FAAC BULGARIA EAD
INDEPENDENT AUDITOR'S REPORT
ANNUAL ACTIVITY REPORT
ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2021

CONTENTS:

Independent Auditor's report

To the Shareholder of FAAC Bulgaria EAD

Our opinion

We have audited the financial statements of FAAC Bulgaria EAD (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of FAAC Bulgaria EAD as at 31 December 2021, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Independent Financial Audit Act that are relevant to our audit of the financial statements in Bulgaria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Independent Financial Audit Act.

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

Management is responsible for the other information. The other information comprises the Annual Activity Report, prepared by the management in accordance with Chapter Seven of the Accountancy Act but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional matters to be reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the Annual Activity Report, we have also performed the procedures added to those required under ISAs in accordance with the "Guidelines regarding the new and enhanced auditor reporting and communication by the auditor" of the professional organization of registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion on whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion,, is that:

a) the information included in the Annual Activity Report for the financial year for which the financial statements are prepared is consistent with thosefinancial statements.

b) the Annual Activity Report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

ОДИТОРСКО ДРУЖЕСТВО 001
София
Рег. № 085
ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

Petko Dimitrov
Registered Auditor responsible for the audit
13-05-2022
Sofia, Bulgaria

Jock Nunan
Procurist
PricewaterhouseCoopers Audit OOD

The management presents its annual activity report and annual financial statements as at 31 December 2021 prepared in accordance with the International Financial Reporting Standards (IFRS) and the Accountancy Act. These financial statements have been audited by PricewaterhouseCoopers Audit OOD.

1. Company registration and development

FAAC Bulgaria EAD (previous name Dzhi El Si EAD) is a single-member joint-stock company, established in 2010 as a joint-stock company with share capital of BGN 50 000, distributed in 50,000 ordinary registered shares with a nominal value of BGN 1 each. The Company is registered with the Commercial Register at the Registry Agency under UIC 201352138, and scope of activity: "Manufacturing, research and development, home and foreign trade in goods within the field of electronics ".

In 2011, the share capital was increased to BGN 616 300 via a contribution in kind by DSH EOOD.

In 2012, the Italian company FAAC S.p.A, entered in the Companies Register of Bologna under tax and registration No. 02169920374 acquired 100% of the shares of Dzhi El Si EAD by purchasing them and became sole owner of the share capital.

On July 01, 2016, a change in the name of the Company was registered with the Commercial Register at the Registry Agency. The name of the company was changed from Dzhi El Si EAD to FAAC Bulgaria EAD.

The seat and registered address of the Company is: Republic of Bulgaria, town of Ruse, Ruse municipality, 3 Tsar Ferdinand St.
The Company is managed and represented by Svetlana Petrova Stefanova acting as an executive director.

2. Business risks

The main risks arising from the financial instruments of the Company are interest rate risk, liquidity risk, currency risk and credit risk.

Credit risk

Credit risk arises mainly from trade receivables. Exposure to credit risk is the result of the specific characteristics of individual customers. This exposure may also depend on the risk of non-payment inherent in the industry or in the relevant market in which the Company operates. In order to minimize this risk, the Company prepares a monthly ongoing analysis and monitoring of trade receivables at maturity, and monitors their timely repayment.

The book value of financial assets represents the maximum credit risk exposure.

The maximum credit risk exposure as of the balance sheet closing date is as follows:

	31.12.2021		**31.12.2020**	
	Carrying amount	Maximum risk	Carrying amount	Maximum risk
Cash and cash equivalents	720	720	5,148	5,148
Trade and other receivables	35,112	35,473	35,016	35,016
Loans granted to related parties	11,245	11,245	7,108	7,108
Total	**47,077**	**47,438**	**47,272**	**47,272**

2. Business risks (continued)

Liquidity risk/ cash flow risk and financial risk

Liquidity risk and cash flow risk is the risk that the Company may face difficulties to settle current financial liabilities and the uncertainty about obtaining income from a particular investment. In order to minimize this risk, the Company prepares a financial plan on a weekly, monthly and annual basis, as well as a long-term plan in order to service its expenses and current obligations.

Currency risk

The Company is exposed to a currency risk from sales that are denominated in a currency other than Bulgarian Lev or Euro (inasmuch as there is a currency board in place in Bulgaria).
The Company sells mainly to foreign entities, with part of these sales being in US dollars and Polish zloty, therefore the main currency risk comes from foreign exchange differences. In order to minimize this risk, a certain repayment schedule with the respective customers has been adopted, which prevents significant credit exposures from being subject to exchange rate influences.
Group level management centrally monitors the exchange rate fluctuations and the generated differences, assessing their significance and applying, if necessary, simple hedging transactions to offset their effect.

Price risk

Material impact on the Company's financial result may occur from the unfavourable fluctuations in the prices of products offered on the international markets, as well as the increasing competition.
The Company monitors the relevant market situation and undertakes actions which aim to expand the product portfolio, optimize the production costs and improve the quality and consequently the competitiveness of the products in order to minimize the price risk.

3. Mandatory legal information

In 2021, the Company has not bought back or transferred its own shares. There are no cases of acquisition of shares within the meaning of Art. 187e of the Commerce Act (CA). In 2021 there are no contracts concluded by members of the Board of Directors or by parties related to them under Article 240b of the Commerce Act. In 2021, the executive director has received remuneration from the Company for her work.

The Company has no information about acquired, possessed or transferred company shares as under Art. 247 of CA during the year.

4. Management of capital

As at 31 Dec. 2021, the Company's share capital amounts to BGN 616 300 and has been fully paid.

5. Financial indicators

In 2021 the Company's result is a profit after taxes amounting to BGN 13,831 thousand (22,541 thousand in 2020).

Indicators	**2021**	**2020**
Return on equity, measured as a profit before interest and tax / (total assets) - (current liabilities)	0.35	0.54
Gross profit margin, measured as gross profit / net turnover	0.11	0.28
Asset turnover, measured as net turnover / (total assets - current liabilities)	3.24	2.58
Current liquidity, measured as current assets / current liabilities ratio	2.30	3.06
Quick liquidity measured as (current assets - inventory)/current liabilities ratio	2.02	2.70

6. Other – Covid 19

The Company is continuing its normal operations by taking all precautions to limit the spread of COVID-19. The Company is using all possible means to mitigate the risk - for those who had to be physically present at work, different shifts were introduced to ease social distancing between colleagues, and working from home is in place for any employee whose job allows them to do so.

The factories of the main suppliers also continue working and in the context of the dynamic and changing situation, the management of the Company actively works in close cooperation with its counterparts to ensure that all goods are delivered on time. Currently, the Company fulfils its obligations to customers and strictly monitors the availability of all liquid resources.

As of the date of issue of these financial statements, the management believes that the Company is in a position to pay its obligations in the course of its activities. The management confirms that the financial statements have been prepared on the basis of the going concern principle. The management's estimate is that the Company will not experience issues with liquidity. The financial result after tax, generated by the Company in 2021, is a profit of BGN 13,845 thousand, and also positive net cash flows in the amount of BGN 23,470 from operating activities. For 2022, expectations are for a very slow recovery. Sales growth is forecast at 7% compared to 2021.

7. Significant events after the annual closing of accounts

Conflict between Russia and Ukraine

The management reviewed the economic sanctions imposed on the Russian Federation (and reciprocal measures) in response to the military conflict between the Russian Federation and Ukraine, which began on February 24, 2022, and their current and future potential effects on the company. Management believes that this is a non-adjusting event after the balance sheet date, confirming that there is no effect of sanctions on the valuation of assets and liabilities in the financial statements. The Company's sales to Russia accounted for only 1.42% of total sales, but military action in Ukraine and subsequent sanctions against Russia disrupted supply chains. Management has developed plans to provide alternative sources for all critical materials in the event of a complete disruption of the supply chain. Management will continue to monitor potential impacts, taking all possible steps to mitigate potential impacts.
No other material events have occurred after the balance sheet date that would require adjustments to the amounts and disclosures in the annual financial statements.

8. Company's future development plans

The development plans of the Company are related to increasing the market share, implementation of a new production to replace the parking devices currently produced, and increasing the labour productivity.

In 2022, the Company plans to increase the sales to clients in Europe, Asia and North America. The Company's plans for 2022 include an overall sales growth through increased sales of currently manufactured products and the introduction of new products and production. The foreseen growth in production is expected to take place following the introduction of new assembly lines, new products and the wide implementation of the lean strategy.

9. Research and development activities, environmental protection

The innovation policy of the Company is focused on increasing the labour efficiency and the production capacity, the future development of new technology and improvement of the competitiveness by marketing newly developed products.

The Company has a programme for safe storage and treatment of industrial waste in accordance with Bulgarian legislation, and cooperates with a waste recovery organization.

10. Participation of members of the Board of Directors in commercial companies

Participation of members of the Board of Directors in commercial companies as unlimited liability partners holding more than 25% participation in the capital of another commercial company, as well as participation of Board members in the management of other companies or cooperatives as authorized representatives (procurators), managers or board members:

Svetlana Stefanova – Executive director and member of the Board of Directors

Participation in other companies as a member of their management or controlling bodies:
- Central Cooperative Bank AD, Ruse branch - manager;
- Bulgarian River Shipping JSC - member of the Board of Directors.

Participation in the capital of commercial companies:
- Limited liability partner – Si Es Trade OOD;

Svetlana Stefanova:
- Does not hold participations in commercial companies as an unlimited liability partner.
- Is not an unlimited liability partner in other companies and does not participate as an owner or member of the management body of other companies, which have been in trade relations with FAAC Bulgaria EAD in 2021, or such relations have been negotiated and planned for 2022. The only exception to the above statement is that FAAC Bulgaria EAD is in trade relations with Central Cooperative Bank AD, Ruse branch, and is its manager.

Luca Cervato – member of the Board of Directors
Participation in other companies as a member of their management or controlling bodies
- Magnetic Control, Malaysia – member of the Board of Directors;
- Industrias Rossi Ltda – member of the Board of Directors;
- FAAC Electronics Limited – member of the Board of Directors;
- FAAC Nordic AB – member of the Board of Directors;

Luca Cervato:
Does not hold participations in commercial companies as an unlimited liability partner;

Elena Ferri – member of Board of Directors

Participation in other companies as a member of their management or controlling bodies
- FAAC Electronic Limited – member of the Board of Directors;
- National Automation, Ireland – member of the Board of Directors;
- FAAC Middle East – member of the Board of Directors;
- ZEAG UK - member of the Board of Directors;
- DSS - member of the Board of Directors;

Elena Ferri:
Does not hold participations in commercial companies as an unlimited liability partner;

Enrico Minelle – member of Board of Directors (until 15 July 2021).

Participation in other companies as a member of their management or controlling bodies
- FAAC AG - member of the Board of Directors;

Enrico Minelle:
Does not hold participations in commercial companies as an unlimited liability partner;

In 2021, BGN 304 thousand were allocated to the members of the Board of Directors and the Executive Director as remuneration for their activities (2020: BGN 301 thousand).

11. Existing branches of the Company

The company carries out its production activities on the territory of the town of Tutrakan, and does not have any branches in the country and abroad.

12. Management responsibility

According to Bulgarian legislation, it is the responsibility of the management to prepare the Company's financial statements for each fiscal year, which should present a true and fair view of the Company's position as at year end, and of its financial performance. Management has prepared the accompanying financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Management confirms that it has acted in accordance with its responsibilities and that the financial statements have been prepared in full compliance with the International Financial Reporting Standards as adopted by the European Union. This responsibility includes the design, implementation and maintenance of a system of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; the selection and application of appropriate accounting policies; and the preparation of accounting estimates that are reasonable in the given circumstances.

Management confirms that it has consistently applied appropriate accounting policies and that the prudent person principle has been applied in the preparation of the financial statements as at 31 December 2021 in estimating assets, liabilities, revenue and expenses.

Management also confirms that it has adhered to IFRS in force and the financial statements have been prepared on the basis of the going concern principle.

Management is responsible for the proper maintenance of the accounting records, for the appropriate management of assets and for taking the necessary measures to avoid and detect possible malpractices and other irregularities.

Management also confirms that, in preparing this management report, it has given a true and fair view of the development and performance of the business for the past period and of its state of affairs and the principal risks it faces. Management has approved the management report and the financial statements for 2021 for issuance.

FAAC BULGARIA EAD

Executive Director:
Svetlana Stefanova
Date: 24 March 2022
Ruse

FAAC BULGARIA EAD
STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021

All amounts contained in the statements are in BGN thousands unless otherwise stated

	Notes	31 Dec. 2021	31 Dec. 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3	4,671	5,213
Right-of-use asset	21	409	1,382
Intangible assets	4	408	623
Deferred tax assets		108	77
Total non-current assets		**5,596**	**7,295**
Current assets			
Inventory	6	12,914	14,675
Corporate tax receivables		361	-
Trade and other receivables	5	35,112	35,016
Loan to related parties	18	11,245	7,108
Cash and cash equivalents	7	720	5,148
Prepaid expenses		55	59
Total current assets		**60,407**	**62,006**
Total assets		**66,003**	**69,301**
EQUITY			
Equity and owners' reserves			
Share capital	8	616	616
Other reserves		62	62
Actuarial gain/(loss)	11	(50)	(36)
Retained earnings		38,578	47,266
Total equity		**39,206**	**47,908**
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	11	312	240
Non-current liabilities under lease contracts	21	153	756
Other long-term liabilities	9	53	151
Total non-current liabilities		**518**	**1,147**
Current liabilities			
Trade and other payables	9	26,015	19,621
Short-term liabilities under lease contracts	21	264	625
Total current liabilities		**26,279**	**20,246**
Total liabilities		**26,797**	**21,393**
Total equity and liabilities		**66,003**	**69,301**

The statements on pages 10-46 were approved for issuance by the Board of Directors and signed on its behalf on 24 March 2022.

FAAC BULGARIA FAAC EAD

Svetlana Stefanova
Executive Director

Dian Dimitrov
Chief Accountant

Initiated for identification purposes in reference to the audit report:

Petko Dimitrov
Registered Auditor
13 -05- 2022

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 085 ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

Jock Newnan
PricewaterhouseCoopers Audit OOD
13 -05- 2022

FAAC BULGARIA EAD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2021

All amounts contained in the statements are in BGN thousands, unless stated otherwise

	Notes	2021	2020
Revenue from sales	12	128,545	126,781
Cost of sales	13	(101,589)	(91,406)
Gross profit		**26,956**	**35,375**
Administrative expenses	14	(10,098)	(5,203)
Sales expenses	14	(4,583)	(4,878)
Other operating revenue	15	1,810	1,393
Operating profit		**14,085**	**26,687**
Financial income	17	2,229	714
Financial expense	17	(891)	(2,296)
Profit before tax		**15,423**	**25,105**
Tax expense	10	(1,578)	(2,556)
Profit for the year		**13,845**	**22,549**
Other comprehensive income			
Actuarial loss net of taxes	11	(14)	(8)
Total comprehensive income for the year		**13,831**	**22,541**

The financial statements on pages 10-46 were approved for issuance by the Board of Directors and signed on its behalf on 24 March 2022.

FAAC BULGARIA EAD

Svetlana Stefanova
Executive Director

Dian Dimitrov
Chief accountant

Initiated for identification purposes in reference to the audit report:

Petko Dimitrov
Registered auditor

13 -05- 2022

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 085
ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

Jock Newnan
PricewaterhouseCoopers Audit OOD

13 -05- 2022

FAAC BULGARIA EAD
STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2021

All amounts contained in the statements are in BGN thousands unless states otherwise

	Relating to equity holders				
	Fixed capital	Reserve Actuarial losses and profits	Other reserves	Retained earnings	Total capital
Balance as at 1 January 2020	**616**	**(28)**	**62**	**47,717**	**48,367**
Profit for the year	-	-	-	22,549	22,549
Other comprehensive income:					
- Items not to be reclassified to profit or loss	-	(8)	-	-	(8)
Total comprehensive income	**-**	**(8)**	**-**	**22,549**	**22,541**
Transactions with owners					
Dividend paid	-	-	-	(23,000)	(23,000)
Total transactions with owners	**-**	**-**	**-**	**(23,000)**	**(23,000)**
Balance at 31 December 2020	**616**	**(36)**	**62**	**47,266**	**47,908**
Profit for the year	-	-	-	13,845	13,845
Other comprehensive income:					
- Items not to be reclassified to profit or loss	-	(14)	-	-	(14)
Total comprehensive income	**-**	**(14)**	**-**	**13,845**	**13,831**
Transactions with owners					
Dividend paid	-	-	-	(22,533)	(22,533)
Total transactions with owners	**-**	**-**	**-**	**(22,533)**	**(22,533)**
Balance at 31 December 2021	**616**	**(50)**	**62**	**38,578**	**39,206**

The financial statements on pages 10-46 were approved for issuance by the Board of Directors and signed on its behalf on 24 March 2022.

FAAC BULGARIA EAD

Svetlana Stefanova
Executive Director

Dian Dimitrov
Chief accountant

Initiated for identification purposes in reference to the audit report:

Petko Dimitrov
Registered auditor

13-05-2022

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 085 ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

Jock Newnan
PricewaterhouseCoopers Audit OOD

13-05-2022

The notes on pages 10 to 43 form an integral part of these financial statements

FAAC BULGARIA EAD
STATEMENT OF CASH FLOWS
31 DECEMBER 2021

All amounts contained in the statements are in BGN thousands unless otherwise stated

	Notes	2021	2020
Cash flows from operating activities			
Cash proceeds from customers		130,189	124,421
Cash payments to suppliers		(107,766)	(94,032)
Cash payments to personnel		(4,150)	(3,682)
Income tax paid		(2,171)	(2,631)
Tax refunds		7,386	6,038
Cash payments to other creditors		(18)	(17)
Net cash flow from operating activities		***23,470***	***30,097***
Cash flows from investing activities			
Cash flows related to fixed assets		(1,509)	(1,754)
Loans granted		(3,165)	(14,781)
Interest received		47	15
Net cash flow from investing activities		***(4,627)***	***(16,520)***
Cash flow from financing activities			
Dividends paid	18	(22,457)	(10,168)
Cash flows related to foreign exchange gains and losses (net)		(103)	(191)
Principal amounts paid in respect of lease contracts		(707)	(700)
Interest paid		(4)	(10)
Net cash flows from financing activities		***(23,271)***	***(11,069)***
Changes in cash and cash equivalents during the period		**(4,428)**	**2,508**
Beginning-of-year cash and cash equivalents		**5,148**	**2,640**
End-of-year cash and cash equivalents		**720**	**5,148**

The financial statements on pages 10-46 were approved for issuance by the Board of Directors and signed on its behalf on 24 March 2022.

Svetlana Stefanova
Executive Director

FAAC BULGARIA EAD

Dian Dimitrov
Chief accountant

Initiated for identification purposes in reference to the audit report:

Petko Dimitrov
Registered auditor
13-05-2022

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 085 ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

Jock Newnan
PricewaterhouseCoopers Audit OOD
13-05-2022

The notes on pages 10 to 43 form an integral part of these financial statements

1. GENERAL INFORMATION

FAAC Bulgaria EAD (previous name Dzhi El Si EAD) is a single-member joint stock company, established in 2010 as a joint-stock company with share capital of BGN 50 000, distributed in 50,000 ordinary registered shares with a nominal value of BGN 1 each. The Company is registered with the Commercial Register at the Registry Agency under UIC 201352138, and scope of activity: "Manufacturing, research and development, home and foreign trade in goods within the field of electronics".

In 2011, the share capital was increased to BGN 616,300 via a contribution in kind by DSH EOOD.

In 2012, the Italian company FAAC S.p.A, entered in the Companies Register of Bologna under tax and registration No. 02169920374 acquired 100% of the shares of Dzhi El Si EAD by purchasing them and became sole owner of the share capital.

On 01 July 2016, a change in the name of the Company was registered with the Commercial Register at the Registry Agency. The name of the Company was changed from Dzhi El Si EAD to FAAC Bulgaria EAD.

The seat and registered address of the Company is: Republic of Bulgaria, town of Ruse, Ruse municipality, 3 Tsar Ferdinand St.

The Company is managed and represented by Svetlana Petrova Stefanova acting as an executive director.

The Company has a one-tier system of management. The Board of Directors consists of 3 members, elected by the sole owner for a 5-year term of office.

As of 31 December 2021 the members of the Board of Directors are as follows:

- Luca Cervato - chairman
- Elena Ferri – member;
- Svetlana Petrova Stefanova – executive director

The ultimate beneficial owner of the Company is FAAC Trust with the Archdiocese of Bologna being the beneficiary. The trustees are Matteo Zuppi, Andrea Moschetti, Giuseppe Berti and Bruno Gattai and as such are identified as beneficial owners.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. Accounting policies have been applied consistently in the presented reporting years, unless specifically stated otherwise.

2.1 Basis of preparation of the financial statements

General principles

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by the European Union (EU).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

General principles (continued)

The IFRS adopted by the EU, the generally adopted name of a general purpose framework for reliable presentation, equivalent to the definition of the framework introduced in paragraph 1, item 8 of the Additional Provisions of the Accounting Act "International Accounting Standards (IAS)".

The Company keeps its current accounting records and prepares its official financial statements in accordance with the requirements of the Bulgarian commercial, accounting and tax legislation.

Bulgarian legislation does not prohibit a resolution of the General Meeting (the sole owner of the capital) of the Company for adoption of the annual financial statements to be revoked (in due order) and, if necessary, new adjusted annual financial statements for the same accounting year to be drawn up and published.

Going concern

As of the date of preparation of these financial statements, the management has evaluated the ability of the Company to continue its operations as a going concern. The entire information for the foreseeable future, which is for at least, but not limited to, twelve months after the end of the reporting period, has been available at the time of the evaluation.

Historical cost

These financial statements have been prepared on the historical cost basis, except for pension insurance liabilities, which are determined using actuarial valuation.

Accounting estimates

The preparation of financial statements in conformity with IFRS requires the application of specific accounting estimates. The Company's management is required to make its own judgements and assumptions in applying accounting policies. Items in the financial statements whose presentation requires a higher degree of subjective judgement, and those items for which estimates have a significant effect on the financial statements as a whole, are disclosed separately in Note 2.15.

Compliance with IFRS

2.1.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for its annual reporting period beginning on 1 January 2021:

Amendment to IFRS 4 Insurance Contracts - Deferral of IFRS 9 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2021)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform - Phase 2 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021)

Amendment to IFRS 16 Leases - Rental Discounts in the Context of COVID-19 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of the financial statements (continued)

2.1.1 New and amended standards adopted by the Company (continued)

All other changes to the adopted standards listed above have no effect on amounts recognized in prior periods, nor are they expected to have a significant impact on current or future periods.

2.1.2 New standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published, which are not mandatory for application during the reporting period ended 31 December 2021 and have not been previously adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023); **including Amendments to IFRS 17** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)

There are no other standards that have not yet been adopted and that are expected to have a significant impact on the Company in the current or future reporting period, as well as on transactions in the foreseeable future.

2.1.3 New standards, interpretations and amendments not yet adopted by the EU

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023)

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively and effective for annual periods beginning on or after 1 January 2023

Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Financial instruments

(a) Classification

The Company classifies its financial assets in the following reporting categories:
- subsequently reported at fair value (in the "Other Comprehensive Income" or "Profit and Loss" statements), and
- measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Company classifies its financial assets as measured at amortised cost.

The Company re-classifies its debts investments only when their business model for management of these assets changes.

(b) Recognition and derecognition

Financial assets are recognised when the Company becomes a party to the contractual terms of that instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred all risks and rewards of ownership.

(c) *Measurement*

Initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus the transaction costs directly attributable to the acquisition of the financial asset, with the exception of the cases of financial assets reported at fair value through profit or loss. Transaction costs of financial assets, that are reported at fair value through profit or loss are reported in the profit and loss statement.

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for asset management and the cash flow characteristics of those assets. The Company classifies its debt instruments in the following category:

Amortised cost:

Assets that are held for the collection of contractual cash flows, where such cash flows are solely payments of principal and interest on the principal amount outstanding, are measured at amortized cost. Interest revenue from these financial assets is included in the financial revenue using the effective interest rate method. Any gain or loss arising on derecognition, is recognized directly in the profit or loss and recorded in other gains / (losses) together with foreign exchange gains and losses. Impairment losses are recorded as a separate item in the comprehensive income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial instruments (continued)

(d) Impairment

The Company estimates credit losses based on future expectations in respect of its debt instruments measured at amortized cost. The applied methodology for impairment depends on whether there is a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach requested by IFRS 9, which requires recognition of the expected credit losses for the entire life already at initial recognition of the receivables.

Related party receivables are subject to individual assessment of the credit risk which takes into account the available qualitative and non-statistical quantitative information.

Impairment of related party receivables (Note 18) is determined on the basis of the simplified approach according to IFRS 9, which requires recognition of the expected credit losses for the entire life already at initial recognition of the receivables for the entire life of the receivable.

The Company applies a three-stage model for impairment of financial assets other than trade receivables:

Stage 1 – balances for which the credit risk has not increased significantly since initial recognition. Expected credit losses are determined on the basis of the likelihood of default within 12 months (i.e. the total credit loss multiplied by the likelihood of it occurring within the next 12 months);
Stage 2 - contains balances where there is a significant increase in credit risk after initial recognition, but there is no objective indication of impairment; the expected credit losses are determined on the basis of the likelihood of default through the entire period of the contract;
Stage 3 - contains balances for which there is an objective evidence of impairment.

Trade receivables are classified in Stage 2 or Stage 3:

Stage 2 - contains receivables to which the simplified approach for expected losses is applied until the end of the validity of the receivable, with the exception of some trade receivables classified in Stage 3;
Stage 3 - contains trade receivables past due for more than 90 days or those that are individually identified as impaired.

Financial assets are derecognised, in whole or in part, after the Company has substantially exhausted all means of collecting them or there is no realistic expectation for their collection. This is usually the case for financial assets that are at least 5 years past due.

The Company takes into consideration the following indicators when assessing a significant increase in credit risk on loans:

• the loan is more than 30 days past due;
• there are legal, technological or macroeconomic changes with a significant negative impact on the borrower;
• there is information about significant adverse events in relation to the loan, or other loans of that borrower with different lenders, such as loan termination, breach of covenant, renegotiation as a result of financial difficulties, etc.;
• the borrower has lost a significant customer or supplier or otherwise experienced negative changes in their market.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue from contracts with customers

Sale of goods

Revenue from the sale of goods is recognized at the moment when control of the goods is transferred to the customer, and there are no remaining performance obligations to be satisfied that could affect the acceptance of the goods by the customer.
The Company assesses whether there are other promises in the contract that represent separate performance obligations to which part of the transaction price must be allocated (such as guarantees, customer loyalty points). In determining the transaction price, the Company makes an assessment of the variable consideration. There is no funding element, because payment is usually made in cash or within 30 days from the date of delivery.

Trade receivables

The receivable represents the right of the Company to receive a certain amount of consideration, which is unconditional. Please refer to the Accounting Policies for Trade Receivables set out in Section 2.2 Financial Instruments.

2.4. Reporting currency

Pursuant to the requirements of the Bulgarian legislation, the accounting registers are drawn up in BGN, which is a functional currency and a presentation currency.
The financial statements are presented in BGN, with all amounts rounded to the nearest BGN 1 thousand, unless otherwise stated. The Company presents comparative information as at 31 December 2020, and for the year then ended.
At 31 Dec. 2021, the exchange rates of some foreign currencies to Bulgarian lev are as follows:

	31/12/2021	**31/12/2020**
	BGN	BGN
1 EUR is equal to	1.955830	1.955830
1 USD is equal to	1.726850	1.593860
1 GBP is equal to	2.327590	2.175490
1 CAD is equal to	1.358880	1.251090
1 RON is equal to	0.395197	0.401748
1 PLN is equal to	0.425467	0.428938
1 AUD is equal to	1.252530	1.230390

2.5. Property, plant and equipment

Property, plant and equipment of the Company include machinery, computer equipment, transport vehicles and fixtures and fittings, which have a useful life of more than one year.

Property, plant and equipment are initially recognized at acquisition cost.

The acquisition cost includes the purchase price, including also import duties and non-refundable purchase taxes and all costs directly attributable to bringing the asset to the condition to operate as intended by the management.

Subsequent costs are added to the carrying amount of the asset or reported as a separate asset only when it is probable that future economic benefits associated with the use of that asset will flow to the Company and the reporting amount of subsequent expenses can be reliably measured. All other maintenance and repair costs are recognized in the statement of comprehensive income in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

Property, plant and equipment are derecognised when they are permanently withdrawn from use or with no future economic benefits expected from them, or on their disposal.

Gains or losses on disposal of individual assets of the "property, plant and equipment" group are determined by comparing the selling price and the carrying amount of the asset at the date of sale. Gains and losses from the sale of non-current assets are presented net under "Other income" in the statement of comprehensive income (in the profit or loss for the period).

Depreciation of property, plant and equipment is accounted for as soon as assets are ready for use. Machinery and equipment are depreciated from the beginning of the month following the month of commencement of their operation in regular production.

Depreciation is accrued by applying the straight-line method over the estimated useful life of each group of assets, as follows:

Production machinery	15.58%
Punches, dies and moulds	25%
Equipment	10%, 30%
Computers	20%
Fixtures and fittings	12%, 15%
Motor vehicles	25%
All other depreciable assets	10%

Depreciation is not accrued on land, fully depreciated assets and assets under construction.

2.6. Intangible assets

Intangible assets are reported in the financial statements at acquisition cost less accumulated amortization and impairment losses. The costs associated with training of the personnel are expensed when incurred. Research and development costs related to software development are reflected in the statement of comprehensive income in the period in which they are incurred.

An intangible asset arising from R&D (or from the development stage of an internal project) shall be recognised if, and only if, the entity can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) its intention to complete the intangible asset and use or sell it;
(c) its ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development;

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (continued)

Intangible assets are amortized using the straight-line method according to their estimated useful lives. The Company has assigned a zero residual value to intangible assets with a limited useful life. Shelf life is determined depending on the period in which presumably the depreciable assets will be used by the entity, taking into account their assumed obsolescence, and they are grouped as follows:

Software	20-50%
Other intangible assets	30%

The accrual of amortization begins when the asset is available for use and in the condition necessary to operate as intended by the management. Amortization is discontinued on the date when the asset is classified as held for sale or the date on which the asset is derecognised, whichever is earlier.

Intangible assets are derecognised when they are permanently withdrawn from use with no future economic benefits expected from them, or are sold. Gains or losses from the sale of individual assets of the "intangible assets" group are presented net under “Other income” in the statement of comprehensive income (in the profit or loss for the period).

2.7 Impairment of fixed assets

Assets which have an indefinite useful life are not depreciated, and they are checked for impairment on an annual basis. Assets that are depreciated are reviewed for impairment, in case of events or a change in circumstances, indicating that the assets' carrying amount is not recoverable.

An impairment loss is recognised as the amount by which the carrying amount exceeds the recoverable amount.

The recoverable amount is the higher of the net selling value and the value in use.

In order to determine the value in use, assets are grouped into the smallest possible identifiable units generating cash flows. Non-financial assets other than goodwill that are subject to impairment, are reviewed for evidence of impairment at each reporting date.

At each balance sheet date, non-financial assets impaired in prior periods other than goodwill are reviewed for possible reversal of impairment losses.

For the purposes of the impairment test, assets are grouped at the lowest levels for which a cash-generating unit can be identified.

2.8 Inventories

Inventories include raw materials, work in progress/semi-finished goods and finished production.

The cost of inventories includes the sum of all purchase costs, processing, and other costs incurred in transporting them to their current location and condition. Acquisition cost includes purchase price, non-refundable customs duties and other taxes, and the transport expenses.

The cost of finished goods and work in progress is made up of basic and auxiliary materials, direct labour costs, as well as the fixed and variable total costs incurred in the processing of materials in finished products but excluding financial costs. The allocation of fixed total costs to processing costs is linked to the normal capacity of production capacities. Indirect technology costs are allocated to each unit of production based on actual direct labour.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Inventories (continued)

Consumption cost is determined using the "weighted average" method. The averaging takes place on a periodic basis.

In the case of sale of inventories, the carrying amount of those inventories is recognized as an expense in the period in which the respective revenue is recognized.

Inventories relating to another asset are recognized as an expense over the useful life of the asset.

Inventories are stated at the lower of the acquisition cost and their net realizable value, the difference being recognized as other current operating expenses. At the end of the reporting period, the net realizable value of inventories is estimated. Net realizable value is the estimated selling price in the normal course of business less the necessary selling costs.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash balances, current accounts and short-term deposits with banks with an original maturity of up to 3 months.

Cash and cash equivalents include cash in hand, bank accounts, other highly liquid short-term investments with an original maturity of 3 months or less.

Cash and cash equivalents are carried at amortized cost using an effective interest rate. For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, bank accounts, other highly liquid short-term investments with an original maturity of 3 months or less, as well as bank overdrafts.

In the balance sheet, overdrafts are included as a short-term liability in the short-term loans category.

2.10 Share capital and reserves

FAAC Bulgaria EAD is a joint-stock company with mandatory registration with the Commercial Register of a certain amount of share capital as collateral for the creditors of the Company to secure their receivables.

The Company reports its share capital at nominal value of the registered shares.

Pursuant to the requirements of the Commerce Act and the adopted Articles of Association, the Company forms a Reserve Fund, which collects funds from the following sources:

- a portion of the profit, as determined by the sole owner of the capital, which is not less than 1/10, until the amount in the Fund reaches 1/10 of the capital;
- received funds that exceed the nominal value of shares and bonds at issue;
- other sources by decision of the sole owner of the capital.

The funds of the Reserve Fund may only be used for:

- Annual loss coverage
- Coverage of loss from previous years
- When the amount in the Reserve Fund exceeds 1/10 of the capital, the larger amount can also be used to increase capital.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Current and deferred taxes

The tax expense for the period comprises current and deferred tax. The tax is recognized in the statement of comprehensive income except in the case of transactions recognized directly in equity.
Current tax expense recognized in the statement of comprehensive income is determined in accordance with the applicable tax legislation in force at the date of preparation of the annual financial statements.
Deferred tax is accounted for using the balance sheet method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
However, if tax temporary differences arise from the initial recognition of an asset or liability in a transaction other than a business combination that has affected neither accounting nor the tax profit(loss) during the transaction, that difference is not accounted for.
Deferred tax related to items that are reported as other components of the comprehensive income or equity position in the statement of financial position (where applicable) is also accounted for directly to the relevant component of the comprehensive income or the balance sheet equity position.

When calculating the deferred tax, the tax rates and regulations that are in effect at the date of preparation of the statement of financial position are applied to periods of expected reversal of tax temporary differences.

A deferred tax asset is recognized only if it is probable that sufficient future taxable profits will be available against which those assets may be used.

2.12 Employee benefits

Short-term employee benefits

Short-term employee benefits such as remuneration, bonuses and social contributions (payable within 12 months after the end of the period for which the employee has rendered service in exchange for those benefits or met the necessary requirements) are recognized as expense in the statement of profit and loss and other comprehensive income for the period in which the employee has rendered service in exchange for those benefits or met the necessary requirements, and as a short-term liability (after deducting amounts already paid and any corresponding reduction), respectively, and are measured at their undiscounted amount. The amounts payable by the Company for social and health contributions are recognized as expense, and a short-term liability, respectively, at their undiscounted amount in the period of accrual of the benefits, to which they relate.

As of the end of each reporting period the Company makes an estimation of the expected cost of accumulating compensated leaves of absence, which is measured at the amount expected to be paid as a result of the unused entitlement to future compensated leaves of absences. The estimate includes the estimated remuneration cost plus the expenses for mandatory social security contributions payable by the employer over that cost.

Post-employment benefits

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, at the date of the statement of financial position.

The cumulative unrecognized actuarial gains and losses are recognized in the statement of profit or loss and comprehensive income.
Past service cost is recognized immediately to the extent that the benefits are already vested.
The amount, recognized in the statement of financial position, is the present value of the long-term defined benefit obligation, and the effect of the personnel retirement benefit obligation is recognized in the periods to which the expense relates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13. Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will settle this obligation and can reliably measure the amount of the liability. Provisions are measured on the basis of the best judgment made by management that is required to offset the liability at the date of preparation of the financial statements and are discounted to their present value when the effect is material.

Provisions are reviewed at the end of each reporting period and recalculated to reflect the best current valuation. If there is no longer a need for outflows that contain economic benefits, for the repayment of liabilities, the provision is discarded.

As of 31.12.2021 provisions for retirement obligations and provisions for warranty service are reported.

2.14. Distribution of dividends

The distribution of dividends to the sole owner of the Company is recognized as a liability in the financial statements of the Company in the period in which it is approved by the sole owner of the Company.

2.15. Significant accounting judgments, estimates and assumptions

Estimates and judgments are based on experience and other factors, including expectations for future events under certain circumstances. The reliability of the estimates and judgments is reviewed regularly.

The estimates and assumptions made by the Management affect the reported amounts of assets and liabilities and disclosures of liabilities as at the date of the financial statements as well as the amounts of income and expenses reported during the period in the income statement.

The management has used significant accounting estimates and judgments in respect of impairment of receivables from customers and in determining the amount of provisions for liabilities, as well as in determining the useful life of property, plant and equipment and intangible assets and determining the terms of lease contracts - in determining the lease term, the management takes into account all facts and circumstances that create economic preconditions for exercising the option to extend or refusal to terminate.

The extension options are included in the lease terms as the management considers it sufficiently secure that the lease term will be extended.

3. PROPERTY, PLANT AND EQUIPMENT

2021	Machinery and equipment	Vehicles and other	Fixtures and fittings, computers	Improvements of leased assets	Assets under construction	Total
	(BGN'000)	(BGN'000)	(BGN'000)	(BGN'000)	(BGN'000)	(BGN'000)
Reporting value						
As at 01.01.2021	12,404	870	907	221	393	**14,795**
Acquired	1,157	103	161	-	466	**1,887**
Written off	(10)	(12)	(5)	-	(506)	**(533)**
As at 31.12.2021	13,551	961	1,063	221	353	**16,149**
Depreciation						
As at 01.01.2021	(8,409)	(599)	(466)	(108)	-	**(9,582)**
Depreciation	(1,706)	(92)	(101)	(24)	-	**(1,923)**
Depreciation written off	10	12	5	-	-	**27**
As at 31.12.2021	(10,105)	(679)	(562)	(132)	-	**(11,478)**
Carrying amount						
As at 01.01.2021	**3,995**	**271**	**441**	**113**	**393**	**5,213**
As at 31.12.2021	**3,446**	**282**	**501**	**89**	**353**	**4,671**

In 2021, the Company used machinery, vehicles and equipment fully depreciated at the balance sheet date, the carrying amount of which and the accumulated depreciation by group of assets is as follows:

- Machinery and equipment – BGN 6,567 thousand.;
- Vehicles and other – BGN 493 thousand;
- Fixtures and fittings, computers – BGN 258 thousand.

As at 31 December 2021, there are no temporarily removed property, plant and equipment, nor such that are encumbered or used as collateral by creditors.

As at 31 December 2021, the Company does not have machinery and equipment acquired under the terms of a finance lease.

As at 31 December 2021, the Company has reviewed its property, plant and equipment, as a result of which it has estimated that there are no indications of impairment.

In the group of machines and equipment there are matrices included with carrying amount of BGN 2,266 thousand which are provided for use by the suppliers of the Company.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2020	Machinery and equipment	Vehicles and other	Fixtures and fittings, computers	Improvements of leased assets	Assets under construction	Total
	(BGN'000)	(BGN'000)	(BGN'000)	(BGN'000)	(BGN'000)	(BGN'000)
Reporting value						
As at 01.01.2020	11,382	815	795	221	162	**13,375**
Acquired	1,022	55	112	-	369	**1,558**
Written off	-	-	-	-	(138)	**(138)**
As at 31.12.2020	**12,404**	**870**	**907**	**221**	**393**	**14,795**
Depreciation						
As at 01.01.2020	(6,524)	(484)	(371)	(84)	-	**(7,463)**
Depreciation	(1,885)	(115)	(95)	(24)	-	**(2,119)**
Depreciation written off	-	-	-	-	-	-
As at 31.12.2020	**(8,409)**	**(599)**	**(466)**	**(108)**	-	**(9,582)**
Carrying amount						
As at 01.01.2020	**4,859**	**331**	**424**	**137**	**162**	**5,913**
As at 31.12.2020	**3,995**	**271**	**441**	**113**	**393**	**5,213**

In 2020, the Company used machinery, vehicles and equipment fully depreciated at the balance sheet date, the carrying amount of which and the accumulated depreciation by group of assets is as follows:

- Machinery and equipment – BGN 4,139 thousand.
- Vehicles and other – BGN 283 thousand.
- Fixtures and fittings, computers – BGN 154 thousand.

As at 31 December 2020, there are no temporarily withdrawn properties, plant and equipment and those that are encumbered by charges or serve as pledges to creditors.
As at 31 December 2020, the Company had no plant and equipment acquired under finance leases.
As at 31.12.2020, the Company has carried out a review of its property, plant and equipment, as a result of which it has estimated that there is no indication of impairment.

In the group of machines and equipment there are matrices included with carrying amount of BGN 2,526 thousand which are provided to be used by the suppliers of the Company.

All amounts contained in the statements are in BGN thousands unless otherwise stated

4. INTANGIBLE ASSETS

2021	Software products	Other intangible assets	Total
	(BGN'000)	(BGN'000)	(BGN'000)
Reporting value			
As at 01.01.2021	606	1,285	1,891
Acquired	12	-	12
Written off	-	-	-
As at 31.12.2021	**618**	**1,285**	**1,903**
Depreciation			
As at 01.01.2021	(568)	(700)	(1,268)
Depreciation for the year	(31)	(196)	(227)
Depreciation written off	-	-	-
As at 31.12.2021	**(599)**	**(896)**	**(1,495)**
Carrying amount			
As at 01.01.2021	**38**	**585**	**623**
As at 31.12.2021	**19**	**389**	**408**

In 2021, the Company used software products fully amortised at the balance sheet date, whose book value and accumulated amortisation as at 31.12.2021 amounted to BGN 870 thousand.

As of 31 December 2021, the Company has reviewed its intangible assets, as a result of which it has estimated that there are no indications of impairment.

2020	Software Products	Other intangible assets	Total
	(BGN'000)	(BGN'000)	(BGN'000)
Reporting value			
As at 01.01.2020	599	1,285	1,884
Acquired	7	-	7
Written off	-	-	-
As at 31.12.2020	**606**	**1,285**	**1,891**

4. INTANGIBLE ASSETS (CONTINUED)

2020	Software Products	Other intangible assets	Total
Depreciation			
As at 01.01.2020	(534)	(482)	(1,016)
Depreciation for the year	(34)	(218)	(252)
Depreciation written-off	-	-	-
As at 31.12.2020	**(568)**	**(700)**	**(1,268)**
Carrying amount			
As at 01.01.2020	**65**	**803**	**868**
As at 31.12.2020	**38**	**585**	**623**

In 2020, the Company used software products fully amortised at the balance sheet date, whose book value and accumulated amortisation as at 31.12.2020 amounted to BGN 852 thousand.

As of 31 December 2020, the Company has reviewed its intangible assets, as a result of which it has estimated that there are no indications of impairment.

5. TRADE AND OTHER RECEIVABLES

	31.12.2021 (BGN'000)	31.12.2020 (BGN'000)
Trade receivables	452	644
Tax refunds - VAT	415	300
Receivables from related parties (Note 18)	34,075	34,026
Other receivables	170	46
Total	**35,112**	**35,016**

For short-term trade receivables without a material financial component, the Company applies the simplified approach according to IFRS 9, and measures the impairment provision against the expected credit losses for the entire life from the moment of initial recognition of the receivable.

The Company uses a provision matrix to calculate provisions for losses on trade receivables that are in different stages of aging or default.

To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics in one category.

Analysis of the non-recoverable receivables has been performed in the last 3 years to determine the overall ratio of default. The default values are calculated for the following aging intervals: (1) up to 30 days; (2) from 30 to 60 days; (3) from 60 to 90 days; (4) from 90 to 180 days and (5) over 180 days. To determine the default rate for an aging period, the balance of accounts receivable written-off is compared with the balance of outstanding accounts receivable.

5. TRADE AND OTHER RECEIVABLES (CONTINUED)

Compensation for loss is calculated on the basis of the default rate, adjusted for the effect of the forecast information and the amount of the outstanding accounts receivable at the balance sheet date for each aging interval. The Company has assessed the impact of the forecast information on the amount of credit losses and has concluded that its impact is insignificant. As described in Note 2.2, receivables from related parties are subject to individual assessment of the credit risk, taking into account available qualitative and non-statistical quantitative information. On the basis of this information management has not impaired receivables from related parties as at 31.12.2021 and 31.12.2020

The age structure of the Company's trade receivables as at 31 December is as follows:

	Overdue	< 60 days	61-90 days	> 91 days	**Total**
2021 г.	5,546	20,380	9,169	17	**35,112**
2020 г.	5,638	22,406	6,772	200	**35,016**

Based on the performed analysis, at 31 December 2021 management has recognised impairment to the amount of BGN 31 thousand (31.12.2020: BGN 6 thousand).

The rest of the items in the accounts receivable and other receivables category do not contain impaired assets.

The fair value of the accounts receivable does not differ materially from their carrying amount.

The Company does not hold assets pledged as collateral.

The movement in the impairment provision is as follows:

	31.12.2021 (BGN'000)	**31.12.2020** (BGN'000)
Opening balance	6	9
Impairment provision recognized during the year	43	6
Reversal of provision for receivables paid	(18)	(9)
End balance	**31**	**6**

6. INVENTORY

	31.12.2021 (BGN'000)	**31.12.2020** (BGN'000)
Basic materials	11,436	13,608
Less: impairment	(1,406)	(1,105)
Finished goods	1,587	1,519
Less: impairment	(12)	(14)
Work in progress	583	726
Less: impairment	(87)	(62)
Other materials	813	3
Total	**12,914**	**14,675**

6 INVENTORY (CONTINUED)

Movement in impairment:	2021	2020
	(BGN'000)	(BGN'000)
At the beginning of the year	**(1,181)**	**(1,098)**
Accrued during the year	(757)	(181)
Recovered during the year	433	98
Written off during the year	-	-
At the end of the year	**(1,505)**	**(1,181)**

7. CASH AND CASH EQUIVALENTS

	31.12.2021	31.12.2020
Cash at hand	6	4
Cash in bank	714	5,144
Total	**720**	**5,148**

As at 31 December 2021, cash in the amount of BGN 46 thousand is denominated in EUR (2020: 95 thousand), an amount of BGN 2 thousand is denominated in PLN (2020: BGN 4,132 thousand), an amount of BGN 2 thousand is denominated in USD (2020: BGN 2 thousand).

The remaining funds are denominated in BGN.

			As at 31 December	
Bank	**Agency**	**Rating**	**2021**	**2020**
Central Cooperative Bank	*BCRA (CREDIT RATING AGENCY AD)*	BB/B	562	188
UniCredit Bulbank	*Fitch Ratings*	BBB	152	4,957
			714	**5,144**

8. SHARE CAPITAL

	31.12.2021	31.12.2020
Registered capital	616	616

As at 31.12.2021, the registered share capital of FAAC Bulgaria EAD amounted to BGN 616,300, divided into 616,300 ordinary, available, registered voting shares with a nominal value of BGN 1 (one) each. As at 31 December 2020, the registered share capital amounted to BGN 616,300.

As at 31 December 2021, the share capital was fully paid up.

9. TRADE PAYABLES AND OTHER LIABILITIES

	31.12.2021	**31.12.2020**
	BGN'000	BGN'000
Trade payables	8,394	6,569
Trade payables to related parties (Note 18)	16,800	12,075
Payables to personnel	646	569
Payables to social security institutions	128	127
Tax liabilities	46	280
Other liabilities	54	152
- Incl. non-current part	*53*	*151*
Total	**26,068**	**19,772**

10. TAXES

The main components of accrued taxes, as well as the relationship between tax expense and accounting profit are explained as follows:

	31.12.2021	**31.12.2020**
Current tax	(1,609)	(2,573)
Deferred taxes	31	17
Tax expense	**(1,578)**	**(2,556)**

Income Tax related to positions going directly in equity:	**2021**	**2020**
Actuarial loss	16	8
Deferred taxes expenses related to actuarial loss	(2)	-
Actuarial loss net of taxes in other comprehensive income	**14**	**8**

All amounts contained in the statements are in BGN thousands unless otherwise stated

10. TAXES (CONTINUED):

Tax imposed on the accounting financial result of the Company before taxation differs from the theoretical amount that would be obtained when using the applicable tax rate, as follows:

	31.12.2021	31.12.2020
Accounting profit before tax	**15,423**	**25,105**
Theoretical tax expense at 10% (2020:10%)	1,542	2,511
Expenses not recognized for tax purposes	36	45
Tax expense	**1,578**	**2,556**

The tax authorities may at any time inspect the accounts and registers for the five preceding years of the taxable reporting period and impose additional penalties or fines.

Company management is not aware of any circumstances that could lead to the occurrence of material liabilities in this regard.

Deferred taxes on profit at 31.12.2021 relate to the following items in the balance sheet:

	Balance as at 31.12.2020	Recognized in the statement of comprehensive income	Balance as at 31.12.2021
Provisions for unused paid leave and social security contributions	**17**	1	**18**
Property, plant and equipment	**(117)**	2	**(115)**
Provisions for retirement compensation	**24**	7	**31**
Provisions	**120**	33	**153**
Deferred tax asset IAS 16	**0**	1	**1**
Personal income	**33**	(13)	**20**
Tax assets	**77**	**31**	**108**

	Balance as at 31.12.2019	Recognized in the statement of comprehensive income	Balance as at 31.12.2020
Provisions for unused paid leave and social security contributions	**11**	6	**17**
Property, plant and equipment	**(105)**	(12)	**(117)**
Provisions for retirement compensation	**18**	6	**24**
Provisions	**112**	8	**120**
Deferred tax asset IAS 16	**1**	(1)	**0**
Personal income	**23**	10	**33**
Tax assets	**60**	**17**	**77**

10. TAXES (CONTINUED)

The movement of deferred taxes in the income statement is as follows:

	31.12.2021		31.12.2020	
	Temporary difference	**Tax**	**Temporary difference**	**Tax**
	(BGN'000)	(BGN'000)	(BGN'000)	(BGN'000)
Temporary difference				
Provisions for unused paid leave and insurance contributions	147	15	151	15
Unpaid personal income as at 31.12	196	20	233	23
Provisions for retirement compensation	56	6	48	5
Realized actuarial loss	16	1	9	1
Subsequent measurement of receivables	31	2	0	0
Provisions for warrant service and other	1,509	151	186	19
Total deferred tax revenue		**195**		**63**
Provisions for unused paid leave and social security contributions thereto -a reversal from previous periods	(139)	(14)	(97)	(10)
Personal income - a reversal from previous years	(329)	(33)	(133)	(13)
Tax deductible amount of depreciation of fixed assets	18	2	(119)	(11)
Subsequent measurement of receivables	(6)	(1)	(8)	(1)
Provisions for warranty service, etc.	(1,188)	(118)	(98)	(10)
Deferred tax asset IFRS 16	1	-	(10)	(1)
Total deferred tax expense		**(164)**		**(46)**
Total deferred tax		**31**		**17**

11. RETIREMENT BENEFIT OBLIGATION

The provision for retirement obligations provided in the statement of financial position is in accordance with the requirements of Art.222, para. (3) of the Labour Code, according to which, upon termination of an employment relationship, after the employee has acquired the right to a retirement pension, regardless of the grounds for termination of the employment relationship, the employee is entitled to compensation as follows: 6 gross monthly salaries, provided they have worked in the enterprise for more than 10 years /within the last 20 years/, and two gross monthly salaries if otherwise.

In 2021, the Company used the services of an actuary to determine the pension insurance obligation.

11. RETIREMENT BENEFIT OBLIGATION (CONTINUED)

	31.12.2021	31.12.2020
Liability in the statement of financial position	**312**	**240**

Amounts, recognized in the statement of comprehensive income	2021	2020
Actuarial loss over the period, less taxes	14	8
Expenditure on current service over the period	55	48
Interest expense over the period	1	1
Total staff costs included	**70**	**57**

	31.12.2021	31.12.2020
Movement of the pension insurance obligation		
Recognized long-term liability in the balance sheet at the beginning of the period	240	183
Expenditure in the statement of comprehensive income	56	49
Actuarial loss recognized in 2021 in other comprehensive income	16	8
Long-term liability recognized in the statement of financial position at period end	**312**	**240**

	31.12.2021 г.	31.12.2020 г.
The recognized long-term liability in the balance sheet over the period is determined by:		
Annual discount percentage	0.20%	0.34%
Future wage growth	6%	6%

12. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021	2020
Sale of finished goods	128,377	126,664
Sale of services	168	117
Total	**128,545**	**126,781**

Revenue from sales includes:

	2021	2020
	(BGN'000)	(BGN'000)
Internal market	574	756
External market	127,971	126,025
Total	**128,545**	**126,781**

13. COST OF SALES

	2021	2020
	(BGN'000)	(BGN'000)
Basic materials	93,279	83,568
Other materials	333	232
Hired services	2,352	1,909
Remuneration and social security contributions	3,075	2,681
Depreciation	2,475	2,704
Changes in inventories	75	312
Total	**101,589**	**91,406**

14. SALES AND ADMINISTRATIVE COSTS

	2021	2020
	(BGN'000)	(BGN'000)
Material costs	145	119
Remuneration and social security contributions	3,064	2,857
Professional hired services	5,562	6,096
Annual audit and advisory services	30	29
Depreciation	362	356
Other expenses	5,518	624
Total	**14,681**	**10,081**

Other expenses include an amount of BGN 4,737 thousand (2020: zero BGN), representing an adjustment of transfer prices for 2021.

15. OTHER OPERATING INCOME

	2021	2020
	(BGN'000)	(BGN'000)
Sale of secondary raw materials	56	23
Other revenue	1,754	1,370
Total	**1,810**	**1,393**

16. COSTS BY NATURE

	2021	2020
	(BGN'000)	(BGN'000)
Materials	93,758	83,918
Hired services	7,944	7,890
Amortization	2,837	3,061
Wages and social security	6,138	5,538
Change in inventories of finished goods and work in progress	75	312
Other costs	5,518	768
Total	**116,270**	**101,487**

17. FINANCIAL INCOME/(COST)

	2021	2020
	(BGN'000)	(BGN'000)
Interest income	69	37
Revenue from foreign exchange operations	2,160	677
Total	**2,229**	**714**
Interest and other expenditure	5	11
Expenses on foreign exchange operations	866	2,265
Bank fees and commissions	20	20
Total	**891**	**2,296**

18. RELATED PARTIES

Unless explicitly mentioned, related party transactions have not been performed under special terms and conditions and no warranties have been provided or received. Amounts receivable are paid by bank transfer.

Type of relatedness:

Related Parties	**Type of relatedness**
FAAC S.P.A., Italy	The Company - the sole owner of the capital
FAAC Electronics LTD Ireland	Company under common control
FAAC France S.A.	Company under common control
FAAC U.K. Ltd.	Company under common control
FAAC International, USA	Company under common control
FAAC GmbH, Germany	Company under common control
FAAC BENELUX NV/SA Belgium	Company under common control
FAAC POLSKA	Company under common control
FAAC SHANGHAI	Company under common control
TIBA RESEARCH AND DEVELOPMENT 1986 LTD	Company under common control
FAAC Australia	Company under common control
CLEM S.A. Spain	Company under common control
FAAC BV The Netherlands	Company under common control
HUB Parking Technology Canada	Company under common control
National Automation Ireland	Company under common control
FAAC Middle East UAE	Company under common control
HUB Parking Technology USA	Company under common control
MAGNETIC Autocontrol GMBH	Company under common control
MAGNETIC CONTROL SYSTEMS Malaysia	Company under common control
MAGNETIC CONTROL SYSTEMS Shanghai	Company under common control
Magnetic Autocontrol Ltd Brazil	Company under common control
Magnetic FAAC India	Company under common control

All amounts contained in the statements are in BGN thousands unless otherwise stated

18. RELATED PARTIES (CONTINUED)

Accounts receivable/payable at year end from sale/purchase of goods/services:

Receivables from related parties:

		31.12.2020	31.12.2019
HUB Parking Technology USA	Goods	294	1,004
Magnetic Autocontrol GMBH	Goods	3,585	2,396
Magnetic Control Systems Shanghai	Goods	-	792
Magnetic Autocontrol Ltd India	Goods	82	12
FAAC S.P.A., Italy	Goods and services	16,477	14,951
FAAC International USA	Goods	3,293	2,137
FAAC Australia	Goods	20	15
FAAC France	Goods	3,620	5,241
FAAC Russia	Goods	148	-
FAAC UK	Goods	-	776
CLEM S.A.	Goods	544	890
FAAC MIDDLE EAST	Goods	1,136	653
MAGNETIC CONTROL SYSTEMS Malaysia	Goods	329	22
FAAC GMBH	Goods	-	494
FAAC BENELUX NV/SA	Goods	740	1,079
FAAC POLSKA	Goods	2,778	3,097
THIBA RESEARCH AND DEVELOPMENT 1986 LTD	Goods	18	-
HUB Parking Technology SA	Goods	-	112
FAAK Electronics LTD	Services	17	-
WALL PACK SISTEMAS DE CONTROLE Brazil	Goods	994	355
Total		**34,075**	**34,026**

Payables to related parties

		31.12.2021	31.12.2020
FAAC S.P.A., Italy	Materials and services	4,072	2,316
FAAC Electronics LTD	Materials	7,595	6,148
NATIONAL AUTOMATION LIMITED	Materials	-	233
TIBARESEARCH AND DEVELOPMENT 1986 LTD	Materials	37	-
HUB Parking Technology USA	Materials and services	142	165
Magnetic Autocontrol GMBH	Materials and services	4,954	3,213
Total		**16,800**	**12,075**

All amounts contained in the statements are in BGN thousands unless otherwise stated

18. RELATED PARTIES (CONTINUED)

Loans given

In 2018, an agreement of cash pooling was signed with the company - sole owner of the capital, FAAC S.P.A. Italy. As at 31.12.2021, the receivables on loans given are as follows:

	31.12.2021	31.12.2020
FAAC S.P.A., Italy		
Incl.:		
-principal	11,202	7,086
-interest	43	22
Total	**11,245**	**7,108**
Incl.		
- short-term part	11,245	7,108

Movement of the principal on the loan granted:	2021	2020
At the beginning of the year	**7,086**	**5,764**
Advanced tranches during the year	80,758	68,285
Deducted amounts during the year	(77,593)	(66,341)
Currency revaluations during the year	951	(622)
At year-end	**11,202**	**7,086**

In 2021, the Company realized sales to related parties as follows:

		2021	2020
FAAC S.P.A., Italy	Goods and services	47,501	38,550
FAAC Electronics Ireland	Services	55	-
FAAC France	Goods	19,453	18,067
FAAC UK	Goods	639	3,359
FAAC International USA	Goods	15,809	16,700
FAAC GmbH	Goods	1,209	1,779
FAAC BENELUX NV/SA	Goods	3,548	3,733
FAAC POLSKA Sp.z.o.o.	Goods	12,788	13,429
FAAC Australia	Goods	19	5
CLEM SA	Goods	3,410	3,416
HUB PARKING TECHNOLOGY SA	Goods	-	112
FAAC MIDDLE EAST	Goods	2,837	2,972

All amounts contained in the statements are in BGN thousands unless otherwise stated

18. RELATED PARTIES (CONTINUED)

In 2021, the Company realized sales to related parties as follows (continued):

		2021	2020
Hub Parking Technology USA	Goods	1,520	5,635
FAAC Russia	Goods	1,829	320
Magnetic Autocontrol GmbH	Goods	13,134	10,385
MAGNETIC CONTROL SYSTEMS Malaysia	Goods	2,181	2,967
Magnetic Control Systems SHANGHAI	Goods	-	2,234
Magnetic Autocontrol LTD Brazil	Goods	-	265
Magnetic Autocontrol LTD India	Goods	902	466
Magnetic Automation Australia	Goods	-	214
HUB Parking Tech GULF	Goods	79	-
WALL PACK SISTEMAS DE CONTROLE Brazil	Goods	639	355
TIBA RESEARCH AND DEVELOPMENT 1986 LTD	Goods	18	-

In 2021, the Company purchased goods, materials and services from related parties as follows:

		2021	2020
Hub Parking Technology USA	Materials and services	283	347
Magnetic Autocontrol GmbH	Materials and services	11,302	12,163
FAAC S.P.A., Italy	Materials and services	6,657	4,815
FAAC Electronics Ireland	Materials	25,254	22,690
NATIONAL AUTOMATION LIMITED	Materials	-	236
TIBA RESEARCH AND DEVELOPMENT 1986 LTD	Materials	43	
MAGNETIC CONTROL SYSTEMS Malaysia	Services	8	-

In 2021, the Company has realized income from interest on loans granted to related parties, as follows:

	2021	2020
FAAC S.P.A., Italy	69	37

In 2021, dividend of BGN 22,533 thousand was paid out (in 2020 BGN 23,000 thousand). A portion of the dividend was offset against a receivable from FAAC S.p.A. Italy. The amount set off is BGN 68 thousand (in 2020 BGN 12,832 thousand).

Remuneration of key management personnel of the Company

In 2021, the remuneration paid to key management personnel amounts to BGN 304 thousand (2020: BGN 301 thousand).

All amounts contained in the statements are in BGN thousands unless otherwise stated

19. OBJECTIVES AND POLICY FOR FINANCIAL RISK MANAGEMENT

The Company is exposed to risks arising from the use of financial instruments.
This note describes the objectives, policies and processes for managing these risks and the methods used to assess them.
Unless otherwise stated in this note, there are no material changes in the Company's exposure to risks of financial instruments, its objectives, policies and processes to manage those risks, or the methods used to measure them from previous periods.
Risk management is currently carried out by the management of the Company according to the policy determined by the Board of Directors. The Board of Directors has adopted the basic principles of general financial risk management, on the basis of which specific procedures for the management of individual specific risks have been developed.

Through its activities, the Company is exposed to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Currency risk
- Other market price risk
- Liquidity risk

The underlying financial instruments, used by the Company, from which the risk of financial instruments arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Loans granted to related parties
- Loans received from related parties

The structure of the financial instruments at 31.12.2021, held by categories, is as follows:

Financial assets at amortized cost

	31.12.2021	31.12.2020
Cash and cash equivalents	720	5,148
Trade receivables and other receivables	35,112	35,016
Loans granted to related parties	11,245	7,108
Total	**47,077**	**47,272**

Financial liabilities at amortized cost

	31.12.2021	31.12.2020
Trade payables and payables to related parties	26,015	19,621
Lease liabilities	417	1,381
Total	**26,432**	**21,002**

All amounts contained in the statements are in BGN thousands unless otherwise stated

19. OBJECTIVES AND POLICY FOR FINANCIAL RISK MANAGEMENT (CONTINUED)

Management has the overall responsibility for setting the Company's objectives and policies for risk management and, while retaining ultimate responsibility for them, delegates the power to identify and operate processes that provide assurance for the effective implementation of the objectives and policies related to the Company's financial performance.

Management receives monthly reports assessing the effectiveness of the on-site processes and the relevance of the goals and policies it sets. In this regard, the policies and processes for risk management are periodically reviewed.

The overall goal of management is to implement policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Further detailed information on these policies is set out below.

Credit risk

Credit risk is a risk of financial loss to the Company if the buyer or the counterparty fails to comply with their contractual obligations. In general, the Company is exposed to credit risk from sales on credit. The Company applies a policy of assessing the credit risk of new buyers before entering into transactions.

Management has established a credit policy under which the terms of payment for each new client depend on that client's creditworthiness. The Company's review also includes an external rating, if any and, in some cases, bank statements.

Management determines the concentration of credit risk, with the creditworthiness rating of existing clients being reviewed quarterly by means of a monthly review of the age analysis of trade receivables.

When controlling customer credit risk, customers are grouped according to their credit characteristics.

The quantitative disclosure of the exposure to credit risk in terms of financial assets is set out below.

		31.12.2021		**31.12.2020**
	Carrying amount	Maximum risk	Carrying amount	Maximum risk
Cash and cash equivalents	720	720	5,148	5,148
Trade receivables and other receivables	35,112	35,112	35,016	35,016
Loans granted to related parties	11,245	11,245	7,108	7,108
Total	**47,077**	**47,077**	**47,272**	**47,272**

Management regularly controls the use of credit limits.

All amounts contained in the statements are in BGN thousands unless otherwise stated

19. OBJECTIVES AND POLICY FOR FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk arises from interest-bearing, tradable and foreign currency instruments. This is the risk of the fair value or future cash flows of a financial instrument fluctuating in the future due to changes in interest rates (interest rate risk), exchange rates (currency risk) or other market factors (other price risk).

Fair value and cash flow interest rate risk

The Company is exposed to interest rate risk from cash flow generated from borrowed funds at a variable rate.

Currency risk

Currency risk is the risk of the negative impact of fluctuations in prevailing exchange rates on the financial position and cash flows of the Company. As the Bulgarian Lev is fixed to the Euro and the Company presents its financial statements in Bulgarian Lev, the currency risk is only related to the currencies other than Euro. The following table summarizes the Company's exposure to currency risk as at 31 December 2021.
It includes assets and liabilities at book value, categorized by currency type.

31.12.2021	**BGN**	**EUR**	**USD**	**PLN**	**GBP**	**Total**
Cash and cash equivalents	671	45	2	2	-	720
Trade receivables and other receivables	770	27,923	3,660	2,759	-	35,112
Loans granted to related parties	-	-	11,245	-	-	11,245
Total	**1,441**	**27,968**	**14,907**	**2,761**	-	**47,077**
Trade payables and other payables	4,628	21,186	201	-	-	26,015
Lease liabilities	417	-	-	-	-	417
Total	**5,045**	**21,186**	**201**	-	-	**26,432**

31.12.2020	**BGN**	**EUR**	**USD**	**PLN**	**GBP**	**Total**
Cash and cash equivalents	99	95	1	4,132	821	5,148
Trade receivables and other receivables	239	27,653	3,257	3,127	740	35,016
Loans granted to related parties	-	1,585	5,523	-	-	7,108
Total	**338**	**29,333**	**8,781**	**7,259**	**1,561**	**47,272**
Trade payables and other payables	4,045	15,386	190	-	-	19,621
Lease liabilities	1,381	-	-	-	-	1,381
Total	**5,426**	**15,386**	**190**	-	-	**21,002**

All amounts contained in the statements are in BGN thousands unless otherwise stated

19. OBJECTIVES AND POLICY FOR FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

As at 31 December 2021, the Company's net exposure to foreign currency risk is as follows:

	Functional currency	
	BGN	
Net currency exposure (assets/liabilities)	**2021**	**2020**
Euro	6,782	13,947
USD	14,706	8,591
PLN	2,761	7,259
GBP	-	1,561

Liquidity risk

Liquidity risk arises from the management of working capital, financial costs and repayment of the principal of debt instruments. This is the risk of the management encountering difficulties in fulfilling their obligations when they become due.

The policy of the management is to assure that it will always have sufficient cash to be able to fulfil its obligations when they become due. To achieve this goal, it seeks to maintain cash balances (or agreed funds) to meet the expected requirements.

The management receives periodic information on cash balances.

The table below shows an analysis of the Company's liabilities as at 31 December 2021, broken down by residual term of maturity.

	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
31.12.2021					
Trade payables and other payables	25,714	306	48	-	26,068
Total	**25,714**	**306**	**48**	-	**26,068**
31.12.2020					
Trade payables and other payables	19,451	170	151	-	19,772
Total	**19,451**	**170**	**151**	-	**19,772**

20. CAPITAL MANAGEMENT

The main purpose of the Company capital management is to ensure that it maintains a stable credit rating and appropriate capital ratios to keep its business going and maximize its value.

The Company manages its capital structure and adjusts according to changes in economic conditions.

The Company monitors its capital using a debt ratio that represents the net debt divided by total capital plus net debt. The Company includes in net debt the interest-bearing loans and borrowings, trade and other payables less cash and cash equivalents, with the exception of discontinued operations.

	31.12.2021	**31.12.2020**
Current liabilities on loans, trade and other receivables	26,279	20,246
- Decreased by cash and short-term deposits	(720)	(5,148)
Net debt	**25,559**	**15,098**
Equity	39,206	47,908
Capital and net debt	**64,765**	**63,006**
Debt ratio	39%	24%

21. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets (by asset class)	**31.12.2021 г.**	**31.12.2020 г.**
	BGN'000	**BGN'000**
Land and buildings	409	1,382
At the end of the reporting period	**409**	**1,382**

Right-of-use assets	**Land and buildings**
	BGN'000
Reporting value	
As at 1 January 2020	2,001
Acquired - new lease contracts	117
Terminated lease contracts	-
As at December 31, 2020	**2,118**

21. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Right-of-use assets	**Land and buildings**
	BGN'000
As at 1 January 2021	**2,118**
Acquired - new leases	130
Terminated/Modified leases	(1,342)
As at 31 December 2021	**906**
Depreciation	
As at 1 January 2020	**(176)**
Depreciation for the year	(560)
As at 31 December 2020	**(736)**
As at 1 January 2021	**(736)**
Depreciation for the year	(685)
Depreciation charged	924
As at 31 December 2021	(497)
Net book value at 31 December 2020	**1,382**
Net book value at 31 December 2021	**409**

Lease liabilities

	31.12.2021 г.	**31.12.2020 г.**
Short-term lease liabilities	264	625
Long-term lease liabilities	153	756
Total lease liabilities	**417**	**1,381**

	31 December 2021	**31 December 2021**
	Minimum lease payments	**Minimum lease payments**
	BGN'000	**BGN'000**
Up to 1 year	300	264
Between 1 and 5 years	147	153
Total minimum lease payments	**447**	**417**
Less amounts representing finance costs	(30)	-
Present value of minimum lease payments	**417**	**417**

21. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The following amounts have been recognised in the statement of comprehensive income:

	2021	2020
	BGN'000	BGN'000
Depreciation of right-of-use assets (by asset class)		
Buildings	497	736
Total depreciation cost	**497**	**736**
Interest expense on lease liabilities (included in the finance costs)	5	10
Total costs related to lease contracts	**502**	**746**

The following amounts have been recognised in the cash flow statement:

	2021	2020
	BGN'000	BGN'000
Cash outflow from lease contracts (IFRS 16) - finance activities		
Principal amount	707	700
Interest	5	10
Total cash outflow	**712**	**710**

22. CONTINGENCIES AND COMMITMENTS

The tax authorities may at any time inspect the accounts and registers for five consecutive years from 1 January of the year following the year in which the tax was due and impose additional taxes or fines. The management of the Company is not aware of any circumstances that could lead to significant liabilities in this area.

23. POST BALANCE SHEET EVENTS

Conflict between Russia and Ukraine

The management reviewed the economic sanctions imposed on the Russian Federation (and reciprocal measures) in response to the military conflict between the Russian Federation and Ukraine, which began on February 24, 2022, and their current and future potential effects on the company. Management believes that this is a non-adjusting event after the balance sheet date, confirming that there is no effect of sanctions on the valuation of assets and liabilities in the financial statements. The Company's sales to Russia accounted for only 1.42% of total sales, but military action in Ukraine and subsequent sanctions against Russia disrupted supply chains. Management has developed plans to provide alternative sources for all critical materials in the event of a complete disruption of the supply chain. Management will continue to monitor potential impacts, taking all possible steps to mitigate potential impacts.

No other material events have occurred after the balance sheet date that would require adjustments to the amounts and disclosures in the annual financial statements.