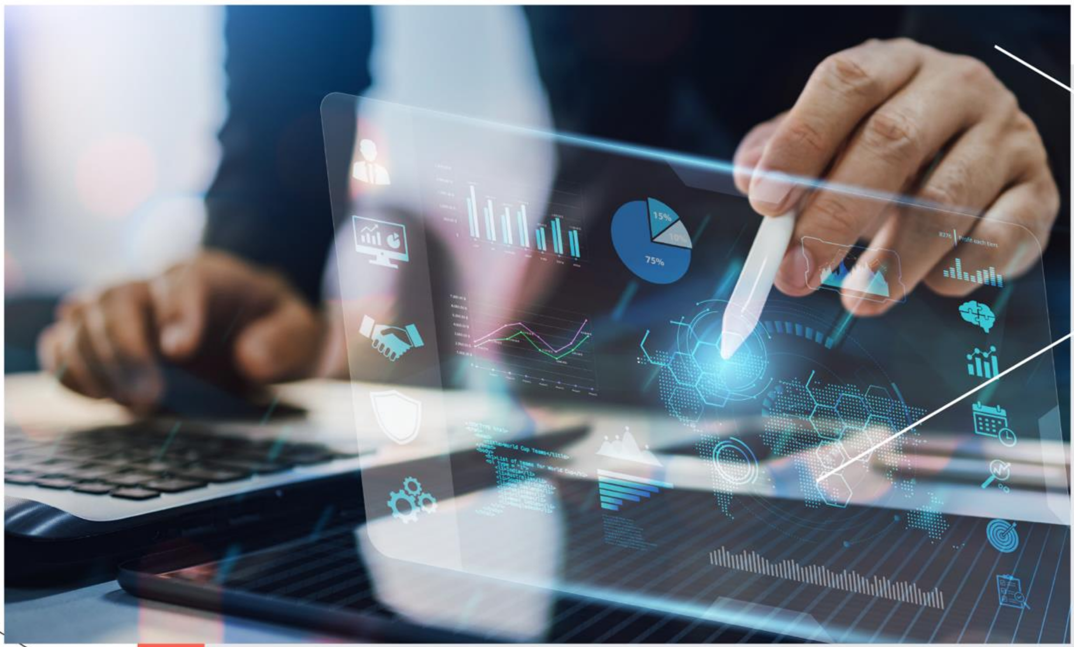
telelink business services



For the period
January 1 – June 30, 2023

Interim Consolidated Financial Statements

Telelink Business Services Group AD

tbs.tech | simplify the complex

Supervisory Board (SB)

Boris Nemšić- Chairman of BS;
Hans van Houwelingen – Vice- Chairman of SB;
Ivo Evgeniev Evgeniev – Member of SB;

Management Board (MB)

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

Head office and registered Office

Sofia, Vitosha district, 2 “Donka Ushlinova” Str.
Garitage Park, Building 1, 4th floor
1766 Sofia

Servicing banks

Unicredit Bulbank AD

Legal consultants

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

Auditors

Ernst & Young Audit OOD
Polygraphia Office Center
47A, Tsarigradsko Shose Blvd., fl. 4
1124 Sofia

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
As at 30 June 2023

	Notes	*01.01.2023 - 30.06.2023 BGN'000*	*01.01.2022 - 30.06.2022 BGN'000*
Revenue	8	59,813	71,784
Cost of sales	11	(47,043)	(59,082)
Gross profit		12,770	12,702
Other operating income	12	323	155
General and administrative expenses	9, 11	(4,576)	(3,303)
Selling and marketing expenses	10, 11	(6,131)	(4,301)
Other operating expenses	12	(75)	(5)
Operating profit		2,311	5,248
Finance income	13	16	722
Finance costs	13	(604)	(197)
Profit before tax		1,723	5,773
Income tax expense	15	(426)	(950)
Profit for the year from continuing operations		**1,297**	**4,823**
Other comprehensive income			
Exchange differences on translation of foreign operations		3	5
Total comprehensive income for the year, net of tax		**1,300**	**4,828**
Total comprehensive income attributable to:			
Owners of the parent company		1,300	4,828
Non-controlling interests		-	-
		1,300	**4,828**
Earnings per share		**0.104**	**0.386**

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Ivan Krasimirov Zhitiyanov
Executive Director

Jordanka Lyubchova Klenovska, Preparer
Deputy Financial Director

The accompanying notes from 1 to 38 are an integral part of these financial statements.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Notes	*30.06.2023*	*31.12.2022*
ASSETS		*BGN'000*	*BGN'000*
Non-current assets			
Property, plant and equipment	18	10,152	7,099
Investment properties	19	448	448
Intangible assets	20	2,154	1,015
Prepayments	17	11,533	8,133
Non-current receivables		49	33
Deferred tax asset	15	835	816
		25,171	17,544
Current assets			
Inventories	21	13,050	5,296
Trade and other receivables	22	39,360	27,086
Contract assets	8, 22	2,388	2,879
Prepayments	17	8,547	9,920
Cash and cash equivalents	24	4,239	14,828
Income taxes receivable		325	568
		67,909	60,577
Assets classified as held for sale	16	269	269
		68,178	60,846
TOTAL ASSETS		**93,349**	**78,390**

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Ivan Krasimirov Zhitiyanov
Executive Director

Jordanka Lyubchova Klenovska, Preparer
Deputy Financial Director

The accompanying notes from 1 to 38 are an integral part of these financial statements.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2023
Continued from page 4

EQUITY AND LIABILITIES		*30.06.2023* *BGN'000*	*31.12.2022* *BGN'000*
Share capital	32	12,500	12,500
Legal reserves	32	1,352	1,352
Other reserves	32	(13,367)	(13,367)
Other components of equity	32	(259)	(35)
Retained earnings	32	17,861	6,929
Profit for the year	32	1,297	10,932
Equity	32	19,384	18,311
Foreign currency translation reserve	32	(545)	(548)
Total equity		18,839	17,763
Non-current liabilities			
Lease liabilities	27	3,234	436
Employee benefits	30	32	32
Government grants	25	821	821
Contract liabilities	8, 29	9,939	7,330
Other non-current liabilities		186	-
		14,212	8,619
Current liabilities			
Interest-bearing loans and borrowings	26	11,264	2,879
Lease liabilities	27	998	943
Trade and other payables	28	33,028	33,174
Government grants	25	660	455
Contract liabilities	8, 29	13,936	14,092
Income tax payable		412	465
		60,298	52,008
Total liabilities		74,510	60,627
TOTAL EQUITY AND LIABILITIES		**93,349**	**78,390**

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Ivan Krasimirov Zhitiyanov
Executive Director

Jordanka Lyubchova Klenovska, Preparer
Deputy Financial Director

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CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
As at 30 June 2023

	Share Capital *BGN'000*	Legal reserves *BGN'000*	Other reserves *BGN'000*	Other components of equity *BGN'000*	Retained earnings *BGN'000*	Foreign currency translation reserve *BGN'000*	Total equity *BGN'000*
Balance at 01 January 2022	**12,500**	**1,083**	**(13,467)**	**40**	**17,429**	**(558)**	**17,027**
Profit for the year	-	-	-	-	4,823	-	**4,823**
Other comprehensive income	-	-	-	-	-	5	**5**
Total comprehensive income	**-**	**-**	**-**	**-**	**4,823**	**5**	**4,828**
Increase in capital reserves (note 32)	-	269	-	-	(269)	-	-
Buy-back of own shares	-	-	-	(51)	-	-	**(51)**
Balance at 30 June 2022	**12,500**	**1,352**	**(13,467)**	**(11)**	**21,983**	**(553)**	**21,804**
Balance at 01 January 2023	**12,500**	**1,352**	**(13,367)**	**(35)**	**17,861**	**(548)**	**17,763**
Profit for the year	-	-	-	-	1,297	-	**1,297**
Other comprehensive income	-	-	-	-	-	3	**3**
Total comprehensive income	**-**	**-**	**-**	**-**	**1,297**	**3**	**1,300**
Buy-back of own shares	-	-	-	(224)	-	-	**(224)**
Balance at 30 June 2023	**12,500**	**1,352**	**(13,367)**	**(259)**	**19,158**	**(545)**	**18,839**

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Deputy Financial Director

The accompanying notes from 1 to 38 are an integral part of these financial statements.

telelink business services

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 June 2023

	Notes	*01.01.2023 - 30.06.2023 BGN'000*	*01.01.2022 - 30.06.2022 BGN'000*
Operating activities			
Profit before income tax from continuing operations		1,723	5,773
Adjustment to reconcile profit before tax to net cash flows			
Non-cash transfers:			
Net finance costs		350	182
Movements in retirement benefits obligations and government grants	25, 30	(193)	(138)
(Gain) on disposal of property, plant and equipment	12	-	(1)
Depreciation & amortisation	18, 20	1,982	1,538
Working capital adjustments			
Decrease/(Increase) in inventories		(7,754)	(4,143)
Increase in trade and other receivables, contract assets		(13,826)	(4,196)
Increase in trade and other payables, contract liabilities		2,483	4,370
Bank charges paid		(94)	(116)
Income taxes paid		(268)	(621)
Net cash flows from from operating activities		**(15,597)**	**2,648**

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Executive Director

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Deputy Financial Director

Continued from page 7

		01.01.2023 - 30.06.2023 BGN'000	01.01.2022 - 30.06.2022 BGN'000
Investing activities			
Purchase of property, plant and equipment	18	(1,326)	(1,776)
Purchase of intangible assets	20	(1,313)	(177)
Proceeds from sale of property, plant and equipment		2	19
Receipt of government grants	25	398	96
Interest received		16	15
Net cash flows used in investing activities		**(2,223)**	**(1,823)**
Financing activities			
Proceeds form borrowings	26	17,851	3,004
Repayment of borrowings	26	(9,466)	(4,455)
Payments on leases	27	(702)	(750)
Repurchase of shares	32	(224)	(51)
Interest paid		(160)	(32)
Interest paid on leases	27	(68)	(41)
Net cash flows used in financing activities		**7,231**	**(2,325)**
Net change in cash and cash equivalents		(10,589)	(1,500)
Cash and cash equivalents at 1 January		14,828	12,815
Cash and cash equivalents at 30 June	24	**4,239**	**11,315**

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Ivan Krasimirov Zhitiyanov
Executive Director

Jordanka Lyubchova Klenovska, Preparer
Deputy Financial Director

1. Corporate information

Incorporation

Telelink Business Services Group AD (the Company) was incorporated on 12 July 2019 as a sole-shareholder joint stock company with an owner Telelink Holdings BV (The Netherlands), registered with the Trade Register of the Registry Agency under UIC 205744019. The registered office of the Company is: Sofia, Vitosha district, 2 “Donka Ushlinova” Str. Garitage Park, building 1, 4th floor 1766 Sofia

Telelink Business Services Group EAD is a public company, registered with Financial Supervision Commission on 28 November 2019.

Company shares are traded on the Bulgarian Stock Exchange.

Shareholders

The share capital of the Company amounts to BGN 12,500 thousand formed of 12,500,000 shares with nominal value of 1.00 Bulgarian lev each.

In the period 2020-2021, there were three tranches of public offering of existing Company shares, pursuant to which three of the shareholders existing as such prior to the offering sold on the Bulgarian Stock Exchange (BSE) a total of 2,625,000 shares (of which 875,000 in 2021), representing 21% of the Company’s registered capital (of which 7% realized in 2021).

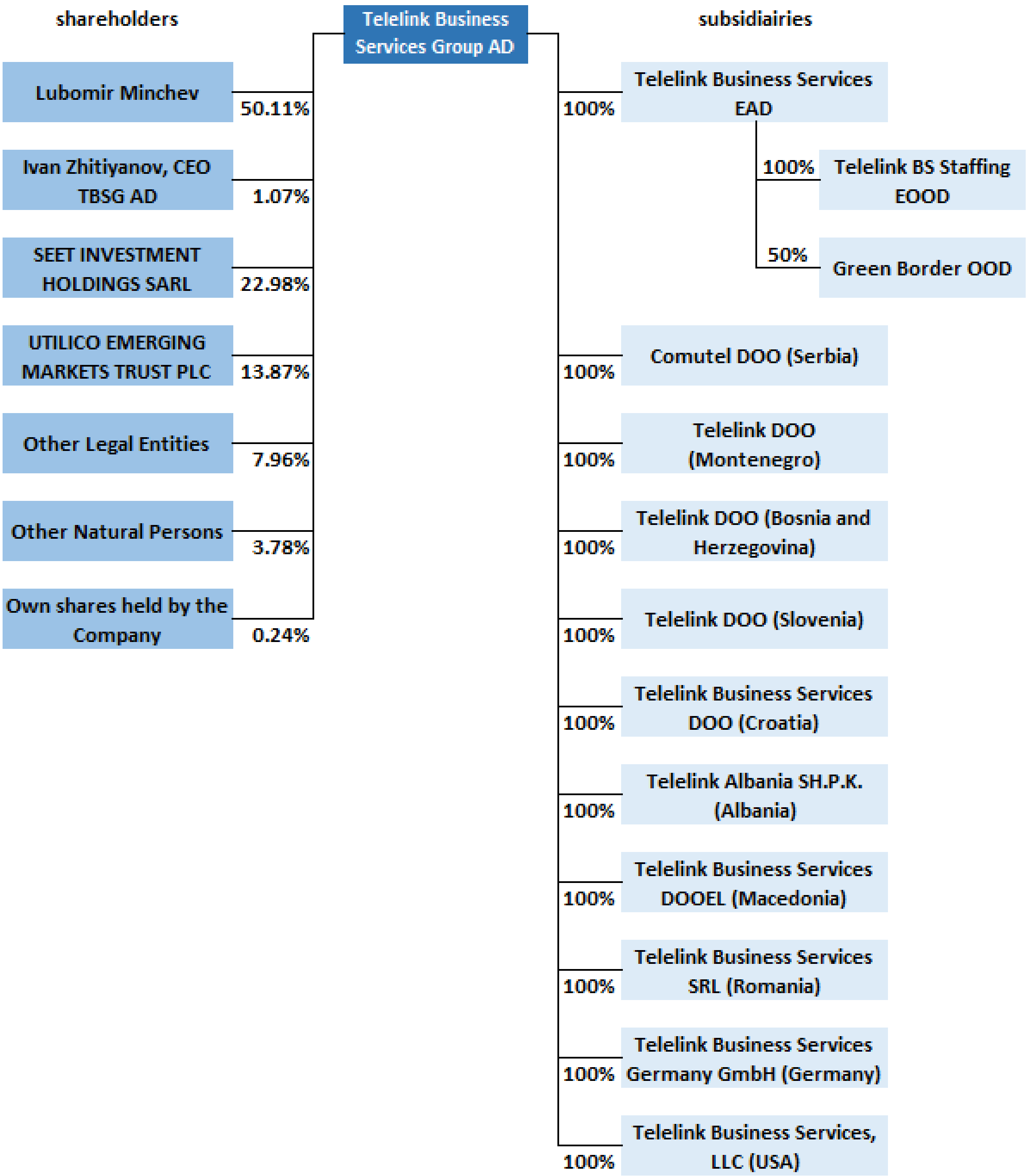
The conducted offerings were limited strictly to existing shares and did not involve any capital increase, nor any proceeds to the Company and the Group.

Pursuant to share buybacks for the purposes of employee incentive programs, as of June 30 2023, the Company held 29,530 own shares representing 0.24% of its registered capital, 23,500 of which were acquired during the second quarter of 2023.

As of June 30 2023, the persons holding over 5% of the Company’s capital were Lubomir Minchev with a stake of 6,236,624 shares or 50.11%, SEET INVESTMENT HOLDINGS SARL (Luxembourg) with a stake of 2,872,380 shares or 22.98% and Utilico Emerging Markets Trust PLC (UK) with a stake of 1,733,837 shares or 13.78%.

Ownership structure and Group structure as at 30 June 2023 are presented below:

1. Corporate information (continued)



Business

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

1. Corporate information (continued)

The consolidated financial statements present financial information of Telelink Business Services Group AD and its subsidiaries - Telelink Business Services EAD (Bulgaria), Comutel DOO (Serbia), Telelink Business Services DOO – Podgoritsa (Montenegro), Telelink DOO (Bosnia and Herzegovina), Telelink DOO (Slovenia), Telelink Business Services DOOEL (North Macedonia), Telelink Albania SH.P.K. (Albania), Telelink Business Services DOO (Croatia), Telelink Business Services LLC (USA), Telelink Business Services SRL (Romania), Telelink Business Services Germania GmbH, all of them jointly the “Group”.

Military conflict between Russia and Ukraine

Consequent to the military conflict between Russia and Ukraine, which escalated in February 2022, the year was marked by both increasing geopolitical tension and various economic repercussions, including restrictions or halt on the activities of many Ukrainian and Russian companies as a result of the military action and sanctions against Russia, accelerated inflation as a result of the growing prices of energy and key agricultural goods and increased instability on the stock and currency markets, having direct or indirect potential or actual impact on the activities of many companies and industries in the European Union and the USA as well.

The Issuer and its subsidiaries have no direct exposure to related parties, clients and/or suppliers from the countries involved in the conflict. Therefore, the Group is not deemed to be directly exposed to risks arising from the above events.

Considering the uncertainty of the inherently dynamic development of the conflict and its repercussions, the Company’s management is of the opinion that it lacks the premises and conditions to a reliable quantitative assessment of the potential indirect impact of respective changes in the micro- and macroeconomic environment on the Group’s financial position and results. Nevertheless, it remains committed to the ongoing monitoring of the situation and analysis of the possible future consequences of the conflict results, with a view to the timely identification of potential and actual negative effects and the undertaking of all possible measures towards limiting their effect.

1. Basis of preparation

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

Statement of compliance

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

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of Telelink Business Services Group AD and its subsidiaries as at 30 June 2023.

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

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

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

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

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

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

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

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

4. Summary of significant accounting policies

Foreign currency translation

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

Business combination

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

Business combinations under common control

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

Joint arrangements

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

Assets held for sale

The Group classifies non-current assets (or disposal group) as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition and its sale is highly probable. For

4. Summary of significant accounting policies (continued)

Assets held for sale (continued)

the sale to be highly probable, management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when events or circumstances beyond the Group's control may extend the period and if there is evidence that management is still committed to its plan to sell the asset.
Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.
Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Property, plant and equipment

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

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

Asset type	Useful life in years
Computers	2 years
Machinery and equipment	3,33 years
Motor vehicles	4 years
Managed services hardware	In accordance with the duration of the contract for the provision of such services- usually 4/7 years
Furniture and fixtures and fittings	6,67 years
Other assets	6,67 years

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

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

4. Summary of significant accounting policies (continued)

Investment property

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

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

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

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

Borrowing costs

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

Government grants

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

Intangible assets

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

4. Summary of significant accounting policies (continued)

Intangible assets (continued)

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

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

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

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

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

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

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

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

4. Summary of significant accounting policies (continued)

Intangible assets (continued)

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

Inventories

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

Work in progress includes cost of direct materials and labour but excluding borrowing costs.

Impairment of non-financial assets

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

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

4. Summary of significant accounting policies (continued)

Cash and cash equivalents

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

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

Financial assets

Initial recognition and measurement

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

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

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

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets at amortized cost (debt instruments)

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

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

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

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

Derecognition

A financial asset is derecognized when:

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

4. Summary of significant accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement

Loans and borrowings

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

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

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

Derecognition

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

Offsetting of financial instruments

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

Provisions

General

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

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

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

4. Summary of significant accounting policies (continued)

Employee benefits

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

State social security plan

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

Retirement benefits

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

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

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

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

4. Summary of contracts with customers (continued)

Revenue from contracts with customers

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

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

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

Sale of goods/ equipment

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

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

Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.
In certain cases, the Group receives long-term advances from clients. The Group determines that payments terms are structured mainly for reasons other than the provision of funding and concludes that there is no significant funding component.

Warranty obligations

The Group provides also an extended warranty beyond fixing defects that existed at the time of sale. These service-type warranties are sold either separately or bundled together with the sale of fire prevention equipment. The legal warranty is not accounted by the Group as it is borne by the producer of the equipment.

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

4. Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

Installation services

The Group provides installation services that are either sold separately or bundled together with the sale of equipment to a customer. The installation services can be obtained from other providers and do not significantly customise or modify the equipment. Contracts for bundled sales of equipment and installation services are comprised of two performance obligations because the promises to transfer equipment and provide installation services are capable of being distinct and separately identifiable.

Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services.

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

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

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

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

Provision of managed services

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

Contract balances

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

4. Summary of significant accounting policies (continued)

Revenue from contracts with customers (continued)

Trade receivables

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

Contract liabilities

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

Interest

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

Dividends

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

Lease

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

The Group as a lessee

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

4. Summary of significant accounting policies

Lease (continued)

Right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Plant and machinery	3,33 years
• Motor vehicles and other equipment	4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease liabilities

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

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

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

4. Summary of significant accounting policies (continued)

Lease (continued)

Short-term leases and leases of low-value assets

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

The Group as a lessor

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

Taxes

Current tax

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

Deferred tax

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

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

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

4. Summary of significant accounting policies (continued)

Taxes (continued)

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

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

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

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

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

Value added tax

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

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

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

4. Summary of significant accounting policies (continued)

Share capital and reserves

Telelink Business Services Group is a shareholding company and is obliged to register with the Trade register certain level of share capital that will act as a collateral to the creditors. Shareholders meet obligations of the Company up to their own shareholding and can claim refund of their shareholding only during liquidation or insolvency proceedings. The share capital is presented as the nominal value of the issued and paid shares.

According to the Commercial act regulations the Group is obliged to set aside Legal reserves.

Shares bought back are presented in the statement of financial position at cost and are deducted from the Group equity. The net effect of the shares bought back and their transfer to employees within the share-based payments plans in the Group is presented directly in the Other components of equity.

Share-based payments

Employees and members of the Managing board of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Equity instruments transferred are measured by their fair value at grant date. The fair value of the share-based payment considerations under conditions, that have not vested, is measured to reflect the conditions and to exclude any differences between expected and actual results. The cost of equity-settled transactions is recognised, together with the corresponding increase in the equity over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). More details are provided in Note 37.

5. Significant accounting judgements, estimates and assumptions

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

Judgements

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

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

Judgements (continued)

Joint arrangements

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

Revenue from contracts with customers

The reporting of revenue from contracts with customers requires significant judgments to be made by the Group's management to determine the individual performance obligations under contracts with customers, which significantly affect the amount of revenue recognized in the reporting period.

Key judgements include an analysis of the economic nature and commercial context of contracts with customers to identify individual performance obligations, as well as an assessment of their progress at the end of the reporting period, including estimates and assumptions about the volume of services, activities and inventories that are required for satisfaction of the performance obligations; the expected total contract costs; the remaining costs of completing the contract; the total revenue from the contract, as well as the risks under the contracts, including technical, regulatory and legal risks.

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

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

The Group provides installation services that are bundled together with the sale of equipment to a customer. The installation services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group has determined that both the equipment and installation services are capable of being distinct. The Group has also determined that the promises to transfer the equipment and to provide installation services are distinct within the context of more contracts.

The equipment and installation are not inputs to a consolidated item in the contract. The Group is not providing significant integration services because the presence of the equipment and installation services together in the contract does not result in any additional or consolidated functionality. In addition, the equipment and installation services are not highly interdependent or highly interrelated, because the Group would be able to transfer the equipment even if the customer declined installation services and the customer itself, would be able to ensure installation services in relation to products offered by other distributors.

Consequently, the Group allocates a portion of the transaction price to the equipment and the installation services based on relative stand-alone selling prices.

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

Judgements (continued)

Revenue from contracts with customers (continued)

- Principal versus agent considerations

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

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

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

- Determining the timing of satisfaction of services

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

The Group determined that, depending on the specifics of the contract with customers, the cost-plus-margin method of inputs or linear recognition of revenue over time based on the period in the contract, are the best methods in measuring progress of services provided.

Estimates and assumptions

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

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

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

Revaluation of Investment property

The Group measures its investment property at fair value with any changes in the fair value being recognised in profit or loss. The Group engages an independent valuer to determine the fair value at the reporting period-end or at the date of change in use. The key assumptions used to determine the fair value of investment property and sensitivity analyses are provided in Note 19„Investment property".

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

Estimates and assumptions (continued)

Provision for expected credit losses of trade receivables and contract assets

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

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

Write down of inventories

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

Income tax

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

Fair value measurement

The Group measures non-financial assets, such as, investment property at fair value at each reporting date. The fair values of financial instruments and investment properties are disclosed in note 34 "Fair value measurement".

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

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

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

Estimates and assumptions (continued)

Fair value measurement (continued)

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

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

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

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

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

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

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

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

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

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

Estimates and assumptions (continued)

Legal guarantees

The Group does not report legal guarantee obligations for goods sold as they are borne by the equipment manufacturer.

External temporary differences in consolidated financial statement

The Group does not recognise deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, as the Group considers there is no probability that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Significant financing component

In some cases the Group receives long-term advances from customers. The Group accrues one time advance amount for the services, since other payment terms would affect the nature of the risks, borne by the Group for rendering the services, and may turn the provision of the service unprofitable. Following the analysis, the Group determines there is no significant financing component.

6. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes such sales proceeds and related cost in profit or loss.

6. Changes in accounting policies and disclosures (continued)

- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.
- **Annual Improvements 2018-2020** make minor amendments to **IFRS 1 First-time Adoption of International Financial Reporting Standards**, **IFRS 9 Financial Instruments**, **IAS 41 Agriculture** and the Illustrative Examples accompanying **IFRS 16 Leases.**

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement whether such deductions are attributable for tax purposes to the liability recognised in the financial statements or to the related asset component. This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

These amendments had no impact on the financial statements of the Group.

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

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In July 2021 the Board tentatively decided to propose several amendments to the clarifications made in January 2020. In particular, the Board decided to propose that if a right to defer settlement for at least twelve months is subject to an entity complying with conditions after the reporting date, those conditions do not affect whether the right to defer settlement exists at the reporting date for the purpose of classifying a liability as current or non-current. Additional presentation and disclosure requirements would be applicable in such circumstances. Furthermore, the Board tentatively decided to defer the effective date to no earlier than 1 January 2024 (from 1 January 2023).

The Group will analyze and assess the impact of the new amendments on its financial position or performance.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising in profit or loss, any gain or loss relating to the partial or full termination of a lease.

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments have not yet been endorsed by the EU. The Group will analyze and assess the impact of the new amendments on its financial position or performance.

8. Revenues from contracts with customers

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

Приходи от договори с клиенти	*01.01.2023 - 30.06.2023 BGN' 000*	*01.01.2022 - 30.06.2022 BGN' 000*
Geographical markets		
Bulgaria	30,009	38,267
Other European countries	28,710	32,606
Counties outside Europe	1,094	911
	59,813	**71,784**
Timing of revenue recognition		
At a point	36,026	42,093
Over time	23,787	29,691
	59,813	**71,784**

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

Contract balances

	30.06.2023 BGN'000	*31.12.2022 BGN'000*
Trade receivables (note 22)	36,202	24,667
Contract assets (note 22)	2,388	2,879
Contract liabilities (note 29)	23,875	21,422

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

Contract assets are initially recognised for obligations fulfilled, which have not yet been invoiced to the customer, as well as payments withheld by the customer as warranties. When the payment becomes due, the amounts recognised as contract assets are reclassified to trade receivables.
Contract liabilities include advances from customers. They are recognized as revenue when the performance obligation is satisfied.

Performance obligations

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

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

8. Revenue from contracts with customers (continued)

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

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of the reporting period are, as follows:

	30.06.2023 BGN'000	***31.12.2022 BGN'000***
Within one year	13,936	14,092
More than one year	9,939	7,330
	23,875	**21,422**

9. General and administrative expenses

	01.01.2023 - 30.06.2023 BGN'000	***01.01.2022 - 30.06.2022 BGN'000***
Employee benefit expenses	(2,753)	(2,074)
Depreciation & amortisation	(279)	(167)
Consulting services	(677)	(421)
Office rent and utilities	(202)	(192)
Representative expenses	(219)	(141)
Other	(446)	(308)
	(4,576)	**(3,303)**

10. Sales and marketing expenses

	01.01.2023 - 30.06.2023 BGN'000	01.01.2022 - 30.06.2022 BGN'000
Employee benefit expenses	(3,494)	(1,923)
Depreciation & amortisation	(281)	(322)
Consulting and agency services	(1,570)	(1,357)
Marketing and advertisement	(365)	(402)
Other	(421)	(297)
	(6,131)	**(4,301)**

11. Expenses by nature

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

	01.01.2023 - 30.06.2023 BGN'000	01.01.2022 - 30.06.2022 BGN'000
Changes in inventories of finished goods and work in progress	5,263	1,743
Capitalised development costs and contract costs	17	17
Raw materials and consumables	(202)	(258)
Hired services	(35,262)	(32,492)
Employee benefit expenses (note 14)	(10,265)	(7,947)
Depreciation and amortisation (note 18, 20)	(1,982)	(1,537)
Other, including Cost of goods sold	(15,319)	(26,212)
	(57,750)	**(66,686)**

12. Other operating income

Other operating income	*01.01.2023 - 30.06.2023 BGN'000*	*01.01.2022 - 30.06.2022 BGN'000*
Gain on disposal of property, plant and equipment	-	1
Written off payables	1	-
Government grants (note 25)	194	138
Rental income	15	14
Other	113	2
	323	**155**

Other operating expenses	*01.01.2023 - 30.06.2023 EUR'000*	*01.01.2022 - 30.06.2022 EUR'000*
Penalties	(29)	-
Other	(46)	(5)
	(75)	**(5)**

13. Finance income and finance costs

Finance costs	*01.01.2023 - 30.06.2023 BGN'000*	*01.01.2022 - 30.06.2022 BGN'000*
Interest on financing	(240)	(81)
Net foreign exchange loss	(270)	-
Other financial costs	(94)	(116)
	(604)	**(197)**

Finance income	*01.01.2023 - 30.06.2023 BGN'000*	*01.01.2022 - 30.06.2022 BGN'000*
Interest income - loans granted	16	15
Net foreign exchange gain	-	707
	16	**722**

14. Employee benefit expenses

	01.01.2023 - 30.06.2023 BGN'000	*01.01.2022 - 30.06.2022 BGN'000*
Salaries	(8,909)	(6,882)
Social security contributions	(1,356)	(1,065)
	(10,265)	**(7,947)**

Additional information related to the share-based payments is presented in note 37.

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

	01.01.2023 - 30.06.2023 Number	*01.01.2022 - 30.06.2022 Number*
Management	13	10
Operations	193	166
Sales	60	52
Administration	58	48
	324	**276**

15. Income tax

The major components of income tax expenses are as follows:

	01.01.2023 - 30.06.2023 BGN'000	*01.01.2022 - 30.06.2022 BGN'000*
Current income tax		
Current income tax charge	(445)	(915)
Deferred income tax		
Relating to origination and reversal of temporary differences	19	(35)
Income tax reported in the statement of comprehensive income	**(426)**	**(950)**

15. Income tax (continued)

The reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate for the Group as at 30 June are as follows:

	01.01.2023 - 30.06.2023 BGN'000	*01.01.2022 - 30.06.2022 BGN'000*
Accounting profit before income tax	1,723	5,773
Income tax rate	10%	10%
At parent's corporate income tax rate 10% (2022: 10%)	(172)	(577)
Tax effects of profits from subsidiaries taxed at different rate	(227)	(218)
Tax effect of non-deductible expenses	(27)	(155)
	(426)	**(950)**
At the effective income tax rate of:	25%	16%
Income tax reported in the statement of comprehensive income	(426)	(950)
	(426)	**(950)**

Deferred taxes of the Group as at 30 June 2023 and 30 December 2022 relate to the following items:

	Statement of financial position		**Statement of comprehensive income**	
Deferred income tax assets / (liabilities)	*30.06.2023 BGN'000*	*31.12.2022 BGN'000*	*01.01.2023 - 30.06.2023 BGN'000*	*01.01.2022 - 30.06.2022 BGN'000*
Accrued expenses	158	158	-	(35)
Employee benefits	237	237	-	-
Property, plant and equipment/Intangible assets	(75)	(75)	-	-
Impairment losses on fanancial and contract assets	210	210	-	-
Share-based payments	64	64	-	-
Impairment losses on investment	18	18	-	-
Other	223	204	19	-
Deferred income tax asset / (liability)	**835**	**816**		
Movement in deferred taxes			**19**	**(35)**

The Group's tax liabilities are based on the tax returns submitted to the tax authorities and are determined finally after being verified by the national tax authorities or after the expiry of a five-year term following the year of submission, as the case may be.

16. Assets classified as held for sale

In previous period, Telelink Business Services EAD acquired apartments located in town of Aheloi against its trade receivables from a customer as a result of a public sale procedure. During 2021 and 2022 part of the apartments was sold.

The apartments have been classified as held for sale as management is committed to a plan for their sale. At the end of 2021 an external valuer was engaged to assess the market value of the properties and the assessment showed no indications of impairment of these assets.

At the end of 2022 one of the apartments was sold and there is an ongoing commitment to sell the remaining three apartments.
In the year 2023 there is no change in the assets classified as held for sale.

17. Prepayments

	30.06.2023	*31.12.2022*
	BGN'000	*BGN'000*
Balance on 1 January	**18,053**	**15,502**
Accrued during the year	10,630	17,510
Released to profit and loss	(8,603)	(14,959)
Balance at the end of the period	**20,080**	**18,053**
Current	8,547	9,920
Non-current	11,533	8,133
	20,080	**18,053**

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

18. Property, plant and equipment

	Right-of-use assets	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Total
Book value	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2023	5,650	1,695	1,971	26	657	5,651	15,650
Additions	3,557	191	170	-	382	583	4,883
Disposals	(,91)	(2)	(49)	-	-	-	(142)
Balance as of 31 December 2023	9,116	1,884	2,092	26	1,039	6,234	20,391
Accumulated depreciation:							
Balance as of 1 January 2023	(3,658)	(1,404)	(1,631)	(26)	(457)	(1,375)	(8,551)
Depreciation for the year	(1,027)	(120)	(155)	-	(37)	(469)	(1,808)
Disposals	91	2	47	-	-	-	140
Exchange adjustment	-	(1)	-	-	-	(19)	(20)
Balance as of 31 December 2023	(4,594)	(1,523)	(1,739)	(26)	(494)	(1,863)	(10,239)
Net book value as of 1 January 2023	**1,992**	**291**	**340**	**-**	**200**	**4,276**	**7,099**
Net book value as of 30 June 2023	**4,522**	**361**	**353**	**-**	**545**	**4,371**	**10,152**

18. Property, plant and equipment (continued)

	Right-of-use assets	Machinery & equipment	Computers	Motor Vehicles	Furniture and Fittings	Managed Services assets	Total
Book value	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2022	8,192	1,644	1,665	26	621	2,843	14,991
Additions	626	61	322	-	38	2,899	3,946
Disposals	(3,168)	(10)	(16)	-	(2)	-	(3,196)
Transferred from inventory	-	-	-	-	-	14	14
Transferred to inventory	-	-	-	-	-	(105)	(105)
Balance as of 31 December 2022	5,650	1,695	1,971	26	657	5,651	15,650
Accumulated depreciation:							
Balance as of 1 January 2022	(4,523)	(1,126)	(1,375)	(23)	(393)	(862)	(8,302)
Depreciation for the year	(1,645)	(289)	(270)	(3)	(66)	(545)	(2,818)
Disposals	2,510	11	14	-	2	-	2,537
Transferred to inventory	-	-	-	-	-	32	32
Balance as of 31 December 2022	(3,658)	(1,404)	(1,631)	(26)	(457)	(1,375)	(8,551)
Net book value as of 1 January 2022	**3,669**	**518**	**290**	**3**	**228**	**1,981**	**6,689**
Net book value as of 31 December 2022	**1,992**	**291**	**340**	**-**	**200**	**4,276**	**7,099**

The Group has performed impairment testing on the property, plant, and equipment as at the end of 2022. There are no indicators that the balance value exceeds the carrying value of the assets. Therefore, no impairment loss was recognised in the financial statements. Managed services assets represent machinery and equipment, computers and inventory used under contracts for managed services.

Geographical information

as at 30 June 2023	**Bulgaria**	**Other European countries**	**Counties outside Europe**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Property, plant and equipment	4,743	3,915	1,494	10,152
Investment properties	-	448	-	448
Intangible assets	2,148	6	-	2,154
Prepayments	3,275	7,903	355	11,533
	10,166	**12,272**	**1,849**	**24,287**

as at 31 December 2022	**Bulgaria**	**Other European countries**	**Counties outside Europe**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Property, plant and equipment	1,812	3,916	1,371	7,099
Investment properties	-	448	-	448
Intangible assets	1,009	6	-	1,015
Prepayments	2,056	5,956	121	8,133
	4,877	**10,326**	**1,492**	**16,695**

19. Investment property

	30.06.2023 BGN'000	31.12.2022 BGN'000
Opening balance at 1 January	448	409
Net result from a fair value remeasurement	-	39
Closing balance as at the end of the period	**448**	**448**

	30.06.2023 BGN'000	31.12.2022 BGN'000
Rental income derived from investment properties	15	28
Net profit arising from investment properties carried at fair value	**15**	**28**

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

Valuation technique (DCF method)	**DCF method**
Significant unobservable inputs	**Range**
-Estimated rental value per sqm per month	EUR 8,50 – 7,10
-Rent growth p.a.	1%
-Discount rate	9%

19. Intangible assets

	Software	Development Costs	Other	Total
Book value:	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2023	3,640	288	710	4,638
Additions	-	191	1,122	1,313
Balance as of 31 December 2023	3,640	479	1,832	5,951
Accumulated amortization:				
Balance as of 1 January 2023	(3,424)	-	(199)	(3,623)
Amortisation for the year	(69)	-	(105)	(174)
Balance as of 31 December 2023	(3,493)	-	(304)	(3,797)
Net book value as of 1 January 2023	**216**	**288**	**511**	**1,015**
Net book value as of 30 June 2023	**147**	**479**	**1,528**	**2,154**

19. Intangible assets (continued)

	Software	Development Costs	Other	Total
Book value:	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Balance as of 1 January 2022	3,393	139	281	3,813
Additions	129	267	429	825
Transfers	118	(118)	-	-
Balance as of 31 December 2022	3,640	288	710	4,638
Accumulated amortization:				
Balance as of 1 January 2022	(3,189)	-	(142)	(3,331)
Amortisation for the year	(235)	-	(57)	(292)
Balance as of 31 December 2022	(3,424)	-	(199)	(3,623)
Net book value as of 1 January 2022	**204**	**139**	**139**	**482**
Net book value as of 31 December 2022	**216**	**288**	**511**	**1,015**

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

The Group carried out an annual impairment testing as at the end of 2022. There were no indicators that the carrying amount of the intangible assets exceeded their recoverable amount and, as a result, no impairment loss was recognized in the financial statements.

21. Inventories

	30.06.2023	*31.12.2022*
	BGN'000	*BGN'000*
Materials	366	358
Goods	5,037	2,134
Dispatched goods	-	447
Work in progress	7,647	2,357
	13,050	**5,296**

Write-down allowance for inventories

	30.06.2023	*31.12.2022*
	BGN'000	*BGN'000*
At 1 January	1	1
At the end of the reporting period	**1**	**1**

22. Trade and other receivables and contract assets

Trade and other receivables

	30.06.2023 BGN'000	*31.12.2022* BGN'000
Trade receivables from related parties, gross (note 31)	4,589	4,366
Trade receivables from third parties, gross	32,006	20,694
Loss allowance	(393)	(393)
Trade receivables	**36,202**	**24,667**
Other receivables	3,158	2,419
Trade and other receivables	**39,360**	**27,086**

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days.
The Group has established registered pledge over current and future trade receivables under individual contracts of Telelink Business Services EAD in order to secure the funds utilised under an overdraft facility and additional pledges of current and future receivables of Telelink Business Services EAD under the projects financed by the revolving credit facility. The funds utilized by Telelink Business Services EAD under the contract amounted to BGN 5,514 thousand as at 30 June 2023 (as at 31 December 2022: zero BGN).

Under the conditions of the loan agreement signed between Comutel DOO and Raiffeisen AD Beograd, the respective loan funds are utilized against a pledge of at least equal amounts of the receivables from a key account. As at 30 June 2023, the funds utilized amounted to BGN 2,221 thousand (as at 31 December 2022: BGN 1,819 thousand).

Contract assets

As at 30 June 2023, the Group had contract assets amounted BGN 2,388 thousand (31 December 2022: BGN 2,879 thousand). The Group does not expect credit losses on contract assets.

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

	30.06.2023 BGN'000	*31.12.2022* BGN'000
Loss allowance at 01 January	**393**	**452**
Amounts written off	-	(59)
Loss allowance at the end of the reporting period	**393**	**393**

The ageing analysis of trade receivables and contract assets as at 30 June 2023 and 31 December 2022 is presented in the following table:

22. Trade and other receivables and contract assets (continued)

30 June 2023	Current BGN'000	Days past due < 30 days BGN'000	31-60 days BGN'000	61 - 90 days BGN'000	91 - 180 days BGN'000	> 181 days BGN'000	Total BGN'000
Receivables from related parties, gross	4,048	114	162	40	69	156	**4,589**
gross	24,923	4,367	340	738	667	971	**32,006**
Contract assets, gross	2,388	-	-	-	-	-	**2,388**
Loss allowance of trade receivables and contract assets	-	-	-	-	-	(393)	**(393)**
Total trade receivables and contract assets	**31,359**	**4,481**	**502**	**778**	**736**	**734**	**38,590**

31 December 2022	Current BGN'000	Days past due < 30 days BGN'000	31-60 days BGN'000	61 - 90 days BGN'000	91 - 180 days BGN'000	> 181 days BGN'000	Total BGN'000
Receivables from related parties, gross	4,273	50	9	16	15	3	**4,366**
gross	17,229	1,282	980	209	263	731	**20,694**
Contract assets, gross	2,694	-	-	185	-	-	**2,879**
Loss allowance of trade receivables and contract assets	-	-	-	-	-	(393)	**(393)**
Total trade receivables and contract assets	**24,196**	**1,332**	**989**	**410**	**278**	**341**	**27,546**

23. Loans granted

Current	**Maturity**	***30.06.2023 BGN'000***	***31.12.2022 BGN'000***
Third parties	2017/2020	1,401	1,401
Loss allowance		(1,401)	(1,401)
		-	**-**

As at 31 December 2022, the Group have not granted loans, besides the USD loans that are fully impaired as at 31 December 2017. In 2022 the impaired loans were written-off.

24. Cash and cash equivalents

	30.06.2023 BGN'000	***31.12.2022 BGN'000***
Cash and cash equivalents in hand	24	3
Cash and cash equivalents in current accounts	3,744	14,379
Cash and cash equivalents in accounts subject of special conditions	298	298
Short-term deposits	173	148
	4,239	**14,828**

Cash in bank accounts bear floating interest rates based on the daily interest rates on bank deposits. Short-term deposits are made for various periods between one week and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits at 30 June 2023 and 31 December 2022 equals their carrying amount. Amounts in accounts with special conditions have been transferred and not withdrawn as of the end of the respective period dividends from certain shareholders.

25. Government grants

In 2019, Telelink Business Services EAD, being part of a Consortium, in which more than 30 partners from various European countries participate, received the first tranche from financing under the Operational Program ECHO European network of Cybersecurity centres and competence Hub for innovation and Operations. The funds of BGN 464 thousand under the Program was provided and utilized to cover personnel costs. In 2020 the Group received second tranche of funds under the Program at the amount of BGN 383 thousand and last tranche of funds at the amount of BGN 97 thousand in 2022.

In 2022, Telelink Business Services EAD also received funding under the following European programs: European Commission - SynGReDiT EDIH Stara Zagora 2022 – tranche in the amount of BGN 61 thousand; European Commission AI CISO Horizon Europe 2022 – DYNAMO – tranche in the amount of BGN 428 thousand; ACTING - European Commission EDF 2022/2026 – an amount of BGN 704 thousand. In all three programs, Telelink Business Services EAD participates jointly in consortia with European and Bulgarian companies, and the funds are intended for the costs of personnel employed in the implementation of the programs for two to four years.

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

	30.06.2023	*31.12.2022*
	BGN'000	*BGN'000*
At the beginning of the reporting period	1,276	143
Received during the year	398	1,290
Released to profit and loss	(193)	(157)
At the end of the reporting period	**1,481**	**1,276**
Current	660	455
Non-current	821	821
	1,481	**1,276**

26. Interest-bearing loans and borrowings

		30.06.2023	*31.12.2022*
Current	**Interest rate %**	*BGN'000*	*BGN'000*
Overdraft	2.35% +ADI	5,514	-
Overdraft	1.5% +RIT	1,220	-
Revolving credit facilities	1M LIBOR + 2,6%	2,219	1,819
Revolving credit facilities	3M EURIBOR + 1,60%	2,311	1,060
		11,264	**2,879**

On February 15 2022, an overdraft agreement was signed between Telelink Business Services Group AD and Raiffeisenbank (Bulgaria) EAD with a total limit of 2,000,000 euro, available for utilization in the form of any or a combination of:

26. Interest-bearing loans and borrowings (continued)

- Overdraft credit with a repayment deadline of February 28 2026;
- Contingent bank credit securing the issuance of guarantees with an availability period until January 28 2026.

On 5th of April, 2023, an annex to the overdraft agreement was signed between Telelink Business Services Group AD and Raiffeisenbank (Bulgaria) EAD (currently United Bulgarian Bank AD) for the extension of the period for absorption until 20.01.2027 and the period for repayment until 28.02.2027, being extended and corresponding suretyship with TBS EAD.
All limits are available for utilization in leva, euro or US dollars at respective interest rates of reference interest rate (RIR) +1.5%, 1m. EURIBOR + 1.5% and 1m. LIBOR + 1.5%, but no less than 1.5% (regardless of the utilization currency).
Provided security under the agreement included:

- pledge of receivables from accounts with the bank;
- pledge of current and future receivables from commercial agreements between TBSG AD and its subsidiaries;
- suretyship by TBS EAD.

As at 31.12.2022 Telelink Business Services Group AD has no outstanding overdraft liabilities. As at 30 June 2023 the outstanding overdraft amounted to BGN 1,220 thousand.

On May 31 2022, an annex was signed to the Agreement for undertaking credit commitments under an overdraft credit line № 0018/730/10102019 from October 10 2019 with Unicredit Bulbank AD and TBS EAD in its capacity of borrower, pledgor and security provider under the terms of the Financial Security Agreements Act, to which TBSG AD is pledgor and guarantor, whereby the availability term was extended until May 31 2023 and the following sub-limits were affirmed within the total limit of 13,000,0000 euro:

- overdraft credit up to EUR 3,000,000, with an availability period until May 31 2023 and a repayment deadline until July 31 2023;
- revolving credit limit of up to EUR 4,000,000, with an availability period until May 31 2023 and repayment deadline until the receipt of proceeds from clients under each financed project, but no later than May 31 2023;
- contingent bank credit of up to EUR 13,000,000, securing the issuance of bank guarantees and letters of credit, with a utilization deadline until June 30 2030 and a maximum term for letters of credit until May 15 2024.

As of 30.06.2023, the contract was extended with an annex for the total amount of the limits subject to utilization in the form of cash, from EUR 9 million and the total amount of all limits, including bank credit subject to the issuance of guarantees, from 15 million euros and the deadline for utilization is 31.05.2024.
According to the signed annex, all limits remain available for utilization in BGN, EUR or USD at respectively applicable interest rates of BIR + 2.35%, 1m. EURIBOR + 1.5% and 1m. LIBOR + 1.5%, but no less than 1.5% (regardless of the currency of utilization).

As of 30.06.2023, the utilized and outstanding overdraft and revolving limit funds amounted to BGN 5,514 thousand (as of December 31, 2022, there are no utilized and outstanding overdraft and revolving limit funds).

26. Interest-bearing loans and borrowings (continued)

On 16.01.2023, an annex to the Credit Agreement was signed between Comutel and Raiffeisen Bank AD Belgrade, Republic of Serbia, for an update of interest and extension of the period of use until 27.01.2024 and a guarantee from TBS EAD to guarantee the due fulfillment of commitments of Comutel

The limit for effective utilization of funds under the contract in the form of a revolving credit for working capital, subject to utilization on the basis of individual requests up to the amount of correspondingly pledged receivables from customers, remains 4,200 thousand US dollars.

The interest rates under the contract are kept at 1M LIBOR + 2.6% for withdrawals in US dollars and 1M BELIBOR + 2.8%. for withdrawals in Serbian dinars

As of 30.06.2023, the amount utilized by Comutel under the contract equal BGN 2,219 thousand (December 31, 2022: BGN 1,819 thousand)

During the reporting period, Telelink Business Services North Macedonia continues to be a party (borrower) to the Framework agreement for financing and guarantees with Pro Credit Bank AD Skopje from 20.07.2021 with a limit of up to EUR 500 thousand, an annual interest rate of 3% and a maximum term of 15.07.2031. As of 30.06.2023, Telelink Business Services North Macedonia has not used overdraft funds under this contract.

On 22.03.2022, a framework contract for financing and guarantees was signed between Telelink Slovenia and UniCredit Banka Slovenija d.d. with a limit of up to 1,500 thousand euros, an annual interest rate of 1M EURIBOR + 1.5% and a maximum term of 31.03.2023. As collateral under this contract, a corporate guarantee has been provided by Telelink Business Services Group AD in the amount of 1,500 thousand euros, approved by the company's Board of Directors on 15.03.2022. As of 31.12.2022, the amount utilized by Telelink Slovenia under the contract equal BGN 1,060 thousand (EUR 545 thousand). As of 30.06.2023, the amount utilized amounted to BGN 2,311 thousand.
On 26.01.2023, an annex to the Framework Loan Agreement No. was signed. 5074/2022 between Unicredit BankSlovenia d.d. and Telelink Slovenia, with a limit of 1,500,000 euros, with which the term was extended until 18.01.2024 and the annual interest rate has been updated to 1.6% + 3m. EURIBOR. To secure the obligations of Telelink Slovenia under this contract, the corporate guarantee provided by TELELINK BUSINESS SERVICES GROUP AD.

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

	30.06.2023	*31.12.2022*
	BGN'000	*BGN'000*
Interest-bearing loans and borrowings at 01 January	**2,879**	**1,725**
Proceeds from borrowings	17,851	14,123
Repayments of borrowings	(9,466)	(12,969)
Interest expense	160	71
Interest paid	(160)	(71)
Interest-bearing loans and borrowings at the end of the period	**11,264**	**2,879**

27. Leases

The Group has leases for offices, vehicles, and managed services assets used in the business. Leases for managed services assets have lease terms between 3 and 4 years, vehicles - 4 years, and rented offices 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.
There are no lease contracts that include extension and termination options and variable lease payments.

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

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

	Buildings	Motor Vehicles	Managed Services assets	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Balance at 1 January 2022	714	474	804	1,992
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	-	*804*	*804*
Additions	3,483	74	-	3,557
Depreciation	(646)	(150)	(230)	(1,026)
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	-	*(230)*	*(230)*
Exchange differences	(1)		-	(1)
Balance at 30 June 2023	**3,550**	**398**	**574**	**4,522**

27. Leases (continued)

	Buildings	Motor Vehicles	Managed Services assets	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Balance at 1 January	1,901	*503*	1,265	3,669
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*63*	*1,265*	*1,328*
Additions	379	247	-	626
Disposals	(659)	-	-	(659)
Depreciation	(907)	(276)	(461)	(1,644)
incl. under Lease contracts with transfer of ownership by the end of the lease term	-	*(19)*	*(461)*	*(480)*
Balance at 31 Dec 2022	**714**	**474**	**804**	**1,992**

Expenses for short-term lease (included in cost of sales) are BGN 15 thousand in 2023 (2022: BGN 29 thousand).

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

	30.06.2023	*31.12.2022*
	BGN '000	*BGN '000*
Balance at the beginning of the period	**1,379**	**2,933**
Exercised termination option	-	(369)
Additions	3,555	348
Accretion of interest	68	80
Payments	(770)	(1,613)
Balance at the end of the period	**4,232**	**1,379**
Current	998	943
Non-current	3,234	436

The Group had total cash outflows for leases of BGN 785 thousand in 2023, including BGN 15 thousand related to short-term leases (2022: BGN 1,642 thousand, including BGN 29 thousand related to short-term leases).

Set out below are the lease related amounts recognised in profit and loss:

27. Leases (continued)

	01.01.2023 - 30.06.2023	*01.01.2022 - 30.06.2022*
	BGN '000	***BGN '000***
Depreciation expense of rights-of-use assets	(1,027)	(812)
incl. under Lease contracts with transfer of ownership by the end of the lease term	*(230)*	*(237)*
Interest expenses on lease liabilities	(68)	(41)
Expenses relating to short-term leases	(15)	(15)
Total amount recognised in profit or loss	**(1,110)**	**(868)**

28. Trade and other payables

	30.06.2023	*31.12.2022*
	BGN'000	***BGN'000***
Trade payables to related parties (note 31)	6	37
Trade payables to third parties	24,161	24,042
Accrued expenses	3,091	1,827
Trade payables	**27,258**	**25,906**
Tax and other statutory liabilities	3,696	3,732
Dividend and other payables to related parties (note 33)	297	297
Other payables	1,963	3,239
Trade and other payables	**33,214**	**33,174**

Trade payables are non-interest bearing and are normally settled on 30-60-day terms. Tax liabilities are non-interest bearing and are settled within the statutory deadlines.

Other payables are non-interest bearing and have an average term of 30 days. Other liabilities are mainly formed by short-term payables to personnel and accrued unused paid leave.

Dividends payables and other payables to related parties represent BGN 297 thousand unclaimed dividends distributed by shareholders (2022: BGN 297 thousand unclaimed dividend)

29. Contract liabilities

	30.06.2023	*31.12.2022*
	BGN'000	*BGN'000*
Contract liabilities to related parties	174	174
Advances received	4,714	1,508
Deferred income	18,987	19,740
Total contract liabilities	**23,875**	**21,422**
Current	13,936	14,092
Non-current	9,939	7,330
	23,875	**21,422**

Advances received from clients and Deferred income represent customer billed amounts in advance of performance are classified within Contract liabilities. Advances received represent short-term upfront amount received by customers for services or goods. Deferred income comprises of short- and long-term advances received for extended customer support.

30. Retirement benefit liability

	30.06.2023	*31.12.2022*
	BGN'000	*BGN'000*
Balance on 1 January	32	19
Accrued for the year	-	13
Balance at the end of the period	**32**	**32**

Major assumptions used for accounting purposes:

Major assumptions	*30.06.2023*	*31.12.2022*
Discount Rate	0.40%	0.40%
Future Salary Increases	5.00%	5.00%
Personnel Retention Rate (depending on the age)	80.14%	80.14%

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

The average duration of the retirement benefit obligation is 27.79 years.

31. Related party disclosures

Group related party

Name		Nature of relationship
Telelink Business Services EAD (Bulgaria)	Subsidiary of	Telelink Business Services Group AD – 100%
Comutel DOO (Serbia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services DOO – Podgorica (Montenegro)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink DOO (Bosna and Herzegovina)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink DOO (Slovenia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Albania SH.P.K. (Albania)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services DOOEL (Macedonia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services DOO (Croatia)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services LLC (USA)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services SRL (Romania)	Subsidiary of	Telelink Business Services Group AD – 100%
Telelink Business Services GmbH (Germany)	Subsidiary of	Telelink Business Services Group AD – 100%

Other related parties

Name	Nature of relationship
Telelink Bulgaria AD (Bulgaria)	Under common control
Telelink Infra Services EAD (Bulgaria)	Under common control
Telelink Investments EOOD (Bulgaria)	Under common control
Telelink Services Romania SRL (Romania)	Under common control
Telelink Infra Services SHpk (Albania)	Under common control
Telelink MK DOOEL (North Macedonia)	Under common control
Telelink MK DOOEL Kosovo branch (Kosovo)	Under common control
Telelink UK LTD. (United Kingdom)	Under common control
Telelink GmbH (Germany)	Under common control
Marifons Holdings Limited (Cyprus)	Under common control
Telelink City EOOD (Bulgaria)	Under common control
V-Investments Bulgaria EOOD (Bulgaria)	Under common control
Develiot OOD (Bulgaria)	Under common control
Field on Track OOD (Bulgaria)	Under common control
Iskyr Lake House OOD (Bulgaria)	Under common control

Participation in joint arrangements in 2023 and 2021 г.:

Name		Nature of relationship
Consorcium SysTel (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium ATP Services (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium Telesec (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium TeleSec Secured Borders (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium Telelink Info (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium Telelink Group (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium TelechnoLink (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium Bulgarski porechiya (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium TeleSystems (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium Digital Backpack (Bulgaria)	Participation	Telelink Business Services EAD
Consortium TeleEs (Bulgaria)	Participation	TeleLink Business Services EAD
Consortium Smart Transport (Bulgaria)	Participation	TeleLink Business Services EAD

31. Related party disclosure (continued)

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

Trade	**Receivables from related parties**		**Payables to related parties**	
	30.06.2023	***31.12.2022***	***30.06.2023***	***31.12.2022***
Name	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Other related parties (under common control)	3,946	4,351	6	37
	3,946	**4,351**	**6**	**37**

Trade	**Sales to related parties**		**Purchases from related parties**	
	01.01.2023 - 30.06.2023	***01.01.2022 - 30.06.2022***	***01.01.2023 - 30.06.2023***	***31.12.2022***
Name	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Other related parties (under common control)	430	396	51	992
	430	**396**	**51**	**992**

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

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

As of June 30, 2023, other payables to related parties at the amount of BGN 297 thousand (2022: BGN 297 thousand) represent unclaimed dividend.

Joint arrangements

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

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

31. Related party disclosure (continued)

Income Statement	**Sales to joint operations**		**Purchases from joint operations**	
	01.01.2023 - 30.06.2023	***01.01.2023 - 30.06.2023***	***01.01.2023 - 30.06.2023***	***01.01.2023 - 30.06.2023***
Name	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Consortium ATP Services (Bulgaria)	95	117	-	-
Consortium Telesec (Bulgaria)	129	131	-	-
Consortium TeleSec Secured Borders (Bulgaria)	272	-	-	-
Consortium Telelink Group (Bulgaria)	1	1	-	-
Consortium TechnoLink (Bulgaria)	-	5	-	-
Consorcium SysTel (Bulgaria)	671	161	-	-
Consortium TeleSystems (Bulgaria)	1	6	-	-
Consortium Digital Backpack (Bulgaria)	153	9,609	-	-
Consortium Smart City Systems (Bulgaria)	-	28	-	-
Consortium Bulgarski porechiya (Bulgaria)	71	-	-	-
Consortium Telelink Info (Bulgaria)	346	-	-	-
Consortium TeleEs (Bulgaria)	18	15	-	-
	1,757	**10,074**	**-**	**-**

Statement of Financial Position	**Trade receivables from joint operations**		**Contract liabilities to joint operations**	
	30.06.2023	***31.12.2022***	***30.06.2023***	***31.12.2022***
Name	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Consortium ATP Services (Bulgaria)	19	15	-	-
Consortium Telesec (Bulgaria)	46	-	-	-
Consorcium SysTel (Bulgaria)	72	-	-	-
Consortium Bulgarski porechiya (Bulgaria)	91	-	-	-
Consortium Telelink Info (Bulgaria)	415	-	-	-
	643	**15**	**-**	**-**

As of 30.06.2023, Telelink Business Services EAD has contract liabilities to Digital Backpack Consortium in the amount of BGN 174 thousand and contract assets respectively with Consortium ATP Services - BGN 15 thousand and Consortium Digital Backpack – BGN 15 thousand.

As of 31.12.2022, Telelink Business Services EAD has contract liabilities to Digital Backpack Consortium in the amount of BGN 174 thousand and contract assets respectively with Consortium ATP Services - BGN 15 thousand and Consortium Telesek – BGN 15 thousand.

32. Share capital and reserves

Registered capital	***30.06.2023 Shares***	***31.12.2022 Shares***
Ordinary shares of BGN 1 each	12,500,000	12,500,000
	12,500,000	12,500,000
	Shares	***Shares***
Ordinary shares issued, fully paid-in	12,500,000	12,500,000

All ordinary shares are fully paid in.

Telelink Business Services Group AD was established in July 2019 with a share capital of BGN 50 thousand. The share capital available as of 31 December 2020 amounting to BGN 12,500 thousand was formed as a result of the Reorganization of Telelink Bulgaria EAD, whereby Telelink Bulgaria EAD allocated the net assets attributable to the separated Business Services activity amounting to BGN 12,667 thousand and the latter amount was allocated to the formation of additional share capital amounting to BGN 12,450 thousand and general reserves amounting to BGN 217 thousand.

Legal reserves

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

Legal reserves are formed from the retained earnings of Telelink Business Services Group AD (2022: BGN 1,250 thousand and 2021: BGN 981 thousand), Telelink Business Services EAD (2022 and 2021: BGN 100 thousand) and Telelink Business Services North Macedonia (2022: BGN 2 thousand).
The Group's legal reserves as at 30 June 2023 were BGN 1,352 thousand (2022: BGN 1,352 thousand).

Other reserves

Other reserves were formed after applying the predecessor method upon the acquisition of the companies under common control and represent the difference between the investment in acquirees and the share capital of these entities.
The Group's other reserves formed following the acquisition as at 31 December 2022 and 31 December 2021 were BGN (14,124) thousand. Other reserves include obligations under the share-based payments programmes for the amount of BGN 670 thousand as of December 2022 (as of December 2021 – BGN 602 thousands) and BGN 87 thousands as of 31 December 2022 (2021: BGN 55 thousands) reserves related with valuation of investment property in Comutel DOO.
In 2020 and 2021 the Group establishes *one-off share-based payments incentive Procedure for employees (the Procedure)*, *long-term share-based payment incentive Programme for management and key personnel (the Programme)* and *share-based payment incentive Scheme for members of the Managing board (the Scheme)*. (Note 37)

32. Share capital and reserves (continued)

The increase in Other reserves equals the expense at the amount of BGN 211 thousand in 2020, BGN 391 thousand in 2021 and BGN 68 thousand in 2022 as per share-based payment programs (Note 37).

Other components of equity

On 21 December 2020, the Company implemented *the Procedure*, transferring 28,608 shares to 137 persons without limitations to further disposal. In accordance with the respective decisions of the General Meeting of Shareholders ("GMS") from 10 September 2020 and the MB from 27 November 2020, the program was implemented entirely on the basis of own shares bought back by the Company.

	Number of shares	*Share capital net of shares bought back*
		BGN '000
Balance on January 1, 2022	**(356)**	**40**
Shares bought back on market	(5,674)	(75)
Share -based payments		
Buy-back transaction costs		
Balance on December 31, 2022	**(6,030)**	**(35)**
Balance on January 1, 2023	**(6,030)**	**(35)**
Shares bought back on market	(23,500)	(224)
Share -based payments		
Buy-back transaction costs		
Balance on June 30, 2023	**(29,530)**	**(259)**

In total, 28,964 own shares were bought back in 2020 for the purposes of employee incentive plans. After the implementation of the above-mentioned one-time share incentive program, as of 31 December 2020 and 2021, the Group held 356 shares in treasury stock. In 2021 the Group did not perform any shares buybacks. In 2022 the Group bought back 5,674 shares for the total amount of BGN 75 thousand.
In the first half of 2023, the Group acquires 23,500 own shares. As of June 30, 2023 The group owns a total of 29,530 own shares.

Translation reserves

Translation reserves are formed from the restatement of the subsidiaries' operating results and financial performance in the Group's presentation currency.
The translation reserves as at 30 June 2023 were BGN (545) thousand (2022: BGN (548) thousand).

33. Dividends distributed

Set out below are the dividends distributed by the Group companies to the parent company in 2022 and 2021:

Name	***30.06.2023*** ***BGN'000***	***31.12.2022*** ***BGN'000***
Comutel DOO	137	1,408
Telelink Business Services DOOEL (North Macedonia)	-	196
Telelink DOO (Slovenia)	58	1,369
Telelink Business Services EAD	2,934	-
	3,129	**2,973**

According to resolutions of June 20, 2023 and June 30, 2023 of the Executive Director of Telelink Business Services Group AD, Telelink Business Services EAD, Comutel DOO (Serbia) and Telelink DOO (Slovenia) distribute a dividend in the amount of BGN 3,129 thousand. Dividends have not been paid as of June 30, 2023.

According to resolutions of June 17, 2022 and June 30, 2022 of the Executive Director of Telelink Business Services Group AD, Telelink Business Services EAD, Comutel DOO (Serbia), Telelink Business Services LLC (North Macedonia) and Telelink LLC (Slovenia) distribute a dividend in the amount to BGN 13,339 thousand. Dividends have been fully paid as of December 31, 2022.

The General meeting of the shareholders by resolution from 21 September 2022 approved the distribution of dividends amounting to BGN 10,125 thousand in 2022.

	30.06.2023 ***BGN '000***	***31.12.2022*** ***BGN '000***
At the beginning of the period	297	301
Final dividend for the year (2022: BGN 0.19 per share, 2021: BGN 0.05 per share)	-	2,430
Interim dividend for the year (2022: BGN 0.62 per share, 2021: BGN 0.77 per share)	-	7,695
Paid out	-	- 9,724
Tax withheld	-	- 405
At period end	**297**	**297**

33. Fair value measurement

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

			Fair value measurement			
	30.06.2023	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			0	*0*	*0*	*0*
Assets measured at fair value:						
Investment properties:						
Office properties		30.06.2023	448			448
Total assets measured at fair value			**448**	**-**	**-**	**448**

			Fair value measurement			
	31.12.2022	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			0	*0*	*0*	*0*
Assets measured at fair value:						
Investment properties:						
Office properties		31.12.2022	448			448
Total assets measured at fair value			**448**	**-**	**-**	**448**

35. Commitments and contingencies

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

Capital commitments: The Group had no capital commitments as at 30 June 2023 and 31 December 2022.

Commitments to the benefit of related parties

As of June 30 2023 and during the reporting period as a whole, the Issuer maintained its commitments as a guarantor, respectively pledgor under the following contracts signed to secure to the obligations of TBS EAD /UIN 130545438/ from an Agreement for the undertaking of credit commitments under an overdraft credit line dated 10.10.2019 with Unicredit Bulbank AD, extended with annex dated 30.06.2023 for the total amount of the limits subject to absorption in the form of cash funds, from EUR 9 million and the total amount of all limits, including a bank loan under the condition of issuance of guarantees, from 15 million euros and deadline for utilization until 31.05.2024:

35. Commitments and contingencies (continued)

- a suretyship agreement with Unicredit Bulbank AD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and the annexes thereto until their final repayment;
- a share pledge agreement with Unicredit Bulbank AD over the Issuer's 100% stake in the share capital of TBS EAD, securing all receivables of the bank from TBS EAD stemming from the above credit agreement and annexes thereto until their final repayment.

As at 30.06.2023 the following are effective:

- As of a corporate guarantee issued on July 01, 2020, in favour of Citi Bank and Cisco Systems International B.V. (the Netherlands), securing the possibility for Comutel /UIN 07554133/ and Telelink Slovenia /UIN 16434331/ to make high-volume equipment purchases under contracts with Cisco Systems International B.V. on deferred payment terms, up to the amount of USD 5,100 thousand.
- The Company maintained a counter-guarantee issued on October 26 2020 in favour of TBS Macedonia /UIN 7385986/ in the amount of EUR 22,000 with regard to a contract with Operator electrical distribution systems, North Macedonia, valid until November 10 2023.
- On February 15, 2022, the Company issued a corporate guarantee in the amount of EUR 56,554.95 securing the obligations of TBS Croatia /UIN 081341811/ from operating lease contracts with Unicredit Leasing Croatia d.o.o., valid until January 20, 2027.
- On March 16, 2022, the Company issued a corporate guarantee securing the obligations of Telelink Slovenia /UIN 16434331/ from a Frame loan agreement № 5074/2022 with Unicredit Banka Slovenia d.d. for the amount of EUR 1,500,000 with an annual interest rate of 1.5% + 1m. EURIBOR and a maximum term until January 19, 2023.
- On June 28, 2022, the Company issued a corporate guarantee in the amount of HRK 1,500,000 securing the obligations of TBS Croatia /UIN 081341811/ with regard to an agreement with Zagrebska banka d.d. for the issuance of bank guarantees, valid until February 28, 2023.
- On November 15, 2022, the Company issued a counter-guarantee in the amount EUR 9,000 to Raiffeisen Bank S.A. Romania securing a tender bid bond by TBS EAD /UIN 130545438/ and TBS Romania /UIN J40/19800/2021/, valid until May 15, 2023.
- On November 18, 2022, the Company issued a bank guarantee in the amount of EUR 150,000 securing the obligations of TBS Macedonia /UIN 7385986/ with regard to an overdraft agreement with ProCredit North Macedonia, valid until May 31, 2024.
- On December 06, 2022, the Company issued a counter-guarantee for the amount of EUR 31,000 to Raiffeisen Bank S.A., Romania, securing a tender bid bond by TBS EAD /UIN 130545438/ and TBS Romania /UIN J40/19800/2021/, valid until May 03, 2023.
- A corporate guarantee provided by Telelink Business Services Group AD for security of the obligations of TBS Croatia (EIK 081341811) under the Framework Agreement for overdraft no. 1102903942 dated 01.03.2023 with Zagrebska Banka d.d., in the amount of 245,500 euros, issued on 03.01.2023.

35. Commitments and contingencies (continued)

In connection with the annual renewal of the loan agreement between Comutel and Raiffeisen Bank AD, R. Serbia, with a credit limit for utilization in the form of cash of USD 4,200 thousand dollars, on 16.01.2023 the suretyship contract by which TBS EAD guarantees the proper fulfillment of the relevant commitments of Comutel, has been extended until 31.01.2024.

In connection with an annex to the overdraft agreement signed on 04/05/2023 between the Company and Raiffeisenbank (Bulgaria) EAD (currently United Bulgarian Bank AD) to extend the term for utilization until 20.01.2027 and the repayment period until 28.02.2027, the corresponding contract for guarantee with TBS EAD.

36. Financial risk management objectives and policies

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

In 2023 and 2022, the Group neither owned nor traded in derivative financial instruments.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's revolving credit lines for current financing of working capital and to a lesser extent, to finance lease contracts bearing floating (variable) interest rates.

The Group's policy is to manage its interest expenses by employing financial instruments bearing fixed and floating interest rates and assuming the risk relating to revolving credit lines due to the inherently variable nature of exposures thereto; moreover, the Group keeps track of changes in periodically updated floating and variable indices with a view to possibly fixing or hedging interest rates on financial leases.

Currency risk

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

36. Financial risk management objectives and policies (continued)

Currency risk (continued)

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

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

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

Credit risk

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

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

The maximum credit exposure of the Group related to the recognised financial assets equals their carrying amount as stated in the balance sheet as of 30 June 2023 and as of 31 December 2022.

Liquidity risk

Liquidity risk is managed through the planning of cash flows and ensuring sufficient cash, as also by agreeing credit limits and financial support with renown local banks and strategically engaged partners.

The following table summarises the maturity profile of the Group’s financial liabilities at period end based on contractual discounted payments.

30 June 2023	**On demand**	**< 3 months**	**3-12 months**	**1 - 5 years**	**> 5 years**	**Total**
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Interest-bearing loans and borrowings	-	-	11,264	-	-	11,264
Lease liabilities	-	207	791	3,234	-	4,232
Trade and other payables	1,528	25,017	5,963	- 502	-	32,006

31 December 2022	**On demand**	**< 3 months**	**3-12 months**	**1 - 5 years**	**> 5 years**	**Total**
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Interest-bearing loans and borrowings	-	-	2,879	-	-	2,879
Lease liabilities	2	324	596	457	-	1,379
Trade and other payables	209	29,341	974	10	-	30,534

36. Financial risk management objectives and policies (continued)

Capital management

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

The Group manages its capital structure and adjusts it, where necessary, depending on the changes in the economic environment. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

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

	30.06.2023 BGN'000	***31.12.2022 BGN'000***
Interest bearing loans and borrowings	11,264	2,879
Lease liabilities	4,232	1,379
Trade and other payables	33,028	33,174
Contract liabilities	23,875	21,422
Less cash and short term deposits	(4,239)	(14,828)
Net debt	68,160	44,026
Equity	19,384	18,311
Less other reserves	13,367	13,367
Adjusted Equity	32,751	31,678
Capital and net debt	**100,911**	**75,704**
Gearing ratio	68%	58%

37. Share-based payments

In 2020 the Group established long-term share-based payment incentive Programme for management and key personnel (the Programme). Under the Programme eligible employee is any employee who works at managerial position or is a key employee, nominated by resolution of the Managing Board, who has at least 365 days length of service at the Group. The supplementary remuneration under the Programme is conditional on the Group's performance for a period of three years 2020-2022 and personal performance of each employee with regard to financial and non-financial results. The final number of shares to be transferred is measured by reference to the Group`s performance for a period of three years.

In 2020 the Group establishes share-based payment incentive Scheme for members of the Managing board (the Scheme). Granting conditions and final number of shares to be transferred are subject to the continuing employment of the members of the Managing board and the Group`s performance for the three-year period 2020-2022.

According to the Programme and the Scheme shares will be transferred to employees in the year following the three-year period 2020-2022.

37. Share-based payments (continued)

The Group has estimated the fair value of the services received by reference to the fair value of the shares granted, but not yet vested, using the closing price of the Bulgarian Stock Exchange at 31 December 2020 adjusted with the present value of future dividend. The Group accounts for the Programme and the Scheme as an equity-settled share-based payments plans. The expense accrued according to the Programme and the Scheme in 2022 is BGN 33 thousand (2021: BGN 219 thousand, 2020: BGN 211 thousand).

In 2021 the Group establishes new identical share-based payment incentive Programme for management and key personnel and Scheme for members of the Managing board related to continuing employment and Group performance for new three-year period 2021-2023. Shares are transferred to the participants in the year following the three-year period 2021-2023. The Group has estimated the fair value of the services received by reference to the fair value of the shares granted, but not yet vested, using the closing price of the Bulgarian Stock Exchange at 24 September 2021 adjusted with the present value of future dividend. The expense accrued according to the Programme and the Scheme related to the new three-year period in 2022 is BGN 101 thousand (2021: BGN 171 thousand).

In 2023 and 2022 the Group did not establish such new Programmes.

The Group accounts for all plans as equity-settled share-based payments.

38. Events after the reporting period

On 05.07.2023, a loan with the possibility of multiple absorption and repayment was signed between Telelink Business Services Group AD (lender) and TBS EAD (EIK 130545438) (borrower) with a limit up to BGN 3,000 thousand, repayment term 31.12.2023 and interest at the rate of 4% per annum on the utilized part of the loan.

On 10.07.2023, a Loan Agreement was signed with the possibility of multiple utilization and repayment between Telelink Business Services Group AD (lender) and TBS Germany (EIK 299685098) (borrower) with a maximum amount of up to EUR 500 thousand, term until 31.12.2023 and an annual interest rate of 4%.

As of 07.07.2023, there has been a change in the representative of TBS USA, as in the place of Teodor Dobrev is listed as Helge Brummer.

On 28.07.2023, in relation to the long-term share based payment incentive Programme with shares of Telelink Business Services Group AD for the period 2020-2022, employees of the Group are granted net 20,343 shares.

38. Events after the reporting period (continued)

On 10.08.2023 in the commercial register of the Federal Republic of Germany an increase of the capital of TBS Germany from EUR 25 thousand to EUR 100 thousand was registered.

On 24.08.2023 between Telelink Business Services Group AD (lender) and TBS Germany (EIC 299685098) (borrower) signed a one-time loan agreement for the purpose of purchase of equipment to be provided to customers under managed service contracts of maximum size up to EUR 290 thousand, repayment term 5 years from the date of disbursement and annual interest rate of 4% subject to change in case of significant changes in EURIBOR.

On 28.08.2023, an Extraordinary General Meeting was held. Information about the decisions made and all materials are available at http://www.x3news.com/ and on the website of Telelink Business Services Group AD at: https://www.tbs.tech/general-meetings-of-shareholders/ .

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