully secured by a pledge of receivables from a key account. The funds utilized as at 30 June 2020 amounted to BGN 2,891 thousand (31 December 2019: BGN 2,501 thousand)

On February 20 2020, Telelink Albania signed a Short-term financing agreement with First Investment Bank – Albania with a limit of EUR 500 thousand for the financing of receivables as per invoices issued to a specified telecom account of the company. Interest expenses under the credit are undertaken by the above client. Security provided under the agreement includes the pledge of receivables from financed invoices. As of June 30 2020, funds utilized by Telelink Albania under the agreement amounted to an equivalent of BGN 436 thousand.

26. Interest-bearing loans and borrowings (continued)

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

	30 June 2020	*31 December 2019*
	BGN'000	***BGN'000***
Interest-bearing loans and borrowings at 01 January	**4,124**	**5,312**
Proceeds from borrowings	30,750	49,307
Repayments of borrowings	(31,547)	(50,494)
Interest expense	101	258
Interest paid	(101)	(259)
Interest-bearing loans and borrowings at the end of the period	**3,327**	**4,124**

27. Leases

The Group has leases for offices, vehicles, and managed services assets used in the business. Leases for managed services assets have lease terms between 3 and 4 years, vehicles - 4 years, and rented offices 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

There are no lease contracts that include extension and termination options and variable lease payments.

The Group also has certain leases of premises or equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings	**Motor Vehicles**	**Managed Services assets**	**Total**
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Balance at 1 January	3,385	419	2,188	5,992
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	1	2,188	2,189
Additions	34	212	-	246
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	-	-	-
Disposals	-	-	-	-
Depreciation	(407)	(77)	(230)	(714)
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	(1)	(230)	(231)
Balance at 30 June 2020	**3,012**	**554**	**1,958**	**5,524**

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27.Leases (continued)

	Buildings	Motor Vehicles	Managed Services assets	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Balance at 1 January	3,045	*427*	1,434	4,906
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*11*	*1,434*	*1,445*
Additions	966	121	1,164	2,251
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	-	*1,164*	*1,164*
Depreciation	(626)	(127)	(410)	(1,163)
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*(10)*	*(410)*	*(420)*
Exchange differences	-	(2)	-	(2)
Balance at 31 Dec 2019	**3,385**	**419**	**2,188**	**5,992**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	30 June 2020	*31 December 2019*
	BGN '000	*BGN '000*
Balance at 01 January	**6,009**	**1,428**
Adjustment on transition to IFRS 16	-	3,372
Adjusted balance at 1 January 2019 (restated)	-	4,800
Additions	222	2,629
Accretion of interest	59	114
Payments	(970)	(1 536)
Exchange differences	-	2
Balance at the end of the period	**5,320**	**6,009**
Current	1,783	1,841
Non-current	3,537	4,168

The amount of the liabilities under finance leases that forms part of the lease liabilities balance as at 30 June 2020 is BGN 1,855 thousand (at 31 December 2019: BGN 2,237 thousand)

28. Trade and other payables

	30 June 2020 BGN'000	*31 December 2019 BGN'000*
Trade payables to related parties (note 31)	133	274
Trade payables to third parties	21,934	20,100
Accrued expenses	3,338	1,943
Trade payables	**25,405**	**22,317**
Tax and other statutory liabilities	1,013	2,785
Dividend and other payables to related parties	-	-
Other payables	946	1,694
Trade and other payables	**27,364**	**26,796**

Trade payables are non-interest bearing and are normally settled on 30-60-day terms.
Tax liabilities are non-interest bearing and are settled within the statutory deadlines.
Other payables are non-interest bearing and have an average term of 30 days.

29. Contract liabilities

	30 June 2020 BGN'000	*31 December 2019 BGN'000*
Contract liabilities to related parties	-	23
Advances received	5,180	341
Deferred income	10,208	7,563
Total contract liabilities	**15,388**	**7,927**
Current	10,129	4,939
Non-current	5,259	2,988
	15,388	**7,927**

Following the initial application of IFRS 15, Advances received from clients and Deferred income represent customer billed amounts in advance of performance are classified within Contract liabilities.

30. Retirement benefit liability

	30 June 2020 BGN'000	*31 December 2019 BGN'000*
Balance on 1 January	10	8
Accrued for the year	-	2
Balance at the end of the period	**10**	**10**

Major assumptions used for accounting purposes:

30. Retirement benefit liability (continued)

Major assumptions	31 December 2019
Discount Rate	2.36%
Future Salary Increases	5.00%
Personnel Retention Rate (depending on the age)	80.14%

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

31. Related party disclosure

Name	Nature of relationship	Affected Group companies
Telelink Business Services Group AD (Bulgaria)		
Telelink Business Services EAD (Bulgaria)	Subsidiary of	Telelink Business Services Group AD – 100%
Comutel DOO (Serbia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink DOO – Podgorica (Montenegro)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink DOO (Bosna and Herzegovina)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink DOO (Slovenia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Albania SH.P.K. (Albania)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services DOOEL (North Macedonia)	Subsidiary of	Telelink Business Services Group AD – 100%

Other related parties

Name	Nature of relationship
Telelink Bulgaria AD (Bulgaria)	Under common control
Telelink Infra Services EAD (Bulgaria)	Under common control
Telelink City Services EAD (Bulgaria)	Under common control
Telelink Labs EOOD (Bulgaria)	Under common control
Telelink Services Romania SRL (Romania)	Under common control
Telelink MK DOOEL (North Macedonia)	Under common control
Telelink UK LTD. (United Kingdom)	Under common control
Telelink GmbH (Germany)	Under common control
Secnet EAD (Bulgaria)	Under common control
Marifons Holdings Limited (Cyprus)	Under common control
V_investment Holdings B.V. (The Netherlands)	Under common control
Telelink Investments EOOD (Bulgaria)	Under common control
V_investments Bulgaria EOOD (Bulgaria)	Under common control
Field on Track OOD (Bulgaria)	Under common control
Develiot EOOD (Bulgaria)	Under common control
TOTAl TV B.V. (The Netherlands)	Under common control
V_Investments Cyprus Limited (Cyprus)	Under common control
Modeshift Inc, (USA)	Under common control
Telelink Infra Services SH.P.K. (Albania)	Under common control
Field on Track LTD. (United Kingdom)	Under common control
TOTALNA TELEVIZIJA DOO (Croatia)	Under common control
Telelink City EOOD(Bulgaria)	Under common control
Telelink Investments SARL (Luxembourg)	Under common control
Richhill EOOD (Bulgaria)	Under common control

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31. Related party disclosure (continued)

Participation in joint arrangements for the year 2020 and 2019

Name	Nature of Relationship	Group Companies Affected
Consortium EHealth (Bulgaria)	Participation	TeleLink Business Services EAD - 80%
Green Border OOD (Bulgaria)	Participation	TeleLink Business Services EAD - 50%
Consortium ATP Services (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium Telesec (Bulgaria)	Participation	TeleLink Business Services EAD - 50%
Consortium Telelink Info (Bulgaria)	Participation	TeleLink Business Services EAD - 78%
Consortium Telelink Group (Bulgaria)	Participation	Telelink Business Services EAD – 50%
Consortium Technolink (Bulgaria)	Participation	Telelink Business Services EAD – 59.10%
Consortium Bulgarian Basins (Bulgaria)	Participation	Telelink Business Services EAD – 15%
Consortium Green Border 3 (Bulgaria)	Participation	Telelink Business Services EAD – 75.91%
Consortium TeleSystems (Bulgaria)	Participation	Telelink Business Services EAD – 63.50%
Consortium SysTel (Bulgaria)	Participation	Telelink Business Services EAD – 50%

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

Trade	**Sales to related parties**		**Purchases from related parties**	
Name	***1 January - 30 June 2020 BGN'000***	***1 January - 30 June 2019 BGN'000***	***1 January - 30 June 2020 BGN'000***	***1 January - 30 June 2019 BGN'000***
Other related parties (under common control)	3,766	475	850	1,727
	3,766	**475**	**850**	**1,727**

Interest	**Charged to related parties**		**Charged by related parties**	
Name	***1 January - 30 June 2020 BGN'000***	***1 January - 30 June 2019 BGN'000***	***1 January - 30 June 2020 BGN'000***	***1 January - 30 June 2019 BGN'000***
Other related parties (under common control)	3	2	-	9
	3	**2**	**-**	**9**

Trade	**Receivables from related parties**		**Payables to related parties**	
Name	***30 June 2020 BGN'000***	***31 December 2019 BGN'000***	***30 June 2020 BGN'000***	***31 December 2019 BGN'000***
Other related parties (under common control)	2,803	2,092	133	274
	2,803	**2,092**	**133**	**274**

Amounts due by related parties are included in trade and other receivables (Note 22). Amounts due to related parties are included in trade and other payables (Note 28).

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

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31. Related party disclosure (continued)

Joint arrangements

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

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

Trade	**Sales**		**Purchases**	
Name	***1 January – 30 June 2020 BGN'000***	***1 January – 30 June 2019 BGN'000***	***1 January – 30 June 2020 BGN'000***	***1 January – 30 June 2019 BGN'000***
Consortium Telelink Group (Bulgaria)	2,851	-	-	-
Consortium TeleSystems (Bulgaria)	1,506	-	-	-
Consortium SysTel (Bulgaria)	288	-	-	-
Consortium ATP Services (Bulgaria)	162	165	-	-
Consortium Technolink	5	-	-	-
Consortium Telesec (Bulgaria)	2	-	-	-
Consortium Green Border 3 (Bulgaria)	-	3,711	-	-
	4,814	**3,876**	**-**	**-**

Trade	**Receivables**		**Payables**	
Name	***30 June 2020 BGN'000***	***31 December 2019 BGN'000***	***30 June 2020 BGN'000***	***31 December 2019 BGN'000***
Consortium Telelink Group (Bulgaria)	-	-	293	-
Consortium SysTel (Bulgaria)	-	-	4,712	-
Consortium ATP Services (Bulgaria)	15	109	-	-
Consortium Bulgarian Basins (Bulgaria)	-	-	17	7
	15	**109**	**5,022**	**7**

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32. Share capital and reserves

	30 June 2020	*31 December 2019*
	shares	***shares***
Ordinary shares of BGN 1 each	12,500,000	12,500,000
	12,500,000	12,500,000
Ordinary shares, paid in full	***BGN'000***	***BGN'000***
At the end of the period, issued and paid	12,500	12,500

All ordinary shares were paid in full.

Telelink Business Services Group AD was established in July 2019 with a share capital of BGN 50 thousand. The share capital available as of 31 December 2019 amounting to BGN 12,500 thousand was formed as a result of the Reorganization of Telelink Bulgaria EAD, whereby Telelink Bulgaria EAD allocated the net assets attributable to the separated Business Services activity amounting to BGN 12,667 thousand and the latter amount was allocated to the formation of additional share capital amounting to BGN 12,450 thousand and general reserves amounting to BGN 217 thousand.

Legal reserves

Legal reserves are formed from retained earnings in accordance with the statutory requirements and can be used to offset future losses. Pursuant to article 246 of the Commercial Act, legal reserves should be set aside until they reach one tenth or more of the company's registered capital. The sources of funding these reserves may be at least one tenth of the net profit, share premiums upon share issuing, and other sources provided for by the statutes of the Company or by resolution of the General Meeting of Shareholders.

Legal reserves are formed from the retained earnings of Telelink Business Services EAD (30 June 2020 and 31 December 2019: BGN 100 thousand) and Telelink Business Services Group AD (30 June 2020 and 31 December 2019: BGN 217 thousand)

The Group's legal reserves as at 30 June 2020 were BGN 317 thousand (2019: BGN 317 thousand).

Other reserves

Other reserves were formed after applying the predecessor method upon the acquisition of the companies under common control, and represent the difference between the investment in acquirees and the share capital of these entities.

Translation reserves

Translation reserves are formed from the restatement of the subsidiaries' operating results and financial performance in the Group's presentation currency. The translation reserves as at 30 June 2020 were BGN (558) thousand (31 December 2019: BGN (556) thousand).

33. Dividends distributed

Set out below are the dividends distributed by companies in the Group (to mother company Telelink Business Services Group) in 2020 and 2019:

Name	*30 June 2020 BGN'000*	*31 December 2019 BGN'000*
Comutel DOO	450	3,445
Telelink DOO - Podgorica	160	436
Telelink DOO (Bosnia and Herzegovina)	270	386
Telelink DOO (Slovenia)	606	-
Telelink Business Services EAD	7,002	2,000
	8,488	**6,267**

The dividends from Telelink DOO, Bosnia and Herzegovina, and Telelink DOO, Slovenia, Comutel DOO Serbia and Telelink Business Services EAD were not paid as at 30 June 2020. At 31 December 2019 there were no dividends unpaid.

34. Fair value measurement

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

		Fair value measurement			
Year ended at 30 June 2020	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Assets measured at fair value:					
Investment properties:					
Office properties	31.12.2019	362	-	-	362
Total assets measured at fair value		**362**	**-**	**-**	**362**

		Fair value measurement			
Year ended at 31 December 2019	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Assets measured at fair value:					
Investment properties:					
Office properties	31.12.2019	362	-	-	362
Total assets measured at fair value		**362**	**-**	**-**	**362**

35. Commitments and contingencies

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

Capital commitments: The Group had no capital commitments as at 30 June 2020 and 31 December 2019.

Commitments to the benefit of related parties

As of June 30 2020 and during the reporting period, the Issuer maintained its capacity of a guarantor, respectively pledgor under the following contracts signed in 2019 as security to TBS EAD's obligations under an Agreement for the undertaking of credit commitments under an overdraft credit line with Unicredit Bulbank AD:

- a suretyship agreement with Unicredit Bulbank AD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and annexes thereto until their final repayment, with a designated total credit limit available for utilization by TBS EAD as of agreement date in the amount of EUR 11,000 thousand;
- a share pledge agreement with Unicredit Bulbank AD over the Issuer's 100% stake in the capital of TBS EAD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and annexes thereto until their final repayment, with a designated total credit limit available for utilization by TBS EAD as of agreement date in the amount of EUR 11,000 thousand.

By resolution of the General Meeting of Shareholders from June 30 2020, a preliminary approval was granted for issuing a corporate guarantee by TBS Group in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel and Telelink Slovenia to make high-volume equipment purchases under contracts with Cisco Systems International B.V. on deferred payment, up to the amount of USD 5,100 thousand.

36. Financial risk management objectives and policies

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

In 2020 and 2019, the Group neither owned nor traded in derivative financial instruments.

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

Interest rate risk

In view of the floating nature of exposures under overdraft and revolving credit limits depending on the current dynamics of net working capital, the applicable minimum interest rate clauses in case of negative levels of interest rate indices and the systematic observation of such levels of EURIBOR during the reporting and previous periods, Group companies do not hedge interest rate risk arising from credit line agreements. The current changes and forecasts for the development of regularly updated and

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36.Financial risk management objectives and policies (continued)

Interest rate risk (continued)

floating indices remain subject to continuous monitoring in view of the timely renegotiation of interest rates on credit lines and the possible fixing or hedging of interest rates on long-term finance lease contracts in cases of significant actual or expected unfavourable changes in market interest rates.

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

	30 June 2020 BGN' 000	*31 December 2019 BGN' 000*
Fixed rate instruments		
Financial assets	6,039	2,193
Cash and cash Equivalents	6,039	2,193
Financial liabilities	(949)	(597)
Interest-bearing loans and borrowings (principal)	(436)	-
Finance leases	(513)	(597)
	5,090	**1,596**
	5,090	**1,596**

	30 June 2020 BGN' 000	*31 December 2019 BGN' 000*
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(4,233)	(5,764)
Interest-bearing loans and borrowings (principal)	(2,891)	(4,124)
Finance leases	(1,342)	(1 640)
	(4,233)	**(5,764)**
	(4,233)	**(5,764)**

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

	Profit or loss	
Effect in thousands of BGN	**1.00% increase**	**-1.00% decrease**
30 June 2020		
Variable rate instruments	(39)	29
Cash flow sensitivity (net)	**(39)**	**29**
31 December 2019		
Variable rate instruments	(44)	25
Cash flow sensitivity (net)	**(44)**	**25**

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

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FOR THE PERIOD ENDED 30 JUNE 2020

36. Financial risk management objectives and policies (continued)

Currency risk

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

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

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

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

Credit risk

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

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

The maximum credit exposure of the Group related to the recognised financial assets equals their carrying amount as stated in the balance sheet as of 30 June 2020.

Liquidity risk

The Group's cash flows can undergo significant momentary fluctuations as a result of various factors such as peaks in net working capital, increased investment activity, payment of dividends, etc., which may result in a given Group company's cash and cash equivalents being insufficient to meet its due liabilities. In spite of the signed financing contracts providing significant limits for funding working capital and the financing of a significant portion of investments with finance lease contracts, there is a risk that these limits may be insufficient in certain moments or periods. Such deficits may result in one or more Group companies' temporary inability to service its obligations to third parties in a timely manner with various adverse effects on its reputation and financial position.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

36. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity risk is managed through the planning of cash flows and ensuring sufficient cash, as also by agreeing credit limits and financial support with renown local banks and strategically engaged partners. The following table summarises the maturity profile of the Group's financial liabilities at 30 June 2020 and 31 December 2019 based on contractual discounted payments.

30 June 2020	On demand	< 3 months	3-12 months	1 - 5 years	> 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest-bearing loans and borrowings	-	436	2,891	-	-	3,327
Lease liabilities	-	409	1,366	3,545	-	5,320
Trade and other payables	13,709	7,849	4,447	-	-	26,005
Contract liabilities	-	861	9,224	5,303	-	15,388

31 December 2019	On demand	< 3 months	3-12 months	1 - 5 years	> 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Interest-bearing loans and borrowings	392	1,231	2,501	-	-	4,124
Lease liabilities	-	411	1,430	4,168	-	6,009
Trade and other payables	9,429	12,235	3,400	-	-	25,064
Contract liabilities	-	1,002	3,937	2,988	-	7,927

Capital management

The main objective of capital management of the Group is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value..

The Group manages its capital structure and adjusts it, where necessary, depending on the changes in the economic environment. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended 30 June 2020 and 31 December 2019 .

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

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FOR THE PERIOD ENDED 30 JUNE 2020

36. Financial risk management objectives and policies (continued)

Capital management (continued)

	30 June 2020 BGN'000	*31 December 2019 BGN'000*
Interest bearing loans and borrowings	3,327	4,124
Lease liabilities	5,320	6,009
Trade and other payables	27,364	26,796
Contract liabilities	15,388	7,927
Less cash and short term deposits	(6,046)	(2,199)
Net debt	45,353	42,657
Equity	14,743	8,340
Adjusted Equity	14,743	8,340
Capital and net debt	**60,096**	**50,997**
Gearing ratio	75%	84%

37. Events after the date of the consolidated financial statements

On July 01 2020 Telelink Business Services Group AD issued a corporate guarantee in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel and Telelink Slovenia to make high-volume equipment purchases under contracts with Cisco Systems International B.V. on deferred payment, in the amount of up to USD 5,100 thousand.

On July 27 2020, the following resolutions were adopted on a meeting of the Managing Board of Telelink Business Services Group AD:

- Approval of the nominations for members of the Audit committee to be presented for approval to the Supervisory Board and the General Meeting of Shareholders;
- Approval of the proposed Statute of the Company's audit committee;
- Proposal to the general meeting of shareholders to resolve on the distribution of the Company's profit for 2019 amounting to BGN 217 288.82 (two hundred and seventeen thousand two hundred and eighty-eight leva and 82 cent), whereby, pursuant to art. 246 para. 1 of the CA in connection with art. 246 para. 2 of the CA, 1/10 of the profit of the Company for 2019 shall be allocated to the formation of the Company's "Reserve Fund" until reaching 1/10 of its capital, and an amount of BGN 195 559.94 (one hundred ninety-five thousand five hundred fifty-nine levs and 94 cent) shall be distributed as a dividend from the profit of the Company for 2019;
- Based on submitted offers for the independent financial audit of the Company's financial statements, ranking and nomination of an auditing company to be proposed to the General Meeting of Shareholders for the election of an auditor for the conduct of the independent financial audit of the Company's financial statements for 2020;
- Election of Elana Trading AD as an investment intermediary for the buyback of Company shares;

37. Events after the date of the consolidated financial statements (continued)

- Approval of a motivated report under art. 114a POSA for the expediency and conditions of transactions under art.114 POSA for the occurrence of receivables of the Company from Telelink Business Services EAD, Comutel DOO, Serbia, Telelink DOO Slovenia, Telelink D.O.O. Montenegro, Telelink D.O.O. Bosnia and Herzegovina, Telelink Albania SHPK, Albania and Telelink Business Services Dooel, North Macedonia;
- Approval of a motivated report under art. 114a POSA for the expediency and conditions of transactions under art.114 POSA for conclusion of annexes to a contract dated 01.11.2019 for rent of furnished workplaces, as well as to a contract for provision of IT services dated 09.10.2019 between the Company and Telelink Business Services EAD;
- Approval of a motivated report under art. 114a of the POSA for the expediency and conditions of transactions under Article 114 of the POSA for conclusion of an annex to a loan agreement concluded on 02.09.2019 between the Company and Telelink Business Services EAD.

On July 30 2020, the following resolutions were adopted on a session of the Managing Board of Telelink Business Services Group AD:

- To accept a report for the payout of a 6-month dividend as per art. 115c, par. 2 – 1 of the POSA;
- To propose to the General meeting of shareholders to resolve on the distribution of BGN 6 000 000 (six million) as interim dividend from the profit realized by the Company as per the financial statements prepared for the first half of 2020 and based on the report prepared by the Managing Board in accordance with the requirements of art. 115c of the POSA;
- To establish a new subsidiary in Croatia – Telelink Business Services d.o.o., with a registered capital of EUR 10,000 (ten thousand) or their equivalent in Croatian kuna and management including managing director Gojko Martinovic and a supervisory board including Ivan Zhitianov, Orlin Rusev and Ivo Rusev;
- To propose to the General meeting of shareholders to assign to the Managing Board the preparation by the end of 2020 of a Plan for stimulation of the employees with shares based on performance criteria;
- to propose to the General meeting of the shareholders to assign to the Managing Board the preparation by the end of 2020 of and implement a procedure for one-time stimulation of the employees with shares.

On August 03 2020, the following resolutions were adopted on a session of the Supervisory Board of Telelink Business Services Group AD:

- Approval of the Company’s audit committee members proposed by the Managing board;
- Approval of the Company’s annual financial statement for 2019, the Company’s annual consolidated financial statement for 2019 and the management report;
- Approval of the Managing board proposal to the general meeting of shareholders for distribution of profit for 2019;
- Approval of the Managing board proposal to the general meeting of shareholders for distribution of profit and payment of 6-month dividend based on the 6-month financial statement;
- Approval of the Managing board decision on establishment of a new Company’s subsidiary in Croatia;

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FOR THE PERIOD ENDED 30 JUNE 2020

37. Events after the date of the consolidated financial statements (continued)

• Approval of the Managing board proposal to the general meeting of shareholders for preparation of a plan for stimulation of employees of the Group with shares based on performance;
• Approval of the Managing board proposal to the general meeting of shareholders for one-time stimulation of the employees with shares;
• Approval of a Remuneration policy for the members of the Supervisory board and the Managing board of the Company;
• Determining a scheme for granting to the Managing board of a remuneration based on Company's shares for 2020;
• Approval of signing by the Company and by Telelink Business Services EAD (Bulgaria) of Annex № 4 to the Agreement for undertaking of credit commitments under an overdraft credit line № 0018/730/10102019 dated 10.10.2019;
• Adoption of a decision for convening a Regular general meeting of shareholders and determination of the agenda of the meeting;
• Adoption of rules for voting by proxy on the regular general meeting of shareholders;
• Adoption of the text of the invitation for convening the regular general meeting of the shareholders of the Company.

On August 07 2020, Telelink Business Services Group AD posted an invitation to convene a Regular general meeting of shareholders and materials for the latter, which shall be held on September 10 2020 from 11.00 am in Sofia-1766, Sofia, Vitosha district, v.a. "Malinova Dolina", 6 Panorama Sofia Str., Richhill Business Center, ground floor, Conference centre Richhill, with the following agenda:

1. Adoption of the annual report of the Managing board on the activities of the company in 2019;
2. Adoption of the Audit Report on the audit of the Annual Financial Statement of the Company for 2019;
3. Approval of the audited Annual financial statement of the Company for 2019;
4. Adoption of the Audit report on the audit of the consolidated Annual financial statement of the Company for 2019;
5. Approval of the audited consolidated Annual financial statement of the Company for 2019. Proposed resolution;
6. Adoption of a decision for distribution of the Company's profit realized in 2019;
7. Adoption of a decision to release from liability the members of the Managing and Supervisory boards of the Company for their activities in 2019;
8. Adoption of the annual report on the activities of the Investor Relations Director in 2019;
9. Adoption and approval of the Statute of the Audit committee;
10. Election of members of the Audit Committee of the Company, determination of their mandate and remuneration;
11. Election of a registered auditor to perform an independent financial audit for 2020;
12. Amendments and supplements to the Articles of Association of the Company;
13. Authorization of the Managing board of the Company for concluding transactions from the scope of art. 114, para. 1, item 3 POSA;
14. Authorization of the Managing board of the Company for concluding transactions from the scope of art. 114, para. 1, item 2 POSA;
15. Authorization of the Managing board of the Company for concluding transactions from the scope of art. 114, para. 1, item 2 POSA;

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2020

37. Events after the date of the consolidated financial statements (continued)

16. Adoption of the 6-month financial statement for the first half of 2020;
17. Taking a decision under art. 41 para. 2 of the Articles of Association of the Company for distribution of the profit and payment of a 6-month dividend on the basis of the adopted 6-month financial statement;
18. Taking of a decision for one-time provision of shares from the capital of the Company to the employees working in the Company and its subsidiaries;
19. Taking of a decision for authorization of the Managing board of the Company to implement a Program for long-term stimulation with shares of the employees of the Company and its subsidiaries;
20. Adoption of a Remuneration Policy for the members of the Supervisory and Managing boards of the Company;
21. Taking a decision to provide the members of the Managing board with remuneration based on shares of the Company for 2020;
22. Approval of a scheme for remuneration based on shares of the Company to the members of the Managing board for 2020.

On August 11 2020, pursuant to Annex №4 to the Agreement for the undertaking of credit commitments between Unicredit Bulbank AD as creditor and Telelink Business Services EAD and Telelink Business Services Group AD as pledgor, disclosed on June 29 2020, according to which the maximum total amount of the provided (authorized) credit limit was increased by EUR 2 000 0000 (two million) up to EUR 13 000 000 (thirteen million) and the Agreement's term was extended until May 31 2021, Telelink Business Services Group AD signed:

- Annex №1 to the Agreement for the undertaking of a suretyship with Unicredit Bulbank AD from October 10 2019, whereby the designated total credit limit available for utilization by TBS EAD as of agreement date was raised up to EUR 13,000 thousand;
- a second-ranking Share pledge agreement with Unicredit Bulbank AD over the Issuer's 100% stake in the capital of TBS EAD, securing the additional EUR 2,000 thousand of the total credit limit available for utilization as of agreement date.

Except as described above, the Group's management declares that from the end of the reporting period to the date of approval of these financial statements no significant and / or materials events have occurred that have an impact on the results or affect the Group's operations, the non-disclosure of which would have an effect on the true and fair presentation of the financial statements.