Translation from Bulgarian

ЛИЗИНГ ФИНАНС

LEASING FINANCE

LEASING FINANCE EAD

Stand-Alone Financial Statements

for the year ending 31 December 2022

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2022 STAND-ALONE MANAGEMENT REPORT OF LEASING FINANCE EAD

This Stand-Alone Management 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 Stand-Alone Management Report is adopted by Minutes of 26.04.2023 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, Lozenets district, 53 Cherni Vrah Blvd., registered in the Commercial Register on 6 November 2018.

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 for investment purposes in its name and on its behalf, and 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 2022, the Company's business comprises mainly finance and operating lease, granting loans, entering into assignment agreements.

The Company is registered as a financial institution under article 3a of the Credit Institutions Act and is entered 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 (before that by Order РД22-0767/31.03.2010).

The Company is not a public company within the meaning of the Public Offering of Securities Act (POSA). As at 31 December 2022, 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 strongly diversified and comprises real estates, vehicles, mainly aircrafts – planes and helicopters, as well as cars, agricultural machinery, manufacturing and technological equipment.

In 2022, the Company has decreased its claims under lease contracts by BGN 1,204 thousand in comparison to 31 December 2021.

No assets under lease contracts have been seized in 2022. During the same period, cars returned under operating lease have been sold with book value of BGN 21 thousand.

In 2022, the Company has increased the capital of its subsidiary LF Imoti EOOD with in-kind contribution in the amount of BGN 3 834 thousand.

At its meeting held on 22 February 2022, the Board of Directors of the Company adopted a resolution to acquire the title of the company shares of Fly Leasing EOOD, being 20 000 /twenty thousand/ shares with nominal value of BGN 100 /one hundred Bulgarian leva/ each or with total nominal value of BGN 2 200 000 /two million and two hundred thousand Bulgarian leva/, being 100% of the Company's capital.

On 4 April 2022, Leasing Finance enters into Loan Agreement, in its capacity of borrower, with Prudencia S.a.r.l Luxembourg – lender, in the amount of EUR 35 million, with full repayment maturity date on 08.06.2029 and interest rate of 4,6% per annum. According to the repayment scheme, the principal is due and payable every twelfth month by the end of the loan maturity date at equal installments of EUR 5 million, and the interest is payable on monthly basis. The loan was granted for the purposes of purchasing aircrafts.

On 8 April 2022, Leasing Finance made an advance payment to Bulgaria Air in the amount of BGN 58 315 thousand, entered into preliminary agreements for the acquisition of 3 aircrafts – Embraer type aircrafts. The final contracts for were signed on 15.09.2022 and the aircrafts were acquired by Leasing Finance.

On 15.09.2022, leasing contracts have been signed between Leasing Finance – as lessor, and Bulgaria Air – as lessee, with regard to 3 aircrafts – Embraer type aircrafts

During the reporting year 2022, new finance and operating 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.

FINANCIAL STATEMENTS AND ANALYSIS

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

BGN'000	**2022**	**2021**
Revenue	12,269	27,720
Expenses	11,715	27,496
Earnings before tax	554	224
Financial autonomy	**2022**	**2021**
Financial autonomy ratio	0.0990	0.2062
Debt ratio	10,1031	4.8502
Liquidity	**2022**	**2021**
Overall liquidity ratio	0,1535	0,4801
Quick liquidity ratio	0,1136	0,2909
Immediate liquidity ratio	0,0900	0,2274
Absolute liquidity ratio	0,0040	0,0200
Efficiency	**2022**	**2021**
Expenses	1,0473	1,0081
Revenue	0,9548	0,9919
Rate of return	**2022**	**2021**
Equity	0,0259	0.0107
Assets	0,0023	0.0018
Liabilities	0,0026	0.0022
Sales revenue	0,0452	0.0080

Structure of share capital

As at 31 December 2022, the share capital of Leasing Finance EAD is in the amount of BGN 39 577 452 (thirty nine million five hundred seventy seven thousand four hundred and fifty two Bulgarian leva) and is fully paid-in. It is divided into 425 564 /four hundred twenty five thousand five hundred and sixty 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 leva), whereas a portion of the capital in the amount of BGN 7 601 000 (seven million six hundred and one thousand Bulgarian leva) 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 leva) 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 May 2015. After the decrease, the registered capital of the Company became BGN 1 000 308 (one million and three hundred and eight Bulgarian leva).

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 leva).

There were no changes 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 leva/ per share, with total amount of the increase – BGN 11 000 040 /eleven million and forty Bulgarian leva/. 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 2022, 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 2022.

As at 31 December 2022, the Company is represented by Marian Ivanov Stoev and Zdravko Atanasov Stoev jointly. As at the date of approval of the financial statements, the Company is represented by Zdravko Stoev only.

In his capacity of executive director of the Company as at 31 December 2022, 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:

- Executive director of LEASING FINANCE EAD, UIC 131352367, having its seat and registered address in the city of Sofia, Lozenets district, 53 Cherni vrah Blvd.;
- Member of the Board of Directors and representative of TK-Hold AD, UIC 121657705, having its seat and registered address in the city of Sofia, Ovcha kupel district, 6 Goritsa St.;
- Deputy chairman of the Board of Directors of M RENT EAD, UIC 131455456, having its seat and registered address in the city of Sofia, Lozenets district, 53 Cherni vrah Blvd.;
- Executive director of NEW WEB MARKET EAD, UIC 201507193, having its seat and registered address in the city of Sofia, Lozenets district, 53 Cherni vrah Blvd.;
- Executive director of WEB MEDIA GROUP AD, UIC 131387286, having its seat and registered address in the city of Sofia, Izgrev district, 20 Frédéric Joliot-Curie, 10th floor;
- Chairman of Board of Directors of SKY PAY AD, UIC 205421578, having its seat and registered address in the city of Sofia, Oborishte district, 8 Vrabcha St.;

- Manager of BUL AIR EOOD, UIC 831032406, having its seat and registered address in the city of Sofia, Slatina district, 1 Brussels Blvd.;
- Chairman of the Board of Directors of AIRPORT SERVICES DEVELOPMENT EAD, UIC 203922423, having its seat and registered address in the city of Sofia, Sredets district, 36 Shipka St., 3rd floor;
- Member of the Management Board of ASSOCIATION OF BULGARIAN AIRLINES ABA, UIC 130848481, having its seat and registered address in the city of Sofia, Slatina district, 1 Brussels Blvd., Sofia Airport, IVT Building;
- Manager of M INS EOOD Skopje, UIC 4057017536024 (incorporated in the Republic of North Macedonia, name without transliteration in Bulgarian: М ИНС ДООЕЛ Скопје [M INS DOOEL Skopje]);
- Representative on the grounds of article 234, paragraph 1 of the Commerce Act of Leasing Finance EAD, UIC 131352367, in its capacity of a company elected as a member of the Board of Directors of AERONAUTICAL TRAINING ACADEMY AD, UIC 206543624, having its seat and registered address in the city of Sofia, 1 Brussels Blvd.;
- Manager of RADIO STATION EOOD, UIC 201446801, having its seat and registered address in the city of Sofia, Sofia (Metropolitan) Municipality, zip code 1113, Izgrev district, 20 Frédéric Joliot-Curie, 10th floor;
- Executive director of DREAM AIR EAD, UIC 205527179, having its seat and registered address in the city of Sofia 1540, Slatina district, residential area Sofia Airport, 1 Christopher Columbus Blvd., block 3, 3rd floor;
- Chairman of the Board of Directors of FORWARD EAD, UIC 206560303, having its seat and registered address in the city of Sofia 1592, Iskar district, 43 Christopher Columbus Blvd.;
- Representative on the grounds of article 234, paragraph 1, 3rd sentence of the Commerce Act of TK-Leasing OOD in the Board of Directors of Dobrudzhanska mebel AD, UIC 834025235, with address: city of Sofia, 140 Tsar Boris III Blvd;
- Representative on the grounds of article 234, paragraph 1, 3rd sentence of the Commerce Act of TK-Leasing OOD in the Board of Directors of Rilski len AD, UIC 122006101, with address: town of Samokov, 9 Sofiysko shoes St.;
- Representative on the grounds of article 234, paragraph 1, 3rd sentence of the Commerce Act of TK-Leasing OOD in the Board of Directors of Programni Produkti i Sistemi AD, UIC 831639462, with address: city of Sofia 1618, Ovcha kupel district, 6 GORITSA St.;
- Representative on the grounds of article 234, paragraph 1, 3rd sentence of the Commerce Act of TK-Leasing OOD in the Board of Directors of Izgrev AD, UIC 106006580, with address: city of Sofia 1618, Ovcha kupel district, 140 Tsar Boris III Blvd;
- Representative on the grounds of article 234, paragraph 1, 3rd sentence of the Commerce Act of TK-Leasing OOD in the Board of Directors of Technotex AD, UIC 822150722, with address: city of Sofia 1618, Ovcha kupel district, 140 Tsar Boris III Blvd;
- Manager of ITAL MEBEL EOOD, UIC 130914216, with address: city of Sofia 1618, Ovcha kupel district, 140 Tsar Boris III Blvd;
- Manager of TK-LEASING OOD, UIC 130017743, with address: city of Sofia 1618, Ovcha kupel district, 140 Tsar Boris III Blvd;

In his capacity of Chairman of the Board of Directors of the Company as at 31 December 2021, 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:

- NEW WEB MARKET EAD, having its seat and registered address in the city of Sofia, 53 Cherni vrah Blvd., registered in the Commercial Register with UIC 201507193 – Chairman of the Board of Directors and representative of the company;
- SKY PAY AD, having its seat and registered address in the city of Sofia, 8 Vrabcha St., registered in the Commercial Register with UIC 205421578 – Executive director;
- FINANCE ASSISTANCE MANAGEMENT ADSIC, having its seat and registered address in the city of Sofia, 8 Vrabcha St., UIC 205350597 – Member of the Board of Directors;
- HEMS AIR EOOD, having its seat and registered address in the city of Sofia, 1 Pope John Paul the Second Sq., registered in the Commercial Register with UIC 130690145 – Manager;
- FINANCE INFO ASSISTANCE EOOD, having its seat and registered address in the city of Sofia, 8 Vrabcha St., registered in the Commercial Register with UIC 130997190 – Manager;
- FINANCE SECURITY GROUP AD, having its seat and registered address in the city of Sofia, 8 Vrabcha St., registered in the Commercial Register with UIC 202191129 – Chairman of the Board of Directors and representative of the company;
- LEASING FINANCE EAD, having its seat and registered address in the city of Sofia, 53 Cherni vrah Blvd., registered in the Commercial Register with UIC 131352367 – Chairman of the Board of Directors and representative of the company;
- WEB MEDIA GROUP AD, having its seat and registered address in the city of Sofia, 20 Frédéric Joliot-Curie, 10th floor, registered in the Commercial Register at the Registry Agency with UIC 131387286 – Chairman of the Board of Directors and representative of the company;
- PARK ADSIC, having its seat and registered address in the city of Sofia, 53 Cherni vrah Blvd., registered in the Commercial Register at the Registry Agency with UIC 131401280 – Member of the Board of Directors and representative of the company;
- Aeronautical Training Academy AD, having its seat and registered address in the city of Sofia, 1 Brussels Blvd., registered in the Commercial Register at the Registry Agency with UIC 206543624 – Executive director;
- RADIO STATION EOOD, UIC 201446801, having its seat and registered address in the city of Sofia, Sofia (Metropolitan) Municipality, zip code 1113, Izgrev district, 20 Frédéric Joliot-Curie, 10th floor – Manager;
- Dream Air EAD, UIC 205527179, having its seat and registered address in the city of Sofia 1540, Slatina district, residential area Sofia Airport, 1 Christopher Columbus Blvd., block 3, 3rd floor – Chairman of the Board of Directors and representative of the company;
- LF Imoti EOOD, UIC 206694850, having its seat and registered address in the city of Sofia 1407, Lozenets district, 53 Cherni vrah Blvd. – Manager;

- FORWARD EAD, UIC 206560303, having its seat and registered address in the city of Sofia Iskar region, zip code 1592, 43 Christopher Columbus Blvd. – Executive director;
- FLY LEASE EOOD, UIC 206173720, having its seat and registered address in the city of Sofia, Slatina district, 1 Brussels Blvd. – Manager.

In his capacity of member of the Board of Directors of the Company as at 31 December 2021, 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 2022, the members of the Board of Directors of the Company have received remuneration in the amount of BGN 219 thousand.

In 2022, 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 2022, 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 preferential rights to acquire shares and bonds of the Company.

INFORMATION UNDER ARTICLE 187д OF THE COMMERCE ACT

In 2022 no treasury shares of the Company's capital were acquired and transferred. As at 31 December 2022, the Company does not have any treasury shares of its capital.

ORGANIZATIONAL STRUCTURE

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

RESEARCH AND DEVELOPMENT

In 2022, the Company has not carried out any research and development.

2023 BUSINESS OBJECTIVES

In 2023, 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.

In 2023, the Company plans to purchase aircrafts – planes and helicopters, by means of investment loan, as well as pilot training simulator for leasing purposes.

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.

EVENS AFTER THE REPORTING DATE

On 30 March 2023, a contract was signed between CAE Inc. Canada – as Seller, and Leasing Finance – as buyer, for Aviation Simulator – Trainer, which will be leased. The purchase price is in the amount of USD 5 398 thousand. By virtue of this contract, an advance payment was made on 12.01.2023 in the amount of USD 100 thousand, and 45% of the simulator's price were paid on 31.03.2023.

On 03 May 2023, by resolution of the sole owner of the Company's capital, Marin Ivanov Stoev was dismissed as a member of the Board of Directors. Dimitar Plamenov Mihaylov was appointed. The Company will be represented by the Executive director Zdravko Atanasov Stoev only. This circumstance is entered in the Commercial Register on 10.05.2023.

FINANCIAL INSTRUMENTS

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

BGN'000	**2022**	**2021**
Financial assets		
Debt instruments at amortised cost:		
Bonds	3,429	2,736
Net investment in finance lease	4,244	5,448
Granted loans	15,441	10,204
Other debt financial assets	22,683	15,488
Cash	631	1,064
	46,428	**34,940**
Financial assets at fair value through profit and loss:		
Equity instruments	3,763	3,386
	3,763	**3,386**
Total financial assets	**50,191**	**38,326**

BGN'000	**2022**	**2021**
Financial liabilities		
Financial liabilities stated at amorised cost:		
Bank and other loans	102,257	38,400
Payables to related parties	26,760	39,047
Payables to suppliers and other payables	57,822	7,295
Lease liability payables	548	967
	187,387	**85,709**

RISK MANAGEMENT

Capital risk management

The management's objectives in 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 as indicated in the Statement of Financial Position). Total capital is calculated by adding "equity" (as stated in the Statement of Financial Position) to the net debts.

BGN'000	**31.12.2022**	**31.12.2021**
Type		
Total debt capital, including:	**215,761**	**100,893**
Trade payables	86,744	23,446
Payables under bank and other loans	103,321	38,400
Commercial credits and loans to related parties and credits against goods	26,760	39,047
Less cash and cash equivalents	**(631)**	**(1,064)**
Net debt capital	**215,130**	**99,829**
Total equity	21,356	20,802
Total capital	**236,486**	**120,631**
Net debt to total capital ratio	**0.910**	**0.828**

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 5).

Credit risk

The country's credit risk is related to the government's ability to regularly settle its liabilities. In this respect, Bulgaria continuously improves its positions on the international debt markets, which facilitates the government's and the economic agents' access to external source funding. The most important effect of the credit rating improvement is the decrease of loan risk premiums, which results in more favourable interest rates (all other conditions being equal). Therefore, the potential increase of the credit rating of the country would have favourable effect on the Company's business, in particular, on its funding. On the other hand, the decrease of Bulgaria's credit rating would have adverse impact on the Company's borrowing costs, unless its loan agreements do not have fixed interest rates.

In November 2022, the biggest international rating agency S&P Global Ratings (Standard and Poor's) confirmed the credit rating of Bulgaria in foreign and local currency 'BBB/A-2' with stable perspective. The agency forecasts average annual inflation of 10 percent in 2022.

Credit risk is the risk of possible losses due to the borrower's inability to repay a loan or to fulfil their contractual obligations. Traditionally, it refers to the risk of lender's failure to receive the principal and interest due, which results in interruption of cash flows and increase of collection costs. 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 analyses 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 an indicator of proper assessment of the lessees' payment ability.

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 market risk is the risk of adverse price dynamics of specific assets or on the markets in general in terms of the investments or companies. An example of market risk is the loss of value as a result of high inflation rates or increase of the monthly loan fees due to increase of interest rates in the economy. As at 31.12.2022, the Company has made investments in equity instruments traded on public markets with fair value of BGN 3,763 thousand (31.12.2021 – BGN 3,386 thousand).

Currency risk

The nature of this risk is related to the possibility of sharp impairment of the local currency, whereas the revenue of the economic subjects in the country is affected by the changes in the BGN exchange rate to other currencies. The fixed BGN exchange rate to the single European currency (EUR) limits the fluctuations of the BGN exchange rate to the main foreign currencies within the frames of the relevant currencies' fluctuations to the euro.

The Company is not exposed to currency risk as far as all assets and liabilities of the Company are 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 forecasts about such fact.

Interest risk

The interest risk is related to the increase of interest levels and the interest expenses, respectively, which is directly reflected in the profit gained by the economic subjects. The government applies different financial methods for debt management for the purposes of mitigating this risk. Even though the interest risk is part of the macro-environment related risk, in case of high volatility of interest rates, measures for mitigating the impact of the expected increase might be undertaken by using methods for interest risk hedging.

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...

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 human 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 the 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.

Inflation risk

This is the risk of increase of the overall price level. During the recent years, the Bulgarian governments follow strict fiscal policy in the conditions of Currency Board. The trend is to retain such policy during the next years, especially with view of the achievement of the objectives for Bulgaria's accession to the Eurozone as soon as possible. The currency board system controls money supply, however external factors (for example, the increase of oil price) exert pressure in terms of price level increase. Our country's accession to the European Union also affects the gradual equalisation of the domestic prices with those of the other member states. According to the data of the National Institute of Statistics, the inflation in December 2022 versus December 2021 is 16,9%, and during January and February 2023, there is a trend of relative preservation of this percentage versus the relevant month in 2022. Factors that influence the inflation rate increase would probably continue having adverse effect during the remaining months of 2023.

Economic growth

The interaction between economic growth and external indebtedness of the country has direct impact on the formation and change of market conditions and investment climate. Official statistics show an actual decrease of the Gross Domestic Product (GDP) and GDP per capita.

According to the National Institute of Statistics (NIS), based on preliminary data, GDP for 2022 actually increases by 3.4% versus 2021 and is in the amount of BGN 165.4 billion at current prices. Translated in euro, GDP is EUR 84.57 billion, respectively, and EUR 12 971 per capita on average.

Political risk

This is the risk arising from the political process in the country – risk of political destabilisation, changes in the governance principles, in the legislation and the economic policy. The political risk directly depends on the probability for adverse change of the long-term policy implemented by the government, which causes a risk of adverse changes in the business climate. The undertakings and requirements in relation to our country's EU membership and the possible accession to the European Currency Union (ECU) suggest improvement of the business climate in the country and facilitation of business and entrepreneurship. These are the main reasons for not expecting any stresses and significant changes in the policy implemented in the future.

RESPONSIBILITIES OF THE MANAGEMENT

According to the Bulgarian legislation, the management prepares stand-alone financial statements for the financial year, which give true and fair idea of the Company's position. The management has prepared the accompanying stand-alone 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 stand-alone financial statements are prepared in accordance with the going concern principle of accounting.

The management is responsible for the proper keeping of accounting records, for the expedient management of the assets and for undertaking the necessary measures to avoid and find any possible misuse and other irregularities.

Electronic signature

Zdravko Stoev
Executive Director
Leasing Finance EAD
Sofia, 26.07.2023

STAND-ALONE STATEMENT OF COMPREHENSIVE INCOME

For the year ending 31 December

BGN'000	*Note*	**2022**	**2021**
Interest income		1,719	1,705
Interest expenses		(4,263)	(2,873)
Net interest expenses	*6*	**(2,544)**	**(1,168)**
Revenue from operating lease		5,214	1,156
Other revenue/ (expenses), net	*7*	4,284	3,492
Expenses for assets subject to operating lease		(72)	(88)
Result from operations		**6,882**	**3,392**
Administrative expenses	*8*	(6,328)	(3,168)
EBT		**554**	**224**
Income tax expenses	*9*	-	-
Profit for the year		**554**	**224**
Total comprehensive income for the year		**554**	**224**

Electronic signature
Maya Vlachkova
Preparer
Date: 26.04.2023

Electronic signature
Zdravko Stoev
Executive director

As per Independent Auditor's Report of 28.07.2023
For Crowe Bulgaria Audit EOOD,
Audit Company, No 0167
Electronic signature
Guilyay Rahman
Manager, Registered auditor in charge of the audit

The notes on pages 5 to 46 are integral part of these stand-alone financial statements.

STAND-ALONE STATEMENT OF FINANCIAL POSITION

BGN'000	*Note*	**31 December 2022**	**31 December 2021**
Assets			
Cash	*10*	631	1,064
Financial assets at fair value in profit and loss	*19*	3,763	3,386
Net investment in finance lease	*11*	4,244	5,448
Receivables from loans and other debt financial assets	*17*	26,067	19,474
Receivables from related parties	*25*	15,486	8,954
Goods	*12*	4,025	4,254
Other assets	*20*	1,307	5,833
Investments in subsidiaries, associates and joint ventures	*16*	12,522	7,481
Assets held for sale		1,000	-
Fixed assets	*13, 14*	167,330	61,464
Investment properties	*15*	246	3,841
Deferred tax assets	*18*	496	496
Total assets		**237,117**	**121,695**
Liabilities			
Payables to suppliers and other payables	*22*	86,744	23,446
Bank and other loans	*23*	102,257	38,400
Payables to related parties	*25*	26,760	39,047
Total liabilities		**215,761**	**100,893**
Equity			
Share capital	*24*	39,577	39,577
Statutory reserves		2,671	2,671
Reserve from merger of companies		(512)	(512)
Uncovered loss		(20,380)	(20,934)
Total equity		**21,356**	**20,802**
Total liabilities and equity		**237,117**	**121,695**

Electronic signature
Maya Vlachkova
Preparer
Date: 26.04.2023

Electronic signature
Zdravko Stoev
Executive director

As per Independent Auditor's Report of 28.07.2023
For Crowe Bulgaria Audit EOOD,
Audit Company, No 0167
Electronic signature
Guilyay Rahman
Manager, Registered auditor in charge of the audit

The notes on pages 5 to 46 are integral part of these stand-alone financial statements.

STAND-ALONE STATEMENT OF CHANGES IN EQUITY

For the year ending 31 December

BGN’000	**Registered capital**	**Statutory reserves**	**Accumulated loss**	**Total equity**
Balance as at 1 January 2021	**28,577**	**2,159**	**(21,158)**	**20,578**
Profit for the year	-	-	224	224
Total comprehensive income for the year	**-**	**-**	**224**	**224**
Other changes	-	-	-	-
Balance as at 31 December 2021	**39,577**	**2,159**	**(20,934)**	**20,802**

BGN’000	**Registered capital**	**Statutory reserves**	**Accumulated loss**	**Total equity**
Balance as at 1 January 2022	**39,577**	**2,159**	**(20,934)**	**20,802**
Profit for the year	-	-	554	**554**
Total comprehensive income for the year	**-**	**-**	**554**	**554**
Balance as at 31 December 2022	**39,577**	**2,159**	**(20,380)**	**21,356**

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STAND-ALONE STATEMENT OF CASH FLOWS

For the year ending 31 December

BGN'000	*Note*	**2022**	**2021**
Cash flows from operating activity			
Profit for the year		554	224
Adjustments for:			
Decrease of provisions for impairment, etc.		187	(2,978)
Amortisation of fixed assets	*13*	3,403	1,327
Interest income	*6*	(1,719)	(1,705)
Interest expenses	*6*	4,263	2,873
Decrease of receivables from finance lease		11,388	10,935
Increase of other assets		(5,357)	(3,895)
Repo-transactions		2	(2,211)
Financial assets for trading – shares		334	180
Decrease/ (Increase) of other receivables and other financial assets		(6,701)	6,004
(Decrease)/ Increase of other payables		10,285	3,745
Gained interests		1,719	4,660
Net cash flow from operating activity		**18,358**	**19,159**
Cash flows from investing activity			
Disposal/ (Acquisition) of fixed assets, net		(59,796)	(29,150)
(Increase)/ Decrease of long-term investments in companies		(9,841)	(1,674)
Net cash flow from investing activity		**(69,637)**	**(30,824)**
Cash flow from financing activity			
Receipt/ (Repayment) of credits and loans		55,530	14,114
Paid interests for credits and loans		(4,684)	(1,641)
Net cash flows from financing activity		**50,846**	**(12,473)**
Net increase of cash and cash equivalent		**(433)**	**808**
Cash and cash equivalent as at 1 January		1,064	256
Cash and cash equivalent as at 31 December	*10*	**631**	**1,064**

Electronic signature
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Preparer
Date: 26.04.2023

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The notes on pages 5 to 46 are integral part of these stand-alone financial statements.

1. 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 AD. 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: region of Sofia-city, city of Sofia, Lozenets district, 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 for investment purposes in its name and on its behalf, and 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 2021, 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 РД22-0767/31.03.2010 before that).

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

As at 31 December 2022 there are 11 employees under employment contracts (as at 31 December 2021 – 11).

2. Basis for preparation of the financial statements

The stand-alone financial statements are prepared in accordance with the requirements of the Bulgarian accounting law in the national currency of the Republic of Bulgaria – Bulgarian lev (BGB). Since 1 January 1999, the Bulgarian lev has fixed exchange rate to euro: BGN 1.95583 for EUR 1. The accuracy of the amounts stated in the stand-alone financial statements is BGN'000. These stand-alone financial statements are prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) as adopted by the Commission of the European Union. The stand-alone financial statements are prepared in accordance with the requirements of the International Financial Reporting Standards issued by the International Accounting Standards Board, All International Financial Reporting Standards are issued by the International Accounting Standards Board effective for the period of preparation of these financial statements, ad endorsed by the European Union via approval procedure established by the Commission of the European Union. The Company also prepares consolidated financial statements 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.

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 2021 of Finance Security Group AD – sole owner of Finance Info Assistance EOOD – the parent-company of Leasing Finance EAD. Finance Security Group AD published its consolidated financial statements for the year ending 31 December 2021 by 30 April 2022.

The financial statements are made in observance of the going concern principle of accounting, which suggests that the Company will continue its business in foreseeable future.

As at 31 December 2022, the Company's equity is in the amount of BGN 21 356 thousand with registered capital in the amount of BGN 39 577 thousand and accumulated loss in the amount of BGN 20 380 thousand. These circumstances raise doubts about the applicability of the going concern principle. The management has undertaken a number of measures for improvement of its principal activity yield and optimisation of costs, and has engaged an indirect owner who shall ensure ongoing financial and operating support.

As a result of the actions undertaken by the management to ensure funding and the increased control over the working capital, the Company has improved its short- and mid-term liquidity indicators. The forecasts and budgets made for the future development of the Company show that the Company might continue its business normally and that the ensured funding is sufficient. As a result of the business review, the Board of Directors expects that the Company has sufficient resources to continue its operations in the near future and believes that the going concern principle is appropriately used.

The Board of Director's assessment with regard to the applicability of the going concern principle covers a period of 12 months of the statement date. Based on this assessment, the management believes that no factors and/or events exist that prove the doubts with regard to the application of this principle as a basis for preparation of the stand-alone financial statements. The management's intentions in terms of the future existence of the Company are that it will continue carrying out all of its activities.

The management has no plans or intentions that foresee significant restrictions of the scope of business and/or transformation of the Company in foreseeable future, in particular, in a period of one year as a minimum.

4. Changes in the accounting policy

(a) New standards effective from 1 January 2022

Application of new and revised international financial reporting standards (IFRS).

New and amended standards and interpretations

The Company's accounting policies are consistent with these applied during the preceding reporting period.

The following amendments to existing standards issued by the International Accounting Standards Board and endorsed by the EU are effective as from 1 January 2021:

New and amended standards and interpretations

The Company's accounting policies are consistent with these applied during the preceding reporting period.

The following amendments to existing standards issued by the International Accounting Standards Board and endorsed by the EU are effective as from 1 January 2022 (they do not have material effect on these stand-alone financial statements):

- Amendments to IFRS 3 Business Combinations – (effective for annual periods beginning on or after 1 January 2022, endorsed by the EC). Minor amendments to IFRS 3 Business Combinations were made in order to update the references to the Conceptual Framework for Financial Reporting, and to add an exemption for recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 – Levies. The amendments further confirm that the contingent assets should not be recognised as at the acquisition date. The changes apply prospectively.
- Amendments to IAS 16 Property, Plant and Equipment – (effective for annual periods beginning on or after 1 January 2022, endorsed by the EC). The amendment to the standard prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset for its intended use. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss for the period according to the rules of other applicable standards. Furthermore, it clarifies that the entity "tests whether the asset functions properly" when it assesses the technical and physical properties of the asset. The financial presentation of the asset is not important for this assessment. The entities should disclose separately the amounts of proceeds and costs related to the production of those items, which are not a result from the entity's principal activities. The amendments apply retrospectively but only for property, plant and equipment that have been brought to the location and condition necessary for them to be capable of operating on or after the beginning of the earliest period presented in the financial statement, when the entity applies the amendment for the first time.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – (effective for annual periods beginning on or after 1 January 2022, endorsed by the EC). The amendment to IAS 37 specifies that the direct costs of fulfilling a contract comprise both incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. Before recognising separate provision for onerous contract, the entity recognises impairment loss occurred on assets used for fulfilling the contract. The amendments apply to changes of contracts for which the entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it applies them for the first time.
- Annual improvements to IFRS 2018-2020 Cycle (effective for annual periods beginning on or after 1 January 2022, endorsed by the EC). These improvements lead to partial amendments to the following standards, and namely:
- IFRS 1 First-time Adoption of International Financial Reporting Standards – it allows entities that have measured their assets and liabilities at carrying amounts entered in the account records of their parent-companies, to also measure cumulative foreign currency translation differences using the amounts reported by its parent. This amendment will be also applied for associates and joint ventures that have undertaken the same exemption under IFRS 1. The entity applies this amendment for the annual reporting periods beginning on or after 1 January 2023. Earlier application is allowed.

- IFRS 9 Financial Instruments – it specifies which fees must be included in the 10 per cent test for derecognition of financial liabilities. After the amendments, when determining these fees, an entity includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The entity applies the amendments to the financial liabilities that change at the beginning or after the beginning of the annual reporting period in which the entity applies them initially.
- IFRS 16 Leases – amendment to illustrative example 13 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives. The amendment refers to an illustrative example accompanying the standard and is not a part thereof, and therefore no effective date is specified.
- IAS 41 Agriculture – removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset and agricultural products under IAS 41. This amendment is aimed at achieving compliance with the standard requirement for discounting of cash flows on post-taxation basis.

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

Issued standards that are not yet effective or are not applier earlier by the Company as at the date of issue of these financial statements are summarised below. It discloses how to a reasonable extent the disclosures, financial position and performance are expected to be affected when the Company adopts these standards for the first time. This is expected to happen when they become effective.

IFRS 17 Insurance Contracts – (effective for annual periods beginning on or after 1 January 2023, endorsed by the EC). In May 2017, IASB issued IFRS 17 Insurance Contracts (IFRS 17), comprehensive new accounting standard for insurance contracts covering the recognition, measurement, presentation and disclosure. Upon becoming effective, IFRS will replace IFRS 4 Insurance Contracts (IFRS 4), which was issued in 2005. IFRS 17 applies to all insurance contracts (i.e. life insurance, non-life insurance, direct insurance and reinsurance) irrespective of the type of entities that issue them both in terms of specific limits and financial instruments with additional, non-guaranteed income (discretionary participation). Few exemptions from the scope will apply. The general objective of IFRS 17 is to ensure an accounting model of insurance contracts, which is more useful and consistent for the insurers. It is not applicable for the Company's business and therefore the management has not assessed its application.

- Improvements to IFRS 17 (effective for annual periods from 01.01.2023, endorsed by the EC). The amendments are related to the initial application of IFRS 17 and IFRS 9 – comparative information. They provide an option for transition relevant to the comparative information for financial assets upon the initial application of IFRS 17 for the purposes of reducing accounting mismatches between financial assets and liabilities under insurance contracts occurring in the comparative information upon the initial application of IFRS 17 and IFRS 9. The application of amendments is optional and refers only to the presentation of the comparative information upon the initial application of IFRS 17. They are not applicable to the Company's business and therefore the management has not assessed their application.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (the effective date is postponed and is subject to

determination by IASB) – with regard to sales or contribution of assets between an investor and its associates or joint ventures (the effective date is postponed and is subject to determination by IASB). These amendments refer to allowing accounting treatment of sales or contribution of assets between an investor and its associates or joint ventures. They confirm that accounting treatment depends on whether the sold assets or contributed non-monetary assets constitute or not “business” within the meaning of IFRS 3. If those assets in aggregate do not correspond to the definition of “business”, the investor recognises profit or loss up to percent corresponding to the other non-related investors in the associate or the joint venture. In case of sale of assets or contribution of non-monetary assets that are in aggregate “business”, the investor recognises the profit or loss from the transaction in full. These amendments will be applied prospectively. IASB postponed the effective date of these amendments for indefinite time period. The management is in process of studying, analysing and assessing the effects of the amendments that would influence the accounting policy and the classification and presentation of the company’s assets and liabilities.

- Amendments to IAS 1 Presentation of Financial Statements – (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EC). The amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as current or non-current liabilities, depending on the rights that exist at the end of the reporting period. The classification is not subject to the influence of the entity’s expectations or the post-reporting events (e.g. breach of the agreement). Furthermore, the amendments clarify what the references to “settlement” of liability in IAS 1 mean. These initial amendments to IAS 1 are issued in 2020 and they are intended to become effective for annual periods beginning on or after 1 January 2023, however they are still subject to further changes and therefore the earliest application is expected as from 01.01.2024. The amendments may affect the classification of liabilities, especially for those subjects that have considered before the management’s intentions to determine the classification, as well as for some liabilities that may be converted in equity. The amendments should be applied retrospectively in accordance with the usual requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- Amendments IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies and in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods from 01.01.2023, endorsed by the EC) The amendments to IAS 1 and IAS 8 clarify the differences between the accounting policies and accounting estimates with view of improving the consistent application of accounting standards and the comparability of financial statements. They explain how entities may identify material information about the accounting policies and to give examples when any information about the accounting policies might probably be material. They clarify that the information about the accounting policies may be material due to its nature, even when the relevant amounts are negligent. The amendments explain that the information about accounting policies is material if it is necessary for the users of the entity’s financial statement to understand other material information in the financial statements, and if the entity discloses immaterial information about the accounting policies, this should not result to concealing material information about the accounting policies.
- Amendments to IAS 12 Income Taxes (effective for annual periods from 01.01.2023, endorsed by the EC) with regard to deferred tax assets and liabilities arising from a single transaction. Amendments limit the scope of exemption from recognition of deferred tax liabilities as a result of which it does not apply to transactions when at

initial recognition equal taxable and deductible temporary differences occur. Such transactions are the recognition of right of use assets and lease liabilities by the lessees on the date of commencement of the lease, as well as upon charging liabilities for dismantling, removal and recovery included in the cost of the relevant asset. After the amendments become effective, entities should recognise each deferred tax asset (up to the extent it is possible that a taxable profit exist against which decreasing temporary differences might be used) and deferred tax liability (for all taxable temporary differences) according to the IAS 12 criteria for transactions related to assets and liabilities arising from single transaction on or after the onset of the earliest comparative period presented in the financial statements. Entities recognise the cumulative effect of the initial application of the amendments as an adjustment of the opening balance of the retained earnings or another equity item, if appropriate, as at this date.

The management is in process of studying, analysing and assessing the effects of the amendments to the above standards, which are not yet effective, to what extent they would affect the accounting policy and the values and classifications of assets, liabilities, operations and results of the Company during the next reporting periods.

4. 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 stand-alone 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.

It should be noted that accounting estimates and assumptions have been used for the preparation of the presented stand-alone 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 stand-alone 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 stand-alone 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 stand-alone statement of financial position as at the beginning of the previous period.

(b) Investments in associates and joint ventures

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 finance and operating lease (explanatory note "m"), from interest income (explanatory note "f"), incomes from fees, etc.

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 recongnised 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.

The effective interest rate is the rate that precisely discounts the expected future cash payments and proceeds during the term of the financial asset or liability up to the carrying amount of such asset or liability. The effective interest rate is determined upon the initial recognition of the financial asset or liability and is then not subject to adjustment.

The calculation of the effective interest rate comprises all commissions received or paid, transaction costs and discounts or premiums, which are integral part of the effective interest rate. Transaction costs are internally inherent costs directly attributable to the acquisition, issue or derecognition of financial asset or liability.

Interest income and expenses stated in the Statement of Comprehensive Income comprise interests recognised on the basis of the effective interest rate in terms of financial assets and liabilities stated at amortised cost.

Unearned financial income (interest) is the difference between the gross and net investment in the lease contract, and the gross investment in a lease contract refers to the amount of minimum lease payments and the non-aggregated residual value charged for the lessor. Interest income from leasing operations (financial income) is distributed for the term of the lease contract and is recognised on the basis of constant periodic rate of return from the lessor's net investment.

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.

The effective interest rate is the rate that precisely discounts the expected future cash payments and proceeds during the term of the financial asset or liability up to the carrying amount of such asset or liability. The effective interest rate is determined upon the initial recognition of the financial asset or liability and is then not subject to adjustment.

The calculation of the effective interest rate comprises all commissions received or paid, transaction costs and discounts or premiums, which are integral part of the effective interest rate. Transaction costs are internally inherent costs directly attributable to the acquisition, issue or derecognition of financial asset or liability.

Interest income and expenses stated in the Statement of Comprehensive Income comprise interests recognised on the basis of the effective interest rate in terms of financial assets and liabilities stated at amortised cost.

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 stand-alone statement of comprehensive income on line “Interest 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 and goods. They are stated at the lower value than the acquisition cost and the net realisable value.

Goods related to leasing activity 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.

The Company determines costs for inventory by using the method of specific identification of goods' value. Upon sale of inventory, their carrying amount is recognised as cost in the period the relevant revenue has been recognised in.

(j) Intangible assets

Intangible assets classified as fixed assets comprise software and licences. They are stated at acquisition cost, including all paid duties, non-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 stand-alone 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 stand-alone 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 estimated by the management as at every reporting date.

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

Software and licenses

- Software and licenses 2 – 5 years

Expenses for amortisation are stated in the stand-alone 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, machinery and equipment classified as fixed assets are initially measured 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 stand-alone statement of comprehensive income for the respective period.

Subsequent expenses related to specific asset of property, plant, machinery and equipment are added to the carrying amount of the asset where it is probable that the Company will have 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, machinery and equipment are assessed by the management as at every reporting date.

Property, plant, machinery 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.

Assets that should not be recognised as amortisable by the Company for accounting purposes are as follows:

- Assets fully amortised to their residual value.
- Assets that are in process of acquisition or liquidation.
- Assets not used in the company's business, including newly acquired assets for the period until their commissioning, for which specific practical and technological requirements need to be met.

The amortisation amount of amortisable assets is determined by means of two groups of amortisation methods – line and non-line methods. In the case of the line method, amortisation is distributed proportionately to the periods covered by the intended useful life of the amortisable asset. Amortisation rate of 2% is assumed for assets that are decommissioned for specific time period /airplane gliders/.

The amortisation of property, plant, machinery and equipment is calculated by using the straight-line method over the estimated useful life of the separate groups of assets as follows:

Vehicles	6 – 7 years;
Aircrafts	25 – 50 years;
Computers	2 – 4 years;
Another equipment	5 – 7 years.

Aircraft engines are amortised on the basis of flying hours.

(m) Investment property

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

The company states as investment property land and/or buildings that are held for obtaining rental income and/or for increasing the capital according to the fair value model.

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

Investment property is revaluated on annual basis and are stated in the statement of financial position at their market values. They are determined by independent valuers with professional qualification and significant professional experience, depending on the nature and the location of the investment property, based on evidence for the market conditions.

Any gain or loss due to change in the fair value or as a result of sale of an investment property is immediately recognised in profit or loss under item “Other revenue/(expense), net” on line “Subsequent measurements, net”.

(n) 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. For all assets of the Company the management subsequently estimates 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.

(o) Lease

The Company as a Lessee

In terms of any new contract concluded, the Company estimates whether it is or contains 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 stand-alone 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 obtained lease incentives).

The Company amortises the right-of-use asset by the straight-line 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 those fixed per se), 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 fixed lease payments per se.

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 opted 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-line method during the lease term.

In the stand-alone statement of financial position, the right-of-use assets are stated in "Fixed assets", and the lease liabilities are stated in "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 stand-alone 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.

The Company gains rental revenue under operating lease contracts of its investment property. Rental revenue is recognised on line basis for the term of validity of the lease contract.

Assets under finance lease contracts are stated in the Company's stand-alone 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 stand-alone 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 stand-alone 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.

Initial and subsequent measurement

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.

Losses from impairment of receivables under finance lease

Financial lease receivables stated in the balance sheet as net investment in finance lease are subject to impairment for expected credit losses on the basis of the Company's policy. The losses from impairment of receivables under finance lease allocated by the Company are calculated on the bases of the management's best estimate of the present value of expected cash flows.

When estimating these cash flows, the management makes assumptions about the debtor's financial position and about the net realisable value of existing collaterals. Any impaired financial asset is considered in terms of its composition, and then the Company's management approves the judgment for collectability of the cash flows from the financial asset.

(p) 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.

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 stand-alone statement of comprehensive income.

Subsequent measurement of financial assets

Financial assets at amortised cost
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 receivables.

Assets held for sale

Non-current assets (or groups for decommissioning) held for sale
A non-current assets (or group for decommissioning) held for sale is an asset the carrying amount of which will be recovered earlier through sale than through continuing use. For this purpose, the same should be very likely and the non-current assets (or group for decommissioning) should be available for immediate sale in its current condition. Appropriate management level should be bound with this sale, which should be expected to meet the conditions for recognition as completed sale within one year of the asset being classified as held for sale. Assets for decommissioning and non-current assets held for sale are stated in the financial statement of financial position at fair value less the costs for sale, if lower than the previous carrying amount. Upon classifying an asset as held for sale or including it in a group of assets held for sale, amortisation is not charged any more.

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.

The Company's management has assumed that the financial assets being cash in current accounts, finance lease receivables, judicial and awarded receivables and receivables from loans will be held by the Company for the purposes of obtaining the contractual cash flows and are expected to give rise to cash flows being principal and interest payments only. These financial assets are classified and subsequently measured under IFRS 9 at amortised cost.

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 impairment requirements under IFRS 9 use more future-oriented information to recognise expected credit losses – the "expected credit loss" model.

Instruments falling within the scope of the requirements comprise loan and other debt financial assets measured at amortised cost – trade receivables, granted loans and net investment in finance lease. The recognition of credit loss does not depend on the occurrence of credit loss event any more. Instead, the Company considers a wider spectrum of information assessing the credit risk and measuring the expected credit losses, including past events, existing conditions, reasonable and supporting forecasts, which influence the expected collectability of the instrument's future cash flows.

When applying this future-oriented approach, differentiation is made between:

- financial instruments whose credit quality has not deteriorated significantly in comparison to the time of initial recognition and have low credit risk (Phase 1), and
- financial instruments whose credit quality has deteriorated significantly in comparison to the time of initial recognition and whose credit risk is not low (Phase 2);
- "Phase 3" covers financial assets for which objective evidence for impairment exists at the reporting date.

Receivables from granted loans and other receivables

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

The calculation of expected credit losses is determined on the basis of a credit rating according to the Altman Z motel, after which the probability weighted estimate of credit losses throughout the expected term of the financial instruments is made. According to the status of the contract and the client's delay, it is assumed that if the liability has been settled within 60 days after the statement date, no impairment is charged. Receivables with more than 90 days of delay are impaired in full.

When assessing and measuring expected credit losses of financial assets, the assessment of the collateral established for the benefit of the Company is also taken into account based on the risk of its enforcement, depending on the type of the pledged asset and the value of the asset according to its age.

Clients' delays and likeliness to bring lawsuits 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 indications 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.

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:

Risk level	**Rating**	**Type of lease contract**	**Contract status**	**Customer's delay**
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	-

Except by applying the "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.

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.

(q) 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 stand-alone 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 foreseen 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 "v".

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.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in current bank accounts.

(s) 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.

(t) Employee benefits

Short-term employee benefits comprise salaries, remunerations, intermediate and annual bonuses, social security contributions and annual leaves of employees subject to compensation, which are expected to be fully settled within 12 months after the end of the reporting period. When the Company receives the service, they are recognised as employee expenses in profit or loss, or are capitalised in the value of an asset. Short-term employee benefits are measured at non-discounted amount of expenses expected for settlement.

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 benefit 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 Company has not charged provisions for retirement, taking into account the low average age of the staff.

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 liability 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.

(u) 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 liability may be reliably measured. The time or the amount of the cash outflow may possibly be uncertain. Existing liability 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 recognised 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 recognition of an asset are considered contingent assets. They are described together with the contingent liabilities of the Company in explanatory note 27.

(v) 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 stand-alone financial statements are described below. The main sources of uncertainty when using the accounting estimates are described in explanatory note "u".

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

Financial accounting of property, plant and equipment and intangible assets comprises the use of estimates for their expected useful lives and residual values, which are based on judgements made by the Company's management. Details about the useful lives of property, plant and equipment and of intangible assets are presented in explanatory note 3 k) and j).

In accordance with IAS 8, in the absence of an accounting standard that specifically applies to a transaction, other event or condition, the management must use its own judgements in developing and applying an accounting policy that makes its financial statements able to provide information that fairly presents the financial position, the performance and the cash flows of the enterprise. With view of the COVID-19 pandemic and the attempts to limit the spread of the virus, a number of restrictions on the free movement of people (closing/ difficulties to pass borders, reduction of the flight schedule of all airports and decreased passenger flow) were imposed, thus directly affecting the business pursued by the Company. During the year this gave rise to the need to review the useful life of assets in the category of Aircrafts, used in the operating lease area. The management has made a decision to account for their decreased wear and tear by applying longer amortisation rate. With view of the unusual nature of the Covid-19 event, the management believes that the application of this accounting policy does not require reverse calculation, as the event is non-adjustable and has not affected the Company's positions and transactions during the previous period.

As a result of the reviewed useful life of engines and aircrafts, the net effect on the statement of comprehensive income during the current financial year resulted in decrease of amortisation expenses by BGN 2,369 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).

(w) Uncertainty of accounting estimates

When preparing the financial assets the management makes a number of judgements, estimates and assumptions with regard to the recognition of assets, liabilities, income and expenses. 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 these stand-alone 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 2021.

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 "n"). 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. While analysing the 2022 situation, the management took in consideration the condition of the asset, the military conflict in Ukraine, the global economic situation and the potential effects on the aviation sector where significant part of the Company's assets and leasing operations are concentrated. 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 2022, 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 13.

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 purchased or originally created financial assets with credit impairment). During the 2022 measurement, the management took into account the sectors in which the debtor companies operate, the deteriorated economic environment, including the increase of interest rates and the high inflation rate at international and national level, and analysed the financial position of debtors and their forecasts for future development.

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 management uses its best estimate of the assumptions that the market participants would make. These estimates may differ from the actual prices that would be determined within a fair market transaction between informed and willing counterparties at the end of the reporting period.

Impairment of lease receivables

Finance and operating lease receivables presented in the stand-alone statement of financial position as net investment in finance lease are subject to impairment for expected credit losses, according to the Company's policy. The amount for impairment of lease receivables allocated by the Company for specifically determined exposures are calculated on the basis of the Management's best estimate for the present value of expected cash flows.

In terms of the estimate of these cash flows, the management makes assumptions for the debtor's financial position and for the net realisable value of existing collaterals. Any impaired financial asset is considered in terms of its composition, and then the Company's management approves the judgement for the collectability of the cash flows from the financial asset.

The sum of impairments is the difference between the present value and the recoverable amount, being the net value of the expected cash flows, including the amounts that may be reimbursed through guarantees and collaterals discounted with the effective interest under the lease contracts, except for the cases when the contract has been yet terminated, where they are discounted with the average interest rate under the Company's liabilities. Impairments are subject to review at every reporting date in order to reflect the current best estimate.

If a lease or loan is uncollectible, it is derecognised against the relevant impairment provision. These leases are derecognised upon completion of all procedures necessary for determining the amount of loss.

If in a subsequent period the amount of impairment loss decreases and such decrease may be objectively attributed to an event that has occurred after the recognition of impairment (for example, improved credit rating, earlier repayment of lessee's liabilities, existence of additional collaterals), the impairment loss recognised before is reversed by adjusting an adjustment account. The refunded amount is recognised in the result for the year.

5. 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

This explanatory note provides information about the Company's exposure to each of the above risks, the Company's objectives, its policies and processes for risk measurement and assessment and capital management. Additional quantitative disclosures are included in the explanatory notes to these stand-alone financial statements.

Categories of financial assets and liabilities

The carrying amounts of the Company's financial assets and liabilities may be presented in the following categories:

BGN'000	**2022**	**2021**
Financial assets		
Debt instruments at amortised cost		
Bonds	3,429	2,736
Net investment in finance lease	4,244	5,448
Granted loans	15,441	10,204
Other debt financial assets	22,683	15,488
Cash	631	1,064
	46,428	**34,940**

Financial assets at fair value through profit and loss:		
Equity instruments	3,763	3,386
	3,763	**3,386**
Total financial assets	**50,191**	**38,326**

BGN'000	**2022**	**2021**
Financial liabilities		
Financial liabilities stated at amortised cost		
Bank and other loans	102,257	38,400
Payables to related parties	26,760	39,047
Payables to suppliers and other payables	57,822	7,295
Lease liability payables	548	967
	187,387	**85,709**

See explanatory note 3 n) for more information about the accounting policy for each category of financial instruments. The methods used for measurement of fair values of financial assets and liabilities stated at fair value are described in explanatory note 28. The Company's policies and risk management objectives in terms of financial instruments are presented below.

(a) Credit risk

Financial assets that potentially expose the Company to credit risk mainly comprise lease receivables, assignments and receivables from granted loans. 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.

In accordance with 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 sector of the 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 ad the same time.

The following table presents analysis of the credit risk concentration:

BGN'000	**2022**	**%**	**2021**	**%**
Agriculture, hunting, forestry, fishery	14	0.17%	47	0.50%
Processing industry	304	3.68%	304	3.26%
Construction	505	6.12%	505	5.41%
Trade, repair and technical service of cars and motorcycles, personal belongings and household goods	1,903	23.05%	1,817	19.48%
Hotels and restaurants	-	-	-	-
Transport, warehousing and communications	3,640	44.09%	4,966	53.23%
Other public and personal service activities	756	9.16%	1,097	11.76%
Households	1,134	13.73%	593	6.36%
	8,256	**100.00%**	**9,329**	**100.00%**

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

As at 31 December 2022, the maximum credit exposure comprises the following financial assets:

BGN'000	**Gross carrying amount**	**Assets neither delayed nor impaired**	**Delayed but not impaired assets**	**Individually impaired assets**	**Impairment**	**Net carrying amount**
Cash	631	631	-	-	-	631
Net investment in financial lease						
Legal entities	3,955	3,769	-	186	(186)	3,769
Natural persons	475	475	-	-	-	475
Other financial assets and receivables from related parties	41,553	41,553	-	-	-	41,553
Total	**46,614**	**46,428**	**-**	**186**	**(186)**	**46,428**

As at 31 December 2021, the maximum credit exposure comprises the following financial assets:

BGN'000	**Gross carrying amount**	**Assets neither delayed nor impaired**	**Delayed but not impaired assets**	**Individually impaired assets**	**Impairment**	**Net carrying amount**
Cash	1,064	1,064	-	-	-	1,064
Net investment in financial lease						
Legal entities	8,736	1,116	155	7,415	(3,606)	5,130
Natural persons	593	248	-	345	(274)	319
Other financial assets and receivables from related parties	31,814	31,814	-	-	-	31,814
Total	**42,207**	**34,292**	**155**	**7,760**	**(3,880)**	**38,327**

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 lessees 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:

BGN'000	**2022**	**%**	**2021**	**%**
Passenger's cars and pickups	4942	59.86%	4,128	44.25%
Heavy trucks	83	1.00%	650	6.97%
Industrial equipment	85	1.03%	783	8.39%
Real estates	-	-%	-	-%
Aircrafts	3,031	36.71%	3,653	39.16%
Other	115	1.39%	115	1.23%
Net investment in finance lease before impairment	**8,256**	**100.00%**	**9,329**	**100.00%**
Impairments	_(4,067)		(3,880)	

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 tables present 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 2022, 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 and liquidity risk it is exposed to.

The following tables present 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:

BGN'000	**Less than 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
31 December 2022						
Assets						
Cash	631	-	-	-	-	631
Net investment in finance lease	-	-	2,322	1,922	-	4,244
Other financial assets	-	-	4,692	21,420	-	26,112
Granted loans	-	-	6,670	8,771	-	15,441
Total assets	**631**	**-**	**13,684**	**32,113**	**-**	**46,428**
Liabilities						
Payables to suppliers and other financial payables	-	-	57,822	-	-	57,822
Payables to related parties	-	18,070	8,690	-	-	26,760
Bank and other loans	290	26,203	19,189	48,431	21,080	115,193
Lease liability payables	38	75	323	112		548
Total liability	**328**	**44,348**	**86,024**	**48,543**	**21,080**	**200,323**
Net difference	**303**	**(44,348)**	**(72,340)**	**(16,430)**	**(21,080)**	**(153,895)**
Cumulative difference	**(303)**	**(44,045)**	**(116,385)**	**(132,815)**	**(153,895)**	**-**

BGN'000	**Less than 1 month**	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
31 December 2021						
Assets						
Cash	282	-	782	-	-	1,064
Net investment in finance lease	-	-	2,178	3,270	-	5,448
Other financial assets	-	-	40	18,184	-	18,224
Granted loans	-	-	8,847	1,357	-	10,204
Total assets	**282**	**-**	**11,847**	**22,811**	**-**	**34,940**
Liabilities						
Payables to suppliers and other financial payables	3,247	-	4,048	-	-	7,295
Payables to related parties	-	-	14,950	24,097	-	39,047
Bank and other loans	-	-	14,482	23,918	-	38,400
Lease liability payables	38	75	338	516	-	967
Total liability	**3,285**	**75**	**33,818**	**48,531**	**-**	**85,709**
Net difference	**(3,003)**	**(75)**	**(21,971)**	**(25,720)**	**-**	**(50,769)**
Cumulative difference	**(3,164)**	**(3,078)**	**(25,049)**	**(50,769)**	**-**	**-**

(c) Market risk

Currency risk

Leasing Finance EAD operates in Bulgarian levs /BGN/ and euro /EUR/. The management believes that due to the fixed BGN – EUR 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:

BGN'000			
31 December 2022	**BGN**	**EUR**	**Total**
Assets			
Cash	328	303	631
Net investments in finance lease	-	4,244	4,244
Other financial assets (claims from assignments)	26,112	-	26,112

Granted loans	15,441	-	15,441
Financial assets at fair value	3,763	-	3,763
Total assets	**45,644**	**4,547**	**50,191**

BGN'000

31 December 2022	**BGN**	**EUR**	**Total**
Liabilities			
Payables to related parties	8,690	18,070	26,760
Bank and other loans	35,492	66,765	102,257
Payables to suppliers and other payable	57,822	-	57,822
Lease liability payables	548	-	548
Total liabilities	**102,552**	**84,835**	**187,387**
Net currency position	(56,908)	(80,288)	(137,196)

BGN'000

31 December 2021	**BGN**	**EUR**	**Total**
Assets			
Cash	274	790	1,064
Net investments in finance lease	-	5,448	5,448
Other financial assets (claims from assignments)	18,224	-	18,224
Granted loans	10,204	-	10,204
Financial assets at fair value	3,386	-	3,386
Total assets	**32,088**	**6,238**	**38,326**

BGN'000

31 December 2021	**BGN**	**EUR**	**Total**
Liabilities			
Payables to related parties	15,138	23,909	39,047
Bank and other loans	38,400	-	38,400
Payables to suppliers and other payable	8,262	-	8,262
Total liabilities	**61,800**	**23,909**	**85,709**
Net currency position	(29,712)	(17,671)	(47,383)

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 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.

(d) Capital management

The capital management objective of Leasing Finance EAD is to keep a 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.

BGN'000	**31.12.2022**	**31.12.2021**
Type		
Total debt capital, including:	**215,761**	**100,893**
Trade payables	86,744	23,446
Payables to bank and other loans	102,257	38,400
Trade credits and loans to related parties and credits against goods	26,760	39,047
Less cash and cash equivalent	**(631)**	**(1,064)**
Net debt capital	**215,130**	**99,829**
Total equity	21,356	20,802
Total capital	**236,486**	**120,631**
Net debt/ total capital ratio	**0.910**	**0.828**

6. Interest expenses, net

BGN'000	**2022**	**2021**
Interest income from finance lease and other receivables	1,702	1,661
Amortised charge for administration of finance lease contracts	17	44
Total interest income	**1,719**	**1,705**
Interest expenses and other expenses for bank loans	(810)	(1,463)
Interest expenses for other loans	(3,453)	(1,410)
Total interest expenses	**(4,263)**	**(2,873)**
Total interest income, net	**(2,544)**	**(1,168)**

7. Other revenue/ (expenses), net

BGN'000	**2022**	**2021**
Income from sale of seized assets	117	50
Book value of sold seized assets	(87)	(42)
Profit/ (loss) from sale of seized assets	*30*	*8*
Income from sale of claims	4,788	19,627
Carrying amount of sold claims	(834)	(19,826)
Loss from sale of claims	*3,954*	*(199)*
Income from sale of other assets	18	462
Carrying amount of sold other assets	-	(426)
Profit/ (loss) from sale of other assets	*18*	*36*
Profit from reversal of impaired financial assets	-	2,978
Charged impairment of claim	(131)	-
Derecognised claims	-	(1,073)
Foreign exchange differences, net	39	160
Subsequent measurements, net	104	1,059
Income from transactions with financial instruments	16	428
Dividend income	76	49
Other, net	178	46
Total other revenue/ (expenses), net	**4,284**	**3,492**

8. Administrative expenses

BGN'000	**2022**	**2021**
Expenses on materials	(7)	(4)
Expenses on hired services	(1,852)	(926)
Wages and social security expenses	(627)	(648)
Amortisations	(3,403)	(1,327)
Charges and fees	(23)	(72)
Other	(416)	(191)
Total administrative expenses	**(6,328)**	**(3,168)**

Expenses for hired services comprise:

BGN'000	**2022**	**2021**
Expenses for service of newly acquired aircrafts	(1,206)	(581)
Legal fees, audits, consultations and subscriptions	(119)	(128)
Rent	(88)	(86)
Telephone, mailing and courier	(6)	(8)
Other	(433)	(123)
Total expenses on hired services	**(1,852)**	**(926)**

9. Taxes

In accordance with the Corporate Income Tax Act, the corporate tax rate for 2022 and 2021 is 10%. The expense/ (income) for tax consists of:

BGN'000	**2022**	**2021**
EBT	554	224
Tax rate	10%	10%
Expected tax expense	**55**	**22**
From adjustments for which deferred tax asset is not recognised	(55)	(22)
Recognised tax assets over temporary differences	-	-
Offset of losses from previous periods	-	-
Total expense/ (income) for taxes	**-**	**-**

As at 31 December 2022, carry forward accumulated tax losses that are subject to offset are in the amount of BGN 4,901 thousand (2021 – BGN 4,901 thousand). The Company has not recognised deferred tax asset over them due to assessment with regard to their potential future realization. Not recognised tax asset is in the amount of BGN 490 thousand, and for 2021 – 490 thousand. The right to offset losses as at 31 December 2022 expires in 2023 in the amount of BGN 70 thousand, and in 2026 in the amount of BGN 4,437 thousand.

10. Cash

BGN'000	**2022**	**2021**
Cash in bank accounts	631	282
Granted advances	-	782
Total cash	**631**	**1,064**

Cash are held in banks with long-term credit rating as follows: BB- (BCRA) – BGN 631 thousand. To this end, the Company believes that cash are exposed to low credit risk and therefore the expected credit losses are not charged in the stand-alone financial statements.

11. Net investment in finance lease

BGN'000	**2022**	**2021**
Gross investment in finance lease	4,603	9,438
Unrealized financial revenue	(173)	(110)
Net minimum lease payments	4,430	9,328
Impairment	(186)	(3,880)
Net investment in finance lease	**4,244**	**5,448**

The gross investment in finance lease is distributed as follows:

BGN'000	**2022**	**2021**
With maturity less than 1 year	1,699	6,059
With maturity from 1 to 5 years	2,731	3,269
Gross minimum lease payments	**4,430**	**9,328**

The net investment in finance lease is distributed as follows:

BGN'000	**2022**	**2021**
With maturity less than 1 year	1,699	6,059
With maturity from 1 to 5 years	2,731	3,269
Impairment	(186)	(3,880)
Net minimum lease payments	**4,244**	**5,448**

The change of net investment in finance lease for 2022 and 2021 is summarised below:

BGN'000	**2022**	**2021**
Net investment in finance lease as at 1 January	5,448	10,312
Principals under new lease contracts	1,059	230
Matured principals of lease installments	(3,387)	(4,628)
Other changes	1,310	3,414
Impairment	(186)	(3,880)
Net investment in finance lease as at 31 December	**4,244**	**5,448**

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

BGN'000	**2022**	**2021**
Balance as at 1 January	(3,870)	(3,875)
(Charged)/ reintegrated for the year	3,684	5
Balance as at 31 December	**(186)**	**(3,870)**

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 under operating lease contracts with net carrying amount of BGN 3,031 thousand as at 31 December 2022 (31 December 2021 – BGN 3,653 thousand).

12. Goods

BGN'000	**2022**	**2021**
Balance as at 1 January	4,093	5,060
Acquisitions	-	59
Seized assets	35	161
Carrying amount of sold goods	(103)	(317)
Impairment	-	(584)
Reclassification from seized assets	-	(125)
Balance as at 31 December	**4,025**	**4,254**

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. As at 31.12.2022, the assets have not been given under the conditions of operating lease (dry lease of aircrafts). In 2021, the Company has impaired aircrafts up to their net realizable value determined by means of valuation carried out by an independent licensed valuer and thus impairment in the amount of BGN 584 thousand is charged.

15. Fixed assets

BGN'000	**Aircrafts and engines**	**Plant and equipment**	**Office equipment**	**Vehicles**	**Intangible assets**	**Other**	**Fixed asset acquisition costs**	**Total**
Carrying amount								
Balance as at 1 January 2022	43,597	108	340	881	445	87	24,578	70,036
Acquired assets	109,012	1	-	55	-	-	273	109,341
Derecognitised assets	-	-	(204)	(336)	(17)	(48)	-	(6,5)
Balance as at 31 December 2022	**152,609**	**109**	**136**	**600**	**428**	**39**	**24,851**	**178,772**
Amortisation								
Balance as at 1 January 2022	(8,222)	(108)	(215)	(503)	(421)	(65)	-	(9,534)
Amortisation for the year	(2,896)	-	(35)	(87)	(14)	(5)	-	(3,037)
Amortisation of derecognized assets	-	40	162	338	17	46	-	603
Balance as at 31 December 2022	**(11,118)**	**(68)**	**(88)**	**(252)**	**(418)**	**(24)**	**-**	**(11,968)**
Carrying amount								
As at 31 December 2021	35,375	-	125	378	24	22	24,578	60,502
Aa at 31 December 2022	**141,491**	**41**	**48**	**348**	**10**	**15**	**24,851**	**166,804**

As at 31 December 2022, the fixed asset acquisition costs are in the amount of BGN 24,851 thousand – accumulated costs with regard to the purchase, delivery, repair and bringing 3 aircrafts AIRBUS A319-111 and 4 helicopters Airbus EC 135 in airworthy condition. In 2023, they are expected to be commissioned and leased under operating lease contracts.

BGN'000	**Aircrafts and engines**	**Plant and equipment**	**Office equipment**	**Vehicles**	**Intangible assets**	**Other**	**Fixed asset acquisition costs**	**Total**
Carrying amount								
Balance as at 1 January 2021	43,633	108	300	654	436	87	-	45,218
Acquired assets	264	-	40	275	9	-	26,727	27,315
Other changes	(300)	-	-	-	-	-	(2,149)	(2,449)
Derecognitised assets	-	-	-	(48)	-	-	-	(48)
Balance as at 31 December 2021	**43,597**	**108**	**340**	**881**	**445**	**87**	**24,578**	**70,036**

Amortisation								
Balance as at 1 January 2021	(7,417)	(108)	(196)	(464)	(412)	(60)	-	(8,657)
Amortisation for the year	(805)	-	(19)	(74)	(9)	(5)	-	(912)
Derecognised amortisation	-	-	-	35	-	-	-	35
Balance as at 31 December 2021	**(8,222)**	**(108)**	**(215)**	**(503)**	**(421)**	**(65)**	**-**	**(9,534)**
Carrying amount								
As at 31 December 2020	36,216	-	104	190	24	27	-	36,561
Aa at 31 December 2021	**35,375**	**-**	**125**	**378**	**24**	**22**	**24,578**	**60,502**

Fixed assets comprise cars and aircrafts, which are subject to operating lease contracts. As at 31 December 2022, there are 37 (2021: 29) valid operating lease contracts. Aircrafts and aircraft engines acquired and commissioned during the period 2017 – 2022 as described in the above tables are subject to operating lease (dry lease of aircrafts). Aircrafts with carrying amount of BGN 142 487 thousand – purchased with bank investment loan, are pledged as collateral in favour of the bank.

Expected lease installments from the operating lease are as follows:

BGN'000	**2022**	**2021**
Less than 1 year	3,101	106
From 1 to 5 years	23,681	18,611
Total	**26,782**	**18,717**

14. Right-of-use assets

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

BGN'000	**Buildings**	**Cars**	**Total right-of-use assets**
Gross carrying amount			
Balance as at 1 January 2022	2,036	53	2,089
Derecognised assets	-	(25)	(25)
Balance as at 31 December 2022	2,036	28	2,064
Amortisation			
Balance as at 1 January 2022	(1,120)	(7)	(1,127)
Amortisation for the year	(408)	(13)	(421)
Amortisation of decommissioned assets	-	10	10
Balance as at 31 December 2022	(1,528)	(10)	(1,538)
Carrying amount as at 31 December 2022	**508**	**18**	**526**

BGN'000	**Buildings**	**Cars**	**Total right-of-use assets**
Gross carrying amount			
Balance as at 1 January 2021	2,036	-	2,036
Newly acquired assets	-	53	53
Balance as at 31 December 2021	2,036	53	2,089
Amortisation			
Balance as at 1 January 2021	(712)	-	(712)
Amortisation for the year	(408)	(7)	(415)
Balance as at 31 December 2021	(1,120)	(7)	(1,127)
Carrying amount as at 31 December 2021	**916**	**46**	**962**

15. Investment property

Company's investment property comprises land located in the city of Pleven and held for the purposes of generating rental income or increasing the value of capital.

For more information about fair value measurement of investment property, see explanatory note 28.

Changes in carrying amounts stated in the statement in financial position may be summarized as follows:

BGN'000	**2022**	**2021**
Carrying amount as at 1 January	3,841	-
Newly acquired assets:	246	2,149
- *through purchase*	*246*	*2,149*
Derecognised assets	3,841	-
Net gain from change of fair value	-	1,691
	246	**3,841**

Investment property is pledged as collateral for received bank loans. For 2022, no rental income and direct operating costs are stated.

16. Investments in subsidiaries, associates and joint ventures

BGN'000	**2022**	**2021**
Investments in subsidiaries	12,434	7,393
Impairment	(100)	(100)
Investments in associates	158	158
Investments in joint ventures	30	30
	12,522	**7,481**

As at 31 December 2022, **investments in subsidiaries** are as follows:
- 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 2020, the Board of Directors adopted a resolution to increase the capital with monetary contribution in the amount of BGN 350 thousand. As at 31.12.2022, the investment in M RENT EAD is in the amount of BGN 4 653 thousand.
- BGN 4,375 thousand – The Company holds 100% of the capital of LF Imoti EOOD under contract for purchase and sale of all ordinary registered shares being 533 400 /five hundred thirty three thousand and four hundred/ shares with nominal value of BGN 1 /one Bulgarian lev each/, being 100% of the Company's capital. On 19 October 2022, the Board of Directors of Leasing Finance EAD adopts a resolution for capital increase of LF Imoti EOOD from BGN 533 400 /five hundred thirty three thousand and four hundred Bulgarian leva/ to BGN 4 367 800 /four million three hundred sixty seven thousand and eight hundred Bulgarian leva/. It adopts resolution that after the in-kind contribution so made, the sole owner of the capital of Leasing Finance EAD should acquire the newly issued 3 834 400 /three million eight hundred thirty four thousand and four hundred/ company's shares with nominal value of BGN 1 /one Bulgarian lev/ each.
- BGN 2 200 thousand – The Company holds 100% of the capital of Fly Lease EOOD under contract for purchase and sale of all ordinary registered shares being 20 000 /twenty thousand/ shares with nominal value of BGN 110 each, being 100% of the Company's capital.
- 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. On 09.08.2021, by virtue of minutes of the Board of Directors, it was resolved in increase the capital of Hems Air in the amount of BGN 137 160. As at 31.12.2022, the carrying amount of the investment in Hems Air EOOD is BGN 818 thousand.
- 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.

- BGN 48 thousand – 95% of the capital of Aeronautic Training Academy AD – incorporation of the Company in 2021, being 47 500 /forty seven thousand and five hundred/ shares with nominal value of BGN 1 each. 5% of the capital of Aeronautic Training Academy AD – incorporation of the Company in 2021, being 2 500 /two thousand and five hundred/ shares with nominal value of BGN 1 each, held by Finance Info Assistance EOOD.
- BGN 25 thousand – 100% of the capital of Keti Travel EOOD – under contract for purchase and sale of all ordinary registered shares of the capital of the Company, being 50 /fifty/ shares with nominal value of BGN 100, being 100% of the capital of the Company, for the price of BGN 25 000.
- BGN 10 thousand – 100% of the capital of the subsidiary incorporated in 2017 in the Republic of Macedonia – Leasing Finance DOOEL, Skopje. The capital of the subsidiary is fully paid-in.

As at 31.12.2022, **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 other 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; In 2021, 69 780 shares were sold for the total amount of BGN 69 780. As at 31.12.2022, the carrying amount is BGN 158 thousand, whereas the Company holds 24,26% of the Company's capital.

The investment in joint ventures in the amount of BGN 30 thousand 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 2022 and 2021, they were subject to review, which shows that there are no indications for impairment of investments.

17. Receivables from loans and other debt financial assets

BGN'000	**2022**	**2021**
Claims from assignments		
Principal claims	16,118	9,780
Interest claims	6,404	5,708
Claims from granted loans		
Principal claims	115	1 250
Interest claims	1	-
Debt instruments	3,429	2,736
Net carrying amount of other financial assets	**26,067**	**19,474**

As at 31 December 2022, the item *Other financial assets* comprises claims in the amount of BGN 25,951 thousand, a significant portion of which has been acquired by the Company by virtue of assignment agreement of 2016. The claims are from non-related parties. Interests subject to market interest levels between 4% and 6,5% have been charged over the claims. All claims are guaranteed by a Company's related party, which ensures 100% cover of the amount payable in case of default, and thus no expected credit losses are charged with regard to these claims.

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

BGN'000	**2022**	**2021**
Balance as at 1 January	-	1,859
Impairment loss	-	-
Reversal of impairment loss	-	(1,859)
Balance as at 31 December	**-**	**-**

18. Deferred tax assets

Temporary difference, unused tax losses, unused tax credits	31 December 2021		Movement of deferred taxes for 2022 increase		Movement of deferred taxes for 2022 decrease		31 December 2022	
	Temporary tax difference	Deferred tax	Temporary tax difference	Deferred tax	Temporary tax difference	Deferred tax	Temporary tax difference	Deferred tax
Deferred tax assets								
Amortsiation	4,958	496	-	-	-	-	4,958	496
Total deferred tax assets	**4,958**	**496**	-	-	-	-	**4,958**	**496**
Deferred taxes (net)	**4,958**	**496**	-	-	-	-	**4,958**	**496**

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.

19. Financial assets at fair value through profit or loss

BGN'000	**2022**	**2021**
Financial assets at fair value through profit or loss		
Equity instruments	1,829	1,556
Shares of mutual funds	1,934	1,830
	3,763	**3,386**

Short-term financial assets are measured at fair value determined on the basis of exchange quotations as at the date of the financial statements. Profits and losses are recognized in the statement of comprehensive income on line "Other revenue/ (expenses), net". For more information about fair value measurement, see explanatory note 28.

20. Other assets

BGN'000	**2022**	**2021**
Prepaid amounts for deliveries under lease contracts, etc., gross	293	5,681
Prepaid expenses	244	-
Refundable VAT	104	91
Guarantee and other accounts	666	61
Total	**1,307**	**5,833**

21. Assets classified as assets held for sale

The Company has classified its shareholding in the subsidiary Aircraft Lease EOOD as held for sale, as it expects a purchase and sale transaction in 2023.

In 2022, the Company has not generated cash flows from the asset held as an asset held for sale. The management expects to finalise the transaction in 2023.

22. Payables to suppliers and other payables

BGN'000	**2022**	**2021**
Payables to suppliers	54,582	6,368
Payables for advances received from customers	14,436	4,637
Aircraft maintenance reserve	13,908	10,517
Payables under lease contracts	548	967
Payables related to employee benefits	30	30
Other payables, including for guarantees	3,240	927
Total	**86,744**	**23,446**

Significant portion of payables to suppliers in the amount of BGN 48 851 thousand is under preliminary agreement for the acquisition of 3 aircrafts – Embraer type aircrafts.

Payables for advances from customers in the amount of BGN 14 436 thousand are advance payments received under preliminary agreements for purchase and sale of company's shares and stock traded on the stock exchange.

Other payables comprise amounts under open repo transactions.

The Maintenance reserve of aircrafts accumulated during the period 2017 – 2022 in total amount of BGN 13,908 thousand are related to the aircraft operating lease contracts (dry leasing of aircrafts) concluded during the period 2017 – 2022. The accumulated amounts are for five 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 retained 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.

24.1. Payables under lease contracts

BGN'000	**2022**	**2021**
Payables under lease contracts – non-current portion	125	548
Payables under lease contracts – current portion	423	419
Payables under lease contracts	**548**	**967**

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 stand-alone 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 13).

As at 31 December 2022 and 2021, future minimum lease payments are as follows:

BGN'000	Outstanding minimum lease payments						
	Less than 1 year	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**Over 5 years**	**Total**
31 December 2022							
Lease payments	450	113	-	-	-	-	563
Financial expenses	(14)	(1)	-	-	-	-	(15)
Net present value	**436**	**112**	**-**	**-**	**-**		**548**

BGN'000	Outstanding minimum lease payments						
	Less than 1 year	**1 – 2 years**	**2 – 3 years**	**3 – 4 years**	**4 – 5 years**	**Over 5 years**	**Total**
31 December 2021							
Lease payments	450	450	113	-	-	-	1,013
Financial expenses	(31)	(14)	(1)	-	-	-	(46)
Net present value	**419**	**436**	**112**	**-**	**-**		**967**

23. Bank and other loans

BGN'000	**Allowed amount**	**Currency**	**2022**	**2021**
Targeted loans	68,454	EUR	66,765	-
Bank loans	39,119	BGN	22,748	24,244
Legal entities	81,197	BGN	12,744	14,156
Total	**188,770**		**102,257**	**38,400**

On 4 April 2022, Leasing Finance enters into Loan Agreement, in its capacity of borrower, with Prudencia S.a.r.l. Luxebourg – lender, in the amount of EUR 35 million, with final maturity date of full repayment on 08.06.2029 and with interest rate of 4,6% per annum. According to the repayment scheme, the principal is due and payable every twelfth month by the end of the loan maturity date at equal installments of EUR 5 million, and the interest is payable on monthly basis. The loan was granted for the purposes of purchasing aircrafts.

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 7,176 thousand, including BGN 7,176 thousand current portion, and BGN 0 thousand non-current portion. The loan is secured with pledge of receivables under lease agreements and 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 81 thousand, including BGN 68 thousand current portion, and BGN 13 thousand non-current portion. The loan is secured with pledge of plant, machinery and equipment, vehicles and receivables under finance lease contracts.

- Texim Bank AD – date of entry into loan agreement: 2 September 2022; allowed amount: BGN 650 thousand; maturity date of the last installment – 20 November 2027; interest rate – Reference Interest Rate (RIR) + 1%, the total interest rate agreed as at the time of granting the loan is 3,5%; repayment – on monthly basis; type – working capital. The loan is secured with pledge of receivables under finance lease contracts.

- CCB AD – date of entry into loan agreement: 8 November 2021; allowed amount: BGN 1 445 thousand; maturity date of the last installment – 8 November 2031; interest rate – variable interest rate calculated as a sum of Reference Interest Rate for Loans of Business Clients (RIRLBC) plus a margin of 1,41% but not less than 2,2%; as at the end of entering into the agreement, the variable interest rate is 2,2%; repayment – 120 months, 12 months grace period, and then on monthly basis; type – for purchase of 100% of the company's shares of LF Imoti EOOD and funding of the acquisition of real estates. The loan is secured with pledge of real estates and with surety contracts by related parties.

- CCB AD – Overdraft – date of entry into loan agreement: 23 March 2021; allowed amount: BGN 13 500 thousand; maturity date of the last installment – 12 January 2026; interest rate – variable interest rate calculated as a sum of Reference Interest Rate for Loans of Business Clients (RIRLBC) plus a margin of 1,41% but not less than 2,2%; as at the end of entering into the agreement, the variable interest rate is 2,2%; repayment –on monthly basis interest; type – overdraft. The loan is secured with 1000 shares of the capital of the subsidiary M Rent EAD, land properties of the Company as well as surety contracts and share pledge agreements by related parties of the Company.

Payables under loans to legal entities with carrying amount of BGN 12,744 thousand as at 31.12.2022 are with market interest levels between 3% and 6%. They have been granted with investment purposes, for purchase of shares used for trading under repo transactions, for purchase of assets that are leased under finance lease, and for purchase of assets that are leased under operating lease.

24. Share capital

As at 31 December 2022, the share capital of the Company is in the amount of BGN 39,577 thousand and is fully paid-in. It is divided into 425 564 shares with nominal value of BGN 93 each.

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

25. Related party transactions and accounts

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 2022, income charged and paid to key management staff is in the amount of BGN 219 thousand.

As at 31 December 2022 and 31 December 2021 transactions and accounts for receivables from and payables to related parties are summarised in the following tables (in BGN'000):

25.1. Transactions and accounts with owners

Accounts with owners	**2022**	**2021**
	BGN'000	*BGN'000*
Payables for received loans	23,630	38,424
Interest payables	190	622
Total payables to owners	**23,820**	**39,046**
Receivables from finance lease	1	1
Receivables from granted loans	6,010	8,163
Total receivables from owners	**6,011**	**8,164**

Transactions with owners	**2022**	**2021**
	BGN'000	*BGN'000*
Interest expenses	1,284	1,124
Revenue from operating lease	3	2
Received loans	2,318	-
Repayments under received loans	18,827	3,305
Revenue from operating lease	2	2
Lease interest income	-	3
Loan interest income	367	200
Granted loans	9,014	8,910
Repayments under granted loans	11,533	3,666
Advance payment under assignment agreement	-	5,334

Payables to owners mainly refer to the following contracts:

- under 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 2022, a final maturity date for repayment of the liability in monthly installments by 31 December 2024, and the principal due under 31 December 2022 is in the amount of BGN 18,070 thousand.

- 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 2022, the outstanding principal is in the amount of BGN 3,757 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 2022, the outstanding principal is in the amount of BGN 1,803 thousand – the liability is totally current payable.

Receivables from owners are under the following agreements:

- granted loans under agreement of 17.09.2021 and comprise principal payables in the amount of BGN 1,458 thousand, and interests in the amount of BGN 0 thousand. The loan is granted under market interest rates with deadline for repayment in 2023. The loan is guaranteed by another related party of the Company, which ensures 100% cover of the amount payable in case of non-payment.

- granted loans under agreement of 20.11.2020 and comprise principal payables in the amount of BGN 4,448 thousand, and interests in the amount of BGN 104 thousand. The loan is granted under market interest rates with deadline for repayment in 2023.

25.2. Transactions and accounts with subsidiaries

Accounts with subsidiaries	**2022**	**2021**
	BGN'000	*BGN'000*
Payables for received loans	2,189	-
Total payables to subsidiaries	**2,189**	**-**
Receivables from granted loans	9,456	790
Total receivables from subsidiaries	**9,456**	**790**

Transactions with subsidiaries	**2022**	**2021**
	BGN'000	*BGN'000*
Interest expenses	49	1
Revenue from operating lease	13	-
Received loans	2,200	-
Repayments under received loans	60	40
Interest income	250	66
Granted loans	9,829	182
Repayments under granted loans	1,414	211

Payables under received loans have occurred by virtue of agreement dated 10.06.2022. The loan is received under market interest rates.

The receivables from subsidiaries under granted loans comprise principal payables in the amount of BGN 9,264 thousand and interest payables in the amount of BGN 191 thousand. The loans are granted under market interest rates.

25.3. Transactions and accounts with companies under common control

Accounts with companies under common control	**2022**	**2021**
	BGN'000	*BGN'000*
Payables for received loans	748	5,092
Interest payables	-	162
Total payables to companies under common control	**748**	**5,254**
Receivables from granted loans	2	-
Receivables from finance lease	1,082	3,653
Receivables from assignment (assignment price)	-	77
Total receivables from owners	**1,090**	**3,730**

Transactions with companies under common control	**2022**	**2021**
	BGN'000	*BGN'000*
Received loans	748	-
Granted loans	2	-
Revenue from operating lease	1 783	1,033

Company's payables under loans in the amount of BGN 748 thousand has occurred under loan agreement dated 29.11.2022. The loan is subject to interest rate of 3% and with deadline for repayment in 2023.

25.4. Transactions and accounts with associates

In 2022, the Company has received dividend from the associate Finance Assistance Management ADSIC in the amount of BGN 76 thousand.

26. Reconciliation of payables arising from financing activity

BGN'000	**Received credits and loans**
Carrying amount on 31.12.2021	**77,446**
Changes as a result of cash flows from financing activity	
Proceeds from received credit and loans	**93,026**
Payments for received credits and loans	**(34,372)**
Paid interests for credits and loans	**(4,827)**
Total changes as a result of cash flows from financing activity	
Other, non-cash changes	**(2,256)**
Carrying amount on 31.12.2022	**129,017**

BGN'000	**Received credits and loans**
Carrying amount on 31.12.2020	**62,002**
Changes as a result of cash flows from financing activity	
Proceeds from received credit and loans	38,161
Payments for received credits and loans	(23,095)
Paid interests for credits and loans	(2,157)
Total changes as a result of cash flows from financing activity	**12,909**
Other, non-cash changes	2,535
Carrying amount on 31.12.2021	**77,446**

27. 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.

28. Fair value measurement

Financial assets and liabilities stated at fair value in the stand-alone 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:

- 1st level: market prices (unadjusted) on active markets for identical assets or liabilities;
- 2nd 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
-
- 3rd 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.

31 December 2022	**Note**	**Level 1 BGN'000**	**Level 2 BGN'000**	**Level 3 BGN'000**	**Total BGN'000**
Financial assets					
Securities traded on the market	19	1,829	-	-	1,829
Shares of mutual funds	19	1,934	-	-	1,934
Fair value		**3,763**	**-**	**-**	**3,763**
Non-financial assets					
Investment property	15	-	246	-	246
Fair value		**-**	**246**	**-**	**246**

31 December 2022	**Note**	**Level 1 BGN'000**	**Level 2 BGN'000**	**Level 3 BGN'000**	**Total BGN'000**
Financial assets					
Securities traded on the market	19	1,556	-	-	1,556
Shares of mutual funds	19	1,830	-	-	1,830
Fair value		**3,386**	**-**	**-**	**3,386**
Non-financial assets					
Investment property	15	-	3,841	-	3,841
Fair value		**-**	**3,841**	**-**	**3,841**

Fair value measurement

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 traded on the market are presented in Bulgarian levs (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.

b) shares of mutual funds

The fair value of shares is measured by using the prices of shares for redemption published at the end of the reporting period.

29. Effect of climate issues on the company

No direct and direct effects, as well as possible impacts on the Company's business are expected due to the Paris Agreement and the European Climate Act. The Company has not undertaken actions to identify and resolve climate change-related issues, no commitments have been made and no significant impacts on the Company are expected.

30. Evens after the reporting date

On 30 March 2023, a contract was signed between CAE Inc. Canada – as Seller, and Leasing Finance – as buyer, for Aviation Simulator – Trainer, which will be leased. The purchase price is in the amount of USD 5 398 thousand. By virtue of this contract, an advance payment was made on 12.01.2023 in the amount of USD 100 thousand, and 45% of the simulator's price were paid on 31.03.2023.

On 03 May 2023, by resolution of the sole owner of the Company's capital, Marin Ivanov Stoev was dismissed as a member of the Board of Directors. Dimitar Plamenov Mihaylov was appointed. The Company will be represented by the Executive director Zdravko Atanasov Stoev only. This circumstance is entered in the Commercial Register on 10.05.2023.

31. Approval of the financial statements

The stand-alone financial statements as at 31 December 2022 (including the comparative information) were approved for publication by the Board of Directors on 21.07.2023.

The undersigned, Desislava Georgieva Teodosieva, duly sworn translator, certify herewith that my translation of the attached document – Stand-Alone Financial Statements of Leasing Finance EAD, from Bulgarian to English language is true and accurate. This translation consists of sixty seven pages.

Sworn translator: Desislava Georgieva Teodosieva