

*Translation from Bulgarian*

**LEASING  
FINANCE**

LEASING FINANCE EAD

Annual Financial Statements

for the year ending 31 December 2020

**Table of Contents**

MANAGEMENT'S REPORT OF LEASING FINANCE EAD..... 3  
INDEPENDENT AUDITOR'S REPORT ..... 16  
STATEMENT OF COMPREHENSIVE INCOME..... 20  
STATEMENT OF FINANCIAL POSITION .....21  
STATEMENT OF CHANGES IN EQUITY ..... 23  
STATEMENT OF CASH FLOWS ..... 25

## **2020 MANAGEMENT'S REPORT OF LEASING FINANCE EAD**

This Management's Report of the Company is made in accordance with the provisions of Chapter Seven of the Accounting Act and the requirements of the Commerce Act.

The Management's Report is adopted by Minutes of 08.04.2021 of the Company's Board of Directors.

### **BUSINESS DESCRIPTION**

Leasing Finance EAD (the Company) is registered in accordance with the commerce legislation of the Republic of Bulgaria on 27 December 2004 under corporate file No 13716/2004 with original name Piraeus Leasing Bulgaria AD. On 2 July 2012, Piraeus Auto Leasing Bulgaria EAD and Piraeus Best Leasing EAD merged into the Company. As from 3 August 2016 (the date of registration in the Commercial Register), the sole owner of the Company's capital is Finance Info Assistance EOOD. Until 3 August 2016, the owners of the Company's capital are as follows: Piraeus Bank SA, Greece, with shareholding of 95% and Piraeus Bank Bulgaria AD with shareholding of 5%. A change of the trade name of the Company as Leasing Finance EAD was also registered in the Commercial Register on 3 August 2016. The Company's registered address is in the city of Sofia, region Lozenets, 53 Cherni Vrah Blvd., registered in the Commercial Register on 6 November 2018. The former registered address until the change was as follows: city of Sofia, region Oborishte, 103 G. S. Rakovski St., registered in the Commercial Register on 2 December 2016. Before such change, the Company's registered address was as follows: city of Sofia, region Mladost, 127A Tsarigradsko Shose Blvd.

The registered scope of business of the Company is as follows: finance lease, issue and administration of other payment means (travel cheques and letters of credit), surety transactions, acquisition of claims under loans and other forms of funding (factoring, forfeiting, etc.), acquisition of securities and shares with investment purposes in its name and on its behalf, with own funds, including with regard to the enforcement of its secured or unsecured claims, as well as undertaking any other appropriate actions for safe-keeping the value of its investments. The scope of business of the Company was supplemented during the previous reporting period and the change was registered in the Commercial Register on 28 May 2018. During 2020, the Company's business comprises mainly finance and operating lease.

The Company is registered as a financial institution under article 3a of the Credit Institutions Act and is registered in the register of financial institutions of the Bulgarian National Bank (BNB) with reg. No BGR00181 by virtue of Order of BNB No 5H5-61708/03.07.2015 (by Order PД 22-0767/31.03.2010 before).

The Company is not a public company within the meaning of the Public Offering of Securities Act (POSA).

As at 31 December 2020, the Company does not have any registered branches in the country and abroad.

## **BUSINESS REVIEW**

### **Development and results from the entity's business**

The portfolio of leased assets is very diversified and comprises real estates, vehicles, agricultural machinery, production and technological equipment.

In 2020, the Company has decreased its claims under lease contracts by BGN 4,308 thousand in comparison to 31 December 2019.

No assets under lease contracts have been seized in 2020. During the same period, cars returned under operating lease have been sold with book value of BGN 29 thousand.

At its meeting held on 14 February 2017, the Board of Directors of the Company adopted a resolution to establish a sole owner limited liability company in the Republic of Macedonia with scope of business: operating lease.

### **Development and results from the entity's business (continued)**

At its meeting held on 1 March 2017, the Board of Directors of the Company adopted a resolution to acquire 100% of the capital of a company registered in the Republic of Bulgaria, mainly dealing with lease of assets under operating lease. At its meeting held on 3 July 2017, the Board of Directors of the Company adopted a resolution that the Company would finally acquire 1,000 shares with nominal value of BGN 2,300 each, and with total nominal value of BGN 2 300 000, being 100% of the capital of the company TBI Rent EAD. At its meeting held on 5 July 2017, the Board of Directors of the Company adopted a resolution to change the trade name of its subsidiary from TBI Rent EAD to M RENT EAD.

In 2020 the subsidiary successfully develops its business and reports positive financial result and increase of net assets at the end of the year.

At its meeting held on 22 March 2017, the Board of Directors of the Company adopted a resolution to enter into a purchase and sale agreement in its capacity of buyer for the acquisition of the title of 4 aircrafts Boeing 737-300 PAX and 1 aircraft engine. Assets have been leased under operating lease (dry lease of aircrafts).

In 2017 and 2018 the Company successfully applied for and received funding with bank loans from CB UniCredit Bulbank AD and as 31 December 2021 the Company has received funds under all three loans from the bank for purchase of aircrafts and an aircraft engine, for purchase of assets to be leased under operating lease, and for purchase of assets to be leased under finance lease. These are long-term loans with maturity in June 2021, July 2024 and March 2023. The parent company Finance Info Assistance EOOD is a joint debtor under the loans. The Company serves its obligations under the bank loans on ongoing basis. In September 2020, the loan for purchase of assets to be leased under operating lease was repaid in advance.

In addition to the above loans, in 2017, 2018, 2019 and 2020 the Company has received funding from Finance Security Group AD - sole owner of the parent company, and from other non-related parties.

The obligations to the parent company acquired by it in 2016, together with the title of the Company, are repaid on ongoing basis and without delays.

On its meeting held on 1 May 2018, the Board of Directors of the Company adopted a resolution on the grounds of article 232a in connection with article 221, paragraph 1 of the Commerce Act and article 27, paragraph I of the Company's Articles of Association, to supplement the scope of business of the Company as follows: acquisition of securities and shares with investment purposes in its name and on its behalf, with own funds, including with regard to the enforcement of its secured or unsecured claims, as well as undertaking any other appropriate actions for safe-keeping the value of its investments.

On its meeting held on 20 May 2018, the Board of Directors of the Company adopted a resolution for adoption and approval of internal rules on the protection of personal data with regard to the new GDPR rules.

On its meeting held on 3 September 2018, the Board of Directors of the Company adopted a resolution to enter into a purchase and sale agreement in its capacity of seller for the sale of investment property located at 123 Prof. Tsvetan Lazarov Blvd. in the city of Sofia. A profit in the amount of BGN 488 thousand and was realised as a result of the sale.

On its meeting held on 10 September 2018, the Board of Directors of the Company adopted a resolution to enter into a purchase and sale agreement in its capacity of buyer for the acquisition of title of 4 Boeing 737-300 bodies without engines. The assets are leased under operating lease (dry leasing of aircrafts).

On its meeting held on 10 September 2018, the Board of Directors of the Company adopted a resolution to participate in the establishment of a special purpose vehicle within the meaning of the Special Purpose Vehicles Act. Upon the incorporation of Finance Assistance Management ADSIC the Company made a monetary contribution in the amount of BGN 175 000, being the value of 175 000 ordinary, dematerialized voting shares, with nominal and issue value of BGN 1.

### **Development and results from the entity's business (continued)**

On its meeting held on 10 September 2018, the Board of Directors of the Company adopted a resolution to enter into a purchase and sale agreement between the Company as a buyer and Bank of Utah - not individually but only as an owner-trustee by virtue of trust agreement between it and Rostrum Leasing DAC, in its capacity of seller, by virtue of which the Company acquires the title of 3 Boeing bodies. model 8737-300. The bodies were bought without engines and related parts, being considered parts of the Boeing 737 QEC configuration, except for the parts that are expressly described in the purchase and sale agreement, which are considered parts of each body. As at 31.12.2020, the assets are leased under operating lease (dry lease of aircrafts).

On its meeting held on 21 November 2018, the Board of Directors of the Company adopted a resolution to participate in the incorporation of a company with the following scope of business: granting loans with funds, which have not been raised by public raising of deposits or other coverable funds. Upon the establishment of Sky Pay AD, the Company made a monetary contribution in the amount of BGN 500, being the value of 500 ordinary, dematerialized voting shares, with nominal and issue value of BGN 1.

On its meeting held on 15 May 2019, the Board of Directors of the Company adopted a resolution to enter into agreement for purchase of all shares in the registered capital of the company Hems Air EOOD /former trade name Darik Sky/, being 13 000 /thirteen thousand/ shares with nominal value of BGN 180 each, with total nominal value of BGN 2 340 000, being 100% of the company's capital, for the price of BGN 450 000 and the available cash funds, or for the total sales price of BGN 780 504. The carrying amount Hems Air EOOD in Leasing Finance EAD is BGN 780 504.

On its meeting held on 18 July 2019, the Board of Directors of the Company adopted a resolution to increase the capital of Finance Assistance Management ADSIC - a special purpose vehicle within the meaning of the Special Purpose Vehicles Act, with monetary contribution in the amount of 52 500 ordinary, dematerialized voting shares, with nominal and issue value of BGN 1.

On its meeting held on 7 October 2019, the Board of Directors of the Company adopted a resolution for purchase and sale of all ordinary registered shares of the capital of the company New Web Market EAD, being 50 000 /fifty thousand/ shares with nominal value of BGN 1 each, being 100% of the capital of the company, for the price of BGN 206 359.38.

On its meeting held on 18 December 2020, the Board of Directors of the Company adopted a resolution to increase the capital of M Rent EAD with monetary contribution in the amount of BGN 350 000. The company's capital is in the amount of BGN 2 650 000 divided into 1000 registered voting shares with nominal value of BGN 2 650 each.

On its meeting held on 1 December 2020, the Board of Directors of the Company adopted a resolution to enter into a purchase and sale agreement between the Company as a buyer and Bul Air EOOD, in its capacity of a seller, by virtue of which the Company acquires the title of 3 aircrafts - helicopters. As at 31.12.2020, the assets not leased under operating lease (dry lease of aircrafts).

During the reporting year 2020, new finance lease contracts were entered into, thus involving new customers in the Company's portfolio, where the management's intention is to continue this trend in the next reporting periods.

The Company's activity is related to financial risks, including credit risk, liquidity risk, risk of change of foreign exchange rates and changes of interest rates. The Company's overall risk management policy is aimed at minimizing the potential adverse impact on the Company's financial position:

- First level: financed amount of up to EUR 150,000;
- Second level: financed amount of EUR 150,000 to EUR 2,000,000;
- Third level: financed amount of EUR 2,000,000 to EUR 5,000,000.

Financed amount means the difference between the purchase price of the leased property and own share of the customer, and the abovementioned amounts also comprise the credit exposure of the same customer or a group of related customers to Leasing Finance EAD and/or Finance Info Assistance EOOD. There are authorised persons at each level of approval who may make decisions. These persons are nominated in accordance with the internal procedures of Leasing Finance EAD.

When making decisions for probable approval of received applications for funding, the following key parameters are analysed:

- Customer's solvency based on historic financial data for the customer and generated payment history for the customer (if any);
- Leased property, main features, proposed purchase price, secondary market of the leased property, etc.;
- Parameters of the respective lease transaction, including own share of the customer, time period for repayment, transaction collateral, etc.

As a result of the above analysis, the respective competent body of Leasing Finance EAD estimates the credit risk of the respective transaction and makes decision for the approval of the transaction with the parameters requested by the customer, or approval of the transaction with parameters other than those requested by the customer, for the purposes of reducing the credit risk, or refusal for transaction.

## FINANCIAL STATEMENT AND ANALYSIS

The main economic indicators characterizing the Company's business are as follows:

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
Revenue	5,059	10,447
Expenses	4,888	9,090
Earnings before tax	171	1,357
<b>Financial autonomy</b>	<b>2020</b>	<b>2019</b>
Financial autonomy ratio	0.2388	0.2933
Debt ratio	4.1884	3.4223
<b>Liquidity</b>	<b>2020</b>	<b>2019</b>
Overall liquidity ratio	1.1010	0.7057
Quick liquidity ratio	0.8987	0.7045
Immediate liquidity ratio	0.5729	0.3640
Absolute liquidity ratio	0.0099	0.0296

<b>Efficiency</b>	<b>2020</b>	<b>2019</b>
Expenses	1.0488	1.1493
Revenue	0.9535	0.8701
<b>Rate of return</b>	<b>2020</b>	<b>2019</b>
Equity	0.0083	0.0655
Assets	0.0016	0.0149
Liabilities	0.0020	0.0192
Sales revenue	0.0765	0.1647

### Structure of share capital

As at 31 December 2020, the share capital of Leasing Finance AD is in the amount of BGN 28 577 412 (twenty eight million five hundred seventy seven thousand four hundred and twelve Bulgarian levs) and is *fully* paid-in. It is divided into three hundred seven thousand two hundred and eighty four ordinary shares with nominal value of BGN 93 (equivalent to EUR 48) each.

In 2014, the shareholders of the Company adopted a resolution to decrease the capital for the purposes of covering accumulated losses until 2012 and allocation of a portion of the capital to the Reserve fund. The capital amount before the decrease was BGN 10 756 000 (ten million seven hundred and fifty six thousand Bulgarian levs), whereas a portion of the capital in the amount of BGN 7 601 000 (seven million six hundred and one thousand Bulgarian levs) were used to cover losses until 2012 inclusive, and the other portion in the amount of BGN 2 154 692 (two million one hundred fifty four thousand six hundred and ninety two Bulgarian levs) were allocated to the Reserve fund. The resolution for capital decrease was announced in the Commercial Register on 20 January 2015 and was entered on 4 March 2015. After the decrease, the registered capital of the Company became BGN 1 000 38 (one million and thirty eight Bulgarian levs).

In 2016, the registered capital of the Company was increased twice through contributions in kind, comprising claims of the sole owner Finance Info Assistance EOOD against the Company. The capital increases were registered in the Commercial Register on 21 and 29 December 2016. With the two increases, the registered capital of the Company became BGN 28 577 412 (twenty eight million five hundred seventy seven thousand four hundred and twelve Bulgarian levs).

There were no change in the registered capital of the Company in 2017 and 2018.

On 27 December 2019, the sole owner of the capital of Leasing Finance EAD adopted a resolution to increase the Company's capital through the issue of new 118 280 /one hundred eighteen thousand two hundred and eighty/ ordinary, registered shares with nominal value of BGN 93 /ninety three Bulgarian levs/ per share, with total amount of the increase - BGN 11 000 040 /eleven million and forty Bulgarian levs/. The shareholder made a monetary contribution to a Company's bank account. This circumstance was entered into the Commercial Register on 06.01.2020.

## **Board of Directors**

As at 31 December 2020 and as at the date of preparation of the financial statements, the Board of Directors of the Company comprises of the following members:

Mr. Marin Ivanov Stoev - executive member of the Board of Directors

Mr. Romil Svetozarov Zlatanov - member of the Board of Directors

Mr. Zdravko Atanasov Stoev - chairperson of the Board of Directors.

There are no changes of the members of the Board of Directors in 2020.

The Company is represented by Marian Ivanov Stoev and Zdravko Atanasov Stoev jointly.

In his capacity of executive director of the Company as at 31 December 2020, Marin Ivanov Stoev does not participate in business companies as a general partner, does not hold more than 25% of the capital of other companies, and has the following participation in the management of other companies:

- M RENT EAD - member of the Board of Directors
- Leasing Finance DOOEL, Skopje - manager;
- Bui Air EOOD - manager;
- Airport Services Development EAD- chairperson of the Board of Directors;
- Sky Pay AD - chairperson of the Board of Directors;
- New Web Market EAD - executive director
- Association of Bulgarian Airlines ABA - member of the managing board.

In his capacity of chairperson of the Board of Directors of the Company as at 31 December 2020, Zdravko Atanasov Stoev does not participate in business companies as a general partner, does not hold more than 25% of the capital of other companies, and has the following participation in the management of other companies:

- Finance Security Group AD - chairperson of the Board of Directors;
- Finance Info Assistance EOOD – manager;
- Sky Pay AD - chairperson of the Board of Directors;
- Finance Assistance Management ADSIC: deputy chairperson of the Board of Directors;
- Hems Air EOOD - manager;
- Web Media Group AD - procurator;
- New Web Market AD- chairperson of the Board of Directors;
- PARK ADSIC - Executive director;
- Zenith Investment Holding AD - executive director.

In his capacity of member of the Board of Directors of the Company as at 31 December 2020, Romil Svetozarov Zlatanov does not participate in business companies as a general partner, does not hold more than 25% of the capital of other companies, and has the following participation in the management of other companies:

- Sky Pay AD - member of the Board of Directors.

In 2020, the members of the Board of Directors of the Company have received remuneration in the amount of BGN 159 thousand.

In 2020, the members of the Board of Directors of the Company have not entered into contracts with the Company, which go beyond its ordinary activity or materially differ from the arm's length principle.

In 2020, the members of the Board of Directors of the Company have not acquired shares in the Company's capital. The members of the Board of Directors of the Company do not have any privileges to acquire shares and bonds of the Company.

## INFORMATION UNDER ARTICLE 187Д OF THE COMMERCE ACT

In 2020 no treasury shares of the Company's capital were acquired and transferred. As at 31 December 2020, the Company does not have any treasury shares of its capital.

## ORGANIZATIONAL STRUCTURE

The Company pursues its activity on the following address: Sofia, Lozenets district, 53 Cherni Vrah Blvd.

## RESEARCH AND DEVELOPMENT

In 2020, the Company has not carried out any research and development.

## FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial assets and liabilities (financial instruments) may be summarised in the following categories:

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
<b>Financial assets</b>		
Debt instruments at amortised cost:		
Bonds	2,758	2,926
Net investment in finance lease	10,312	14,724
Other finance assets	12,993	12,500
Other receivables from related parties	1,704	373
Granted loans	19,574	3,350
Cash	256	867
	<u>47,597</u>	<u>34,740</u>
Financial assets at fair value through profit and loss:		
Equity instruments	1,322	1,450
	<u>1,322</u>	<u>1,450</u>

<i>BGN'000</i>	2020	2019
<b>Financial liabilities</b>		
Financial liabilities stated at amorised cost:		
Bank and other loans	25,988	15,487
Payables to related parties	36,014	36,340
Payables to suppliers and other payables	7,028	6,514
Lease liability payables	1,370	1,756
	<u>70,400</u>	<u>60,097</u>

## **2021 BUSINESS OBJECTIVES**

In 2021, the Company plans to continue its leasing activity and the activity related to seizure and sale of assets from customers who fail to serve their lease contracts. It plans to obtain funding via bank loans and from related parties for the purposes of purchasing new assets to be leased under finance and operating lease in order to expand the Company's business and increase of its customer base.

The Company intends to continue the positive development of its business, to stabilize its financial position, which can be determined as good, and to regularly serve its liabilities under received bank loans, loans from related parties and other current liabilities.

## **EVENTS AFTER THE REPORTING DATE**

Since the end of 2019, the world is facing an epidemic of new coronavirus infection, which has initially occurred in China and has blocked the economic life and supplies from China at the beginning of 2020. Due to the trend of increase of Covid-19 cases, at the beginning of March 2020 the World Health Organisation officially announced the spread of the SARS-CoV-2 virus and the COVID-19 disease it causes as a pandemic. On 13 March 2020, the National Assembly of the Republic of Bulgaria declared state of emergency in the country due to the coronavirus and anti-epidemic measures and restrictions were introduced. The state of emergency continued until 13 May 2020. As a result of amendments to the Bulgarian legislation, in May 2020 the Minister of Health was empowered to announce emergency epidemic situation with the respective sanction of the Bulgarian government. Therefore, an emergency epidemic situation was announced from 14 March to 14 June 2020, which was then repeatedly continued until 30 April 2021.

The pandemic and the related state of emergency in the country caused significant decrease of the economic activity and gave rise to material uncertainty and suspense about future macroeconomic processes. The emergency epidemic situation declared afterwards reduced some of the measures introduced during the state of emergency, but nevertheless the current measures also affect the economic activity in the country.

Almost throughout 2020 different countries worldwide introduced various restrictive measures including some restrictions for trips and transport, putting some people and even whole areas and regions under full or partial quarantine, and Europe is among the continents that has been more severely affected by the pandemic as a whole. Such restrictions influenced the supplies and

resulted in economic difficulties suffered by the entities and delay of the economic development of Europe and other parts of the world. Huge number of people lost their jobs both in the Republic of Bulgaria and Europe and across the world as well.

At the end of 2020, the usual economic life in the country and abroad was not actually recovered. The government of the Republic of Bulgaria introduced various economic and social measures aimed at helping, although partially, the sectors and business affected by the pandemic, the state of emergency and restrictions introduced in the country and abroad. A special law was enacted with regard to the declared state of emergency and some other laws were amended and supplemented too. Different time periods, including for tax filings, were continued in 2020. Commercial banks were allowed to agree upon grace periods and other deferrals for granted bank loans with their customers. Various grants under EU programs and the national budget of the Republic of Bulgaria were approved and ensured.

In several countries COVID-19 vaccines were developed and tested during the year, which happened at different rates and test success. Based on the positive assessment of the European Medicines Agency, at the end of 2020 and at the beginning of 2021 the European Commission gave marketing authorisation for four COVID-19 vaccines on the territory of the European Union. Vaccination began on 27 December 2020 in the whole European Union simultaneously. It is expected that the spread of the virus and the COVID-19 disease, respectively, would be significantly decreased with the vaccination of sufficient number of citizens in the EU and worldwide. It is still impossible to make a forecast whether this would happen during 2021 and if yes, at what time of the year.

Depending on the duration of imposed restrictions, the efficiency of vaccines and the recovery of the normal economic life impacts on the future actions of the Company would be different. Longer restrictions would result in permanent deterioration of the economic indicators and would affect all economic entities.

Despite the above considerations, in 2020 the Company's business was not adversely affected or at least not quite significantly, due to its specific nature. The Company continues settling its liabilities and collecting its receivables and has realised positive financial result for the year. The Company has not utilized any economic and social measures implemented by the government of the Republic of Bulgaria with regard to the pandemic as it does not meet the criteria so set.

## **RISK MANAGEMENT**

### **Capital risk management**

The management's objectives terms of capital management are to protect the Company's right to continue as a going concern for the purposes of ensuring profit for the owner.

The Company's management controls the capital on the basis of the equity/ debt capital (debt ratio). Such ratio is calculated by dividing the net debts by the total capital. Net debts are calculated by subtracting cash and cash equivalents from the total liability ("current and non-

current liabilities" including, which is indicated in the balance sheet). Total capital is calculated by adding 'equity' (as stated in the statement of financial position) to the net debts.

<i>BGN'000</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Type</b>		
<b>Total debt capital, including:</b>	<b>86,194</b>	<b>81,581</b>
Trade payables	24,192	18,754
Payables under bank and other loans	25,988	15,487
Commercial credits and loans to related parties and credits against goods	36,014	36,340
Payables to owners	-	11,000
<b>Less cash and cash equivalents</b>	<b>(256)</b>	<b>(867)</b>
<b>Net debt capital</b>	<b>85,938</b>	<b>80,714</b>
Total equity	20,578	9,408
<b>Total capital</b>	<b><u>106,516</u></b>	<b><u>90,122</u></b>
<b>Net debt to total capital ratio</b>	<b><u>0.807</u></b>	<b><u>0.896</u></b>

### **Financial risk management**

The Company is exposed to the following financial risks:

- credit risk;
- liquidity risk;
- market risk;
- operational risk.

This report discloses information about the Company's exposure to each of the above risks the objectives policies and processes in the Company for risk assessment and management and capital management. Further quantitative disclosures can be found in the explanatory notes to the stand-alone financial statements (explanatory note 6).

### **Credit risk**

Credit risk is the risk of the counterparty's failure to fulfil their obligations for a financial instrument or contract, which results in financial loss. The Company is exposed to credit risk due to its operating activity - finance and operating lease.

Before entering into lease contracts and afterwards, the Company analysis the entities-lessees, their economic abilities and available assets and liabilities. It monitors their credibility and economic activity. Prepayments under some of the lease contracts are indicator of proper assessment of the lessees' payment ability.

### **Investments**

The Company does not make investments in liquid debentures and corporate securities in order to eliminate its exposure to credit risk. The Company makes investments in acquisition of claims and shares/ stocks in companies.

### **Liquidity risk**

Liquidity risk is the risk for the Company to face difficulties when servicing its financial obligations. The Company's approach to the management of liquidity risk is to guarantee as much as possible that it would have enough liquid funds available to meet its maturing obligations both in normal and unexpected situations, without suffering any additional losses or reputation risks.

### **Market risk**

The Company is partially exposed to market risk. The Company does not have financial instrument traded on public markets. The currency risk is minimum as far as all assets and liabilities, revenue and expenses are denominated in BGN and EUR.

### **Currency risk**

The Company is not exposed to currency risk as far as all assets and liabilities of the Company denominated in BGN or EUR. Currency risk would occur in case of change in the BGN/EUR exchange rate, and the management does not have any information and expectations about such fact.

### **Interest risk**

The financial position and cash flows of Leasing Finance EAD are exposed to the impact of the changes of the market interest rates. Since most of the interest-bearing assets /claims under finance lease contracts/ and liabilities /loans/, respectively, have floating interest rate, the management believes the risk is low.

### **Operational risk**

Currently, the Company believes the operational risk is minor/ missing. As far as the decisions are made by the board of directors and the executive director and the Company does not have many employees, the risk factor-related operational risk is almost missing. Changes in legal and regulatory requirements in terms of the Company's business are not expected on the basis of the analysis of the changes so far, the activity it pursues and available alerts for changes in the legislation. In the course of its work and in the course of work of the group companies of the parent company, responsible conduct protecting the companies' reputation and not harming the image before our counterparties is strictly monitored and required.

In terms of business operations and accounting and tax treatment, all statutory requirements are strictly observed and the activity, decisions, reports and alerts for irregularities are subject to continuous control and monitoring. The Board of Directors of the Company oversees the business of the subsidiaries for the purposes of mitigating the risks and avoiding losses.

## RESPONSIBILITIES OF THE MANAGEMENT

According to the Bulgarian legislation, the management prepares financial statements for the financial year, which gives true and fair idea of the Company's position. The management has prepared the accompanying financial statements in accordance with the International Financial Reporting Standards (IFRS) endorsed by the EU.

The management confirms that it has consistently applied adequate accounting policy.

Furthermore, the management confirms that it has observed the applicable IFRS and the financial statements are prepared in accordance with the going concern principle of accounting.

The management is responsible for the proper keeping of accounting registers, for the expedient management of the assets and for undertaking the necessary measures for avoiding and finding possible misuse and other irregularities.

Signature/ Illegible

Marin Stoev  
Executive Director  
Leasing Finance EAD  
Sofia, 08.04.2021

Signature/ Illegible

Zdravko Stoev  
Chairperson of the Board of Directors

*Round seal of Leasing Finance EAD, Sofia*

# Crowe

## **Crowe Bulgaria Audit 00D**

55 Shesti Semptemvri St.

1142 ofia

Tel.: +359 2 44 565 91

Fax: +359 2 42 660 71

Email: [office@crowe.bg](mailto:office@crowe.bg)

Website: [www.crowe.bg](http://www.crowe.bg)

## **INDEPENDENT AUDITOR'S REPORT**

To the sole owner of  
Leasing Finance EAD

Address: 1407 Sofia  
53 Cherni Vrah Blvd.

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Leasing Finance EAD ("the Company"), which comprise the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the explanatory notes to the financial statements, including summary of significant accounting policies.

To our opinion, the accompanying financial statements give a fair view, in all material respects, of the financial position of the Company as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union (EU).

#### **Basis for opinion**

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

### **Information other than the financial statements and the auditor's report thereon**

The management is responsible for the preparation of the other information. Other information consists of the management's report prepared by the management under Chapter Seven of the Accounting Act, but does not include the financial statements and our auditor's report thereon.

Our opinion in terms of the financial statements does not cover the other information and we do not express any kind of conclusion for assurance in terms of it, unless and to the extent it is explicitly stated otherwise in our report.

In relation to our audit of the financial statements, our responsibility is to read the other information and to consider whether such other information contains material discrepancy with the financial statements, or with our knowledge and understanding obtained through our audit, or otherwise seems to contain material misstatements. If based on our work we conclude that the other information contains material misstatement, we are required to report such fact.

We do not have anything to report to this effect.

### **Responsibilities of the management or the persons charged with the governance for the financial statements**

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

As part of the preparation of the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, by disclosing, where applicable, any issues related to the going concern assumption and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The persons charged with the governance are responsible for the supervision of the Company's financial reporting process.

### **Responsibilities of the auditor for the audit of the financial statements**

Our objective is to obtain reasonable level of assurance whether the financial statements as a whole contain material misstatements, whether due to fraud or error, and to issue auditor's report that contains our audit opinion. Reasonable level of assurance is a high level of assurance but is not a guarantee that an audit conducted in compliance with ISA will always detect material misstatements, when such misstatements exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

As part of the audit in compliance with ISA we exercise professional judgment and keep professional scepticism throughout the audit. Furthermore, we:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, we design and perform audit procedure responsive to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations to mislead the auditor, as well as neglect or override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair representation.

We communicate with the persons charged with the governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant shortcomings in internal control that we identify during our audit.

## **Report on other statutory and regulatory requirements**

### ***Further issues required to be reported in accordance with the Accounting Act***

In addition to our responsibilities and reporting pursuant to **ISA** as described above in the *Information other than the financial statements and the auditor's report thereon* section with regard to the management's report, we conducted the procedures added to those required by ISA in compliance with the *Instructions on new and extended auditor's reports and communication by the auditor* of the professional organisation of the registered auditors in Bulgaria - Institute of Chartered Expert Accountants (ICEA). Such procedures are relevant to the checks for availability and of the form and substance of such other information, for the purposes of helping us to form our opinion about whether the other information comprises the disclosures as set out in Chapter Seven of the Accounting Act applicable in Bulgaria.

*Opinion in relation to article 37, paragraph 6 of the Accounting Act*

Based on the procedures we conducted, we conclude that:

- a) the information in the director's report for the financial year the financial statements have been prepared for, is consistent with these financial statements.
- b) the management's report is prepared in compliance with the requirements of Chapter Seven of the Accounting Act.

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

For Crowe Bulgaria Audit OOD  
Audit Company

Georgi Kaloyanov

Manager, Registered auditor in charge of the audit

*Signature! Illegible*

*Round seal of Audit Company Crowe Bulgaria Audit EOOD, Sofia, reg No 167*

29 April 2021  
city of Sofia

**1. STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ending 31 December**

<i>BGN'000</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
Interest income		1,643	1,431
Interest expenses		(2,386)	(2,406)
<b>Net interest expenses</b>	<b>7</b>	<b>(743)</b>	<b>(975)</b>
Revenue from operating lease		1,574	7,545
Other revenue/ (expenses), net	8	1,837	1,276
Expenses for assets subject to operating lease		(101)	(223)
<b>Result from operations</b>		<b>2,567</b>	<b>7,623</b>
Profit/ (Loss) from impairment of investments in subsidiaries	17		(100)
Administrative expenses	9	(2,396)	(6,461)
<b>EBT</b>		<b>171</b>	<b>1,062</b>
<b>Income tax expenses</b>	<b>JO</b>		
<b>Profit for the year</b>		<b>171</b>	<b>1,062</b>
<b>Total comprehensive income for the year</b>		<b>171</b>	<b>1,062</b>

Signature/ Illegible

Marin Stoev  
Executive Director

Signature/ Illegible

Zdravko Stoev  
Chairperson of the Board of Directors

*Round seal of Leasing Finance EAD, Sofia*

Signature/ Illegible

Maya Vlachkova  
Preparer  
Date: 08.04.2021

As per Independent Auditor's Report of 29.04.2021  
For Crowe Bulgaria Audit EOOD, Audit Company  
Georgi Kaloyanov  
Manager, Registered Auditor in charge of the audit

*Signature/ Illegible*  
*Round seal of Audit Company Crowe Bulgaria Audit EOOD, Sofia, reg. No 167*

*The notes on pages 5 to 39 are integral part of these financial statements.*

## STATEMENT OF FINANCIAL POSITION

<i>BGN'000</i>	<i>Note</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Assets</b>			
Cash	11	256	867
Net investment in finance lease	12	10,312	14,724
Other financial assets	18	15,751	15,426
Other receivables from related parties	26	1,704	373
Granted loans	20	19,574	3,350
Goods	14	5 060	
Other assets	22	8,439	9,965
Redeemed assets	13	166	34
Investments in subsidiaries, associates and joint ventures	17	5,807	5,457
Financial assets at fair value in profit and loss	21	1,322	1,450
Fixed assets	15	37,885	34,849
Fixed asset acquisition costs	16		3,998
Deferred tax assets	19	496	496
<b>Total assets</b>		<b>106,772</b>	<b>90,989</b>
<b>Liabilities</b>			
Payables to suppliers and other payables	25	24,192	18,754
Bank and other loans	24	25,988	15,487
Payables to related parties	26	36,014	36,340
Payables to owners			11,000
<b>Total liabilities</b>		<b>86,194</b>	<b>81,581</b>
<b>Equity</b>			
Share capital	25	39,577	28,577
Statutory reserves		2,671	2,671
Reserve from merger of companies		(512)	(512)
Uncovered loss		(21,158)	(21,328)
<b>Total equity</b>		<b>20,578</b>	<b>9,408</b>
<b>Total liabilities and equity</b>		<b>106,772</b>	<b>90,989</b>

Signature/ Illegible

Marin Stoev  
Executive Director

Signature/ Illegible

Zdravko Stoev  
Chairperson of the Board of Directors

*Round seal of Leasing Finance EAD, Sofia*

Signature/ Illegible

Maya Vlachkova  
Preparer  
Date: 08.04.2021

As per Independent Auditor's Report of 29.04.2021      *Signature/ Illegible*  
For Crowe Bulgaria Audit EOOD, Audit Company      *Round seal of Audit Company Crowe*  
Georgi Kaloyanov      *Bulgaria Audit EOOD, Sofia, reg. No*  
Manager, Registered Auditor in charge of the audit      *167*

*The notes on pages 5 to 39 are integral part of these financial statements.*

STATEMENT OF CHANGES IN EQUITY  
For the year ending 31 December

*BGN'000*

	<b>Registered capital</b>	<b>Statutory reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance as at 1 January 2019</b>	<b>28,577</b>	<b>2,159</b>	<b>(22,390)</b>	<b>8,346</b>
Profit for the year			1,062	<u>1,062</u>
<b>Total comprehensive income for the year</b>			<b>1,062</b>	<b>1,062</b>
<b>Balance as at 31 December 2019</b>	<b>28,577</b>	<b>2,159</b>	<b>(21,328)</b>	<b>9 408</b>

*BGN'000*

	<b>Registered capital</b>	<b>Statutory reserves</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance as at 1 January 2020</b>	<b>28,577</b>	<b>2,159</b>	<b>(21,328)</b>	<b>9,408</b>
Issue of equity	11,000	-	-	<u>11,000</u>
<b>Transactions with owners</b>	<b>11,000</b>	<b>-</b>	<b>-</b>	<b>11,000</b>
Profit for the year			171	<u>171</u>
<b>Total comprehensive income for the year</b>			<b>171</b>	<b>171</b>
Other changes			(1)	<u>1</u>
<b>Balance as at 31 December 2020</b>	<b>39,577</b>	<b>2,159</b>	<b>(21,158)</b>	<b>20 578</b>

Signature/ Illegible

Marin Stoev

Executive Director

Signature/ Illegible

Zdravko Stoev

Chairperson of the Board of Directors

*Round seal of Leasing Finance EAD, Sofia*

S  
i  
g

nature/ Illegible Maya

Vlachkova Preparer

Date: 08.04.2021

As per Independent Auditor's Report of 29.04.2021  
For Crowe Bulgaria Audit EOOD, Audit Company  
Georgi Kaloyanov  
Manager, Registered Auditor in charge of the audit

*Signature/ Illegible*  
*Round seal of Audit Company Crowe*  
*Bulgaria Audit EOOD. Sofia, reg. No*  
*167*

*The notes on pages 5 to 39 are integral part of these financial statements.*

**STATEMENT OF CASH FLOWS**  
**For the year ending 31 December**

<i>BGN'000</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activity</b>			
Profit for the year		171	1,062
Adjustments for:			
Decrease of provisions for impairment, etc.		(1,878)	(649)
Amortisation of fixed assets	15	1,093	<b>3,642</b>
Interest income	7	(1,643)	(1,431)
Interest expenses	7	2,386	2,406
Deferred tax	19		
Decrease of receivables from finance lease		5,905	(4,064)
Decrease of seized assets		(132)	1,674
Increase of receivables of customers, etc.			2,400
Increase of other assets		(5,444)	(9,660)
Repo-transactions		52	650
Payables to shareholders		(11,000)	11,000
Financial assets for trading - shares		127	(1,450)
Decrease/ (Increase) of other receivables and other financial assets		(13,888)	(1,000)
(Decrease)/ Increase of other payables		<b>4,121</b>	<b>7,855</b>
Gained int rests		1,643	<b>835</b>
<b>Net cash flow from operating activity</b>		<b>(18,487)</b>	<b>13,270</b>
<b>Cash flows from investing activity</b>			
Disposal/ (Acquisition) of fixed assets, net		(518)	(6,779)
(Increase)/ Decrease of long-term investments in companies		(350)	(940)
<b>Net cash flow from investing activity</b>		<b>(868)</b>	<b>(7,719)</b>
<b>Cash flow from financing activity</b>			
Receipt/ (Repayment) of credits and loans		20,135	(4,979)
Paid interests for credits and loans		(1,391)	(2 200)
<b>Net cash flows from financing activity</b>		<b>18,744</b>	<b>(7,179)</b>
<b>Net increase of cash and cash equivalent</b>		<b>(611)</b>	<b>(1,628)</b>
Cash and cash equivalent as at 1 January		867	2,495
<b>Cash and cash equivalent as at 31 December</b>	11	<b>256</b>	<b>867</b>

Signature/ Illegible

Marin Stoev  
Executive Director

Signature/ Illegible

Zdravko Stoev  
Chairperson of the Board of Directors

*Round seal of Leasing Finance EAD, Sofia*

Signature/ Illegible

Maya Vlachkova  
Preparer  
Date: 08.04.2021

As per Independent Auditor's Report of 29.04.2021  
For Crowe Bulgaria Audit EOOD, Audit Company  
Georgi Kaloyanov  
Manager, Registered Auditor in charge of the audit

*Signature/ Illegible*  
*Round seal a/Audit Company Crowe*  
*Bulgaria Audit EOOD, Sofia, reg. No*  
*167*

*The notes on pages 5 to 39 are integral part of these financial statements.*

## **2. Status and scope of business**

Leasing Finance EAD (the Company) is domiciled in the Republic of Bulgaria. The Company is registered in accordance with the commerce legislation of the Republic of Bulgaria on 27 December 2004 under corporate file No 13716/2004 with original name Piraeus Leasing Bulgaria AO. On 2 July 2012, Piraeus Auto Leasing Bulgaria EAD and Piraeus Best Leasing EAD merged into the Company. A change of the trade name of the Company as Leasing Finance EAD was registered in the Commercial Register on 3 August 2016.

The Company's registered address is as follows: district of Sofia-city, city of Sofia, region Lozenets, 53 Cherni Vrah Blvd. The registered scope of business of the Company is as follows: finance lease, issue and administration of other payment means (travel cheques and letters of credit), surety transactions, acquisition of claims under loans and other forms of funding (factoring, forfeiting, etc.), acquisition of securities and shares with investment purposes in its name and on its behalf, with own funds, including with regard to the enforcement of its secured or unsecured claims, as well as undertaking any other appropriate actions for safe-keeping the value of its investments. In 2020, the Company's business comprises finance and operating lease.

The Company is registered as a financial institution under article 3a of the Credit Institutions Act and is registered in the register of financial institutions of the Bulgarian National Bank (BNB) with reg. No BGR00181 by virtue of Order of BNB No :БНБ-61708/03.07.2015 (by Order ПД22-0767/31.03.2010 before).

The Company is not a public company within the meaning of (POSA).

As at 31 December 2020 there are 11 employees under employment contracts (as at 31 December 2019 - 12).

## **3. Basis for preparation of the financial statements**

The Company's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as developed and issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (IFRS endorsed by the EU). Within the meaning of paragraph 1, item 8 of the Supplementary Provisions to the Accounting Act applicable in Bulgaria, the term "IFRS endorsed by the EU" refers to the International Accounting Standards (IAS) endorsed in accordance with Regulation (EU) 1606/2002 of the European Parliament and of the Council.

The Financial Statements are made in Bulgarian leva (BGN), which is the functional currency of the Company. All amounts are stated in thousand Bulgarian leva (BGN'000) (including the comparative information for 2019), unless stated otherwise.

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

These financial statements of the Company are stand-alone financial statements as the Company is exempted from preparation and presentation of consolidated financial statements on the grounds of § 4 of IFRS 10. These financial statements will be integrated in the Consolidated Financial Statements as at 31 December 2020 of Finance Security Group AD -

sole owner of Finance Info Assistance EOOD - the parent company of Leasing Finance EAD. Finance Security Group AD plans to publish its consolidated financial statements for the year ending 31 December 2020 by 30 April 2021.

The annual financial statements are made in observance of the going concern principle of accounting.

The financial statements are made in observance of the going concern principle of accounting taking into account the possible impact of the current Covid-19 pandemic.

At the beginning of 2020, the global business and the economic activity of a number of enterprises and whole sectors of the economy were impeded due to the spread of a new coronavirus (Covid-19). On 11 March 2020, the World Health Organisation declared pandemics of coronavirus (Covid-19). On 13 March 2020, the National Assembly of the Republic of Bulgaria declared a state of emergency for 1 month period - until 13 April 2020.

During the first weeks of April 2020, the number of newly unemployed has been increasing by 4 thousand people a day, which resulted in peak unemployment rates due to the imposed banks and the discontinuance of the operation of many sectors of the economy.

On 3 April 2020, the National Assembly continued the time period of the state of emergency with another month - until 13 May 2020.

The time period of the state of emergency expired on 13 May 2020 and the Council of Ministers declared an emergency epidemiologic situation since 14 May 2020 until now.

Despite the relief of the anti-epidemiologic measures and the renewal of the company's business, many sectors of the economy were affected by the impact of the coronavirus pandemic. Macroeconomic forecasts of world institutions expect total decrease of Bulgaria's GDP by up to 7% per year and recovery of pre-crisis growth levels (stabilisation) of the economy during the 2<sup>nd</sup> - 3<sup>rd</sup> quarter of 2021.

Coronavirus pandemic resulted in significant volatility on stock and commodity markets in Bulgaria and worldwide. Many governments, including Bulgaria, announced measures for both financial and non-financial support to affected sectors and business organisations.

As a result of the actions undertaken by the management to ensure funding and due to the increased control over working capital during the last two years, irrespective of the increase of the intragroup funding during the last year with regard to the investments in subsidiaries, the Company has improved its indicators for short- and mid-term liquidity. Interest expenses are about 3 times less than the operating profit and their amount is within the range maintained by the Board of Directors. The forecasts and budgets made for the future development of the Company, in accordance with its business, show that the Company could continue its normal operations and that there is sufficient funding provided. As a result of the Company's business review, the Board of Directors expects the Company to have sufficient resources to continue its operations in the near future and believes that the going concern principle has been appropriately used.

#### **4. Changes in the accounting policy**

##### **(a) New standards effective from 1 January 2020**

The Company applies the following new standards, amendments and interpretations to IFRS as developed and issued by the International Accounting Standards Board, which are subject to compulsory application as from the annual period starting on 1 January 2020 but have no material effect on the Company's financial performance and financial position:

- IAS 1 and IAS 8 (amended) - Definition of Material, effective from 1 January 2020, endorsed by the EU;
- Amendments of the references to the Conceptual Framework for Financial Reporting, effective from 1 January 2020 endorsed by the EU;
- IFRS 3 (amended) - Definition of a Business, effective from 1 January 2020, not yet enforced by the EU;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, effective from 1 January 2020 endorsed by the EU;
- Amendments to IFRS 16 Covid-19-Related Rent Concessions, effective from 1 June 2020 endorsed by the EU.

##### **(b) Standards, amendments and interpretations that are not yet effective and are not applied by the Company at earlier date**

As at the date of approval of these financial statements new standards, amendments and interpretations to existing standards have been issued but are not yet effective and endorsed by the EU for the financial period beginning on 1 January, and have not been applied by the Company at earlier date. They are not expected to have significant effect on the Company's financial statements. The management expects all standards and amendments to be adopted in the Company's accounting policy during the first period beginning after the date of their enforcement.

Amendments are related to the following standards:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-Current, effective from 1 January 2023, not yet endorsed by the EU;
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 7 Provisions, Contingent Liabilities and Contingent Assets, effective from 1 January 2022, not yet endorsed by the EU;
- Annual Improvements 2018-2020, effective from 1 January 2022, not yet endorsed by the EU;
- Amendments to IFRS 4 Insurance Contracts - postponement of IFRS 9, effective from 1 January 2021, not yet endorsed by the EU;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2, effective from 1 January 2021, not yet endorsed by the EU;
- IFRS 14 Regulatory Deferral Accounts, effective from 1 January 2016, not yet endorsed by the EU;
- IFRS 17 Insurance Contracts, effective from 1 January 2023, not yet endorsed by the EU.

## **5. Significant accounting policies**

The significant accounting policies described below are applied consistently during all presented periods.

### **(a) General provisions**

The most significant accounting policies applied to the preparation of these financial statements are presented below.

The financial statements are prepared in observance of the principles for measurement of all types of assets, liabilities, income and expenses in accordance with IFRS. The basis for measurement are disclosed in details further in the accounting policy to the stand-alone financial statements/ the financial statements.

It should be noted that accounting estimates and assumptions have been used for the preparation of the presented financial statements. Although they are based on information provided to the management as at the date of preparation of the financial statements, the actual results may differ from the estimates and assumptions so made.

### **Presentation of the financial statements**

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements".

The Company presents the statement of comprehensive income in a single statement.

The statement of financial position comprises two comparative periods where the Company applies the accounting policy retrospectively, translates items in the financial statements retrospectively, or reclassifies items in the financial statements, and this has material impact on the information in the statement of financial position as at the beginning of the previous period.

### **(b) Investments in subsidiaries**

Subsidiaries mean all entities that are under the Company's control. Control exists where the Company is exposed or has rights to the variable return of its participation in the investee, and is able to influence such return through its powers over the investee. Investments in subsidiaries are stated at cost in the stand-alone financial statement of the Company.

The Company recognises dividend from a subsidiary in the profit or loss in its stand-alone financial statements when its right to obtain the dividend has been established.

### **(c) Investments in associates and joint ventures**

A joint venture is a contractual agreement by virtue of which the Company or other independent parties undertake economic activity that is subject to joint control by and the parties that have joint control over the venture are entitled to the venture's net assets. Investments in joint ventures are stated at cost.

Associates refer to those entities over which the Company is able to exert significant influence, which are neither subsidiaries, nor joint ventures. Investments in associates are stated at acquisition cost.

The Company recognises dividend from a joint venture in the profit or loss in its financial statements when its right to obtain the dividend has been established.

#### **(d) Foreign currency transactions**

Foreign currency transactions are stated in the functional currency of the Company at the official exchange rate as at the date of the transaction (the announced fixing of the Bulgarian National Bank). Foreign exchange gains and losses that occur upon the settlement of such transactions and the revaluation of monetary items in foreign currency at the end of the reporting period, are recognised in the profit or loss.

Non-monetary items in foreign currency measured at historic price are stated at the exchange rate as at the date of the transaction (they are not revaluated). Non-monetary items in foreign currency measured at fair value are stated at the exchange rate as at the date of determining the fair value.

The Bulgarian lev is fixed to the euro in the following ratio EUR 1 = BGN 1.95583.

#### **(e) Revenue**

The Company generates its revenue mainly from investments in operating lease (explanatory not "m"). The Company undertakes the following 5 steps to determine whether and how to recognise revenue:

1. Identification of the contract with customer
2. Identification of the performance obligations
3. Determination of the price of the transaction
4. Allocation of the price of the transaction to the performance obligations
5. Recognition of revenue upon fulfilling the performance obligations.

Revenue is recognised at a time or in the course of time, when or until the Company fulfils its performance obligations by transferring the promised goods or services to its customers.

The Company recognises as contractual obligations any consideration received with regard to unfulfilled performance obligations and presents them as other liabilities in the statement of financial position. In the same way, if the Company fulfils its performance obligation before receiving the consideration, it recognises in its statement of financial position either a contractual asset, or a receivable, depending on whether anything else is required, other than time, to receive such consideration.

#### **Sale of seized assets**

Sale of goods comprises the sale of seized assets. Revenue is recognised when the Company has transferred the control over delivered goods to the buyer. It is understood that the control is transferred to the buyer where the client has accepted the goods without objections.

## **(f) Interest and dividend income**

Interest income are related to finance lease contracts and loan agreements. It is stated on current basis in accordance with the method of the effective interest rate.

Dividend income is recognised at the time of occurrence of the right to receive the payment.

## **(g) Operating costs**

Operating costs are recognised in profit or loss upon using the services or at the date of their incurrence.

The Company states two types of costs related to the performance of contracts for supply of goods/ services/ with customers: costs for entering into/ delivery of the contract and costs for performance of the contract. Where costs do not meet the conditions for deferral in accordance with IFRS 15, they are recognised as current expenses at the time of incurrence thereof, and for example, they are not expected to be recovered, or the period of deferral thereof is up to one year.

The following operating costs are always stated as current expenses at the time of incurrence thereof:

- General and administrative costs (unless they are borne by the customer);
- Costs for inventory waste;
- Costs related to the performance of the obligation;
- Costs for which the entity could not determine whether they are related to satisfied or unsatisfied performance obligation.

## **(h) Interest expenses and loan expenses**

Interest expenses are stated on current basis in accordance with the method of the effective interest rate.

Loan expenses mainly comprise interests for the Company's loans. All loan expenses that can be directly related to the purchase, construction or production of an eligible asset, are capitalised during the period in which the asset is expected to be finished and made eligible for use or sale. All other loan expenses should be recognised as cost for the period they have been incurred in, in the statement of profit or loss/ statement of profit or loss and other comprehensive income on line "Financial expenses".

## **(i) Goods**

Goods represent either assets acquired under lease contracts, which are not yet delivered for use to the customer, or assets returned by default payers. They are stated at the lower value than the acquisition cost and the net realisable value.

Goods are measured at the lower than the present carrying amount of the net minimum lease payments as at the date of seizure of the asset and the net realisable value of the asset. Assets that are stated as inventory are subject to regular review for impairment, usually at the end of the year.

## **(j) Intangible assets**

Intangible assets comprise software and licences. They are measured at acquisition cost, including all paid duties, refundable taxes and direct costs incurred with regard to the preparation of the asset for operation, where capitalised expenses are amortised on the basis of the straight-line method during the estimated useful life of the assets, as it is considered finite.

Intangible assets are subsequently measured at acquisition cost less charged amortisation and impairment losses. Charged impairments are stated as expense and are recognised in the statement of comprehensive income for the respective period.

Subsequent expenses that are incurred with regard to the intangible assets after their initial recognition are recognised in the statement of comprehensive income for the period of their incurrence, unless due to such subsequent expenses the asset is able to generate future economic benefits higher than the initially estimated ones and where such expenses may be reliably measured and referred to the asset. If such conditions are met, expenses are added to the asset's cost.

The residual value and the useful life of the intangible assets are assessed by the management as at every reporting date.

Amortisation is calculated by the straight-line method over the measured useful life of individual assets as follows:

Software and licenses	
Software and licenses	2 - 5 years

Expenses for amortisation are stated in the statement of comprehensive income on line "Amortisation". The Company has chosen material threshold of intangible assets in the amount of BGN 700.

## **(k) Property, plant, machinery and equipment**

Property, plant and equipment are initially stated at cost, including the acquisition cost and all direct expenses for making the asset operational.

Property, plant, machinery and equipment are subsequently measured at acquisition cost less accumulated amortisation and impairment losses. Impairments are stated as an expense and are recognised in the statement of comprehensive income for the respective period.

Subsequent expenses related to specific asset of property, plant and equipment are added to the carrying amount of the asset where the Company expects to obtain economic benefits in excess of the initially measured efficiency of the existing asset. All other expenses are recognised as an expense for the period they have been incurred.

The residual value and useful life of property, plant and equipment are assessed by the management as at every reporting date.

Property, plant and equipment acquired under the conditions of lease contracts are amortised on the basis of the expected useful life determined by comparison with similar own assets of the Company, or on the basis of the lease contract, if its term of validity is shorter.

The amortisation of plant and machinery is charged on the basis of the straight-linear method for over the estimated useful life of the separate groups of assets as follows:

Vehicles	6 - 7 years;
Aircrafts	25 years;
Aircraft engines	6.67 years;
Computers	2 - 4 years;
Another equipment	5 - 7 years.

#### **(l) Impairment tests of investments in subsidiaries, intangible assets and property, plant and equipment and goods**

When calculating the amount of impairment, the Company defines the smallest identifiable group of assets for which separate cash flows may be determined (cash flow generating unit). Thus, some of the assets are subject to impairment test on individual basis, and other - on cash flow generating unit basis.

All assets and cash flow generating units are tested for impairment at least once a year. All other separate assets or cash flow generating units are tested for impairment when events or change of circumstances indicate that their carrying amount may not be recovered.

The amount with which the carrying amount of an asset or a cash flow generating unit exceeds their recoverable amount, which is the higher than the fair value, less the sale expenses of an asset and its value in use, is recognised as impairment loss. In order to determine the value in use, the Company calculates the expected future cash flows for each cash flow generating unit and determines the appropriate discount rate for the purposes of calculating the present value of these cash flows. Data used for the impairment test are based on the last approved budget of the Company, adjusted for the purposes of eliminating the effect of future reorganisations and significant improvements of assets, if necessary. Discount rates are determined for every individual cash flow generating unit and take into account their respective risk profile assessed by the Company's management.

Impairment losses of cash flow generating unit are stated as a decrease of the carrying amount of assets within this unit. The management subsequently estimates for all assets of the Company whether indications exist that the impairment loss recognised in previous years might not exist anymore or might be decreased. Any impairment recognised in a previous period is recovered if the recoverable amount of the cash flow generating unit exceeds its carrying amount.

#### **(m) Lease**

##### **The Company as a Lessee**

In terms of new contracts, the Company judges whether a contract is or contains a lease. Lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the

underlying asset) for a period of time in exchange for consideration". In order to apply such definition, the company makes three major estimates:

- whether the contract contains an identified asset that is explicitly stated in the contract or is implicitly stated as at the time of conveying the asset for use
- the Company is entitled to obtain substantially all economic benefits of the use of the asset during the whole period of use, within the specific scope of its right to use the asset in accordance with the contract
- the Company has the right to direct the use of the identified asset during the whole period of use.

The Company assesses whether it has the right to direct "how and for what purpose" the asset will be used during the whole period of use.

### **Measurement and recognition of lease by the company as a lessee**

At the initial date of the lease contract, the Company recognises the right-of-use asset and the liability under the lease in the statement of financial position. The right-of-use asset is measured at acquisition cost that comprises the amount of initial measurement of the lease liability, the initial direct expenses incurred by the Company, estimate of expenses that the lessee will incur for dismantling and removal of the underlying asset at the end of the lease contract, and any lease payments made before the commencement date of the lease contract (less lease incentives).

The Company amortises the right-of-use asset by the straight-linear method as from the commencement date of the leasing until the earlier of the two dates: the end of the right-of-use asset's useful life, or the expiration of the term of the lease contract. Furthermore, the Company reviews right-of-use assets for impairment where such indications exist.

On the commencement date of the lease contract, the Company measures the lease liability at present value of lease payments that are outstanding as at such date discounted with the interest rate set out in the lease contract, if such rate is directly identifiable, or with the company's differential interest rate.

Lease payments included in the measurement of the lease liability comprise fixed payments (including substantially fixed ones), variable payments based on index or rate, amounts that are expected to be payable by the lessee under the guarantees for residual value, and payments resulting from options, if its certain enough that the Company would exercise such options.

After the commencement date, the lease liability is decreased by the amount of settled payments and increased by the interest amount. The lease liability is revaluated to take into account the revaluations or amendments to the lease contract, or to reflect the adjusted substantially fixed lease payments.

Where the lease liability is revaluated, the respective adjustment is reflected in the right-of-use asset or is recognised in profit or loss, if the right-of-use asset's carrying amount has been decreased to zero.

The Company has elected to state short-term lease contracts and the lease of assets of low value by using practical exemptions as set out in the standard. Instead of recognition of right-

of-use assets and liabilities under lease contracts, the related payments are recognised as expense in the profit or loss by the straight-linear method during the lease term.

In the statement of financial position, the right-of-use assets are stated in property, plant and equipment, and the lease liabilities are comprised "Payables to suppliers and other payables".

### **The Company as a lessor**

As a lessor, the Company classifies its lease contracts as operating or finance lease.

A lease contract is classified as finance lease contract if it transfers substantially all risks and benefits of the ownership of the underlying asset, and as an operating lease contract if it does not transfer substantially all risks and benefits of the ownership of the underlying asset.

Assets under operating lease contracts are stated in the Company's statement of financial position and are amortised in accordance with the amortisation policy adopted in terms of similar assets of the Company and with the requirements of IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets.

Assets under finance lease contracts are stated in the Company's statement of financial position as receivable equal to the net investment in the lease contract. The income from sale of assets is stated in the statement of comprehensive income for the respective period. The recognition of financial revenue is based on a model that reflects permanent periodic rate of return on the residual net investment.

The Company's lease activity is related to lease of vehicles, industrial equipment, real estates etc., mainly under finance lease contracts. The financial lease contract is an agreement by virtue of which the lessor gives the lessee the right to use an asset for a specific time period in return of consideration. The lease contract is considered finance lease, where by virtue of the contract the lessor transfers to the lessee all substantial risks and benefits related to the ownership of the asset.

The typical indicators that the Company considers in order to determine whether all substantial risks and benefits are transferred comprise: the present value of minimum lease payments in comparison with the fair value of the leased asset at the inception of the lease contract; the term of validity of the lease contract in comparison with the economic life of the leased asset; and whether the lessee would acquire the title of the leased asset at the end of the term of validity of the finance lease contract. All other lease contracts that do not substantially transfer all risks and benefits of the ownership of the asset are classified as operating lease.

With view of the nature of the Company's business, the receivables under finance lease contracts and under operating lease contracts are stated together in item "Net investment in finance lease" of the statement of financial position.

#### *Minimum lease payments*

Minimum lease payments are those payments that the lessee would make or might be obliged to make during the term of validity of the lease contract. From the Company's perspective, minimum lease payments comprise the residual value of the asset guaranteed by a third non-related party of the Company, provided such party is financially able to fulfil its engagement

under the guarantee or the repurchase agreement. In minimum lease payments the Company also comprises the price for exercising a possible option that the lessee has to purchase the asset, whereas at the inception of the lease contract it is to a great extent sure that the option would be exercised. Minimum lease payments do not comprise any amounts under contingent rents and expenses for services and taxes that have been paid by the Company and subsequently re-invoiced to the lessee.

#### *Inception of the Lease and Inception of the Lease Term*

Differentiation is made between inception of the lease and inception of the lease term. The inception of the lease is the earlier than the two dates - of the lease agreement or of the commitment of the parties with the main terms and conditions of the lease. As at this date:

the lease contract is classified as finance or operating lease; and  
in case of finance lease, the amount that need to be recognised at the inception of the lease term are determined.

The inception of the lease term is the date on which the lessee can exercise its right of use of the leased asset. This is the date on which the Company initially recognises the receivable under the lease.

Initially the Company recognises receivable under finance lease equal to its net investment that comprises the present value of minimum lease payments and any non-guaranteed residual value for the Company. The present value is calculated by discounting any minimum lease payments due with an interest rate attributable to the lease contract. Initial direct expenses are included in the calculation of the receivable under finance lease. During the term of the lease contract, the Company charges financial revenue (interest income for finance lease) over the net investment.

Received lease payments are considered as decrease of the net investment (repayment of principal) and recognition of financial revenue in a way that ensures permanent rate of return of the net investment. Afterwards, the net investment in finance lease contracts is presented net, after offsetting the individual and portfolio provisions for bad debts. The measurement of impairment under finance lease is presented in explanatory note "u" herein below.

#### **Operating lease**

Lease instalments under concluded operating lease contracts are recognised as revenue by using the straight-line method for the term of the respective contract.

#### **(n) Financial instruments**

##### **Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual terms and conditions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows of the financial asset have expired, or when the financial asset and substantially all risks and benefits have been transferred.

## *Notes to the Annual Financial Statements*

Financial liabilities are derecognised when the contractual liability has been settled, has been cancelled, or its term of validity has expired.

### **Classification and initial measurement of financial assets**

Financial assets are initially stated at fair value adjusted with the transaction costs, except financial assets at fair value in profit or loss, and trade receivables that do not contain significant financial component. Initial measurement of financial assets at fair value through profit or loss is not subject to adjustment with the transaction costs, which are stated as current expenses. The initial measurement of trade receivables that do not contain significant financial component is the price of the transaction in accordance with IFRS 15.

Depending on the way of subsequent statement, financial assets are classified in one of the following categories:

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

Financial assets are classified on the basis of the following two conditions:

- the business model of the Company for management of financial assets;
- the characteristics of the contractual cash flows of the financial asset.

All income and expenses related to financial assets recognised in profit or loss are stated in financial expenses, financial income or other financial items, except impairment of trade receivables, which is stated on line "Profit/ (loss) from impairment" in the statement of comprehensive income.

### **Subsequent measurement of financial assets**

Financial assets are measured at amortised cost if such assets meet the following criteria and are not defined for measurement at fair value through profit or loss:

- the Company manages assets within the frames of a business model whose objective is to hold financial assets and to collect their contractual cash flows;
- the contractual terms of the financial assets cash flows give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such category comprises non-derivative financial assets, such as loans and receivables with fixed or determinable payments that are not quoted on active market. After initial recognition, they are measured at amortised cost by means of the effective interest method. They are not discounted where the discounting effect is minor. The Company classifies in this category money and cash receivables/ cash, trade and other receivable.

## **Receivables under lease contracts and other receivables**

Receivables are amounts payable by clients for goods sold or services provided in the ordinary course of business. Usually, they are due for settlement within short time period and are therefore classified as current. Receivables are initially recognised in the amount of unconditional consideration, unless they contain significant funding components. The Company holds receivables for the purposes of collecting the contractual cash flows and therefore measures them at amortised cost, by using the method of effective interest. They are not discounted where the discounting effect is minor.

## **Financial assets at fair value through profit or loss**

Any financial assets to which "held for collection of contractual cash flows" business model or "held for collection and sale" business model, as well as any financial assets whose contractual cash flows do not comprise principal and interest payments only are stated at fair value through profit or loss.

Changes in the fair value of assets in this category are stated in the profit and loss. The fair value of financial assets in this category is determined by quoted prices on active market or by using valuation techniques if no active market exists.

## **Impairment of financial assets**

The Company judges whether objective evidence exists that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets are impaired and impairment loss is accounted only if there is objective evidence for impairment as a result of the occurrence of one or more events after the initial recognition of the asset ("an event resulting in possible loss") and such event (or events) influences the estimated future cash proceeds from the financial asset or the group of financial assets, which may be reliably measured.

## **Lease receivables**

Receivables under finance and operating lease presented in the statement of financial position as net investment in finance lease are subject to impairment review on the basis of the Company's policy. The amounts of impairment losses of lease receivables, which the Company allocates, refer to specifically determined exposures and are measured on the basis of the fairest estimate made by the management with regard to the present value of expected cash flows.

The management makes assumptions for the financial position of the debtor and for the net realisable value of existing collaterals with regard to the estimate of such cash flows. Any impaired financial asset is considered in substance and then the management of the Company approves the judgement for collectability of cash flows from the financial asset.

On the reporting date, the Company estimates whether objective evidence exists that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets are impaired and impairment loss is accounted on the basis of the "expected credit losses" model, and as a result of the occurrence of one or more events after the initial recognition of the asset ("an event resulting in possible loss"), and such event (or events)

influences the estimated future cash proceeds from the financial asset or the group of financial assets, which may be reliably measured. Objective evidence for impairment of a financial asset or a group of financial assets comprises data available to the Company about:

- significant financial difficulties of the customer, the issuer of the financial asset or the debtor;
- contract breach, delay or non-payment of interest or principal;
- the Company gives the debtor discounts due to economic or legal reasons related to debtor's financial difficulties, which it would not consider or give otherwise;
- the lessee would probably be declared insolvent or subject to another financial reorganization.

The impairment amount is equal to the difference between the present value and the recoverable amount being the net value of expected cash flows, including the amounts that could be recovered by guarantees and collaterals discounted with the effective interest under the lease contracts, except for the cases when the contract has been already terminated and the discount rate is equal to the average interest rate of the Company's liabilities. Impairments are reviewed as at every reporting date for the purposes of reflecting the current best estimate.

If a lease or loan is not collectible, it is derecognized against the respective impairment provision. Such leases are derecognized after the finalization of all necessary procedures and determining the loss amount.

In case the amount of impairment loss decreases during any subsequent period and such decrease may be objectively related to collection before the recognition of impairment (for example, improved credit rating, early repayment of lessee's liabilities, existence of additional collaterals), the impairment loss recognised before is reversed by adjusting the adjustment account. The recovered amount is recognised in the result for the year.

### **Receivables from granted loans and other receivables**

In terms of other financial assets (receivables from assignments, claims and loans acquired through assignments, granted loans, etc.), the Company applies the same impairment policy as the one described above based on the "expected credit losses" model.

In terms of the assessment and measurement of expected credit losses of financial assets, the management of the Company has adopted the following approaches:

to the receivables under lease contracts - on the basis of customers' ratings, which are determined on monthly basis in accordance with the following scale:

<b>Risk level</b>	<b>Rating</b>	<b>Type of lease contract</b>	<b>Contract status</b>	<b>Customer's delay</b>
Minimum risk	A	Finance; operating	Active	From 1 to 30 days
Low to increased risk	B	Finance; operating	Active	From 30 to 90 days
Increased risk	C	Finance; operating	Active	More than 90 days
High risk	D	Finance; operating	Inactive	-

to other financial assets (receivables from assignments, claims and loans acquired through assignments, granted loans, etc.) - the rating is determined according to the

contract status and the customer's delay. The AltmanZ - Score method is applied. In cas the liability has been settled within 60 days after the reporting date, no impairment is charged. Receivables with more than 90 days' delay are fully impaired.

When assessing and measuring the expected credit losses of financial assets, the Company takes into account the assessment of the collateral given in favour of the Company on the basis of the risk of its realisation, depending on the type of pledged asset and the value of the asset according to its age.

Customers' delays and the possibilities to initiate court proceedings against them are also monitored.

### **Lease receivables**

The Company classifies its risk exposures on ongoing basis, depending on the allowed period of delay versus the payments periods agreed upon in the lease contract. If objective data prove signs for deteriorated financial position of the debtor or circumstances that have resulted in losses or might result in losses due to future events, at its own discretion, the Company may classify specific exposures in higher risk group and to charge specific impairments.

Except for the applied "expected credit losses" model, receivables under lease contracts are considered impaired if objective evidence exists that an impairment loss has occurred. The criteria used by the Company to determine objective evidence for impairment are as follows:

- financial difficulties of the lessee;
- overdue contractual instalments for principal or interest;
- breach of the contractual terms and conditions;
- probability for the lessee to become insolvent.

The credit quality of the portfolio of lease receivables, which are not delayed with more than 90 days, are impaired as a group in accordance with the Company's internal policy. For this purpose, the statistical probability for a receivable to move from the group of up to 90 days' delay to the group of more than 90 days' delay and the probability to initiate court proceedings are taken into account. The ratios are calculated by monitoring the deterioration of the lease portfolio during the previous years. Lease contracts of corporate customers with exposures that exceed EUR 50 thousand are reviewed on individual basis and, if necessary, are impaired on individual basis. Receivables under lease contracts with more than 90 days' delay are impaired on individual basis in accordance with the Company's internal policy.

### **Receivables from granted loans and other receivables**

The Company applies the same policy for impairment of the other financial assets in the statement of financial position, as described above.

### **Classification and measurement of financial liabilities**

Company's financial liabilities comprise received loans, liabilities under lease contracts, trade and other financial payables.

Financial liabilities are initially measured at fair value, and where applicable, are adjusted with regard to transaction costs, unless the Company has not defined a financial liability as measured at fair value through the profit and loss.

Financial liabilities are subsequently measured at amortised cost by using the method of effective interest, except for derivatives and financial liabilities that are determined for measurement at fair value through the profit or loss (except for derivative financial instruments that are determined and effective as a hedging instrument).

All expenses related to interests, and if applicable, to changes in the instrument's fair value that are stated in profit or loss, are comprised in the financial expenses or financial income.

#### **(o) Taxes**

Tax expenses recognised in profit or loss comprise the amount of deferred and current taxes, which are not recognised in other comprehensive income or directly in equity.

Current tax assets and/or liabilities comprise those payables to or receivables from tax institutions relevant to current or previous reporting periods, which have not been paid as at the date of the financial statements. Current tax is payable over the taxable income, which is different from the profit or loss in the financial statements. The current tax is calculated on the basis of tax rates and tax laws, which are effective as at the end of the reporting period.

Deferred taxes are calculated in accordance with the liability method for all temporary differences between the book value of assets and liabilities and their tax base. No deferred tax is for seen at initial recognition of an asset or a liability, unless the respective transaction affects the taxable or accounting profit.

Deferred tax assets and liabilities are not subject to discounting. They are calculated with the use of tax rates that are expected to apply to the period of their realisation, provided they have become effective or would certainly become effective as at the end of the reporting period.

Deferred tax liabilities are recognised in full.

Deferred tax assets are recognised only if they would be probably utilised through future taxable income. With regard to the management's judgement about the probability that future taxable income would occur through which deferred tax assets would be utilised, see explanatory note "w".

Deferred tax assets and liabilities are offset only if the Company has the right and intention to offset current tax assets or liabilities from the same tax institution.

The change in deferred tax assets and liabilities is recognised as an element of the tax income or expense in the profit or loss, unless they refer to items recognised in other comprehensive income (for example, revaluation of land), or directly in equity, where the respective deferred tax is recognised in other comprehensive income or in equity.

### **(p) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, in current bank accounts and bank deposits, demand deposits with initial maturity of three months or less as from the date of acquisition.

### **(q) Equity and reserves**

The share capital of the Company reflects the nominal value of issued shares.

The Company's reserves comprise:

- statutory reserves;
- reserve from merger upon reorganisation of companies.

Retained earnings/ Accumulated loss comprises the current financial result and accumulated profits and uncovered losses from previous years.

### **(r) Employee benefits**

The Company is obliged to pay post-employment benefits to all of its employees who retire in accordance with the requirements of article 222, § 3 of the Labour Code (LC) of the Republic of Bulgaria. In accordance with these provisions of the Labour Code, upon termination of the employment contract of any employee who is eligible to pension, the employer pays compensation in the amount of two monthly gross salaries.

In case the worker or employee has been working for 10 and more years as at the date of retirement, the benefit is in the amount of six monthly gross salaries. As at the date of the financial statements, the management estimates the approximate amount of potential costs for all employees by using the method of estimate credit units.

#### *Termination benefits*

Termination benefits are recognised as an expense when the Company has clear commitment, without actual option for withdrawal, by means of official detailed plan either to terminate the employment before the normal retirement date, or to pay termination benefits as a result of an offer made for the purposes of encouraging voluntary termination.

Termination benefits for voluntary termination are recognised as an expense where the Company has made official offer for voluntary termination and such offer would be probably accepted, and the number of accepting employees may be reliably measured. If benefits are payable for more than 12 months after the end of the reporting period, they are discounted up to their present value.

#### *Short-term employee benefits*

Payables for short-term employee benefits are measured on non-discounted base and are stated as expense where the related services are provided. Liability is recognised for the amount expected to be paid under short-term bonus in cash or profit distribution plans, if the company has legal or constructive obligation to pay such amount as a result of past services provided by an employee, and such obligation might be reliably measured. The Company

recognizes as an obligation the non-discounted amount of estimated costs for paid leave that are expected to be paid to employees in return of their services for the past reporting period.

#### **(s) Provisions, contingent liabilities and contingent assets**

Provisions are recognised where existing liabilities due to past event may probably result in Company's outflow and the amount of the obligation may be reliably measured. The time or the amount of the cash outflow may possibly be uncertain. Existing obligation arises as a result of the existence of legal or constructive obligation due to past events. Provisions for reorganisation are recognised only if a detailed formal plan for reorganisation has been developed and presented, or if the management has announced the milestones of the reorganisation plan before those that would be affected. No provisions for future losses from operations are recognised.

The amount recognised as provision is calculated on the basis of the best estimate of expenses necessary for settlement of the existing liability as at the end of the reporting period, by taking the existing liability-related risks and uncertainty into account. Where a number of similar liabilities exist, the probable need of outflow for the purposes of settling the liability is determined by taking into account the group of liabilities as a whole. Provisions are discounted where the effect of time differences in the value of money is significant.

Compensations from third parties with regard to a liability that the Company is sure to receive are recognized as a separate asset. Such asset may not exceed the value of the respective provision.

Provisions are reviewed as at the end of each reporting period and their value is adjusted in order to reflect the best estimate.

No liability is recognised in case it is believed that an outflow of economic resources is unlikely to occur as a result of existing liability. Contingent liabilities should be subsequently measured at the higher value of the comparable provision described above and the initially recognised amount, less the accumulated amortisation.

Probable inflows of economic benefits that still do not meet the criteria for recognising an asset are considered contingent assets. They are described together with the contingent liabilities of the Company in explanatory note 29.

#### **(t) Significant judgements of the management upon applying the accounting policy**

The management's significant judgments when applying the Company's accounting policies that have strongest influence on the financial statements are described below. The main sources of uncertainty when using the accounting estimates are described in explanatory note

#### **Deferred tax assets**

The estimate of the probability for future taxable income for utilisation of deferred tax assets is based on the most recently approved budget forecast adjusted in terms of significant untaxable income and expenses and specific restrictions for carry forward of unused tax losses or credits. If a reliable forecast for taxable income suggests probable use of deferred tax

asset, especially in case the asset could be used without restrictions in time, then the deferred tax asset is recognised in full. Recognition of deferred tax assets that are subject to specific legal or economic restrictions or uncertainty, are reviewed by the management on case by case basis with due consideration of specific facts and circumstances.

### **Debt instruments measured at amortised cost**

The analysis and intentions of the management are verified by the business model of holding debt instruments that meet the requirements for receiving only principal and interest payments and holding assets until collection of contractual cash flows from bonds classified as debt instruments measured at amortised cost. Such decision takes into consideration the current liquidity and the capital of the Company.

### **Review of useful life of property, plant and equipment**

During the year the useful life of engines and aircrafts was reviewed. The net effect of the change in the useful life during the current year resulted in decrease of the amortisation expenses by BGN 2,750 thousand.

### **Term of lease contracts**

When determining the term of lease contracts, the management takes into account all facts and circumstances that create economic incentives to exercise an option for renewal or not to exercise an option for termination. Options for renewal (or periods after options for termination) are included in the lease term only if it is certain enough that the lease contract has been renewed (or has not been terminated).

### **(u) Uncertainty of accounting estimates**

Actual results may differ from the judgments, estimates and assumptions of the management and in rare cases they fully correspond to the estimated results.

While preparing the financial statements, the management's significant estimates for the application of the Company's accounting policies and the major sources of uncertainty of the accounting estimates do not differ from those disclosed in the Company's financial statements as at 31 December 2019.

Information with regard to the significant judgements, estimates and assumptions that have strongest influence on the recognition and measurement of assets, liabilities, income and expenses is presented below.

### **Impairment of non-financial assets**

The amount with which the carrying amount of an asset or a cash flow generating unit exceeds their recoverable amount, which is the higher than the fair value less the costs for sale of an asset, and its value in use, is recognised as an impairment loss. In order to determine the value in use, the Company's management calculates expected future cash flows for each cash flow generating unit and determines appropriate discount factor for the purposes of calculating the present value of such cash flows (see explanatory note "I"). When calculating the expected future cash flows, the management makes assumptions with regard to the future

gross profits. Such assumptions refer to future events and circumstances. Actual results might differ and require significant adjustments in the Company's assets during the next reporting year.

In most cases, when determining the applicable discount rate, the Company estimates the appropriate adjustments with regard to the market risk and the risk factors that are specific for individual assets.

### **Goods**

Goods are measured at the lower than the acquisition cost and the net realisable value. When determining their net realisable value, the management takes into account the most reliable information available as at the date of the estimate.

### **Useful life of amortised assets**

The management reviews the useful life of amortised assets at the end of each reporting period.

As at 31 December 2020, the management determines the useful life of assets being the expected term of use of the Company's assets. The carry forward amounts of assets are analysed in explanatory note 15.

### **Measurement of expected credit losses**

Credit losses are the difference between all contractual cash flows payable to the Company and all cash flows that the Company expects to receive. Expected credit losses are probability-weighted assessment of credit losses that require the Company's judgement. Expected credit losses are discounted with the initial effective interest rate (or with the credit-adjusted effective interest rate for purchases or originally created financial assets with credit impairment).

### **Fair value measurement**

The management uses valuation techniques to measure the fair value of financial instruments (if no quoted price on active market are available) and non-financial assets. When applying the valuation techniques, the management uses to a maximum extent market data and assumptions that the market participants would apply when measuring an instrument. If no applicable market data are available, the company uses its best estimate of the assumptions that the market participants would make.

## **6. Financial instruments-related risks**

The Company is exposed to the following risks with regard to the use of its financial instruments:

- credit risk
- residual value risk
- liquidity risk
- market risk

## (a) Credit risk

Financial assets that potentially expose the Company to credit risk mainly comprise lease instalments and assignment claims. The Company is exposed to credit risk in case the customers fail to pay their liabilities.

Company's debtors or lessees might be affected by the lower liquidity that, in its turn, might influence their ability to pay their debts. Deteriorated operating conditions for customers (lessees) might also affect the management's forecasts of cash flows and the estimate of financial and non-financial asset impairment. As far as such information is available, the management has appropriately reflected the updated estimates for the expected future cash flows in its impairment estimates.

Leasing Finance EAD is exposed to credit risk if a party to any contract becomes unable to pay its obligations in full when they become due. The risk is managed under the control of the Finance and the Leasing departments. Credit risk exposure is managed by means of analysis of the lessees' ability to settle their obligations for payment of interests and principals and by means of continuous monitoring of the net realisable value of the leased property (collateral). The experts of Leasing Finance EAD monitor the net realisable value of the leased property, which should not exceed the net claim against the customer at any time during the lease term.

As a result of the applied lease procedure, the following authorisation levels for approval of new lease contracts exist:

First level: financed amount of up to EUR 150,000;

Second level: financed amount of EUR 150,000 to EUR 2,000,000;

Third level: financed amount of EUR 2,000,000 to EUR 5,000,000.

In addition to the individual judgment of credit risk exposure to a specific customer, the management also manages the credit risk arising from the possible deterioration of the economic environment or specific industry by means of portfolio diversification.

The credit risk concentration occurs from customers with similar economic characteristics whose ability to settle their obligations might possibly be affected by changes of the economy or other conditions at one and the same time.

The following table presents analysis of the credit risk concentration:

<i>BGN'000</i>	<b>2020</b>	<b>%</b>	<b>2019</b>	<b>%</b>
Agriculture, hunting, forestry, fishery	77	0.54%	96	0.47%
Processing industry	438	3.09%	1,880	9.24%
Construction	560	3.95%	659	3.24%
Trade, repair and technical service of cars and motorcycles, personal belongings and household goods	1,997	14.08%	2,494	12.26%
Hotels and restaurants				
Transport, warehousing and communications	7,129	50.24%	10,002	49.18%
Other public and personal service activities	3,169	22.34%	4,644	22.69%
Households	817	5.76%	594	2.92%
	<b>14,187</b>	<b>100.00%</b>	<b>20,369</b>	<b>100.00%</b>

The book amount of financial assets is the maximum credit exposure of the Company.

As at 31 December 2020, the maximum credit exposure comprises the following financial assets:

<i>BGN'000</i>	<b>Gross carrying amount</b>	<b>Assets neither delayed nor impaired</b>	<b>Delayed but not impaired assets</b>	<b>Individually impaired assets</b>	<b>Impairment</b>	<b>Net carrying amount</b>
Cash	256	256				256
Net investment in financial lease						
<i>Legal entities</i>	13,583	3,002	86	10,495	(3,602)	9,981
<i>Natural persons</i>	577	241	11	325	(273)	304
Other financial assets and receivables from related parties	38,962	21,374		17,587	(1,905)	37,056
<b>Total</b>	<b>53,378</b>	<b>24,873</b>	<b>97</b>	<b>28,407</b>	<b>(5,780)</b>	<b>47,597</b>

As at 31 December 2019, the maximum credit exposure comprises the following financial assets:

<i>BGN'000</i>	<b>Gross carrying amount</b>	<b>Assets neither delayed nor impaired</b>	<b>Delayed but not impaired assets</b>	<b>Individually impaired assets</b>	<b>Impairment</b>	<b>Net carrying amount</b>
Cash	867	867				867
Net investment in financial lease						
<i>Legal entities</i>	19,763	4,592	526	14,645	(5,384)	14,379
<i>Natural persons</i>	606	304		302	(261)	345
Other financial assets and receivables from related parties	21,114	3,908		17,206	(1,965)	19,149
<b>Total</b>	<b>42,350</b>	<b>9,671</b>	<b>526</b>	<b>32,153</b>	<b>(7,610)</b>	<b>34,740</b>

As a result of its business, the Company is exposed to the risk of residual value of leased assets. In case of non-payment and seizure of assets under finance lease, or upon expiration of the term of operating lease, the residual values of assets might not be covered through direct sale or repeated lease.

The Company manages the risk of insufficiency of residual value by using additional collaterals from leases and/or corporate or personal guarantees.

Analysis of concentration of receivables from lease contracts by types of assets as at 31 December is presented in the following table:

<i>BGN'000</i>	<b>2020</b>	<b>%</b>	<b>2019</b>	<b>%</b>
Passenger's cars and pickups	3,950	27.84%	4,665	22.88%
Heavy trucks	1,522	10.73%	2,028	9.97%
Industrial equipment	1,950	13.74%	3,776	18.56%
Real estates		-%		-%
Aircrafts	6,485	45.71%	9,477	46.59%
Other	280	1.98%	423	2.00%
<b>Net investment in finance lease before impairment</b>	<b>14,187</b>	<b>100.00%</b>	<b>20,369</b>	<b>100.00%</b>
Impairments	(3,875)		(5,645)	

## (b) Liquidity risk

Liquidity risk is the risk for the Company to face difficulties when servicing its financial obligations. The Company's approach to the management of liquidity risk is to guarantee as much as possible that it would have enough liquid funds available to meet its maturing obligations both in normal and unexpected situations, without suffering any additional losses or reputation risks.

Liquidity is subject to ongoing monitoring. Tests of emergency situations with different scenarios are performed that cover both normal and unfavourable market conditions. The liquidity policy and its implementing procedures are subject to approval by the Company's management.

### Maturity analysis of financial liabilities by residual contractual cash flows

The following table presents non-discounted cash flows of financial liabilities of the Company based on the earliest possible maturity date. The gross nominal cash flow is the contractual non-discounted cash flow of the financial liability or commitment, including principal and interests.

As at 31 December 2020, the Company continues to make efforts to reduce the maturity difference between its credit portfolio and the existing subsidies from related parties, thus trying to reduce the interest rate and liquidity risk it is exposed to.

The following table presents analysis of the Company's assets and liabilities by maturity periods on the basis of contractual maturity dates as from the balance sheet date to the date of realization of the asset or settlement of the liability:

<i>BGN'000</i>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>31 December 2020</b>						
<b>Assets</b>						
Cash	256					256
Net investment in finance lease	24	33	1,227	9,028		10,312
Other financial assets			661	15,090		15,751
Other receivables from related parties			1,704			1,704
Granted loans			5,634	13,940		19,574
<b>Total assets</b>	<b>280</b>	<b>33</b>	<b>9,226</b>	<b>38,058</b>		<b>47,597</b>
<b>Liabilities</b>						
Payables to suppliers and other financial payables	3,444		4,048	16,700		24,192
Payables to related parties			8,666	27,348		36,014
Bank and other loans			10,633	15,355		25,988
<b>Total liability</b>	<b>3,444</b>		<b>23,347</b>	<b>59,403</b>		<b>86,194</b>
<b>Net difference</b>	<b><u>(3,164)</u></b>	<b>33</b>	<b><u>(14,121)</u></b>	<b><u>(21,345)</u></b>		<b><u>(38,597)</u></b>
<b>Cumulative difference</b>	<b><u>(3,164)</u></b>	<b><u>(3,131)</u></b>	<b><u>(17,252)</u></b>	<b><u>(38,597)</u></b>		<b>-</b>

<i>BGN'000</i>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>31 December 2020</b>						
<b>Assets</b>						
Cash	867					867
Net investment in finance lease	41	4	152	14,527		14,724
Other financial assets			1,906	13,520		15,426
Other receivables from related parties				373		373
Granted loans			3,350			3,350
<b>Total assets</b>	<b>908</b>	<b>4</b>	<b>5,408</b>	<b>28,420</b>		<b>34,740</b>
<b>Liabilities</b>						
Payables to suppliers and other financial payables	3,854		6,067	8,833		18,754
Payables to related parties	11,000		16,116	20,224		47,340
Bank and other loans	71	142	7,948	7,326		15,487
<b>Total liability</b>	<b>14,925</b>	<b>142</b>	<b>30,131</b>	<b>36,383</b>		<b>81,581</b>
<b>Net difference</b>	<b>(14,017)</b>	<b>(138)</b>	<b>(24,723)</b>	<b>(7,963)</b>		<b>(46,841)</b>
<b>Cumulative difference</b>	<b>(14,017)</b>	<b>(14,155)</b>	<b>(38,878)</b>	<b>(46,841)</b>		<b>-</b>

### (c) Market risk

#### *Currency risk*

Leasing Finance EAD operates in Bulgarian leva /BGN/ and euro /EUR/. The management believes that due to the fixed BGN - EURO exchange rate applicable in Bulgaria the Company is not exposed to unfavourable consequences from the change of the exchange rate. The following table summarises the carrying amount of assets and liabilities grouped by currencies:

<i>BGN'000</i>	<b>BGN</b>	<b>EUR</b>	<b>Total</b>
<b>31 December 2020</b>			
<b>Assets</b>			
Cash	255	1	256
Net investments in finance lease		10,312	10,312
Other financial assets (claims from assignments)	15,751		15,751
Other receivables from related parties	1,704		1,704
Granted loans	19,574		19,574
Other assets	13,665		13,665
Investments in subsidiaries, associates and joint ventures	5,807		5,807
Financial assets at fair value	1,322		1,322
Fixed assets	37,885		37,885
Deferred tax assets	496		496
<b>Total assets</b>	<b>96,459</b>	<b>10,313</b>	<b>106,772</b>
<b>Liabilities</b>			
Payables to related parties	12,622	23,909	36,531
Bank and other loans	25,471		25,471
Payables to suppliers and other payable	24,192		24,292
<b>Total liabilities</b>	<b>62,285</b>	<b>23,909</b>	<b>86,194</b>
<b>Net currency position</b>	<b>34,070</b>	<b>(13,492)</b>	<b>20,578</b>

*BGN'000*

<b>31 December 2019</b>	<b>BGN</b>	<b>EUR</b>	<b>Total</b>
<b>Assets</b>			
Cash	866		867
Net investments in finance lease		14,724	14,724
Other financial assets (claims from assignments)	15,426		15,426
Other receivables from related parties	373		373
Granted loans	3,350		3,350
Other assets	9,965		9,965
Redeemed assets	34		34
Investments in subsidiaries, associates and joint ventures	5,457		5,457
Financial assets at fair value	1,450		1,450
Fixed assets	34,849		34,849
Expenses for acquisition of FTA	3,998		3,998
Deferred tax assets	496		496
<b>Total assets</b>	<b>76,264</b>	<b>14,725</b>	<b>90,989</b>

*BGN'000*

<b>31 December 2019</b>	<b>BGN</b>	<b>EUR</b>	<b>Total</b>
<b>Liabilities</b>			
Payables to related parties	12,087	24,253	36,340
Bank and other loans	15,487		15,487
Payables to shareholders	11,000		11,000
Payables to suppliers and other payable	18,754		18,754
<b>Total liabilities</b>	<b>57,328</b>	<b>24,253</b>	<b>81,581</b>
<b>Net currency position</b>	<b>18,936</b>	<b>(9,528)</b>	<b>9,408</b>

### *Interest risk*

Interest risk is the risk where the value of financial instruments would change as a result of change of market interest rates or interest expenses and income of instruments with floating interest might change due to changes in the benchmark rate.

Interest payables for loans received by the Company are bound with interest receivables from lessees and are their values and rates are lower than the current interest income. Company's interest receivables are based on floating interest rate that takes into account the changes of the market conditions and are subject to regular recalculation - six months' and annual update prevails. This suggests that the carrying amount is quite close to their fair value.

### *Analysis of cash flow sensitivity for instruments with floating interest*

A change of interest levels with 100 base points would increase (decrease) equity and profits and losses with the amounts stated below. This analysis suggests that all other variables, in particular foreign exchange rates, remain the same. The analysis is made on the same basis for 2020.

Effect in BGN'000

	Profits and losses		Equity	
	Increase of 100 b.p.	Decrease of 100 b.p.	Increase of 100 b.p.	Decrease of 100 b.p.
<b>31 December 2020</b>				
Instruments with floating interest	15	(15)		
<b>Sensitivity of cash flows (net)</b>	<b>15</b>	<b>(15)</b>		
<b>31 December 2019</b>				
Instruments with floating interest	11	(11)		
<b>Sensitivity of cash flows (net)</b>	<b>11</b>	<b>(11)</b>		

#### (d) Capital management

The capital management objective of Leasing Finance EAD is to keep the capital structure that maintains the Company's ability to continue as a going concern in order to keep on ensuring return for the owner and benefits for the related parties. Net payables are calculated as the sum of all loans, less the cash on hand and in bank accounts. The total capital is equal to the sum of equity and net payables.

#### 7. Interest expenses, net

BGN'000	2020	2019
Interest income from finance lease and other receivables	J,606	1,392
Amortised charge for administration of finance lease contracts	37	39
<b>Total interest income</b>	<b>1,643</b>	<b>1,431</b>
Interest expense and other expenses for bank loans	(1,206)	(1,018)
Interest expenses for loans from related parties	(1,180)	(1,388)
<b>Total interest expenses</b>	<b>(2,386)</b>	<b>(2,406)</b>
<b>Total interest income, net</b>	<b>(743)</b>	<b>(975)</b>

#### 8. Other revenue/ (expenses), net

BGN'000	2020	2019
Income from sale of seized assets	523	2,214
Book value of sold seized assets	(440)	(1,818)
<i>Profit/ (loss) from sale of seized assets</i>	83	396
Income from sale of claims	3,848	
Carrying amount of sold claims	(4,143)	
<i>loss from sale of claims</i>	(295)	
Income from sale of other assets	1,384	1,893
Carrying amount of sold other assets	(1,356)	(1,808)
<i>Profit/ (loss) from sale of other assets</i>	28	85
Profit from reversal of impaired financial assets	1,879	749
Derecognised claims		
Foreign exchange differences, net	4	16
Other, net	138	30
<b>Total other revenue/ (expenses), net</b>	<b>1,837</b>	<b>1,276</b>

## 9. Administrative expenses

<i>BGN'000</i>	2020	2019
Expenses on materials	(16)	(2)
Expenses on hired services	(503)	(2,160)
Wages and social security expenses	(634)	(578)
Amortisation	(1,093)	(3,642)
Court proceedings-related expenses	(4)	(19)
Charges and fees	(3)	(31)
Other	(153)	(29)
<b>Total administrative expenses</b>	<b>(2,396)</b>	<b>(6,461)</b>

### Expenses for hired services comprise:

<i>BGN'000</i>	2020	2019
Expenses for service of newly acquired aircrafts	(330)	(1,731)
Legal fees, audits, consultations and subscriptions	(60)	(172)
Rent	(81)	(99)
Advertising	(9)	(7)
Telephone, mailing and courier	(6)	(7)
Other	(17)	(144)
<b>Total expenses on hired services</b>	<b>(503)</b>	<b>(2,160)</b>

## 10. Taxes

In accordance with the Corporate Income Tax Act, the corporate tax rate for 2020 is 10%. The expense/ (income) for tax consists of:

<i>BGN'000</i>	2020	2019
EBT	171	1,062
Tax rate	10%	10%
<b>Expected tax expense</b>	<b>17</b>	<b>106</b>
From adjustments for which deferred tax asset is not recognised	(17)	(106)
Recognised tax assets over temporary differences		
Not recognised tax assets over tax loss for the current year		
Offset of losses from previous periods		
<b>Total expense/ (income) for taxes</b>		

As at 31 December 2020, carry forward accumulated tax losses that are subject to offset are in the amount of BGN 17,292 thousand (2019- BGN 17,419 thousand). The Company has not recognised deferred tax asset over term due to assessment with regard to their potential future realization. Not recognised tax asset is in the amount of BGN 1,729 thousand, and for 2019 - 1,742 thousand. The right to offset losses as at 31 December 2020 expires in 2020 in the amount of BGN 17,292 thousand, and in 2023 in the amount of BGN 70 thousand.

## 11. Cash

<i>BGN'000</i>	2020	2019
Cash in bank accounts	256	867
<b>Total cash</b>	<b>256</b>	<b>867</b>

Cash are held in banks with the following credit rating:

- long-term credit rating B- (S&P) - BGN 1 thousand;
- long-term credit rating BB- (BCRA) - BON 255 thousand.

The Company believes that cash are exposed to low credit risk.

## 12. Net investment in finance lease

<i>BGN'000</i>	2020	2019
Gross investment in finance lease	14,403	20,783
Unrealized financial revenue	(216)	(414)
Net minimum lease payments	14,187	20,369
Impairment	<u>(3,875)</u>	<u>(5,645)</u>
<b>Net investment in finance lease</b>	<b>10,312</b>	<b>14,724</b>

**The gross investment in finance lease is distributed as follows:**

<i>BGN'000</i>	2020	2019
With maturity less than 1 year	4,993	7,321
With maturity from 1 to 5 years	9,194	13,048
With maturity over 5 years		
<b>Gross minimum lease payments</b>	<b>14,187</b>	<b>20,369</b>

**The net investment in finance lease is distributed as follows:**

<i>BGN'000</i>	2020	2019
With maturity less than 1 year	4,993	7,321
With maturity from 1 to 5 years	9,194	13,048
With maturity over 5 years		
Impairment	<u>(3,875)</u>	<u>(5,645)</u>
<b>Net minimum lease payments</b>	<b>10,312</b>	<b>14,724</b>

The change of net investment in finance lease for 2020 is summarised below:

<i>BGN'000</i>	2020	2019
Net investment in finance lease as at 1 January	14,724	10,430
Principals under new lease contracts	963	1,610
Matured principals of lease installments	(3,766)	(3,525)
Other changes	2,266	11,854

Impairment	(3,875)	(5,645)
<b>Net investment in finance lease as at 31 December</b>	<b>10,312</b>	<b>14,724</b>

The movement of impairment of finance lease claims is summarised in the following table:

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
Balance as at 1 January	(5,645)	(6,498)
(Charged)/ reintegrated for the year	1,770	853
<b>Balance as at 31 December</b>	<b>(3,875)</b>	<b>(5,645)</b>

Recovered impairments are due to derecognition of claims and sale of claims with assignments. Reintegrated impairments are due to collection of claims or review of the amount of charged impairments for overdue claims as a result of circumstances demonstrating objective events that result in decrease of the loss from non-collection of claims in full.

The Net investment in finance lease item comprises receivables from related parties under finance and operating lease contracts with net carrying amount of BGN 6,284 thousand as at 31 December 2020. Receivables are further disclosed in explanatory note 26.

### 13. Redeemed assets

#### Redeemed assets by type of asset as at the end of 2020

<i>BGN'000</i>	<b>Opening balance 2020</b>	<b>Acquired 2020</b>	<b>Derecognised 2020</b>	<b>Impairment</b>	<b>Carrying amount</b>
Buildings	30				30
Passenger's cars	1	789	(657)		132
Trucks and heavy vehicles	1				
Plant and equipment	4				4
<b>Balance as at 31 December</b>	<b>34</b>	<b>789</b>	<b>(657)</b>		<b>166</b>

#### Redeemed assets by type of asset as at the end of 2019

<i>BGN'000</i>	<b>Opening balance 2019</b>	<b>Acquired 2019</b>	<b>Derecognised 2019</b>	<b>Impairment</b>	<b>Carrying amount</b>
Buildings	1,629		(1,599)		30
Passenger's cars	7	4	(11)		
Trucks and heavy vehicles		23	(23)		
Plant and equipment	71	1	(68)		4
<b>Balance as at 31 December</b>	<b>1,707</b>	<b>28</b>	<b>(1,701)</b>		<b>34</b>

The value of assets redeemed in 2020 in the amount of BGN 166 comprises only seized assets under lease contracts and those returned from operating lease. The value of redeemed assets in 2019 in the amount of BGN 34 comprises only seized assets under lease contracts.

### 14. Goods

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
Balance as at 1 January		
Acquisitions	5,060	
<b>Balance as at 31 December</b>	<b>5,060</b>	

A contract for purchase and sale was entered into on 1 December 2020, by virtue of which the Company acquires the title of 3 aircrafts - helicopters for the total amount of BON 3 000 thousand, and aircraft spare parts in the amount of BON 1 937 thousand. As at 31.12.2020, the assets have not been given under the conditions of operating lease (dry lease of aircrafts).

The Company's management has judged that there are no indications for impairment of the goods, since their carrying amount does not exceed their net realizable value as at 31.12.2020.

## 15. Fixed assets

<i>BGN'000</i>	<b>Aircrafts and engines</b>	<b>Plant and equipment</b>	<b>Office equipment</b>	<b>Vehicles</b>	<b>Intangible assets</b>	<b>Other</b>	<b>Total</b>
<b>Carrying amount</b>							
Balance as at January 2020	38,556	108	234	2,294	436	102	41,730
Acquired assets	259		66	112			437
Other changes	4,818						4,818
Derecognitised assets				(1,752)		(15)	(1,767)
<b>Balance as at 31 December 2020</b>	<b>43,633</b>	<b>108</b>	<b>300</b>	<b>654</b>	<b>436</b>	<b>87</b>	<b>45,218</b>
<b>Amortisation</b>							
Balance as at January 2020	(6,913)	(107)	(86)	(1,026)	(402)	(78)	(8,612)
Amortisation for the year	(504)	(1)	(118)	(51)	(10)	(2)	(686)
Derecognised amortisation			8	613		20	641
<b>Balance as at 31 December 2020</b>	<b>(7,417)</b>	<b>(108)</b>	<b>(196)</b>	<b>(464)</b>	<b>(412)</b>	<b>(60)</b>	<b>(8,657)</b>
<b>Carrying amount</b>							
As at 31 December 2019	31,643	1	148	1,268	34	24	33,118
<b>As at 31 December 2020</b>	<b>36,216</b>		<b>104</b>	<b>191</b>	<b>24</b>	<b>26</b>	<b>36,561</b>
<b>BGN'000</b>							
	<b>Aircrafts and engines</b>	<b>Plant and equipment</b>	<b>Office equipment</b>	<b>Vehicles</b>	<b>Intangible assets</b>	<b>Other</b>	<b>Total</b>
<b>Carrying amount</b>							
Balance as at January 2019	17,653	108	240	3,713	401	102	22,217
Acquired assets	1,853		38		35		1,926
Other changes	19,050						19,050
Derecognitised assets			(44)	(1,419)			(1,463)
<b>Balance as at 31 December 2019</b>	<b>38,556</b>	<b>108</b>	<b>234</b>	<b>2,294</b>	<b>436</b>	<b>102</b>	<b>41,730</b>

<b>Amortisation</b>							
Balance as at January 2019	(4,061)	(103)	(71)	(1,215)	(396)	(52)	(5,898)
Amortisation for the year	(2,852)	(4)	(23)	(426)	(6)	(26)	(3,337)
Derecognised amortisation			8	615			623
<b>Balance as at 31 December 2019</b>	<b>(6,913)</b>	<b>(107)</b>	<b>(86)</b>	<b>(1,026)</b>	<b>(402)</b>	<b>(78)</b>	<b>(8,612)</b>
<b>Carrying amount</b>							
As at 31 December 2018	13,592	5	169	2,498	5	50	16,319
<b>Aa at 31 December 2019</b>	<b>31,643</b>		<b>148</b>	<b>1,268</b>	<b>34</b>	<b>24</b>	<b>33,118</b>

As at 31 December 2020 and 2019, the management of the Company has reviewed the carrying amounts of fixed assets and no conditions for impairment have been found.

Fixed assets comprise cars, which are subject to operating lease contracts. As at 31 December 2020, there are 29(2019: 88) valid operating lease contracts.

Aircrafts bought with bank investment loan are pledged in favour of the bank. The loan is secured with these assets.

Aircrafts and aircraft engines acquired and commissioned in 2017, 2018, 2019 and 2020 described in the above tables are subject to operating lease (dry lease of aircrafts).

Expected lease installments from the operating lease are as follows:

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
Less than 1 year	8,067	13,415
From 1 to 5 years	18,204	21,719
<b>Total</b>	<b>26,271</b>	<b>35,134</b>

### 15.1. Right-of-use assets

Right of use assets are included in the net carrying amount of fixed assets in the statement of financial position as follows:

<i>BGN'000</i>	<b>Buildings</b>	<b>Total right-of-use assets</b>
<b>Gross carrying amount</b>		
Balance as at 1 January 2020	2,036	2,036
Newly acquired assets		
Balance as at 31 December 2020	2,036	2,036
<b>Amortisation</b>		
Balance as at 1 January 2020	(305)	(305)
Amortisation for the year	(407)	(407)
Balance as at 31 December 2020	(712)	(712)

<b>Carrying amount as at 31 December 2020</b>	<b>1 324</b>	<b>1,324</b>
<i>BGN'000</i>	<b>Buildings</b>	<b>Total right-of-use assets</b>
<b>Gross carrying amount</b>		
Balance as at 1 January 2019		
Newly acquired assets	2,036	2,036
Balance as at 31 December 2019	2,036	2,036
<b>Amortisation</b>		
Balance as at 1 January 2019		
Amortisation for the year	(305)	(305)
Balance as at 31 December 2019	(305)	(305)
<b>Carrying amount as at 31 December 2019</b>	<b>1,731</b>	<b>1,731</b>

#### **16. Expenses for acquisition of fixed assets**

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
Balance as at 1 January	3,998	17,653
Accumulated acquisition costs during the year	820	5,359
Commissioned fixed assets	(4,818)	(19,050)
<b>Balance as at 31 December</b>	<b>-</b>	<b>3,998</b>

As at 31 December 2019, the acquisition costs of fixed assets are in the amount of BGN 3,998 thousand - accumulated acquisition costs with regard to the purchase, delivery, repair and making 1 aircraft Boeing 737-300 PAX airworthy. In 2020, the aircraft was commissioned and leased under operating lease contract.

As at 31 December 2020, there are no accumulated costs for acquisition of fixed assets.

#### **17. Investments in subsidiaries, associates and joint ventures**

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
Investments in subsidiaries	5,650	5,300
Impairment	(100)	(100)
Investments in associate	227	227
Investments in joint ventures	30	30
	<b>5,807</b>	<b>5,457</b>

As at 31 December 2020, investments in subsidiaries are as follows:

- BGN 10 thousand - 100% of the capital of the subsidiary established in 2017 in the Republic of Macedonia - Leasing Finance DOOEL, Skopje. The capital of the subsidiary is fully paid-in;

- BGN 4,303 thousand - 100% of the capital of M RENT EAD, a company registered in the Republic of Bulgaria, mainly dealing with lease of assets under operating lease contracts. The amount of BGN 4,303 thousand is the acquisition costs of 100% of the shares in the capital of the subsidiary acquired in 2017. During its meeting in December 2017, the Board of Directors adopted a resolution to increase the capital with monetary contribution in the amount of BGN 350 thousand.

As at 31.12.2020, the investment in M RENT EAD is in the amount of BGN 4,653 thousand.

- BGN 781 thousand - 100% of the capital of Hems Air EOOD - under contract for purchase of all shares in the share capital of the company Hems Air EOOD /former trade name Darik Sky/, being 13 000 /thirteen thousand/ shares with nominal value of BGN 180 each, with total nominal value of BGN 2 340 000, being 100% of the company's capital, for the price of BGN 450 000 and the available cash funds, or for the total sales price of BGN 780 504. As at 31.12.2019, by virtue of minutes of the Board of Directors, it was resolved to impair the investment in the amount of BGN 100 thousand. As at 31.12.2020, the carrying amount of the investment in Hems Air EOOD is BGN 680 504.

As at 31.12.2020, the Company's management has reviewed the recoverable amount of the investment in Hems Air JOOD and therefore believes that there are no indications for impairment.

- BGN 206 thousand - 100% of the capital of New Web Market EAD - under contract for purchase and sale of all ordinary registered shares of the capital of the company New Web Market EAD, being 50 000 /fifty thousand/ shares with nominal value of BGN 1, being 100% of the capital of the company, for the price of BGN 206 359.38.

As at 31.12.2020, investments in associates are as follows:

- BGN 227 thousand - 36% of the capital of Finance Assistance Management ADSIC, registered in the Republic of Bulgaria, a special purpose vehicle, related to purchase and sale of claims. The amount of BGN 227 thousand is the acquisition cost of 36% of the shares in the company's capital upon its incorporation. The another shareholder of the company is the parent company Finance Info Assistance EOOD. The Company's capital was increased in 2019 in the amount of BGN 52 thousand;

- The investment in joint ventures represents 25% shareholding in Maya Residence Association. The Company does not exercise control in the association.

The Company presents its investments in subsidiaries, associates and joint ventures at acquisition cost. As at 31 December 2020 and 2019, they were subject to review, which shows that there are no conditions for impairment of investments.

## 18. Other financial assets

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
Claims from principals	12,497	12,560
Claims from interests	5,113	4,646
Impairments	<u>(1,859)</u>	<u>(1,780)</u>
<b>Net carrying amount of other financial statements</b>	<b><u>15,751</u></b>	<b><u>15,426</u></b>

As at 31 December 2020, the item *Other financial assets* comprises claims in the amount of BGN 15,751 thousand, the main portion of which has been acquired by the Company by virtue of assignment agreement of 2016 and contract for purchase of bonds in 2019. The claims are from non-related party and comprise principal in the amount of BGN 9,776 thousand and interests in the amount of BGN 5,073 thousand, including interest in the amount of BGN 635 thousand charged in 2020. The total gross carrying amount of the claims is BGN 14,849 thousand.

The change in the amount of impairment of other financial assets may be presented in the following way:

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
Balance as at 1 January	1,780	2,256

Impairment loss		79	
Reversal of impairment loss			(476)
<b>Balance as at 31 December</b>		<b>1,859</b>	<b>1,780</b>

## 19. Deferred tax assets

Temporary difference, unused tax losses, unused tax credits	31 December 2019		Movement of deferred taxes for 2020				31 December 2020	
	Temporary tax difference	Deferred tax	increase		decrease		Temporary tax difference	Deferred tax
			Temporary tax difference	Deferred tax	Temporary tax difference	Deferred tax	Temporary tax difference	Deferred tax
Deferred tax assets								
Amortisation	4,958	496					4,958	496
Total deferred tax assets	4,958						4,958	496
Deferred taxes (net)	<b>4,958</b>	<b>496</b>					<b>4,958</b>	<b>496</b>

Deferred tax assets in the amount of BGN 496 thousand are charged over a temporary tax difference in the amount of BGN 4,958 thousand, being the difference between the accounting carrying amount and the tax value of amortised fixed assets of the Company.

## 20. Granted loans

BGN'000	2020	2019
Receivables for principals	19,552	3,511
Receivables for interests	68	24
Impairment	(46)	(185)
<b>Carrying amount of granted loans</b>	<b>19,574</b>	<b>3,350</b>

Receivables for granted loans, which are stated as at 31 December 2020 are current receivables. In 2020 the Company has recognised impairment loss in the amount of BGN 46 thousand (2019: BGN 185 thousand).

## 21. Financial assets at fair value through profit or loss

BGN'000	2020	2019
Financial assets at fair value through profit or loss		
Exchange equity instruments	1,322	1,450
	<b>1,322</b>	<b>1,450</b>

Short-term financial assets are measured at fair value determined on the basis of exchange quotations as at the date of the financial statements.

## 22. Other assets

BGN'000	2020	2019
Receivables from other customers, gross	7	7
Impairment of receivables from other customers	(7)	(7)
<i>Receivables from other customers, net</i>		
Prepaid amounts for deliveries under lease contracts, etc., gross	7,910	9,553
Impairment of prepaid amounts for deliveries	(35)	(35)
<i>Prepaid amounts for deliveries under lease contracts, etc.,</i>	<b>7,875</b>	<b>9,518</b>

<i>net</i>		
Prepaid expenses	13	55
Refundable VAT	537	
Guarantee and other accounts	1,049	1,427
Impairment of other assets	(1,035)	(1,035)
<b>Total</b>	<b>8,439</b>	<b>9,965</b>

The change in the amount of impairment of other assets may be presented in the following way:

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
Balance as at 1 January	1,067	1,067
Impairment loss	10	10
Reversal of impairment loss		
<b>Balance as at 31 December</b>	<b>1,077</b>	<b>1,077</b>

### 23. Payables to suppliers and other payables

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
Payables to suppliers	6,326	4,108
Payables for advances received from customers	6,114	2,411
Payables under lease contracts	1,370	1,756
Payables related to employee benefits	26	25
VAT payables		542
Maintenance reserve of aircrafts	9,666	9,173
Other payables, including for guarantees	690	739
<b>Total</b>	<b>24,192</b>	<b>18,754</b>

The Maintenance reserve of aircrafts accumulated in 2017, 2018, 2019 and 2020 in total amount of BON 9,666 thousand are related to the aircraft operating lease contracts (fry leasing of aircrafts) concluded in 2017, 2018, 2019 and 2020. The accumulated amounts are for seven aircrafts and ten aircraft engines, which have been commissioned and are in use by the lessee. The Maintenance reserve amounts are determined on the basis of flying hours and cycles for the respective months of operation of aircrafts and engines. The amounts are allocated to separate funds and will be used for the technical service of aircrafts and engines. In case there would be any unspent funds in the respective funds after the expiration of the lease terms, they would be held by the Company. The Maintenance reserve of aircrafts and engines received from the lessee are accumulated in a separate special current account of the Company and may not be used for any purposes other than the technical service of aircrafts and engines.

#### 23.1. Payables under lease contracts

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
Payables under lease contracts - non-current portion	967	1,370
Payables under lease contracts - current portion	403	386
<b>Payables under lease contracts</b>	<b>1,370</b>	<b>1,756</b>

In 2019, the Company rented offices in an office building. Except for short-term lease contracts and lease of assets of low value, every lease is stated in the statement of financial position as a right-of-use asset and lease payable. Variable lease payments that do not depend on an index or variable rates (for example, lease payments based on percentage of the Company's sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets consistently in its property, plant and equipment (see explanatory note 15).

As at 31 December 2020, future minimum lease payments are as follows:

<i>BGN'000</i>	Outstanding minimum lease payments						Total
	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	
<b>31 December 2020</b>							
Lease payments	450	450	450	113			1,463
Financial expenses	(47)	(31)	(14)	(12)			(93)
<b>Net present value</b>	<b>403</b>	<b>419</b>	<b>436</b>	<b>112</b>			<b>1,370</b>

## 24. Bank and other loans

<i>BGN'000</i>	Allowed amount	Currency	2020	2019
Legal entities	14,117	BGN	14,117	1,863
Banks	23,574	BGN	11,871	13,624
<b>Total</b>	<b>37,691</b>		<b>25,988</b>	<b>15,487</b>

Terms and conditions of received bank loans are as follows:

- UniCredit Bulbank AD - date of entry into loan agreement: 31 March 2017; allowed amount: up to BGN 21,574 thousand; maturity date of the last installment - 7 March 2023; interest rate - Average deposit index (ADI) + 4.082%, min. 4.25%; repayment - on monthly basis; type - investment loan for purchase and repair of aircrafts and engines. The payable for loan principal is in the amount of BGN 11,236 thousand, including BGN 4,860 thousand current portion, and BGN 6,376 thousand non-current portion. The loan is secured with pledge over aircrafts in favour of the bank.

- UniCredit Bulbank AD - date of entry into loan agreement: 5 May 2017; allowed amount: up to BGN 2,000 thousand; maturity date of the last installment- 31 May 2024; interest rate - ADI + 2%; repayment - on monthly basis; type - investment loan for purchase of assets for finance lease. The payable for loan principal is in the amount of BGN 635 thousand, including BGN 328 thousand current portion, and BGN 307 thousand non-current portion. The loan is secured with pledge over aircrafts in favour of the bank.

- UniCredit Bulbank AD - date of entry into loan agreement: 5 May 2017; allowed amount: up to BGN 2,056 thousand; maturity date - 30 April 2022; interest rate - ADI + 2%; repayment - on monthly basis; type - investment loan for purchase of assets for operating lease. The loan is repaid in advance in September 2020.

## 25. Share capital

As at 31 December 2020, the share capital of the Company is in the amount of BGN 39,577 thousand and is fully paid-in. It is divided into 425 560 shares with nominal value of BGN 93 each.

Since 2016, the sole owner of the Company's capital is Finance Info Assistance EOOD.

## **26. Related party transactions, receivables and payables**

Related parties are the parties that exercise control over the Company, common control or significant influence upon making financial or operating decisions, as well as the entities in which Company's key management staff members have shareholdings thus allowing them to exercise control, common control or significant influence on such entities. Company's related parties comprise owners, subsidiaries and associates, key management staff, other related parties under common control.

In 2020 income charged and paid to key management staff is in the amount of BGN 187 thousand.

## **27. Related party transactions and accounts**

As at 31 December 2020 and 31 December 2019, transactions and unclosed balances from receivables from, payables to related parties are summarised in the following tables (in BGN'000):

<b>Transactions with owners</b>	<b>2020</b>	<b>2019</b>
	<i>BGN'000</i>	<i>BGN'000</i>
Payables for received loans	35,318	36,162
Interest payables	656	
Payables for monetary contributions to the capital		11,000
Receivables from finance lease	77	117
Receivables from granted loans	61	
Loan interest expenses	1,177	1,317
Revenue from operating lease	2	4
Lease interest income	5	13
Loan interest income	110	14
Advance under assignment agreement	7,671	9,507
Payables to owners mainly refer to:		

- loan in the amount of BGN 23,909 thousand - only for principal and remainder of their liability under received bank loan from Piraeus Bank S.A, London Branch, assigned upon acquisition of the Company's shares in 2016. After the assignment, the liability is still interest-bearing and the interest rate is in the amount of 3M EURIBOR + 2%. By virtue of annex of 2020, a final maturity date for repayment of the liability in monthly installments by 31 December 2023.

- under loan agreement of 2017 in the amount of BGN 10,100 thousand, annual interest rate 6.9% and time period for repayment after the repayment of the Company's liabilities for the received bank loans, not earlier than 2022. As at 31 December 2020, the outstanding principal is in the amount of BGN 9,261 thousand - the liability is totally non-current payable.

- under loan agreement of 2018 in the amount of BGN 5,000 thousand, annual interest rate 6,3% and time period for repayment – September 2023. As at 31 December 2020, the

outstanding principal is in the amount of BGN 1,803 thousand - the liability is totally non-current payable.

- under loan agreement of 2018 in the amount of EUR 176 thousand, annual interest rate 3.9% and time period for repayment - September 2022, whereas the parties have agreed upon that the principal will be repaid in five monthly installments, the first one payable in May 2022. As at 31 December 2020, the outstanding principal is in the amount of BGN 345 thousand - the liability is totally non-current payable.

Receivables from owners refer to received loans in the amount of BGN 6,100 thousand and comprise principal payables.

As at 31 December 2020, the following loans have been granted and are still outstanding:

- under loan agreement of 2020 in the amount of BGN 2,700 thousand, annual interest rate 6.0% and time period for repayment after the repayment of the Company's liabilities for the received bank loans, not earlier than 2022. As at 31 December 2020, the outstanding principal is in the amount of BGN 2,700 thousand - the liability is totally non-current payable.

- under loan agreement of 2020 in the amount of BGN 3,400 thousand, annual interest rate 6.0% and time period for repayment after the repayment of the Company's liabilities for the received bank loans, not earlier than 2022. As at 31 December 2020, the outstanding principal is in the amount of BGN 3,400 thousand - the liability is totally non-current payable.

- As at 31.12.2019, the sole owner of the Company has adopted a resolution to increase the capital of Leasing Finance EAD by means of monetary contribution in the amount of BGN 11,000 thousand. This circumstance was registered in the Commercial Register on 06.01.2020.

<b>Companies under common control</b>	<b>2020</b>	<b>2019</b>
	<i>BGN'000</i>	<i>BGN'000</i>
Receivables from operating lease	6,485	9,318
Receivables from granted loans	12,724	1,104
Payables for deliveries	3,300	352
Revenue from operating lease	1,313	6,665
Loan interest income	335	12

Company's receivables from operating lease refer to concluded contracts for dry lease of aircrafts (aircrafts and engines) in the amount of BGN 6,485 thousand. With regard to receivables from contracts for dry lease of aircrafts, the companies have signed agreement for deferred payment.

Receivables from loans in the amount of BGN 12,724 thousand comprise principal in the amount of BGN 12,724 thousand.

<b>Companies under common control</b>	<b>2020</b>	<b>2019</b>
	<i>BGN'000</i>	<i>BGN'000</i>
Claims from assignment (assignment price)	1,600	345
Granted loan		61

Company's receivables comprise the price payable by the counterparty under an assignment agreement of 2020, and the agreed maturity date for its final payment is by 30 June 2021.

<b>Companies under common control</b>	<b>2020</b>	<b>2019</b>
	<i>BGN'000</i>	<i>BGN'000</i>
Payables for received loans	40	118
Interest expenses	3	4
Receivables from granted loans	104	-

## 28. Reconciliation of payables arising from financing activity

<i>BGN'000</i>	<b>Received credits and loans</b>	<b>Total</b>
<b>Carrying amount on 31.12.2019</b>	<b>51,827</b>	<b>51,827</b>
<b>Changes as a result of cash flows from financing activity</b>		
Proceeds from received credit and loans	23,973	23,973
Payments for received credits and loans	(14,682)	(14,682)
Paid interests for credits and loans	(1, 185)	(1,185)
<b>Total changes as a result of cash flows from financing activity</b>	<b>8,106</b>	<b>8,106</b>
Other, non-monetary changes	2,069	2,069
<b>Carrying amount on 31.12.2020</b>	<b>62,002</b>	<b>62,002</b>

## 29. Contingent assets and liabilities

The Company is a party to various court proceedings initiated against lessees with overdue liabilities. Detailed information about such proceedings is not disclosed here in order to avoid disclosing any information that could affect their outcome or could be misappropriated by third parties.

## 30. Categories of financial assets and liabilities

Carrying amounts of financial assets and liabilities of the Company may be presented in the following categories:

<i>BGN'000</i>	<b>2020</b>	<b>2019</b>
<b>Financial assets</b>		
Debt instruments at amortised cost:		
Bonds	2,758	-,926
Net investment in finance lease	10,312	14,724
Other finance assets	12,993	12,500
Other receivables from related parties	1,731	373
Granted loans	19,574	3,350
Cash	256	867
	<b>47,624</b>	<b>34,740</b>
Financial assets at fair value through profit and loss:		
Equity instruments	1,322	1,450
	<b>1,322</b>	<b>1,450</b>
<i>BGN'000</i>	<b>2020</b>	<b>2019</b>

## Financial liabilities

Financial liabilities stated at amortised cost:

Bank and other loans	25,988	15,487
Payables to related parties	36,014	36,340
Payables to suppliers and other payables	22,822	5,864
Lease liability payables	1,370	1,756
	<b>86,194</b>	<b>59,447</b>

More information about the accounting policy applied to each category of financial instruments is presented in explanatory note "x". The methods used for assessment of fair values of financial assets and liabilities stated at fair value are described in explanatory note

30. The risk management policy and objectives of the Company in terms of financial instruments are summarised in explanatory note 6.

## 31. Fair value measurement

Financial assets and liabilities stated at fair value in the statement of financial position are classified at three levels in accordance with the hierarchy of fair value. Such hierarchy is determined on the basis of materiality of input information used for the fair value measurement of financial assets and liabilities, as follows:

1<sup>st</sup> level: market prices (unadjusted) on active markets for identical assets or liabilities; 2<sup>nd</sup> level: input information, other than market prices at level 1, that is observable with regard to an asset or liability, either directly (i.e. as prices), or indirectly (i.e. on the basis of prices); and

3<sup>rd</sup> level: input information for an asset or liability that is not based on observable market data.

A financial asset or liability is classified at the lowest level of material input information used for determining of its fair value.

<b>31 December 2020</b>	<b>Note</b>	<b>Level 1 BGN'000</b>	<b>Level 2 BGN'000</b>	<b>Level 3 BGN'000</b>	<b>Total BGN'000</b>
<b>Financial assets</b>					
Securities traded on the market		1,322			1,322
<b>Fair value</b>		<b>1,322</b>			<b>1,322</b>

<b>31 December 2019</b>	<b>Note</b>	<b>Level 1 BGN'000</b>	<b>Level 2 BGN'000</b>	<b>Level 3 BGN'000</b>	<b>Total BGN'000</b>
<b>Financial assets</b>					
Securities traded on the market		1,450			1,450
<b>Fair value measurement</b>		<b>1,450</b>			<b>1,450</b>

Evaluation methods and techniques used for fair value measurement are not changed in comparison to the previous reporting period.

a) securities traded on the market

All equity instruments and bonds traded on the market are presented in Bulgarian leva (BGN) and are publicly traded on the stock exchange in the Republic of Bulgaria. The fair values have been measured on the basis of their stock exchange bid prices as at the reporting date.

### **32. Events after the end of the reporting period**

Since the end of 2019, the world is facing an epidemic of new coronavirus infection, which has initially occurred in China and has blocked the economic life and supplies from China at the beginning of 2020. Due to the trend of increase of Covid-19 cases, at the beginning of March 2020 the World Health Organisation officially announced the spread of the SARS-CoV-2 virus and the COVID-19 disease it causes as a pandemic. On 13 March 2020, the National Assembly of the Republic of Bulgaria declared state of emergency in the country due to the coronavirus and anti-epidemic measures and restrictions were introduced. The state of emergency continued until 13 May 2020. As a result of amendments to the Bulgarian legislation, in May 2020 the Minister of Health was empowered to announce emergency epidemic situation with the respective sanction of the Bulgarian government. Therefore, an emergency epidemic situation was announced from 14 May to 14 June 2020, which was then repeatedly continued until 30 April 2021.

The pandemic and the related state of emergency in the country caused significant decrease of the economic activity and gave rise to material uncertainty and suspense about future macroeconomic processes. The emergency epidemic situation declared afterwards reduced some of the measures introduced during the state of emergency, but nevertheless the current measures also affect the economic activity in the country.

Almost throughout 2020 different countries worldwide introduced various restrictive measures, including some restrictions for trips and transport, putting some people and even whole areas and regions under full or partial quarantine, and Europe is among the continents that has been more severely affected by the pandemic as a whole. Such restrictions influenced the supplies and resulted in economic difficulties suffered by the entities and delay of the economic development of Europe and other parts of the world. Huge number of people lost their jobs both in the Republic of Bulgaria and Europe and across the world as well.

At the end of 2020, the usual economic life in the country and abroad was not actually recovered. The government of the Republic of Bulgaria introduced various economic and social measures aimed at helping, although partially, the sectors and business affected by the pandemic, the state of emergency and restrictions introduced in the country and abroad. A special law was enacted with regard to the declared state of emergency and some other laws were amended and supplemented too. Different time periods, including for tax filings, were continued in 2020. Commercial banks were allowed to agree upon grace periods and other deferrals for granted bank loans with their customers. Various grants under EU programs and the national budget of the Republic of Bulgaria were approved and ensured.

In several countries COVID-19 vaccines were developed and tested during the year, which happened at different rates and test success. Based on the positive assessment of the European Medicines Agency, at the end of 2020 and at the beginning of 2021 the European Commission gave marketing authorisation for four COVID-19 vaccines on the territory of the European Union. Vaccination began on 27 December 2020 in the whole European Union simultaneously. It is expected that the spread of the virus and the COVID-19 disease, respectively, would be significantly decreased with the vaccination of sufficient number of

citizens in the EU and worldwide. It is still impossible to make a forecast whether this would happen during 2021 and if yes, at what time of the year.

Depending on the duration of imposed restrictions, the efficiency of vaccines and the recovery of the normal economic life, impacts on the future actions of the Company would be different. Longer restrictions would result in permanent deterioration of the economic indicators and would affect all economic entities.

Despite the above considerations, in 2020 the Company's business was not adversely affected or at least not quite significantly, due to its specific nature. The Company continues settling its liabilities and collecting its receivables and has realised positive financial result for the year. The Company has not utilised any economic and social measures implemented by the government of the Republic of Bulgaria with regard to the pandemic as it does not meet the criteria so set.

At its meeting held on 19 January 2021, the Board of Directors of the Company adopted a resolution to enter into a bank loan agreement with CB Texim Bank AD. Loan amount - BGN 600 thousand. Purpose of the loan - working capital. Time period for repayment of the principal - 24 months as from the withdrawal date. Annual interest rate - 3,5%.

At its meeting held on 24 February 2021, the Board of Directors of the Company adopted a resolution to enter into a bank loan - overdraft agreement with Central Cooperative Bank AD. Loan amount - BGN 6 400 thousand, with option to increase the limit up to BGN 8 000 thousand. Purpose of the loan - working capital for purchase of 4 helicopters. Time period for repayment of the principal - 3 months as from the withdrawal date, with option to increase with another 14 months.

### **33. Approval of the financial statements**

The annual financial statements as at 31 December 2020 (including the comparative information) were approved by the Board of Directors on 8 April 2021.