ANNUAL MANAGEMENT REPORT

INDEPENDENT AUDITOR'S REPORT

SEPARATE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

(Unofficial translation of the original in Bulgarian)

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Name of the Company:	FILKAB AD
Unified Identification Code:	115328801
Registered Office:	92 Komatevsko shosse Str., Plovdiv
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ANNUAL REPORT ON THE ACTIVITY

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1. Company's Profile

FILKAB AD (the Company) is a joint-stock company, founded in 1999 and entered in the Commercial Register at the Registry Agency of the Republic of Bulgaria under Unified Identification Code 115328801.

In the country and the region the Company is a leader with its main activity – trade in electrical equipment /cables, cable fittings and accessories, electrical and automation equipment, monitoring and visualization, lighting fixtures and electrical installation systems and products/.

FILKAB AD offers engineering services and performs overall activities – design, manufacturing, delivery, installation, and commissioning of complete electrical and automation projects, lines and facilities; designs and manufactures lighting fixtures, electrical LV-switchboards, complete distribution systems 24kV, concrete complete transformer substations (CCTS); builds substations 110kV and 400kV, photovoltaic and cogeneration systems, etc. (alone or through its subsidiary companies).

Among the clients and partners of FILKAB AD, there are companies operating in the sphere of electricity generation, transmission and distribution, of the telecommunications sector, companies performing electrical installation, construction, and trade activities. Among those of particular importance are investors and general contractors of substantial and key projects, Bulgarian investors from small and medium-sized businesses, state companies and public associations.

Through its subsidiary companies (Engineering EAD, FILKAB Solar Ltd., MAKKAB DOOEL – Macedonia, FİLKAB Solar Enerji A.Ş. – Turkey and FILKAB Solar HU Kft – Hungary), as well as individually, FILKAB continues to develop actively its activities in the field of renewable energy sources (RES) not only providing equipment and services, but also as an EPC-contractor. So far, the Company has participated as a main contractor and/or subcontractor in a considerable number of projects regarding energy generation from PV sources in Bulgaria, Greece, Romania, Macedonia, Cyprus, Turkey and Hungary.

In the reporting period 2019, the Company performed a significant complex supply of electrical materials for a large PV project in the Republic of Belarus.

According to the forecasts of the Ministry of Finance, the GDP rate in the country for 2020 will reach growth of 3.4%. In this regard, the Company should continue its activities on the diversification of offered products and services from the rapidly growing new areas – solutions Industry 4.0 for automation and data interchange, new efficient lighting sources and renewable energy sources. FILKAB AD is developing in this direction through its participation in projects as main contractor, subcontractor or supplier of electrical equipment, thus obtaining know-how, establishing contacts and partnerships with external companies and organisations, working with research institutes, participating in joint manufacturing activities with them.

The Company does not perform research and development activities.

2. Share Capital of the Company

As of December 31, 2019 the registered share capital of the Company is at the total amount of BGN 20 000 thousand and is distributed in 2 000 000 ordinary shares at nominal value of BGN 10 per share. Shareholders of the Company are nine individuals. As of December 31, 2019, the net assets of Company are at the amount of BGN 42 793 thousand (2018: BGN 42 174 thousand).

3. Company's Structure (branch network, subsidiary companies)

FILKAB AD has its own branch network across the country. The headquarters and the main warehouse are located in Plovdiv. In Sliven, Varna, Sofia and Ruse, the Company has representations with large showrooms and warehouses, and in the towns of Veliko Tarnovo, Plovdiv and Burgas it has its own stores as well.

FILKAB AD holds shares in the following companies:

№	Name of company of investment based on latest legal registration	Number of shares	Carrying amount of the investment in thousands of BGN	% of equity participation
1	ENGINEERING EAD	10 000	139	100.0%
2	FILKAB SOLAR LTD	3 500	35	70.0%
3	MAK KAB DOOEL, Macedonia	600 000	1 222	100%
4	FILKAB DISTRIBUTIE SRL, Romania	88 000	1 168	71.4%
5	FILKAB SOLAR ENERJI A.Ş., Turkey	100 000	71	100.0%
6	FILKAB MIG DOO, Serbia	5 000	50	51.0%
7	GESPRO GREEN ENERGY S.R.L., Romania	4 500	19	100.0%
8	SOLAR REMUS S.R.L., Romania	4 498	19	99.9%
9	FILKAB SOLAR KFT, Hungary	585	38	75%
10	OTHER	-	7	4.0% - 5.0%
		Total:	**2 768**	

4. Company Management Bodies Information

The Company management bodies are the General Meeting of Shareholders and the Board of Directors (BoD). The Company is represented by an Executive Director.

As of December 31, 2019, the Board of Directors of FILKAB AD consists of eight members, as follows:

1. Rumen Hristov Tsankov, Chairman of the BoD;
2. Atanas Ivanov Tanchev, member of the BoD - Executive Director;
3. Lachezar Manolov Manolov, member of the BoD
4. Zdravko Petkov Peychev, Deputy Chairman of the BoD
5. Ognyan Tomov Zarev, member of the BoD;
6. Aleksandar Viktorov Prihodkov, member of the BoD;
7. Iliya Andreev Andreev, member of the BoD;
8. Stefaniya Margaritova Georgieva, member of the BoD.

For 2019 the remunerations received by the Board of Directors are at the amount of BGN 424 thousand.

The operational management of the Company is carried out by:

1. Executive Director;
2. Department Directors;
3. Unit Managers;
4. Analytical Specialists and Administration.

The activity of the Company is divided into the following three areas:

1. Trade activity – which is of key importance to the Company and is 96% of the total volume;
2. Project activity – in 2019 covering 4% of the total volume;
3. General operations.

5. Financial Position

In 2019 the Company's effort was to increase its market share, striving to keep its profit rate. Continued was also the business diversification by transfer of certain activities in the subsidiaries of Filkab AD. The subsidiaries in Bulgaria and Macedonia began to peform their main supplies of goods and materials directly from the producers and not through the parent company - Filkab AD. A major part of the contracts performed by Filkab AD in the past are now realized directly by the subsidiaries.

	December 31, 2019	December 31, 2018	Change
Revenue	59 632	59 755	-0.2%
Profit from operating activities, net	619	287	116.4%
Assets	77 315	78 670	-1.7%
Liabilities	34 522	36 496	-5.4%
Equity	42 793	42 174	1.5%
Current assets	53 824	54 586	-1.4%
Current liabilities	28 838	35 850	-19.6%
Current liquidity (current assets/current liabilities) ratio	1.87	1.52	23.0%
Quick ratio (receivables+cash/current liabilities) ratio	1.00	0.81	23.5%
Capital utilization	55.0%	54.0%	1.9%
Equity profitability (net profit/equity) ratio	1.0%	1.0%	0.0%
Equity to debt ratio (equity/equity+liabilities)	0.55	0.54	1.9%
Debt to equity ratio (equity+liabilities/equity	1.81	1.87	-3.2%
Assets turnover	77%	76%	1.3%
Working capital	24 986	18 736	33.4%

6. Financial Instruments and Financial Risk Management

The Company's activities expose it to a variety of financial risks – market risk (comprising currency risk, interest rate risk and price risk); credit risk and liquidity risk. The Company does not use derivative financial instruments to manage financial risks.

Market risk

Currency risk

The Company performs transactions denominated in foreign currency primarily originated in EUR. As the EUR is fixed to the Bulgarian Lev, the Company is not exposed to currency risk. Taking into account the low volume of foreign currency transactions, the risk is minimal.

Interest rate risk

As the Company has no significant interest bearing assets, the incomes and operating cash flows of the Company are independent from changes in market interest rates. Financial instruments that potentially expose the Company to interest rate risk are primarily the bank loans and finance lease contracts. As the contracted interest rate of the utilized loans is with a fixed markup over EURIBOR, the Company is potentially exposed to cash flow risk.

Price risk

The Company does not own any assets, the prices of which are dependent on the international market prices, so it is not exposed to price risk.

Credit risk

Financial assets that potentially expose the Company to credit risk are primarily its trade receivables. The Company has a significant concentration of credit risk in certain clients. Basically, the Company is exposed to credit risk, in case the clients do not meet their payment obligations. The Company's policy is directed to sales of goods on deferred payment to customers having favorable credit reputation, based on assessment of the customer's credit history and creditworthiness, expected sales volumes to the client, client's reputation, reference from contactors and others. For clients on deferred payment credit limits are defined, within which the clients are entitled to purchase goods on deferred payment. The credit limits are monitored by the Company's trade directorate on an ongoing basis.

Liquidity risk

Liquidity risk is the risk that the Company may have difficulties in paying its financial obligations. To manage this risk the Company's management keeps an optimal level of quick liquid assets (cash and receivables), as well as the potential opportunity to demand additional credit line.

7. Future Development Prospects for the Company

Maintaining the leading position on the Bulgarian market and expanding the Company's presence on international markets can be achieved by focused work in the following areas:

1. Identifying new potential customers in the country and abroad. Attracting new loyal customers, as well as keeping the current ones;
2. Increasing sales through large construction and engineering companies and organisations. Cooperation and joint participation in the implementation of infrastructure and energy projects (water treatment plants, energy projects, new renewable energy sources, reconstruction of railway and public infrastructure, etc.);
3. Maintaining consistent distribution policy with trade companies, loyal to FILKAB AD and positioned in key regions, and taking targeted action to assist them;
4. Improving the organisational structure and increasing the efficiency of business processes by fully exploiting the opportunities of the ERP-system to gain competitive advantage in our business sphere;
5. Implementation of an on-line trade platform for facilitation and automation of the process of offering and ordering goods by the corporate clients of the Company;
6. Work permanently on the discovery and implementation of new products and solutions in the trade activities with high profit margins, outstripping competitors on the market;
7. Expanding the international presence of FILKAB AD, also through the establishment and investments in subsidiaries with activity which is suitable to the fullest extent to the business environment and the growth opportunities within the respective country;
8. Analysing the opportunities for significant improvement of the Company's profitability of the through business combinations (mergers and acquisitions).

8. Environment Protection and Healthy and Safety Working Conditions

FILKAB AD has implemented an integrated system for management of quality, environment and healthy and safety working conditions for which the Company has the following certificates: ISO 9001:2015; ISO 14001:2015 and ISO 45001:2018, issued by the Bureau Veritas Certification.

9. Disclosure of information pursuant to the Commerce Act

In 2019 Filkab AD has no contracts under Art. 240b of the Commerce Act..

As of December 31, 2019, members of the Board of Directors posses Company's shares, as follows:

- Lachezar Manolov Manolov – 382 876 shares;
- Rumen Hristov Tsankov – 352 638 shares;
- Stefaniya Margaritova Georgieva – 204 210 shares;

As at December 31, 2019 the participation of members of the Board of Directors in companies as general partners, having more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives as procurators, managers or members of management bodies is, as follows:

- Rumen Hristov Tsankov – "Filkom 4" EOOD - participation in the capital with more than 25% and Managing Director;
- Lachezar Manolov Manolov – "Nilex – 2" Ltd. - participation in the capital with more than 25% and Managing Director;
- Atanas Ivanov Tanchev – "Electro Ins" Ltd. - participation in the capital with more than 25% and Managing Director, "Engineering" EAD – member of the Board of Directors;
- Ognyan Tomov Zarev – "Polizar" EOOD - with more than 25% and Managing Director, "Engineering" EAD - member of the BoD, Managing Director of "Filkab Solar" KFT - Hungary, Managing Director of "Filkab Solar Energy" AS – Turkey;
- Stefania Margaritova Georgieva – "Electro Ins" Ltd. - with more than 25% and Managing Director.

10. Events after the date of preparation of the annual financial statements

The Coronavirus epidemic ("COVID-19") that emerged at the end of 2019 has spread around the world. Governments worldwide have introduced measures to curb the spread of this pandemic, including restricting the movement of persons and vehicles, banning public events, suspending business in certain sectors of the economy, etc. In addition, at the discretion of the respective management, businesses in various industries introduce reduced working hours, provide teleworking, or cease working altogether for a certain period.

The International Monetary Fund's 2020 projections are for the reduction of the global economic growth by several points as compared to 2019 levels. Recovery from this recession is expected to come to an end in 2021 reaching 2019 levels, and aiming to achieve this all countries should give priority to a rigorous policy for curbing the spread of the pandemic and for a strong healthcare system.

In Bulgaria, the first positive cases were confirmed on March 8, 2020.

In connection with the growing pandemic of COVID-19 on March 13, 2020, the Bulgarian parliament declared a state of emergency throughout the territory of the Republic of Bulgaria as of March 13, 2020 until April 13, 2020. The Act on Measures and Actions during the state of emergency, promulgated by a decision of the Parliament of March 23, 2020, has also been in force as of the same date. This Act has enacted important socio-economic measures and accompanying legislative changes aiming to mitigate the effects and help the future recovery of the Bulgarian economy.

As at the date of approval of these financial statements, the Company continues its operations by accepting and following all legally prescribed measures regarding the COVID-19 epidemic. However, the disruption of the normal economic activity in the Republic of Bulgaria as a result of COVID-19 may adversely affect the construction and energy sectors, to which a part of the Company's commerce operations are related. At present, there are no customer requests withdrawals, and no significant deviations in the commerce activity are observed, compared to previous periods. Due to the unpredictable dynamics of COVID-19, at this point it is practically impossible for the Company's management to make a reliable assessment and measurement of the potential impact of the pandemic.

11. Management Responsibilities

Management acknowledges that an adequate and consistent accounting policy has been applied and that the financial statements as of December 31, 2019 are prepared following the prudence principle in the valuation of assets, liabilities, income and expenses. Management is responsible for the accuracy of its books of account, for the safekeeping of assets and for the prevention and detection of fraud and other errors.

Atanas Tanchev
Executive Director

March 30, 2020
Plovdiv

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INDEPENDENT AUDITOR'S REPORT

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This document is a translation of the original in Bulgarian, in case of divergence the Bulgarian original is prevailing.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
FILKAB AD

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the financial statements of FILKAB AD (the Company), which comprise the separate balance sheet as at 31 December 2019, and the separate income statement, separate equity statement and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with National Accounting Standards (NAS) applicable in Bulgaria.

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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code)* together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the separate financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Separate Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the separate 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.

Responsibilities of Management for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with NAS applicable in Bulgaria 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 separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the separate 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 separate 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 separate 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.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organisation of certified public accountants and 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 about 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 management report referring to the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements.
b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Anda Consulting Ltd.

Dimitar Bazlyankov
Registered auditor
Managing Director

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 128 АНДА КОНСУЛТИНГ ООД

March 30, 2020
Sofia

SEPARATE
FINANCIAL STATEMENTS
AS OF
DECEMBER 31, 2019

SEPARATE INCOME STATEMENT
for the year ended December 31, 2019
All amounts are in thousands of BGN, unless otherwise stated

	Note №	December 31, 2019	December 31, 2018
Revenue			
Net revenue from sales	*4*	59 632	59 755
Other income	*5*	513	475
Total operating revenue		**60 145**	**60 230**
Finance income	*12*	**603**	**874**
Total revenue		**60 748**	**61 104**
Expenses			
Change in finished goods and work in progress		100	(34)
Materials expenses	*6*	(1 633)	(669)
Hired services	*7*	(2 153)	(1 171)
Personnel expenses	*8*	(3 952)	(3 763)
Depreciaition and amortization expenses	*9*	(989)	(1 236)
Cost of goods sold	*10*	(50 309)	(52 761)
Other expenses	*11*	(489)	(461)
Total operating expenses		**(59 425)**	**(60 095)**
Finance costs	*12*	**(698)**	**(740)**
Total expenses		**(60 123)**	**(60 835)**
Accounting profit		**625**	**269**
Income tax income/(expense)	*13*	(6)	18
Profit for the period		**619**	**287**

Approved for issuance by the Management of Filkab AD on March 30, 2020.

Atanas Ivanov Tanchev
Executive Director

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Silviya Vasileva Kostova
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Managing Director
Anda Consulting Ltd
March 30, 2020, Sofia

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 128 АНДА КОНСУЛТИНГ ООД

(The accompanying notes from page 19 to page 49 are an integral part of these financial statements)

SEPARATE BALANCE SHEET
as of December 31, 2019
All amounts are in thousands of BGN, unless otherwise stated

	Note №	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	20 013	20 597
Intangible assets	*15*	47	62
Investments in entities	*16*	2 768	2 768
Trade and other receivables	*18*	600	600
Deferred tax assets	*13*	63	57
Total non-current assets		**23 491**	**24 084**
Current assets			
Inventories, net	*17*	25 069	25 680
Trade and other receivables	*18*	28 063	28 760
Cash	*19*	692	146
Total current assets		**53 824**	**54 586**
TOTAL ASSETS		**77 315**	**78 670**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*25*	20 000	20 000
Reserves	*25*	9 189	9 189
Retained earnings		12 985	12 698
Profit for the period		619	287
Total capital and reserves		**42 793**	**42 174**
Non-current liabilities			
Borrowings	*22*	5 290	313
Retirement benefits obligation	*24*	245	242
Lease liabilities	*23*	149	91
Total non-current liabilities		**5 684**	**646**
Current liabilities			
Trade and other payables	*21*	10 182	11 575
Borrowings	*22*	18 491	24 159
Lease liabilities	*23*	165	116
Total current liabilities		**28 838**	**35 850**
TOTAL EQUITY AND LIABILITIES		**77 315**	**78 670**

Approved for issuance by the Management of Filkab AD on March 30, 2020.

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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 128 АНДА КОНСУЛТИНГ ООД

(The accompanying notes from page 19 to page 48 are an integral part of these financial statements)

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2019
All amounts are in thousands of BGN, unless otherwise stated

	Share capital	Legal reserves	Other reserves	Accumulated profit	Total
Balance at January 1, 2018	**20 000**	**2 029**	**7 160**	**13 498**	**42 687**
Changes in equity for 2018					
Profit for the period	-	-	-	287	**287**
Dividends paid	-	-	-	(800)	**(800)**
Balance at December 31, 2018	**20 000**	**2 029**	**7 160**	**12 985**	**42 174**
Changes in equity for 2019					
Profit for the period	-	-	-	619	**619**
Dividends paid	-	-	-	-	**-**
Balance at December 31, 2019	**20 000**	**2 029**	**7 160**	**13 604**	**42 793**

Approved for issuance by the Management of Filkab AD on March 30, 2020.

Atanas Ivanov Tanchev
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(The accompanying notes from page 19 to page 49 are an integral part of these financial statements)

SEPARATE CASH FLOW STATEMENT
for the year ended December 31, 2019
All amounts are in thousands of BGN, unless otherwise stated

	December 31, 2019	December 31, 2018
A. Cash flows from operating activities		
Proceeds from customers	70 517	67 922
Cash paid to suppliers	(59 632)	(60,460)
Remuneration and related payments	(3 910)	(3 790)
Taxes and fees paid	(5 342)	(4 342)
Net cash generated from/(used in) operating activities:	**1 633**	**(670)**
B. Cash flows from investing activities		
Purchase of property, plant and equipment	(126)	(266)
Proceeds from sale of property, plant and equipment	91	2
Purchase of investments	-	(38)
Net cash, used in investing activities:	**(35)**	**(302)**
C. Cash flows from financing activities		
Proceeds from borrowings	1 456	2 552
Repayments of borrowings	(2 147)	(754)
Interest paid on borrowings	(539)	(556)
Proceeds on trade loans	-	503
Principal and interest paid on lease contracts	(110)	(125)
Dividends received	397	186
Dividends paid	-	(760)
Fees, charges, commissions and other paid, net	(109)	(18)
Net cash, generated from /(used in) financing activities:	**(1 052)**	**1 028**
Net increase in cash for the period	**546**	**56**
Cash at the beginning of the period	**146**	**90**
Cash at the end of the period (note 19)	**692**	**146**

Approved for issuance by the Management of Filkab AD on March 30, 2020.

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Anda Consulting Ltd
March 30, 2020, Sofia

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 128 АНДА КОНСУЛТИНГ ООД

(The accompanying notes from page 19 to page 49 are an integral part of these financial statements)

NOTES TO THE
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019

1. Legal status and business activity

FILKAB AD (the Company) is a joint-stock company, registered by decision of the Plovdiv District Court under company file № 2189/1999 and is entered in the Trade Register of the Registry Agency under Unified Identification Code 115328801. The seat and registered office of the Company is 92, Komatevsko shosse Str., Plovdiv 4004. As of December 31, 2019 shareholders in the Company are nine individuals.

The Company's main activity is trade in cables and wires, electrical and automation equipment, medium voltage electrical equipment, cable accessories, lighting fixtures and electrical installation materials. The Company offers alone or through its subsidiary companies services for design and manufacture of lighting fixtures, low-voltage electrical switchboards, complete distribution systems 24kV and concrete complete transformer stations. The Company provides renewable energy sources solutions such as PV plants and systems both grid connected or autonomous, which can also be fixed or tracking the sun, ground- or building mounted – on walls, horizontal and inclined roofs; as well as hybrid systems for electricity production through photovoltaic and wind generators.

These separate financial statements have been approved for issuance by the management of the Company on March 30, 2020.

2. Basis for preparation of the financial statements and accounting principles

2.1. General

The Company keeps its accounting records and prepares its financial statements in accordance with the requirements of the Bulgarian trade and accounting legislation. Since the beginning of 2005 National Standards for Financial Reporting of Small and Medium-sized Enterprises are enforceable in Bulgaria, enacted by Ordinance of the Council of Ministers № 46 dated March 21, 2005, amended and supplemented in October, 2007. By Ordinance № 394 from December 30, 2015, adopted are changes in the name of the standards, the wording "Standards for Financial Reporting of Small and Medium-sized Enterprises" is replaced with "Accounting Standards". By the ordinance introduced are the provisions of Directive 2013/34/EU dated June 26, 2013 of the European Parliament and the Council regarding annual financial statements, consolidated financial statements and related reports of certain types of companies and regarding amendments to Directive 2006/43/EC of the European Parliament and the Council repealing Directives 78/660/EEC and 83/349/EEC. The National Accounting Standards (NAS) are enforceable from January 1, 2016. Subsequently the NAS have been amended by decrees of the Council of Ministers, published in the State Gazette issue № 3 from 2016 and № 15 from 2019.

These financial statements are prepared in accordance with NAS, applicable as of the balance sheet date.

Some items names, as well as the order of presentation of items in the balance sheet and the income statement have been changed in order to better the presentation of the Company's activity and operating results.

These financial statements are prepared on the historical cost basis.

These financial statements are prepared for a general purpose and provide information for the financial position, results and cash flows, generated by the Company for the year ended December 31, 2019.

2.1. General (continued)

These financial statements are separate financial statements, in accordance with the definition of *Accounting Standard 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries* (AS 27).

As disclosed in note 16, the Company owns 50 and more than 50 percent of the shares and voting rights in legal entities, therefore based on article 31 of the Accountancy Act and AC 27, it prepares consolidated financial statements.

2.2. Presentation currency

The Company keeps its records and prepares its financial statements in the national currency of the Republic of Bulgaria - the Bulgarian Lev. This is the currency, adopted as functional in the primary economic environment of the Company's operating activity. Since January 1, 1999 the Bulgarian Lev is fixed to the EUR at the rate of 1.95583 BGN/EUR.

These financial statements are presented in thousand Bulgarian Levs (BGN'000).

2.3. Foreign currency transactions

Transactions in foreign currency are initially recorded at the official rate of exchange of the Bulgarian National Bank (BNB) as of the date of the transaction. The foreign exchange rate differences, arising upon the settlement of these monetary positions or at restatement of these positions at rates, different from those when initially recorded, are reported in profit or loss for the respective period.

The monetary positions denominated in foreign currency as at December 31, 2019 and 2018 are stated at the closing exchange rate of the BNB. Since 1999 the Bulgarian Lev is pegged to the EURO at the rate of 1.95583 BGN/EUR.

2.4. Accounting estimates and reasonable assumptions

The application of the accounting standards requires management to make certain accounting estimates and reasonable assumptions to assess the value of some of the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based on the best estimates of management, taking into account historical experience and analysis of all factors of significance in the circumstances as of the date of the financial statements. The actual results could differ from those estimates, presented in these financial statements (see also note 3.13).

3. Definition and valuation of the financial statements items

3.1. Property, plant and equipment and intangible assets

Property, plant and equipment are identifiable non-financial resources, acquired and owned by the Company, which:

- have physical substance;
- are held for use in the production and/or supply/sale of goods or services, for rental to others, or for administrative or other purposes;
- are expected to be used during more than one period;
- have value that is over the materiality value threshold at the amount of BGN 700, defined by the Company.

The value of property, plant and equipment is based on their acquisition price, which is the purchase price along with all costs incurred in bringing the asset in use less accumulated depreciation and subsequent impairment loss (if any) (see also note 3.2).

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are initially measured at cost. After initial recognition they are measured at cost less accumulated amortization and impairment loss, if any.

Any subsequent expenditure incurred is capitalized only if it increases the economic benefits of the respective asset. All other subsequent costs are reported as current expenses in the income statement.

Depreciation is charged by the Company over the estimated useful life of the assets, which is set by the management of the Company for each group of assets. The Company has approved an accounting depreciation schedule upon individual depreciation rates, in accordance with the enforceable Bulgarian legislation.

The Company has adopted the straight-line method of depreciation.

The useful life of an asset is defined in terms of the asset's expected utility to the Company, and is a matter of judgment based on the experience with similar assets. The useful life of property, plant and equipment and intangibles is estimated as follows:

Useful life	2019	2018
Administrative and commerce buildings	25 years	25 years
Machines and equipment	4-8 years	4-8 years
Computers and software	2 years	2 years
Transport vehicles	4-10 years	4-10 years
Office equipment	7 years	7 years
Intangible assets	2-7 years	2-7 years

Depreciation of an asset begins in the month, following the month in which the asset is available for use and ceases at the end of the month when the asset is derecognized.

3.1. Property, plant and equipment and intangible assets (continued)

The depreciation method applied to an asset and its estimated useful life are reviewed at least at each financial year-end, and changes are made to reflect the future usage of the asset or the expected pattern of consumption of the future economic benefits embodied in the asset. Such changes, if any, in the depreciation method and assets' useful life, are accounted for prospectively as a change in the accounting estimates in accordance with *AS 8 Net gains or losses for the period, fundamental errors and changes in accounting policies*.

Depreciation is not charged for land, assets under construction, fully depreciated assets and fixed assets which are temporarily out of use.

3.2. Impairment of property, plant and equipment and intangible assets

As of the date of preparation of the financial statements, the management of the Company reviews its property, plant and equipment and intangible assets to determine whether there is any indication for impairment of these assets. If any such indication exists, the recoverable amount of the respective asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit, to which the asset belongs.

The recoverable amount is the higher of the asset's fair value less costs to sell the asset and its value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment loss is recognized in profit or loss immediately. After depreciation, the amortized amount of the asset is adjusted for future periods, so that the new carrying amount of the asset can be allocated to the asset for the remainder of its useful life after deducting the residual value, if any.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the respective asset in prior periods. A reversal of an impairment loss is recognized in profit or loss immediately.

3.3. Inventories

Inventories are assets held for sale in the ordinary course of business of the Company, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. As direct sales are performed with inventories (excluding finished goods and work in progress), i.e. the inventories have characteristics of goods for resale, and also inventories, comprising materials, are consumed in the production process, the inventories cannot be classified as goods for resale or materials until their sale or consumption. Because the relative volume of directly sold inventory is significantly higher than that the volume of inventory input in production, the Company has adopted a policy to present inventories as goods for resale (see also note 17).

3.3. Inventories (continued)

Inventories are stated at the lower of cost and net realizable value. Cost comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories in their present location and condition– transportation, customs duties and other similar costs. Net realizable value represents the estimated selling price less all estimated costs to be incurred in completing the production and selling.

The costs on conversion of inventories include costs directly attributable to the units of production. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The costs of conversion of each product, which are not separately identifiable, are allocated between the products on a rational and consistent basis.

Upon consumption, the cost of inventories is defined by application of the weighted average cost method.

3.4. Financial instruments

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are recognized in the balance sheet only when the Company becomes a party to the contractual provisions of the instrument.

Financial assets/liabilities are classified according the purpose of acquisition/ purpose when received, and when financial assets/liabilities are part of a portfolio, they are classified according the purpose that the Company has set to achieve the portfolio.

The Company classifies the financial assets and liabilities in the current and prior reporting periods into the following categories: loans and receivables granted by the Company (loans granted and trade and other receivables) and loans and liabilities, initially originating in the Company (interest bearing loans, trade and other liabilities, and liabilities under lease contracts). The classification depends on the purpose and term of the respective contract.

On initial recognition financial assets and liabilities are measured at fair value of the investment made or received for it plus transaction costs for dealing with financial instruments.

The subsequent mesurment of the financial assets and liabilities is disclosed in the notes for the separate financial instruments below.

3.4. Financial instruments (continued)

The Company derecognises all or part of its financial instruments (including those arising from collaterals) only when the contractual rights or obligations on them are repaid. Repayment (completely or partially) of contractual rights or obligations, arising from a financial instrument exists on:

- realization of the rights or settlement of the obligations;
- denial of rights or cancellation of obligations;
- expiration of the period for realization of the rights or settlement of the obligations.

The effective interest method is a method of calculating the amortized cost of a financial asset or a liability (or group of financial assets/liabilities) and of allocating the interest expense or interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

3.4.1. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are originated when the Company provides cash, goods or services, having no intention to trade the receivable incurred. These receivables are stated at their amortized cost, calculated based on the effective interest rate method. For current receivables, which are expected to be settled within normal credit terms, the amortized cost is approximately equal to their nominal value.

3.4.2. Cash

For the purposes of cash flow presentation, cash represents cash on hand and cash in bank accounts of the Company and other high-liquidity investments, that could be converted in certain cash amount and are subject to insignificant changes in value. For the purposes of cash flow presentation, cash comprises unrestricted cash funds. Cash receipts from customers and cash payments to suppliers are presented in the cash flow statement as their gross amounts, including value added tax (VAT). Cash receipts and payments on revolving bank loans, overdrafts and factoring are presented net.

3.4.3. Impairment of financial assets

As of the date of preparation of the financial statements the Company's management assesses whether there is any objective evidence for impairment of the financial assets, reported at amortized cost. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, resulting in a decrease of the estimated future cash flows. It may not be possible to identify a single, discrete event, rather than a combined effect of several events that may have caused the impairment.

3.4. Financial instruments (continued)

3.4.3. Impairment of financial assets (continued)

Trade and other receivables

The Company recognizes impairment of trade receivables, whether there is objective evidence, that the Company would not be able to collect all amounts due at their maturity date. The Company considers as indications for potential impairment significant financial problems of the debtor, the probability that the debtor will be a subject to a bankruptcy procedure or non-fulfillment of the contract terms, as well as payment delay. If any of these indications for impairment occurs, the impairment loss is calculated as a difference between the carrying amount and the present value of the expected future cash flows, discounted by the original effective interest rate for similar assets. Current receivables are not discounted if the discounting effect is immaterial. Impairment is recorded by using a separate impairment account, which is shown as a reduction to receivables in the balance sheet and the impairment expenses are stated as Other expenses in the income statement. If a receivable is non-collectable and there is a recognized impairment loss for it, the receivable is written off by decrease of the respective allowance account. The recovery of the loss from impairment of trade receivables is reported as a decrease of the item, in which the impairment has been previously recorded.

3.4.4. Trade and other payables

Trade and other payables incurred as a result of purchases of goods and services, which are not classified as financial liabilities measured at fair value through profit or loss, are stated in the balance sheet at amortized cost, calculated based on the effective interest rate. For current payables, which will be settled within normal credit terms, the amortized cost is approximately equal to their nominal value.

3.4.5. Borrowings

Loans are initially recorded at the fair value of the proceeds received, net of transaction costs. After initial recognition, loans are measured at amortized cost, and any difference between the initial cost and maturity cost is recognized in the profit or loss over the loan period, using the effective interest rate method. If no transaction costs have been incurred in negotiating an interest bearing loan, the loan is reported at nominal value, which is equal to its amortized cost. This also applies to bank overdrafts, where the borrower is entitled to multiple utilizations or repayments of the borrowed funds within a pre-determined overdraft limit.

Finance costs, including direct issue costs are expensed, using the effective interest rate method, except for transaction costs on bank overdrafts, which are recognized as expense on a straight line basis over the overdraft period (see also note 3.10).

Loans are classified as current liabilities, unless the Company has an unconditional right to defer repayment of the liability for at least twelve months after the end of the reporting period.

3.4. Financial instruments (continued)

3.4.6. Factoring

The Company performs transactions for assignment of trade receivables to a third party, which is a specialized factoring company (factor). Essentially these transactions are factoring of trade receivables with right of recourse.

The Company does not derecognise these financial assets until the cash flows from the end customer are not received, as not all risks and rewards, related to the trade receivables are transferred along with the transfer of the financial assets. Under the terms of the contract with the factor, the Company also recognizes financial liabilities, related to the fees and commissions. These liabilities are recognized at their fair value, as they are not subject to subsequent revaluation due to their short-term nature.

Upon receipt of the cash flows by the factor, the cash flows received are recorded as a current liability. Upon receipt of the cash flows related to trade receivable from the factor, the trade receivable is written off against the financial commitment to factor.

Trade receivables, that are a subject of the factoring agreement, are subsequently measured at their amortized cost.

3.4.7. Share capital

The share capital of the Company is presented at historical cost as of the date of its registration.

3.5. Deferred income and prepaid expenses

In the balance sheet of the Company deferred income and prepaid expenses comprise income and expenses that are prepaid in this period, but refer to future reporting periods - guarantees, insurances, subscriptions and rents.

3.6. Income tax

Income tax expense comprises of current income tax and deferred tax.

The tax currently payable is based on the taxable profit (tax loss) for the period, by the application of the effective tax rate according to the tax legislation as of the date of the financial statements. Deferred tax is the income tax expected to be payable (recoverable) on taxable (deductible) temporary differences. Temporary difference is the difference between the carrying amount of an asset or liability and the corresponding tax basis.

Deferred income taxes are calculated using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets are recognized for deductible temporary differences, only to the extent that it is probable that sufficient taxable profit will be generated by the Company against which the deductible temporary difference can be utilized.

3.6. Income tax (continued)

Deferred tax assets/liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on the information available at the date of preparation of the financial statements. Deferred tax is recognized in profit or loss, except when it relates to items reported directly in equity, in which case the deferred tax is also reported in equity.

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

Deferred tax assets and liabilities are reported net when they are subject to a uniform tax regime.

In accordance with the tax legislation enforceable for 2019 and 2018, the tax rate applied for the calculation of the current tax liabilities of the Company is 10%. The enforceable for 2020 tax rate of 10% is applied in the calculation of the amount of deferred tax assets and liabilities as of December 31, 2019.

3.7. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of the present value of the minimum lease payments and their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet of the Company as a finance lease obligation amounting to the total amount of the lease payments, and the difference between the value at which the assets are recognized and the total amount of the lease payments, as prepaid financial expenses.

Lease payments are allocated between principal and interest, so as to achieve a constant interest rate over the remaining liability on the principal. Interest is recognized in profit or loss.

For assets acquired under finance leases depreciation expense is recognized as the Company's policy regarding depreciation of assets acquired under leases, is no different from the policy for other depreciable assets, owned by the Company.

Leases, whereas a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rental costs under operating lease contracts, net of any incentives received by the lessor, are recognized in profit or loss on a straight line basis over the term of the respective lease contract.

3.8. Employee benefits

Defined contributions plans

The Government of Bulgaria is responsible for the security of pensions under defined benefit plans. The expenses regarding the responsibility of the Company to pay defined social security are recognized in profit or loss at the time of their incurrence.

3.8. Employee benefits (continued)

Unused paid annual leaves accruals

As of the end of each reporting period the Company recognizes as a liability the undiscounted amount of the estimated expenses for unused paid annual leaves, expected to be paid to employees in future reporting periods with respect of their past service. As of December 31, 2019 and 2018 there are no unused paid annual leaves of the personnel of the Company, therefore in profit or loss provisions on personnel paid annual leaves are not accrued.

Retirement benefits

According to the requirements of the Labour Code, upon termination of an employee labour contract at retirement, the Company is liable to indemnify the respective employee to the amount of two gross salaries, if the employee's experience in the Company is less than ten years, or six gross salaries, if the employee's experience in the Company is over ten consecutive years.

Additionally, on early retirement due to disability, the employees are entitled to benefits amounting to two gross monthly salaries, provided that their length of service is at least five years, and they have received no other such benefits during the last five years of service.

In accordance with the requirements of *AS 19 Employee benefits*, the Company recognizes a retirement benefits liability, which is determined estimated by a licensed actuary using the Projected Unit Credit Method. The current service costs and the interest on the obligation and the actuarial gains and losses from adjustments based on experience and changes in the actuarial assumptions are recognized in profit or loss.

The past service costs are recognized as an expense on a straight line basis over the average period, until the benefits become vested. To the extent that the benefits are already vested, immediately following the implementation of or after changes in the retirement benefits plan, the Company recognizes the past service cost immediately. The amount of the retirement benefits obligation, reported in the balance sheet represents the present value of the defined benefits obligation of the Company.

3.9. Government grants

Government grants, (financing, government grants), are assistance by the government, government agencies and similar bodies in the form of transfers of resources to the Company in return for future compliance with certain conditions relating to the operating activities of the Company. Government grants may be (i) related to assets and (ii) related to income.

Government grants are recognized when there is reasonable assurance that: (i) the Company will comply with the conditions attaching to them; and (ii) the grants will be received.

Government grants, related to assets are presented in the statement of financial position as deferred income, that are recognized as income on a systematic and rational basis over the useful life of the acquired assets.

3.10. Revenue and expenses recognition

Revenues and expenses are accrued when they arise, regardless of the cash receipts and payments. They are reported in compliance with the matching concept.

Revenues are carried at the fair value of the consideration received or receivable, less any discounts allowed by the entity.

Revenue is recognized when the amount of the revenue can be reliably measured and it is probable that future economic benefits will flow to the entity as a result of the transaction, and when all specific criteria for revenue recognition are met. It is considered that the amount of the revenue is not reliably measured until all contingencies related to the contract are dealt. The Company shall exercise judgment regarding the criteria for recognition of revenue based on its previous experience and the substance of each transaction and the class of each client.

Sales of goods

The revenue from sales of goods is recognized when the following conditions have been met:

- The significant risks and rewards of the ownership over the goods are transferred to the buyer;
- The Company has not retained a continuing involvement and effective control over the management of the goods, which usually relates to the ownership of the goods;
- It is possible in the event of the transaction, the Company to receive economic benefits;
- The income and expenses directly attributable to the transaction can be reliably measured.

Income from services

Revenue, associated with a transaction involving the rendering of services, is recognized by reference to the stage of completion of the transaction at the end of the reporting period. Revenue recognition by reference to the stage of completion of the transaction is called the percentage of completion method, whereby revenue is recognized in the accounting period in which the services are rendered. In case the outcome of the transaction cannot be reliably measured, revenue is recognized to the extent the expenses incurred are recoverable.

Interest income and dividends

Interest income is accrued by application of the effective interest rate method over the outstanding principal.

Dividend income is recognized, when the Company's rights to receive payment is established.

Expenses

Expenses are recognized in the profit or loss, when a decrease of future economic benefits arise, regarding decrease of an asset or increase of a liability, which can be reliably measured.

When the economic benefits are expected to incur during more than one financial period and the corresponding revenue cannot be measured precisely but only indirectly, the expenses shall be recognized based on procedures for rational and systematic allocation.

3.10. Revenue and expenses recognition (continued)

Borrowing costs

The borrowing costs are recognized in profit or loss in the period in which they are incurred and are determined on the basis of the outstanding principal and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the liability.

Other income/expenses

Profit/(loss) from sale of property, plant and equipment is presented as other income/(expenses). Compensations from third parties regarding impairment or loss of property, plant and equipment, are recognized in profit or loss, when such compensations become payable.

3.11. Financial instruments and financial risk assessment and management

The carrying amounts of the financial assets and liabilities as of December 31, 20198 and 2018, classified by category in accordance with the requirements of *AS 39 Financial Instruments*, are presented in the table below:

Financial assets:

	December 31, 2019	December 31, 2018
Trade and other receivables, net (note 18)	28 398	29 089
Cash (note 19)	692	146
Total	**29 090**	**29 235**

Financial liabilities:

	December 31, 2019	December 31, 2018
Trade and other payables (note 21)	9 803	10 861
Borrowings (note 22)	23 781	24 472
Finance lease liabilities (note 23)	314	207
Total	**33 898**	**35 540**

3.11.1. Financial risk factors

The Company's activities expose it to a variety of financial risks – market risk (comprising currency risk, interest rate risk and price risk); credit risk and liquidity risk. The Company does not use derivative financial instruments to manage financial risks.

3.11. Financial instruments and financial risk assessment and management (continued)

3.11.2. Market risk

Currency risk

The Company performs transactions denominated in foreign currency primarily originated in EUR. As the EUR is fixed to the Bulgarian Lev, the Company is not exposed to currency risk. Taking into account the low volume of other foreign currency transactions, the risk is minimal (see also note 18).

Interest rate risk

As the Company has no significant interest bearing assets, the incomes and operating cash flows of the Company are independent from changes in market interest rates. Financial instruments that potentially expose the Company to interest rate risk are primarily the bank loans and finance lease contracts. As the contracted interest rate of the utilized loans is with a fixed markup over EURIBOR, the Company is potentially exposed to cash flow risk.

If the interest rates on the loans with floating interest rate during 2019, had been 1 % higher/(lower) with all other variables held constant, the financial result after taxes would have been BGN 241 thousand lower/higher (2018: BGN 236 thousand).

Price risk

The Company does not own any assets, the prices of which are dependent on the international market prices, so it is not exposed to price risk.

3.11.3. Credit risk

Financial assets that potentially expose the Company to credit risk are primarily its trade receivables. The Company has a significant concentration of credit risk in certain clients. Basically, the Company is exposed to credit risk, in case the clients do not meet their payment obligations. The Company's policy is directed to sales of goods on deferred payment to customers having favorable credit reputation, based on assessment of the customer's credit history and creditworthiness, expected sales volumes to the client, client's reputation, reference from contactors and others. For clients on deferred payment credit limits are defined, within which the clients are entitled to purchase goods on deferred payment. The credit limits are monitored by the Company's trade directorate on an ongoing basis.

3.11.4. Liquidity risk

Liquidity risk is the risk that the Company may have difficulties in paying its financial obligations. To manage this risk the Company's management keeps an optimal level of quick liquid assets (cash and receivables), as well as the potential opportunity to demand additional credit line.

3.11. Financial instruments and financial risk assessment and management (continued)

3.11.4. Liquidity risk (continued)

The Company's financial liabilities as at the end of the reporting period, are stated in the table below, classified according their contracted maturity. The amounts reported are the contracted non-discounted cash flows. The amounts due within twelve months after the end of the reporting period are approximately equal to their carrying amount, as the discounting effect for them is insignificant.

	Up to 1 year	Over 1 year	Total
December 31, 2019			
Borrowings (note 22)	18 936	5 414	24 350
Finance lease liabilities (note 23)	167	147	314
Trade and other payables (note 21)	9 803	-	9 803
Total	**28 906**	**5 561**	**34 467**
December 31, 2018			
Borrowings (note 22)	25 014	320	25 334
Finance lease liabilities (note 23)	116	91	207
Trade and other payables (note 21)	10 861	-	10 861
Total	**35 991**	**411**	**36 402**

3.12. Capital risk management

The primary goal of the management of the Company in capital risk management is to maintain the share capital level in such limits, so that the Company could maintain its normal activities on a going concern basis, as well as to provide returns to its owners. In order to accomplish those goals the management aims to maintain an optimal capital structure, so as to reduce the cost of capital.

The capital structure is measured by the gearing ratio, which is a ratio between the net debt and equity. The net debt is calculated as the difference between interest bearing loans and finance lease obligations on one side and cash on the other side. The gearing ratio shows the extent to which the Company finances its activities with equity or with borrowings.

	December 31, 2019	December 31, 2018
Borrowings (note 22)	23 781	24 472
Finance lease liabilities (note 23)	314	207
Cash and cash equivalents (note 19)	(692)	(146)
Net debt	**23 403**	**24 533**
Equity	42 793	42 174
Gearing ratio	**0.547**	**0.582**

3.13. Critical accounting judgments and sources of estimation uncertainty

The application of the adopted accounting policy requires the Company's management to apply certain accounting estimates and assumptions, which have significant effect on the financial statements. Such judgments rarely are equal to the actual results. Due to their nature the estimations are permanently reviewed and updated taking into account historical experience and analysis of all factors of significance, including expected future events, which the management believes are appropriate given the factual circumstances.

Retirement benefits obligation

Retirement benefits obligation is determined on the basis of actuarial valuation. This valuation requires certain assumptions about discount rates, future salary increases, staff turnover and mortality rates to be made. Due to the long term nature of the personnel benefits on retirement, these assumptions are subject to considerable uncertainty. As of December 31, 2019, the Company's defined benefits obligation is at the amount of BGN 245 thousand (2018: BGN 242 thousand). Additional information about the defined benefits obligation is presented in note 24.

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

Financial reporting of property, plant and equipment, and intangible assets involves the use of estimates of their expected useful life and residual values, that are based on judgments by the management of the Company.

Valuation of inventories

By the acquisition the inventories are recognized at cost comprising all costs of purchase, costs of conversion and other costs incurred in bringing the inventories in their present location and condition– transportation, customs duties and other similar costs.

At the end of each reporting period the inventories are valued at the lower of cost and net realizable value. The net realizable value represents the estimated selling price less all estimated costs to be incurred for the completing of the conversion and sale. The assessment is performed based on the best estimate of the management for the sales prices of the inventories as at the date of preparation of the financial statements.

Impairment of receivables

Allowance for impairment of trade receivables is recognized, whether there is objective evidence, that it would not be able to collect all amounts due at their maturity date. Significant financial problems of the debtor, the probability that the debtor will be subject to a bankruptcy procedure or financial reorganization, or non-fulfillment of the contract terms are considered by the management, by the determination and classification of individual amount for impairment.

Assessment of the estimated loss from doubtful and uncollectable receivables is performed on an individual basis at the end of each financial year, depending on the overdue period. All doubtful receivables, not collected as at the date of the financial statements and for which indications for impairment existed, are impaired.

3.14. Critical accounting judgments and sources of estimation uncertainty (continued)

Corporate income tax

For its activities the Company is subject to tax audits by the Bulgarian tax authorities. The Company recognizes liabilities for expected tax obligations from future tax audits on the basis of assessment of management whether additional taxes would be due for payment. When the finally payable taxes resulting from such events are different from the preliminary recorded taxes, these differences will be reported as short-term corporate income taxes payable and will affect the deferred taxes for the period in which this difference has occurred.

4. Revenue

	December 31, 2019	December 31, 2018
Revenue from sale of goods	57 269	59 193
Revenue from sale of finished goods	2 245	344
Revenue from rendering of services	118	218
Total	**59 632**	**59 755**

Revenue from sale of goods, is as follows:

	December 31, 2019	December 31, 2018
Cables and wires	37 274	38 486
Electrical and automation equipment	7 930	8 363
Lighting fixtures and electrical materials	7 493	8 144
Cable accessories	3 881	3 243
Renewable energy sources	458	58
Transformer substations, complete distribution systems and others	32	848
Other	201	51
Total	**57 269**	**59 193**

Revenue from sale of finished goods is, as follows:

	December 31, 2019	December 31, 2018
Concrete transformer substations	28	34
Electrical LV-switchboards	2	37
Other	2 215	273
Total	**2 245**	**344**

5. Other income, net

	December 31, 2019	December 31, 2018
Rents	397	446
Gain from sale of property, plant and equipment	91	2
Waste products	14	8
Income from insurance compensations paid	7	15
Other	4	4
Total	**513**	**475**

6. Materials expenses

	December 31, 2019	December 31, 2018
Materials for the production process	1 091	31
Fuels	285	312
Electricity and water consumption	110	143
Maintenance materials	78	94
Furniture and fittings	25	11
Materials for transport vehicles	24	49
Office materials and consumables	13	14
Safety and protective equipment	6	11
Other	1	4
Total	**1 633**	**669**

7. Hired services

	December 31, 2019	December 31, 2018
Hired services on a subcontractor and for production process	853	47
Repairs and maintenance	253	192
Rents	224	204
Charges	223	216
Transportation	143	135
Advertizing and promotion	109	72
Insurances	102	83
Consulting services	73	61
Communication	41	47
Notary and legal advisory services	40	35
Rent of a vehicle	28	-
Services external personnel hired	20	-
Personnel trainings	9	15
Other	35	64
Total	**2 153**	**1 171**

8. Personnel expenses

	December 31, 2019	December 31, 2018
Remunerations	3 442	3 243
Social security expenses	510	507
Retirement benefits obligation (note 24)	-	13
Total	**3 952**	**3 763**

9. Depreciation and amortization expenses

	December 31, 2019	December 31, 2018
Dpreciation of property, plant and equipment (note 14)	967	1 130
Amortization of intangible assets (note 15)	22	106
Total	**989**	**1 236**

10. Cost of goods sold

	December 31, 2019	December 31, 2018
Cables and wires	33 477	34 676
Electrical and automation	6 728	7 450
Lighting fixtures and electrical materials	6 454	7 107
Cable accessories	3 022	2 602
Renewable energy sources	403	50
Transformer substations, complete distribution systems and others	31	845
Other	194	31
Total	**50 309**	**52 761**

11. Other expenses

	December 31, 2019	December 31, 2018
Taxes, charges and other similar expenses	153	155
Business trips – in the country and abroad	130	107
Social expenses	100	108
Receivables written-off	54	-
Representation expenses	21	48
Shrinkage and waste of inventory	2	5
Donations	1	10
Other expenses	28	28
Total	**489**	**461**

12. Finance income and expenses

	December 31, 2019	December 31, 2018
Finance income		
Dividends received	441	771
Income from trade loans granted	161	98
Income from delayed trade payments	1	3
Other income	-	2
Total	**603**	**874**
Finance expenses		
Interest expenses on trade loans	*539*	*556*
Interest expenses on overdue payments	*2*	*14*
Interest expenses on a finance lease	*7*	*7*
Interest expenses on retirement benefits provisions	*3*	*3*
Total interest expenses	551	580
Bank charges, commissions and other expenses, net	117	132
Exchage rate differences loss, net	30	28
Total	**698**	**740**

13. Income tax

Income tax expense comprises current income tax expense and deferred income tax expense in accordance with *AS 12 Income Taxes*.

	December 31, 2019	December 31, 2018
Current income tax	12	-
Deferred tax	(6)	(18)
Total tax (income)/expense	**6**	**(18)**

Deferred tax assets arising from tax effects on the taxable and deductible temporary differences are, as follows:

	December 31, 2019	December 31, 2018
Receivables and inventory	27	28
Retirement benefits provisions	25	24
Provisions on personal income	5	3
Non-current assets	6	2
Total assets on deferred taxes	**63**	**57**

13. Income tax (continued)

The reconciliation of the tax expense to the accounting profit, and a recalculation of the effective tax rate as at December 31, 2019 and 2018 are provided in the table below:

	December 31, 2019	December 31, 2018
Accounting profit	625	269
Applicable tax rate	10%	10%
Income tax at the applicable tax rate	63	27
Tax effect from unrecognized temporary difference from the previous period	(25)	-
Tax effect from dividends income	(32)	(77)
Tax effect from unrecognized temporary difference from the current period	-	32
Total income tax (benefit)/expense	**6**	**(18)**
Effective tax rate	**1.0%**	**(6.7%)**

The Company has tax losses realized at the total amount of BGN 217 thousand that can be carried forward till 2023.

14. Property, plant and equipment

	Land and land improvements	Buildings	Machines and equipments	Transport vehicles	Computers and other assets	Assets under construction	Total
Cost of acquisition							
Balance at December 31, 2017	**4 243**	**18 524**	**8 546**	**4 487**	**1 409**	**4 170**	**41 379**
Additions	-	-	17	172	60	96	345
Disposals	-	-	(292)	(64)	(11)	-	(367)
Balance at December 31, 2018	**4 243**	**18 524**	**8 271**	**4 595**	**1 458**	**4 266**	**41 357**
Additions	-	-	7	267	60	49	383
Put into operation	71	3 183	-	-	-	(3 254)	-
Disposals	-	-	(5)	(758)	(6)	-	(769)
Balance at December 31, 2019	**4 314**	**21 707**	**8 273**	**4 104**	**1 512**	**1 061**	**40 971**
Depreciation							
Balance at December 31, 2017	**1 273**	**6 969**	**6 509**	**3 935**	**1 310**	**-**	**19 996**
Depreciation	-	740	175	161	54	-	**1 130**
On disposals	-	-	(291)	(64)	(11)	-	**(366)**
Balance at December 31, 2018	**1 273**	**7 709**	**6 393**	**4 032**	**1 353**	**-**	**20 760**
Depreciation	-	618	164	119	66	-	**967**
On disposals	-	-	(5)	(758)	(6)	-	**(769)**
Balance at December 31, 2019	**1 273**	**8 327**	**6 552**	**3 393**	**1 413**	**-**	**20 958**
Carrying amount							
At December 31, 2017	**2 970**	**11 555**	**2 037**	**552**	**99**	**4 170**	**21 383**
At December 31, 2018	**2 970**	**10 815**	**1 878**	**563**	**105**	**4 266**	**20 597**
At December 31, 2019	**3 041**	**13 380**	**1 721**	**711**	**99**	**1 061**	**20 013**

14. Property, plant and equipment (continued)

Assets acquired in 2020 include land development, buildings, machinery, computers, equipment and fixed assets, software and construction of assets. Acquired vehicles are under finance lease contracts.

As of December 31, 2019 property, plant and equipment at cost of BGN 10 605 thousand (2018: BGN 11 268 thousand) are fully depreciated.

Property, plant and equipment with a carrying amount of BGN 14 876 thousand (2018: BGN 12 262 thousand) serve as a collateral under bank loans utilized by the Company (see also note 22).

15. Intangible assets

	Software	Other intangible products	Total
Cost			
Balance at December 31, 2017	**699**	**138**	**837**
Additions	12	44	56
Balance at December 31, 2018	**711**	**182**	**893**
Additions	5	2	7
Balance at December 31, 2019	**716**	**184**	**900**
Amortization			
Balance at December 31, 2017	**590**	**135**	**725**
Amortization for the year	102	4	106
Balance at December 31, 2018	**692**	**139**	**831**
Amortization	17	5	22
Balance at December 31, 2019	**709**	**144**	**853**
Carrying amount			
At December 31, 2017	**109**	**3**	**112**
At December 31, 2018	**19**	**43**	**62**
At December 31, 2019	**7**	**40**	**47**

As at December 31, 2019 intangibles with cost amounting to BGN 837 thousand are fully depreciated (2018: BGN 807 thousand).

This document is a translation of the original in Bulgarian, in case of divergence the Bulgarian original is prevailing

16. Investments in entities

As at December 31, 2019 and 2018 the Company has investments in the following subsidiary and other companies:

Company	Operations	December 31, 2019		December 31, 2018	
		BGN'000	Participation %	BGN'000	Participation %
Subsidiary companies:					
Engineering EAD	Installation	139	100.0%	139	100.0%
Filkab Solar Ltd.	Installation	35	70.0%	35	70.0%
Filkab Distributie SRL, Romania	Trade	1 168	71.4%	1 168	71.4%
MAK KAB DOO, Macedonia	Trade	1 222	100.0%	1 222	100.0%
Filkab Solar Energy A.S., Turkey	Installation	71	100.0%	71	100.0%
Filkab MIG, Serbia	Trade	50	51%	50	51%
Gespro Green Energy S.R.L., Romania	Production	19	100.0%	19	100.0%
Solar Remus S.R.L., Romania	Production	19	99.9%	19	99.9%
Filkab Solar KFT, Hungary	Installation	38	75%	38	75%
Total subsidiary companies		**2 761**		**2 761**	
Other entities		7		7	
Total		**2 768**		**2 768**	

Investments in subsidiaries and other companies are presented at cost of acquisition in accordance with the requirements of *AS 27 Consolidated financial statements and reporting of investments in subsidiaries*, as these investments are not quoted in an active market and their fair value cannot be reliably determined.

In 2018 a new subsidiary Filkab Solar KFT, Hungary is registered.

17. Inventory, net

	December 31, 2019	December 31, 2018
Goods for resale	24 881	25 592
Finished goods	62	75
Work in progress	126	13
Total	**25 069**	**25 680**

In 2019 and 2018 a portion of the impairment, charged to profit or loss in 2012, was reversed at the amount of BGN 8 thousand and BGN 6 thousand, respectively.

As of December 31, 2019 and 2018 inventories at the amount of BGN 16 595 thousand for each of the years are pledged as a collateral on bank loans utilized by the Company (see also note 22).

18. Trade and other receivables, net

	December 31, 2019	December 31, 2018
Trade receivables	13 697	14 295
Receivables from related parties	12 120	12 611
Dividends receivable	600	568
Advances granted	572	218
Deposits and guarantees granted	425	413
Trade loans granted	384	384
Court receivables	152	165
Prepaid expenses	40	5
Refundable taxes, other than income taxes	-	14
Other receivables	73	87
Total current trade and other receivables, net	**28 063**	**28 760**

	December 31, 2019	December 31, 2018
Receivables from related parties	600	600
Total non-current trade and other receivables	**600**	**600**

Receivables from related parties are disclosed in note 26.

Company's policy regarding the monitoring of receivables and indications for impairment is disclosed in note 3.4.3.

The carrying amount of the current and non-current trade and other receivables, analyzed by foreign currency is, as follows:

	December 31, 2019	December 31, 2018
BGN	15 113	14 837
EUR	12 948	13 945
RON	522	483
GBP	74	89
USD	6	6
Total	**28 663**	**29 360**

As of December 31, 2019 trade receivables of the Company at the amount of BGN 1 074 thousand (2018: BGN 1 135 thousand) serve as a collateral to bank loans utilized by the Company (see note 22).

19. Cash

	December 31, 2019	December 31, 2018
Cash in bank accounts	634	112
Cash on hand	58	34
Total	**692**	**146**

As at December 31, 2019 cash on bank accounts of the Company at the amount of BGN 632 thousand (2018: BGN 108 thousand) are as a collateral on bank loans utilized by the Company (see note 22).

20. Receivables/(payables) on income taxes

As at December 31, 2019 and 2018 the Company has no receivables or payables for corporate income tax.

21. Trade and other payables

	December 31, 2019	December 31, 2018
Payables to suppliers	8 407	10 071
Advances received from customers	1 328	706
Payables to employees and social securities payable	304	267
Payables on taxes	75	447
Payables to related parties and key management personnel	57	17
Guarantees	-	47
Other	11	20
Total	**10 182**	**11 575**

As of December 31, 2019 and 2018 in the Company there are no unutilized paid annual leaves by the personnel.

Payables to related parties are disclosed in note 26.

22. Borrowings

	December 31, 2019	December 31, 2018
Non-current bank loans	5 290	313
Current bank loans and current portion of the non-current bank loans	18 491	24 159
Total	**23 781**	**24 472**

22. Borrowings

Liabilities under loans, analyzed by foreign currency are, as follows:

	December 31, 2019		December 31, 2018	
	Original currency in thousands	BGN'000	Original currency in thousands	BGN'000
BGN	9 037	9 037	9 732	9 732
EUR	7 538	14 744	7 536	14 740
Total		**23 781**		**24 472**

All bank loans received are at a floating interest rate and a fixed markup. The interest rate is bound to 1-month and 3-month EURIBOR, therefore the interest rates are updated on an ongoing basis. The bank loans terms can be renegotiated after one year of their allocation, after a respective financial analysis by the bank-creditor.

Bank loans granted to the Company are secured by a mortgage on property, plant and equipment, pledge of inventories, trade receivables and cash funds (see also notes 14, 17, 18 and 19).

23. Finance lease liabilities

	December 31, 2019	December 31, 2018
Finance lease liabilities		
Up to one year	165	116
Between two and five years	149	91
Total	**314**	**207**

As at December 31, 2019 and 2018 the Company has liabilities under finance lease contracts for acquisition of transport vehicles and machinery.

24. Retirement benefits obligation

Movement of the retirement benefits obligation, recognized in the balance sheet is, as follows:

	December 31, 2019	December 31, 2018
Present value of the retirement benefits obligation	242	226
Expenses on current length of service	33	31
Interest expenses	3	3
Benefits paid	(30)	-
Actuarial gain	(3)	(18)
Balance at the end of the period	**245**	**242**

24. Retirement benefits obligation (continued)

For the years ended December 31, 2019 and 2018 expenses on current length of service and actuarial gain/(loss) are included in the personnel expenses.

The amounts, recognized in the income statement, regarding retirement benefits obligation are, as follows:

	December 31, 2019	December 31, 2018
Expenses on current length of service	*33*	*31*
Benefits paid	*(30)*	*-*
Actuarial gain	*(3)*	*(18)*
Expenses on remunerations, total	-	13
Interest expenses	3	3
Total	**3**	**16**

Retirement benefits obligation liability as at December 31, 2019 and 2018 includes:

	December 31, 2019	December 31, 2018
Benefits on attainment of retirement age	243	240
Benefits on early retirement	2	2
Total	**245**	**242**

Provision is accrued upon adoption of the following basic financial assumptions:

	December 31, 2019	December 31, 2018
Discount rate	1.3%	1.5%
Future remunerations increase for the following three years	2%	2%
Future remunerations increase after the third year	2%	1.5%

The demographic actuarial assumptions used are based on the following:

- data for the personnel turnover for the Company for the last three years;
- mortality rate data for the overall mortality of the population of Bulgaria, according to data of the National Statistical Institute for the period from 2016 to 2018;

Personnel turnover is, as follows:

Age	December 31, 2019	December 31, 2018
18 – 30 years	35 %	35 %
31 – 40 years	25 %	25 %
41 – 50 years	15 %	15 %
51 – 60 years	5 %	5 %
over 60 years	1 %	1 %

24. Retirement benefits obligation (continued)

Under the provisions of the present Collective Labour Contract and pursuant to the Labour Code, the employees are entitled to retirement benefits amounting to two gross monthly salaries on attainment of retirement age or six gross monthly salaries if the length of service is in companies from the group for the last 10 consecutive years.

Defined benefit plan exposes the Company to the following actuarial risks:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate of Bulgarian government securities, denominated in BGN, with maturity up to 10 years, and the data for the following periods is received by data interpolating.
Interest risk	A decrease in the interest rate of the Bulgarian government securities will increase the defined benefit plan liability.
Longevity risk	The present value of the defined benefit liability is calculated by reference to the best estimate of the mortality of plan participants
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan's liability

A sensitivity analysis based on reasonably possible changes in the respective assumptions, at the end of the reporting period, assuming all other assumptions held constant is, as follows:

	Less 1 %	Assumptions and results used	Plus 1 %
Discount rate	0.3%	1.3%	2.3%
Amount of the liability (BGN thousand)	283	245	214
Difference (BGN thousand)	38	-	(31)
Difference (%)	16%	-	(13%)
Salary growth	1%	2%	3%
Amount of the liability (BGN thousand)	214	245	282
Difference (BGN thousand)	(31)	-	37
Difference (%)	(16%)	-	15%
Probability of early retirement	16.30%	17.30%	18.30%
Amount of the liability (BGN thousand)	248	245	242
Difference (BGN thousand)	3	-	(3)
Difference (%)	1%	-	(1%)
Mortality assumption	-1 year	Mortality rate	+ 1 year
Amount of the liability (BGN thousand)	248	245	242
Difference (BGN thousand)	3	-	(3)
Difference (%)	1%	-	(1%)

24. Retirement benefits obligation (continued)

The sensitive analysis presented above may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above calculations the projected unit credit method is used, the same as that applied in calculating the retirement benefit obligation liability, recognized in the balance sheet.

25. Share capital and reserves

The share capital of the Company is presented at nominal value, according to the court decision for registration and as of December 31, 2019 and 2018 is distributed into 2 000 000 shares with a nominal value of BGN 10 each.

In accordance with the Bulgarian Commerce Act requirements, the Company is obliged to set up a legal reserves (reserve fund). The sources of financing the reserve fund are:

- at least one tenth of the profit which is set aside until the fund's assets reach one tenth or more of the Company's share capital or such other larger portion as the Company's statute may provide;
- the proceeds obtained in excess of the nominal value of shares and debentures upon their issuing;
- the total of the additional payments made by the shareholders for preferences given them with shares;
- other sources provided for by the Company's statute or by a general meeting resolution.

Disbursements from the reserve fund may be made only for covering losses. When the amount of the reserve fund exceeds one-tenth of the Company's share capital, the excess amount may be used for increase of the share capital.

Other reserves are formed during previous periods based on the enforceable at that time legislation. Their use is determined according to decisions of the General meeting of the shareholders.

Based on a decision of the General meeting of the shareholders from Mach 2018, dividends are distributed from the profit realized in previous reporting periods at the amount of BGN 800 thousand, that are completely paid after deduction of the respective taxes.

26. Related parties transactions

In 2019 and 2018 the Company performed transactions with the following related parties:

Related party	Nature of relationship
Engineering EAD	Subsidiary company
Filkab Solar Ltd.	Subsidiary company
Mak Kab DOO, Macedonia	Subsidiary company
Filkab Distribution, Romania	Subsidiary company
Filkab Solar Energy AS, Turkey	Subsidiary company
Filkab MIG, Serbia	Subsidiary company
Gespro Green Energy S.R.L., Romania	Subsidiary company
Solar Remus S.R.L., Romania	Subsidiary company
Filkab Sun S.R.L., Romania	Subsidiary company
Filkab Solar KFT, Hungary	Subsidiary company
Management of the Company	Key management personnel

Related parties transactions relate mainly to:

- Purchase-sale of goods for resale and installments performed;
- Loans granted;
- Remunerations paid;

During 2019 and 2018 the Company transactions with related parties are, as follows:

Related party	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Sale of goods, services and assets	Sale of goods, services and assets	Purchase of goods and services	Purchase of goods and services
Subsidiaries	2 468	3 779	1 088	1 371
Total	**2 468**	**3 779**	**1 088**	**1 371**

As of December 31, 2019 and 2018 the outstanding balances with related parties are, as follows:

Related party	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Receivables	Receivables	Payables	Payables
Subsidiaries	12 507	12 986	57	17
Key management personnel	213	225	-	-
Total	**12 720**	**13 211**	**57**	**17**

Dividends distributed and dividends liabilities are presented in note 25.

For 2019 and 2018 remunerations of the key management are accrued at the amount of BGN 424 thousand and BGN 296 thousand, respectively.

27. Events after the date of the financial statements

The Coronavirus epidemic ("COVID-19") that emerged at the end of 2019 has spread around the world. Governments worldwide have introduced measures to curb the spread of this pandemic, including restricting the movement of persons and vehicles, banning public events, suspending business in certain sectors of the economy, etc. In addition, at the discretion of the respective management, businesses in various industries introduce reduced working hours, provide teleworking, or cease working altogether for a certain period.

The International Monetary Fund's 2020 projections are for the reduction of the global economic growth by several points as compared to 2019 levels. Recovery from this recession is expected to come to an end in 2021 reaching 2019 levels, and aiming to achieve this all countries should give priority to a rigorous policy for curbing the spread of the pandemic and for a strong healthcare system.

In Bulgaria, the first positive cases were confirmed on March 8, 2020.

In connection with the growing pandemic of COVID-19 on March 13, 2020, the Bulgarian parliament declared a state of emergency throughout the territory of the Republic of Bulgaria as of March 13, 2020 until April 13, 2020. The Act on Measures and Actions during the state of emergency, promulgated by a decision of the Parliament of March 23, 2020, has also been in force as of the same date. This Act has enacted important socio-economic measures and accompanying legislative changes aiming to mitigate the effects and help the future recovery of the Bulgarian economy.

As at the date of approval of these financial statements, the Company continues its operations by accepting and following all legally prescribed measures regarding the COVID-19 epidemic. However, the disruption of the normal economic activity in the Republic of Bulgaria as a result of COVID-19 may adversely affect the construction and energy sectors, to which a part of the Company's commerce operations are related. At present, there are no customer requests withdrawals, and no significant deviations in the commerce activity are observed, compared to previous periods. Due to the unpredictable dynamics of COVID-19, at this point it is practically impossible for the Company's management to make a reliable assessment and measurement of the potential impact of the pandemic.