1. Corporate information

KORADO-Bulgaria AD ("the Company") is a joint-stock company, registered with the Veliko Tarnovo District Court under UIC 814190902, with registered address and address of management in the town of Strazhitsa, Veliko Tarnovo Region, 28 Gladstone Street. All shares of the Company are registered and traded on Bulgarian Stock Exchange – Sofia AD, Premium Segment. Number of shares in circulation: 13 168 614. Stock exchange code is KBG (4KX).

The main scope of activity of the Company includes: manufacture and sale of heating equipment.

At 31 March 2023 the Company's shareholders are:

-	KORADO a.s., Czech Republic	82,15 %
-	Individuals and legal entities	17,85 %

The ultimate parent company is KORADO a.s., Czech Republic. None of the owners of the ultimate parent company owns more than 35% of the parent's shares.

The Company's management consists of Management Board. Those charged with governance are represented by the Supervisory Board and the Audit Committee of the Company.

According to the Bulgarian legislation, a decision of the General Meeting for approval of these annual financial statements can be subsequently revoked (by applying the relevant procedure) and in case it is considered appropriate, new revised financial statements can be prepared and issued for the same financial year.

1.1. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

Historical cost convention

The financial statements have been prepared on a historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical and accounting estimates. It also requires management of the Company to execute its judgment and assumptions when applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

Going concern

The financial statements have been prepared on a going concern basis. The financial statements have been prepared in Bulgarian leva and all amounts have been rounded off to the nearest thousand (BGN'000), unless otherwise stated.

1.1. Basis of preparation (continued)

Going concern (continued)

The Company's current assets exceed its current liabilities as of 31 March 2023with the amount of BGN 15,401 thousand (31 December 2022: BGN 14,958 thousand). For the year ended 31 March 2023the Company generates profit in the amount of BGN 215 thousand (31 December 2022: BGN 4,872 thousand). As at 31 March 2023the Company has equity in the amount of BGN 23,101 thousand (31 December 2022: BGN 22,886 thousand) and cash and cash equivalents in the amount of BGN 1,215 thousand (31 December 2022: BGN 489 thousand). During the year it generates net cash flows from operating activities in the amount of BGN 760 thousand. (2022: BGN: 1,407 thousand).

Because of the unfavourable economic conditions, the Company's revenue from sales for 2023 declined by 48% compared of the same period previous year.

Based on the current analysis, management has not identified a significant uncertainty as to whether the Company will be able to continue as a going concern. The Company also has the intention and ability to take the measures necessary to continue as a going concern. Currently, the Company has no liquidity difficulties and delays in deliveries, it performs timely payments to its suppliers and takes measures to reduce operating costs.

1.2. Summary of significant accounting policies

a) Foreign currency translation

The financial statements are presented in Bulgarian leva, which is also the functional and presentation currency of the Company. 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 on a monthly basis by applying the exchange rate published by the Bulgarian National Bank for the last working day of the respective month. All exchange differences are recognised in the statement of comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as of the date of initial transaction (acquisition).

b) Revenue from contracts with customers

The Company produces and sells radiators. Customers of the Company are wholesalers. Respectively, sales are recognised when control of the products (finished goods and goods for resale) has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

For the purposes of management, the Company has only one operating segment.

The products are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

1.2 Summary of significant accounting policies (continued)

b) Revenue from contracts with customers (continued)

A refund liability (included in trade and other receivables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30-60 days, which is consistent with market practice. The Company's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company analyses its sales arrangements according to specific criteria in order to determine whether it acts as a principal or agent. It has reached the conclusion that it acts as a principal in relation to all such arrangements as it controls the goods before transferring them to the customers.

c) Taxes

Current income 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. Management analyses the individual items of the tax return for which the applicable tax provisions are subject to interpretation and recognises provisions where appropriate.

Current income tax is recognised directly in the equity or in other comprehensive income (and not in profit or loss) where the tax relates to items that have been recognised directly in the equity or in other comprehensive income.

Deferred income 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 recognized for all taxable temporary differences, except where the deferred income tax liability 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.

Deferred income tax assets are recognized 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.

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. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

1.2 Summary of significant accounting policies (continued)

c) Taxes (continued)

Deferred income tax (continued)

Deferred taxes relating to items recognized outside profit and loss are recognized out of profit and loss. Deferred taxes are recognized depending on the transaction they relate to in other comprehensive income, or directly in equity.

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. As of reporting date – offsetting is applied by Company.

Value added tax (VAT)

Revenue, expenses and assets are recognised net of VAT except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT 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 VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Financial instruments

(d.1.) Investments and other financial assets

Debt instruments

(i) Classification

The Company classifies its financial assets depending on the business model used to manage these assets and the specifics of their contractual cash flows as follows:

- those to be measured subsequently at fair value through profit or loss;
- those to be measured subsequently at fair value through OCI, and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

1.2 Summary of significant accounting policies (continued)

d) Financial instruments (continued)

(d.1.) Investments and other financial assets (continued)

Debt instruments (continued)

(iii)Measurement

At initial recognition, the Company measures a financial asset at its fair value reduced by the costs directly related to the transaction for the acquisition of the financial asset, except the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit and loss are recognised in profit or loss.

At initial recognition, the Company measures trade receivables at their transaction price, as defined in IFRS 15, as based on standard contract terms applied to them, these do not contain a significant financing component.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. As the below are immaterial, the following presentation is applied: Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(Losses) together with foreign exchange gains and losses. Impairment losses are presented in other expenses.

- Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value at other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

- Assets that do not meet the criteria for amortised cost or fair value in other comprehensive income are measured at fair value in profit and loss. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company’s right to receive payments is established.

Changes in the fair value of financial assets at fair value in profit and loss are recognised in other gains/(losses) in the statement of comprehensive income as applicable.

1.2 Summary of significant accounting policies (continued)

d) Financial instruments (continued)

(d.1.) Investments and other financial assets (continued)

Debt instruments (continued)

(iv)Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value in other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables

(d.2.) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities subsequently measured at fair value through profit or loss, or at amortized cost such as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus the transaction costs directly related to the acquisition of the financial liability.

The Company's financial liabilities include trade and other payables, and interest-bearing borrowings and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the EIR method. Gains and losses are recognised in the profit and loss when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the profit and loss.

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 (NPV changes by more than 10%), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss.

1.2 Summary of significant accounting policies (continued)

e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

(f) 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.

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

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 Company 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 measured at fair value in the financial statements on a recurring basis, the Company determines whether transfer(s) 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.

As of 31 March 2023 and 31 December 2022 all financial instruments are measured at amortized cost. The carrying amounts of the short term trade receivables and trade payables approximate their fair value. The fair value is classified at level 2 and it is determined based on the discounted cash flows (the discount rate reflects the current market interest rate for the similar instruments). The fair value of borrowings is estimated via discounting technique based on Bulgarian National Bank statics for similar types of financing lent by commercial banks to companies– respectively, classified as level 2. The Company has no financial instruments at fair value.

g) Share capital

The share capital is presented at the par value of shares issued (or subscribed) and paid. Any proceeds from shares issued over their nominal value are stated as share premiums.

1.2 Summary of significant accounting policies (continued)

(h) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Cost comprises all expenses directly related to the acquisition of the asset. Such cost includes also the cost of replacing parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When a major inspection of an item of plant and/or equipment is performed, its cost is recognised in the carrying amount of the respective assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit and loss for the period in which they were incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, determined for the current and previous period as follows:

	2023	2022
Buildings	10-50 years	10-50 years
Plant and equipment	3-30 years	3-30 years
Hardware	4-7 years	4-7 years
Motor vehicles	7-15 years	7-15 years
Fixtures and fittings	5-10 years	5-10 years

An item of property, plant and equipment is derecognised 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 comprehensive income for the period in which the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and if the expectations differ from the estimates, the latter are adjusted prospectively.

i) Lease - the Company as a lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The right-of-use asset is presented separately in the statement of financial position.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease if that rate can be determined. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

1.2 Summary of significant accounting policies (continued)

i) Lease - the Company as a lessee (continued)

Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Subsequently, the right-of-use assets, are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for re measurement of the lease liability due to reassessment or lease modifications.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The depreciation periods for the right-of-use assets, depreciated using the straight-line method are as follows:

- right of use for vehicles 7-15 years

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. The Company applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognised with corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognised as an expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture**.**

The Company's lease activity

The Company has lease agreements for vehicles. The lease agreements are concluded on an individual basis and contain a wide range of different conditions. The lease agreements do not contain covenants, but lease assets cannot be used as collateral for borrowings.

j) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised 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 the Company incurs in connection with the borrowing of funds.

5.2 **Summary of significant accounting policies (continued)**

k) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period, subject to distribution among the shareholders, to the weighted average number of ordinary shares held for the period. The weighted average number of shares is the number of ordinary shares held in the beginning of the period, adjusted by the number of redeemed ordinary shares and the shares newly issued over the period, multiplied by the time-weighting factor. This factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period. In case of capitalization of reserves, bonus issues, etc., which do not result in change in the Company's resources, the number of the ordinary shares before the transaction is adjusted proportionately to their change as if the transaction has been carried out at the earliest period presented. As a result, the number of ordinary shares is recalculated and respectively, the earnings per share for the comparative period.

L) Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and/ or any accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be finite, and are estimated as follows:

	2023	**2022**
Licenses	5-10years	5-10years
Software	5-10years	5-10years

Intangible assets with finite lives are amortised over the useful economic life applying straight-line amortization method 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. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profits and losses when the asset is derecognised.

M) Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each item of inventory to its present location and condition, are accounted for as follows:

Materials and goods	–	acquisition cost determined under the weighted average value method
Finished products and work in progress	–	Cost of direct materials used, labour and overheads allocated based on the normal production capacity, excluding borrowing costs, determined under the weighted average value method

m) Inventories (continued)

Net realizable value 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.

n) Impairment of non-financial assets

The Company assesses at each reporting date whether there are indications that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company 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 (CGU) fair value less costs to sell 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.

n.2 Summary of significant accounting policies (continued)

n) Impairment of non-financial assets (continued)

Where the carrying amount of an asset or CGU 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, recent market transactions, if any, are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiple and other available sources of fair values of assets or CGUs.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth index is calculates and applied to future cash flows after the fifth year.

Impairment losses are recognized as other expenses in the statement of comprehensive income.

An assessment is made by the Company at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profits and losses.

o) Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash in bank accounts and in hand, and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

p) Employee benefits

Short term benefits

Short-term employee benefits include salaries, wages, 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. When the Company receives the service, they are recognised as an employee benefit expense in profit or loss or a capitalised to the asset's value. Short-term employee benefits are measured at the undiscounted amount of the expected cost of benefits. See Note 3.3. for further details.

Retirement benefits

The Company operates a defined benefit plan arising from the requirement of the Bulgarian labour legislation and the Collective Labour Agreement to pay a certain number of gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for KORADO-Bulgaria AD for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, if he/she has worked for the Company from 5 to 10 years – four gross monthly salaries, and if he/she has worked for less than five years - two gross monthly salaries. Besides, of an employee has worked for KORADO-Bulgaria AD for more than twenty years, he/she received eight gross monthly salaries upon retirement. These retirement benefits are unfunded. The cost of providing benefits under the retirement benefit plan is determined by the Company using the 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 the reserve from actuarial valuations through other comprehensive income in the period in which they occur.

Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Company recognises the following changes in the defined benefit obligation in profit or loss for the period:

- interest expense;
- current and past-service costs.

1.2 Summary of significant accounting policies (continued)

p) Employee benefits (continued)

Share based payment plans

Payments for share based plans to employees are valued at the fair of the equity instrument at the date, when the shares are provided. Remuneration for conditional share based payment plans, which have not vested is measured at the he fair value at the grant date of the share based payment reflecting these conditions and having no difference between the expected and actual results.

q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Management Board assesses the financial performance and position of the Company and makes strategic decisions. Management Board has been identified as being the chief operating decision maker and consists of the chief executive officer, chief accountant and financial officer of the Company.

1.3. Changes in accounting standards

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on June 28, 2021 (effective for annual periods beginning on or after January 1, 2022);
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract adopted by the EU on June 28, 2021 (effective for annual periods beginning on or after January 1, 2022);
- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after January 1, 2022);
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on June 28, 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after January 1, 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.);

The adoption of amendments to the existing standards has not led to any material changes in the Company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 adopted by the EU on November 19, 2021 (effective for annual periods beginning on or after January 1, 2023);
- **Amendments to IFRS 17 "Insurance contracts"**- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after January 1, 2023);
- **Amendments to IAS 1 Presentation of Financial Statements:** Disclosure of Accounting policies adopted by the EU on March 2, 2022 (effective for annual periods beginning on or after January 1, 2023);
- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors:** Definition of Accounting Estimates adopted by the EU on March 2, 2022 (effective for annual periods beginning on or after January 1, 2023);

1.3. Changes in accounting standards (continued)

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective (continued)

- **Amendments to IAS 12 "Income Taxes" -** Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after January 1, 2023).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by IASB except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of these financial statements(the effective dates stated below is for IFRS as issued by IASB):

- **Amendments to IAS 1 Presentation of Financial Statements**: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after January 1, 2023);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IFRS 16 "Leases"** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the reporting date.

2. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires the management to apply accounting judgements, estimates and assumptions, which have effect on the amount of reported assets and liabilities, and the disclosure of the contingent liabilities at the reporting date, as well as on the income and expenses reported for the period. Uncertainties related to these assumptions and estimates may lead to actual results requiring material adjustments in the carrying amounts of the respective assets or liabilities in subsequent reporting periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.
Net realisable value of inventories

Inventories are written-down in accordance with the accounting policy of KORADO Group based on the estimated sale / turnover of goods. The related write-downs are presented as other expenses in the statement of comprehensive income. The Company's management believes that the carrying amount of goods as of reporting date is the best estimate of their net realizable value in compliance with the requirements of IAS 2 Inventories. Respectively, there were no inventory write offs as at 31 March 2023 and 31 December 2022.

2. Significant accounting judgments, estimates and assumptions (continued)

Impairment of receivables

Based on the available information the management has assessed the future cash flows under the receivables from clients as at March 31, 2020 and has recognized expected credit loss allowance at the amount of BGN 0 thousand (December 31, 2022: BGN 69 thousand). As the amounts of expected credit losses are not material they are not separately disclosed in the statement of comprehensive income. Additional information is presented in Note 19.

3. Income and expenses

3.1 Revenue from contracts with customers and segment information

Revenue from clients

a) Geographic information

	31.03.2023	**31.03.2022**
	BGN'000	*BGN'000*
Bulgaria	164	232
Other countries:		
Czech Republic	7,258	13,221
Romania	-	1,243
Ukraine	166	479
Hungary	139	1,429
	306	350
Greece	170	-
France	-	73
Tunisia	38	53
Cyprus		
	8,241	**17,080**

The geographic information on the revenue from sales of products is based on the customers' location. There are no differences between the measurements of the reportable segments' profits or losses - only one segment identified and the entity's profit or loss before income tax expense or income from continuing operations.

b) Information by key customers in 2023 and 2022

	31.03.2023	**31.03.2022**
	BGN'000	*BGN'000*
Customer 1	7,258	13,221
Customer 2	-	1,243
Customer 3	139	1,429

3.2 Other income

	31.03.2023	**31.03.2022**
	BGN'000	*BGN'000*
Income from sale of materials	47	121
Income from Government	138	260
Other	24	11
	209	**392**

The sale of materials is incidental to the main activities of the Company. The materials were sold to a Bulgarian company. Respectively, revenue is presented as other income. As other income is presented the income from government which is a subsidy for electricity prices.

3. Income and expenses (continued)

3.3 Employee benefit expense

	31.03.2023	31.03.2022
	BGN'000	*BGN'000*
Salaries	(1,068)	(1,360)
Social security contributions	(174)	(245)
	(1,242)	**(1,605)**

3.4 Expenses for hired services

	31.03.2023	31.03.2022
	BGN'000	*BGN'000*
Management services from related parties	(-)	(5)
Insurances	(16)	(63)
Consulting services	(18)	(18)
Security	(67)	(56)
Transport costs	(6)	(48)
Repair and maintenance	(22)	(18)
Commissions	(54)	(124)
Advertising	(8)	(10)
Taxes and charges	(53)	(51)
Legal services	(1)	-
Telephone charges	(12)	(11)
Training	(3)	(1)
Other	(123)	(23)
	(383)	**(428)**

3.5 Other expenses

	31.03.2023	31.03.2022
	BGN'000	*BGN'000*
Carrying amount of goods sold	(148)	(187)
Carrying amount of materials sold	(42)	(109)
Business trips	(11)	-
Scrap of assets	(6)	(15)
Entertainment expenses	(3)	(6)
Expenses for loss allowances	(-)	(2)
Impairment of trade receivables	(-)	-
Court fees	(-)	-
Other	(1)	(9)
	(211)	**(328)**

3.6 Finance costs

	31.03.2023	31.03.2022
	BGN'000	*BGN'000*
Interest expenses on borrowings and leasing	(57)	(17)
Expenses on charges and commission fees	(3)	(6)
FX gains and losses, net	(-)	(1)
	(60)	**(24)**

4. Income tax

The major components of the income tax expense as 31 March 2023 and 31 December 2022 are:

	31.03.2023	**31.03.2022**
	BGN'000	*BGN'000*
Current income tax expense		**(467)**
Deferred tax expense		(23)
Income tax expense recognized in profit or loss		**(490)**
Deferred tax on actuarial gains and losses		4
Income tax credit recognized in other comprehensive income		**4**

The applicable tax rate in 2022 and 2021 is 10%.

The reconciliation between the income tax expense and the accounting profit at the applicable tax rate as 31 March 2023 and 31 December 2022 is:

	2023	**2022**
	BGN'000	*BGN'000*
Profit before taxes	215	4,872
Income tax expense at the applicable tax rate of 10% for 2022 and 2021		**(487)**
Permanent differences		(3)
Income tax expense at an effective tax rate of 10 %		**(490)**

As at 31 March 2023 and 31 December 2022 deferred taxes relate to the following:

	Statement of financial position		**Profit and loss**	
	31.03.2023	**31.12.2022**	**31.03.2023**	**31.12.2022**
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Deferred tax assets				
Accelerated depreciation		(78)		(7)
Unused paid leave		11		(16)
Remuneration of personnel		1		
Impairment		6		6
Retirement benefits liability		53		(2)
Deferred tax assets, net		(7)		(19)

Reconciliation of deferred taxes, net

	2023	**2022**
	BGN'000	*BGN'000*
At 1 January		11
Deferred taxes recognized in profit or loss for the year		(22)
Deferred taxes recognized in other comprehensive income		4
At 31 march/31 December		(7)

5. Earnings per share

Basic earnings per share are calculated by dividing the profit for the period to the weighted average number of ordinary shares held for the period. The Company's basic earnings per share are calculated by using the following data:

	31.03.2023	31.03.2022
	BGN'000	*BGN'000*
Net profit for the year (in BGN'000)	215	1,764
Weighted average number of ordinary shares held for the year (in thousand)	13,169	13,169
Basic earnings per share (in BGN)	**0,02**	**0,13**

6. Property, plant and equipment

	Land (terrains)	Buildings, installations and outdoor equipment	Plant, equipment, fixtures and fittings	Motor vehicles	Assets under construction	Total
Cost	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
At 1 January 2022	407	5,018	19,795	975	2,092	28,287
Additions	-	-	101	-	860	961
Disposals	-	-	(42)	(5)	-	(47)
Transferred from right-of use-assets	-	-	-	17	-	**17**
Transfers	-	53	266	-	(319)	**-**
At 31 December 2022	**407**	**5,071**	**20,120**	**987**	**2,633**	**29,218**
At 1 January 2023	**407**	**5,071**	**20,120**	**987**	**2,633**	**29,218**
Additions	-	-	1	6	41	48
Disposals	-	-		(96)	-	(96)
Transferred from right-of use-assets	-	-	-	-	-	**-**
Transfers	-	-	-	-	-	**-**
At 31 March 2023	**407**	**5,071**	**20,121**	**897**	**2,674**	**29,170**
Accumulated depreciation:						
At 1 January 2022	-	3,288	10,152	601	-	14,041
Depreciation charge for the year	-	83	853	70	-	1,006
Transferred from right-of use-assets	-	-	-	8	-	8
Disposals	**-**	**-**	(42)	(5)	**-**	(47)
At 31 December 2022	**-**	**3,371**	**10,963**	**674**	**-**	**15,008**
At 1 January 2023	**-**	**3,371**	**10,963**	**674**	**-**	**15,008**
Depreciation charge for the year	-	22	213	16	-	251
Transferred from right-of use-assets	-	-	-	-	-	-
Disposals	**-**	**-**	-	(93)	**-**	(93)
At 31 March 2023	**-**	**3,393**	**11,176**	**597**	**-**	**15,166**
Carrying amount						
At 1 January 2022	**407**	**1,730**	**9,643**	**374**	**2,092**	**14,246**
At 31 December 2022	**407**	**1,700**	**9,157**	**313**	**2,633**	**14,210**
At 31 March 2023	**407**	**1,678**	**8,945**	**300**	**2,674**	**14,004**

6. Property, plant and equipment(continued)

Assets under construction

At 31 March 2023 and 31 December 2022 assets under construction progress related to the construction of a new production site.

Impairment of property, plant and equipment

Based on the impairment testing of fixed tangible assets conducted at 31 March 2023 and 31 December 2022, the Company's management did not find any indications that the assets' carrying amounts might exceed their recoverable amounts. Therefore, no impairment of property, plant and equipment has been recognized at 31 December 2022.

Fully depreciated assets

At 31 March 2023 the Company held assets with a cost of BGN 5,738 thousand (31 December 2022: BGN 5,447 thousand),which were fully depreciated but still in use. These included: buildings of BGN 1,648 thousand (31 December 2022: BGN 1,648 thousand), production equipment of BGN 3,739 thousand (31 December 2022: BGN 3,383 thousand), motor vehicles of BGN 172 thousand (31 December 2022: BGN 237 thousand), fixture and fittings of BGN 74 thousand (31 December 2022: BGN 74 thousand), hardware of BGN 93 thousand (31 December 2022: BGN 93 thousand), and other assets of BGN 12 thousand (31 December 2022: BGN 12 thousand).

Items of property, plant and equipment has not been mortgaged by the Company.

Geographic information

All items of property, plant and equipment are located on the territory of Bulgaria.

7. Intangible assets

	Software
	BGN'000
Cost:	
At 1 January 2022	97
Additions	8
Disposals	-
At 31 December 2022	**105**
At 1 January 2023	105
Additions	-
Disposals	-
At 31 March 2023	**105**
Accumulated amortisation	
At 1 January 2022	84
Amortisation charge for the year	7
Amortisation of disposals	-
At 31 December 2022	**91**
At 1 January 2023	91
Amortisation charge for the year	2
Amortisation of disposals	-
At 31 March 2023	**93**
Carrying amount	
At 1 January 2022	**13**
At 31 December 2022	**14**
At 31 March 2023	**12**

7. Intangible assets (continued)

Impairment of intangible assets

The Company performed an impairment testing of intangible assets at 31 March 2023 and 31 December 2022. No indications were found out that the assets' carrying amounts might exceed their recoverable amounts and therefore, no impairment loss was recognized in the financial statements.

Fully amortised intangible assets

At 31 March 2023 the Company held software with cost of BGN 46 thousand (31 December 2022: BGN 48 thousand), which was fully amortised but still in use.

8. Inventories

	31.03.2023	**31.12.2022**
	BGN'000	*BGN'000*
Raw materials	7,614	10,961
Finished goods	1,388	1,169
Goods for resale	186	213
Work in progress	394	308
	9,582	**12,651**

No write downs to NRV were made in the period. No inventories were pledged as a security. The inventories forming the cost of sales during the year and respectively recognized as an expense are at the amount of BGN 5,822 thousand (2022: BGN 41,097 thousand).

9. Trade and other receivables

	31.03.2023	**31.12.2022**
	BGN'000	*BGN'000*
Trade receivables, gross	220	197
VAT refundable	374	801
Other receivables	65	68
Impairment of trade receivables	(69)	(69)
	590	**997**

Trade receivables are not interest-bearing and are normally settled within 0 - 60 days.

As at 31 March 2023and 31 December 2022 the ageing analysis of trade receivables is presented in the table below:

			Overdue				
	Total	**Regular**	**< 30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
31.03.2023	220	151	-	-	-	-	69
31.12.2022	197	25	-	-	-	-	172

As at 31 March 2023 trade receivables of BGN 179 thousand (31 December 2022: BGN 95 thousand) are denominated in Euro and BGN 41 thousand (31 December 2022: 102 thousand) are denominated in Bulgarian leva.

10. Cash and cash equivalents

	31.03.2023	**31.12.2022**
	BGN'000	*BGN'000*
Cash in bank accounts	1,204	483
Cash on hand	11	6
	1,215	**489**

Cash at banks accrue interest at floating interest rates based on the intraday interest rates on bank deposits.

As at 31 March 2023 cash and cash equivalents of BGN 1,012 thousand (31 December 2022: BGN 285 thousand) are denominated in Euro and BGN 203 thousand (31 December 2022: 204 thousand) are denominated in Bulgarian leva.

11. Share capital and reserves

11.1 Share capital

	number	*BGN'000*
1 January 2022	13,168,614	13,169
At 31 December 2022	**13,168,614**	**13,169**
At 31 March 2023	**13,168,614**	**13,169**

All subscribed shares were paid at 31 March 2023 and 31 December 2022.

11.2 Share premium

As at 31 March 2023 and 31 December 2022 the share premium is amounting to BGN 119 thousand.

11.3 Treasury shares

In 2019 the Company acquired 12,000 treasury shares at the total amount of BGN 66 thousand. During the year 945 treasury shares were sold at the amount of BGN 5 thousand.

On 18 September 2019 the shareholders approved a decision for purchase of 12,000 treasury shares to be provided to employees in the form of an additional one-off compensation to all individuals employed by the Company for more than 1 year under a labour or management contract. The shares are allocated to 213 qualifying employees based on a step rate depending on the number of years of employment.

As at 31 March 2023 and 31 December 2022 there are no treasury shares owned by the Company.

11.4 Statutory reserves and other reserves

Statutory reserves are formed by joint-stock companies, such as KORADO-Bulgaria AD, through distribution of profits on the grounds of article 246 of the Commercial Act. They are set aside until they reach one-tenth or more of the capital. Sources of statutory reserves are at least one-tenth of the net profit, share premiums and funds, stipulated in the Articles of Association or approved by decision of the General Meeting of Shareholders. The statutory reserves may only be used to cover losses of the Company from the current and previous reporting periods.

11. Share capital and reserves (continued)

11.5. Dividends

Dividends distributed in 2022

On 18 May 2022 the General Meeting of Shareholders approved distribution of dividends amounting to BGN 2,502 thousand or a dividend of BGN 0.19.

On 14 September 2022 the General Meeting of Shareholders approved distribution of interim dividends amounting to BGN 1,317 thousand or a dividend of BGN 0.10 per share.

Dividends distributed in 2021

On 19 May 2021 the General Meeting of Shareholders approved distribution of dividends amounting to BGN 2,502 thousand or a dividend of BGN 0.19.

On 15 September 2021 the General Meeting of Shareholders approved distribution of interim dividends amounting to BGN 1,317 thousand or a dividend of BGN 0.10 per share.

Dividends distributed in 2020

On 20 May 2020 the General Meeting of Shareholders approved distribution of dividends amounting to BGN 2,502 thousand or a dividend of BGN 0.19.

On 16 September 2020 the General Meeting of Shareholders approved distribution of interim dividends amounting to BGN 1,317 thousand or a dividend of BGN 0.10 per share.

12.1. Lease liabilities

The Company concluded lease contracts for vehicles. For leases previously classified as finance lease, the Company recognised the carrying value of the leased asset and lease liability before the adoption of IFRS 16 and as carrying value the right-of-use asset and lease liability as at the date of initial adoption. The Company has only finance leases with a clause for transferring of ownership of vehicles, these are not modified in the period, no extension or termination options have been assessed as relevant in determining the lease terms of the respective vehicles leases. In the period there were no contracts for short term or low value leases, for which the associated lease payments have been directly expensed.

Interest expense on lease liabilities for the period is BGN 3 thousand (2022: BGN 7 thousand).

As at 31 March 2023 the lease liability amounts to BGN 350 thousand (31 December 2022 : BGN 377thousand).

		31.03.2023		**31.12.2022**
	Lease payments	Present value of payments	Lease payments	Present value of payments
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Within one year	101	96	131	123
From one to five years	268	254	268	254
Total minimum lease payments	**369**	**350**	**399**	**377**
Less finance charges	(19)	-	(22)	-
Present value of lease payments	**350**	**350**	**377**	**377**

The lease payments presented above do not include a variable component. The vehicles leased are not subleased. No sale and lease back transactions have been concluded. The total cash outflow on leases is BGN 28 for principal lease payments and BGN 3 thousand for interest.

12.2.Right-of-Use Assets

As at 31 March 2023 the carrying amount of the right-of-use assets (vehicles previously presented as finance lease liabilities) is BGN 537 thousand (31 December 2022: BGN 577 thousand).

The carrying amount of the right-of use-asset could be analysed as follows:

Vehicles	**31.03.2023**	**31.12.2022**
	BGN'000	*BGN'000*
Carrying amount		
At 1 January	557	219
Additions – new lease contracts	-	400
Termination of lease contracts	-	(17)
Depreciation for the year	(20)	(45)
At 31 March/31 December	**537**	**557**

Further details of the movement of right-of-use asset and transfers to property, plant and equipment are shown below:

	Right-of use-assets
At 1 January 2022	**282**
Additions	400
Transferred to motor vehicles (PP&E)	(17)
At 31 December 2022	**665**
At 1 January 2023	**665**
Additions	-
Transferred to motor vehicles (PP&E)	-
At 31 March 2023	**665**
Accumulated depreciation:	
At 1 January 2022	63
Depreciation charge for the year	53
Transferred to motor vehicles (PP&E)	(8)
At 31 December 2022	**108**
At 1 January 2023	108
Depreciation charge for the year	20
Transferred to motor vehicles (PP&E)	-
At 31 March 2023	**128**
Carrying amount	
At 1 January 2022	**219**
At 31 December 2022	**557**
At 31 March 2023	**537**

13. Retirement benefits

Pursuant to the requirement of the Bulgarian labour legislation and the Collective Labour Agreement, the Company is obliged to pay two to six gross monthly salaries to its employees upon retirement, depending on the length of their service in the Company. If an employee has worked for KORADO-Bulgaria AD for 10 years or more, the retirement benefit amounts to six gross monthly salaries upon retirement, if he/she has worked for the Company from 5 to 10 years – four gross monthly salaries, and if he/she has worked for less than five years - two gross monthly salaries. An employee, who has worked for KORADO-Bulgaria AD for more than 20 years, shall be entitled to receive 8 gross monthly salaries upon retirement. These retirement benefits are unfunded.

13. Retirement benefits (continued)

The components of the expenses for retirement benefits recognised in the statement of comprehensive income for 2022 and the liabilities recognised in the statement of financial position as at 31 March 2023 are as follows:

Expenses for retirement benefits

	31.03.2023	**2022**
	BGN'000	*BGN'000*
Interest expense		3
Current service costs		18
Expenses for retirement benefits, recognised in profit and loss		**21**
Actuarial losses recognised in other comprehensive income		**40**

Changes in the present value of the retirement benefit obligation are as follows:

	31.03.2023	**2022**
	BGN'000	*BGN'000*
At 1 January		543
Interest expense		3
Current service costs		18
Benefits paid		(75)
Actuarial losses		40
31 December		**529**

The actuarial gains and losses arising from experience adjustments are at the amount of BGN (67) thousand (2021: BGN (50) thousand), from changes in demographic assumptions are the amount of BGN (6) thousand (2021: BGN (1) thousand), while those arising from changes in financial assumptions are BGN 21 thousand (2021: BGN 4 thousand).

The key assumptions used in determining the retirement benefit liability are stated in the table below:

	31.03.2023	**31.12.2022**
Discount rate	6%	6%
Future salary increases	10%	10%

The tables below contain a quantitative sensitivity analysis of the retirement benefit liability as at 31 March 202 3and 31 December 2021:

Assumptions 2023		**Interest rate**		**Salary growth**
Sensitivity level	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Effect on the pension liability increase/(decrease)				

Assumptions 2022		**Interest rate**		**Salary growth**
Sensitivity level	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Effect on the pension liability increase/(decrease)	(47)	54	48	(43)

14. Trade and other payables

	31.03.2023	31.12.2022
	BGN'000	*BGN'000*
Payables to suppliers	1,526	1,461
Payables to personnel	316	328
Payables for social securities	114	123
Other liabilities	323	89
	2,279	**2,001**

Terms and conditions of the financial liabilities, set out in the table above, are as follows:

- Trade payables are non-interest bearing and are normally settled on 30-60 day's term;
- Tax payables are non-interest bearing and are settled within the legal deadlines;
- Other payables are non-interest bearing and are normally settled on 30 day's term.

As at 31 March 2023 trade and other payables of BGN 923 thousand (31 December 2022: BGN 1,486 thousand) are denominated in Euro and BGN 1,356 thousand (31 December 2022: 515 thousand) are denominated in Bulgarian leva.

15. Provisions

As at 31 March 2023 and 31 December 2022 provisions consist of unused paid leave provisions at the amount of BGN 98 thousand and BGN 107 thousand, respectively.

16. Related party disclosures

Ultimate parent company

The ultimate parent company is KORADO a.s., Czech Republic.

Entities with controlling interest in the Company

At 31 March 2023, 82.15% of the shares of KORADO-Bulgaria AD are held by KORADO a.s., Czech Republic. The remaining 17.85% of the shares are held by legal entities and individuals.

Besides with the parent company, KORADO a.s., Czech Republic, in 2022 and 2021 the Company concluded transactions with other related companies as well, namely Licon Heat s.r.o., Czech Republic (a subsidiary of KORADO a.s., Czech Republic).

The following table provides the total amount of related party transactions and the outstanding balances for the current and previous reporting period:

	Nature	31.03.2023	31.03.2022
		BGN'000	*BGN'000*
Purchases from related parties			
Ultimate parent company			
KORADO a.s. Czech Republic	Purchase of materials and goods	135	391
	Purchase of services	5	14
	Interest on loan	54	16
Licon Heat s.r.o. Czech Republic	Purchase of materials and goods	20	20
		214	**441**

16. Related party disclosures (continued)

	Nature	31.03.2023	31.03.2022
		BGN'000	*BGN'000*
Sales to related parties			
Ultimate parent company			
KORADO a.s. Czech Republic	Sales of products	7,258	13,221
	Sales of materials	-	-
		7,258	**13,221**

		31.03.2023	31.12.2022
		BGN'000	*BGN'000*
Related party receivables			
Ultimate parent company			
KORADO a.s. Czech Republic	Trade receivables	6,809	4,023
		6,809	**4,023**

Payables to related parties		31.03.2023	31.12.2022
		BGN'000	*BGN'000*
Ultimate parent company			
KORADO a.s. Czech Republic	Interest-bearing loan	6,063	6,063
KORADO a.s. Czech Republic	Trade payables	172	787
KORADO a.s. Czech Republic	Current interest payables	54	36
Licon Heat s.r.o. Czech Republic	Trade payables	20	-
		6,309	**6,886**

Agreements were concluded and executed under which a portion of trade receivables amounting to BGN 791 thousand (31 December 2022: BGN 2,181 thousand) due from related parties were settled against trade payables of BGN 755 thousand (31 December 2022: BGN 2,132 thousand) and interest payable of BGN 36 thousand (31 December 2022: BGN 49 thousand and interest payable) without payment.

As at 31 March 2023 receivables from related parties of BGN 0 thousand (31 December 2022: BGN 0 thousand) are overdue within 30 days.

The receivables from related parties are subject to individual credit risk assessment, which takes into consideration the available qualitative and non-statistical quantitative information. Based on this information, the management has not accrued impairment loss allowance for the receivables from related parties as at 31 March 2023 and 31 December 2022 as it is insignificant.

All receivables and payables to related parties as at 31 March 2023 and 31 December 2022 are denominated in euro.

Interest-bearing loan and borrowings from a related party

The first tranche of BGN 1,174 thousand of a loan from KORADO a.s. Czech Republic was received in February 2016, and in April 2016 the second tranche of BGN 3,520 thousand. The loan amounted to BGN 4,694 thousand. The main purpose of these funds was to finance the acquisition and implementation of a production line for tube heating units and renovation of production facilities. The loan was long-term and with initial maturity in 2021. The agreed interest rate is 1 M EURBOR+ a fixed margin of 1.75%.

16. Related party disclosures (continued)

A portion of the loan amounting to BGN 978 thousand was settled net against trade receivables due from the same counterparty in October 2016 and thus, the amount of the loan from the parent company amounted to BGN 3,716 thousand as at 31 March 2023 and 31 December 2022. With Annex from 22.12.2021 the term of the loan was extended to 31.12.2024.

In October 2022 was received new loan from KORADO a.s. Czech Republic – the amount is BGN 2,347 thousand. The main purpose of these funds was to buy materials. The loan was long-term and with maturity 31.12. 2027. The agreed interest rate is 1 M EURBOR+ a fixed margin of 2.15%.

	31.03.2023	**31.12.2022**
	BGN'000	*BGN'000*
Borrowings from related parties		
Ultimate parent company		
KORADO a.s. Czech Republic	6,063	6,063
	6,063	**6,063**

Changes in borrowings is as follows:

	31.03.2023	**31.12.2022**
	BGN'000	*BGN'000*
At 1 January	6,063	3,716
Additional loan		2,347
Interest expense		85
Interest offset to trade receivables		(49)
Interest payables presented in current payables to related parties		(36)
At 31 December	**6,063**	**6,063**

Terms of the transactions with related parties

Sales and purchases to/from related parties are at contractual prices. The outstanding trade payables and receivables at year end are unsecured, interest-free (except for loans) and their settlement is done with cash. For the payables to or receivables from related parties, there are no guarantees received or issued. The Company did not impair its related party receivables as of 31 March 2023 and 31 December 2022. A review for impairment of the related party receivables is performed at the end of each year and is based on the financial performance of the related party and the market it operates on, including actual cash flow settlements.

Remuneration to key management staff	**31.03.2023**	**31.12.2022**
	BGN'000	*BGN'000*
Short-term benefits of MB and SB	23	23
Short-term benefits of AC	9	9
	32	**32**

No post employment benefits or share based payments are provided to key management staff.

17. Commitments and contingencies

Legal claims

No material legal claims have been brought against the Company.

Other

The last tax audit by the tax administration authorities covered the following types of liabilities, by periods:

- Corporate income tax – until 31 December 2010;
- VAT –until 31July 2008;
- Personal income tax – until 31 December 2007;
- Social security – until 31 January 2012; 30 September 2009
- Local taxes and charges – until 31 December 2006;
- Income tax foreign legal entities - until 31 December 2013.

The Company's management believes that no material risks exist as a result of the dynamic fiscal and regulatory environment in Bulgaria, which might require adjustments in the financial statements for the period ended 31 March 2023.

18. Fair value of financial instruments

Set out below is a comparison by class of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	Book value		***Fair value***	
	31.03.2023	**31.12.2022**	**31.03.2023**	**31.12.2022**
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Financial assets				
Trade receivables	220	197	220	197
Related party receivables	6,809	4,023	6,809	4,023
Cash and short-term deposits	1,215	489	1,215	489

	Book value		***Fair value***	
	31.03.2023	**31.12.2022**	**31.03.2023**	**31.12.2022**
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
Financial liabilities				
Interest-bearing borrowings to related parties	6,063	6,063	6,063	6,063
Trade payables	1,526	1,461	1,526	1,461
Payables to related parties	246	823	246	823

The fair value of the financial instruments of the Company is determined as the price at which a financial asset could be sold or a financial liability could be transferred in an arm's length transaction between market participants at the date of the valuation.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, trade receivables, trade payables, and other current financial assets and liabilities - their fair values approximate their book values due to the short-term maturities of these instruments;

- Interest-bearing loans and borrowings - the fair value is estimated by applying the DCF model and using a discount factor based on the interest rates for debt instruments of similar terms and remaining maturities.

18. Fair value of financial instruments (continued)

The Company's principal financial liabilities comprise interest-bearing loans and borrowings, and trade payables. The main objective of these financial instruments is to secure financing for the Company's operations. The Company holds financial assets such as trade receivables, cash and short-term deposits, which arise directly as a result of its operation.

As of 31 March 2023 and 31 December 2022 the Company neither held nor traded derivative financial instruments.

19. Financial risk management objectives and policy

The major risks arising from the Company's financial instruments are liquidity risk, foreign currency risk, interest risk and credit risk. The risk management policy the Company's management implemented to manage these risks is summarized below.

Interest rate risk

The Company is exposed to the risk of changes in market interest rates primarily to its long-term financial liabilities in the form of a related party loan at the amount of BGN 6,063 thousand bearing floating (variable) interest rate based on 1-month Euribor and margin of 1.75% and 2.5%. It is a policy of the Company to manage its interest expenses by using financial instruments with fixed and variable rates depending on the need of further debt financing.

The following table demonstrates the sensitivity to possible changes in interest rates of the Company's profit before tax (through the effect on variable rate loans and borrowings), with all other variable held constant. There is no effect on other equity components of the Company.

	Increase/ Decrease in interest rates	**Effect on the pre-tax profit**
		BGN'000
31 March 2023		
In EUR	+0.5%	(19)
In EUR	-1%	37

	Increase/ Decrease in interest rates	**Effect on the pre-tax profit**
		BGN'000
31 December 2022		
In EUR	+0.5%	(19)
In EUR	-1%	37

Liquidity risk

The effective management of the Company's liquidity presumes that sufficient working capital will be ensured mainly through maintenance of sufficient cash and other current assets and financing from related parties.

Company's quick ratio, calculated as current assets over current liabilities is 6.51 in 2023 (2022: 5.67), which shows an appropriate ability of the Company to settle its liabilities coming due over the next 12 months.

19. Financial risk management objectives and policy (continued)

At 31 March 2023 and 31 December 2022 the maturity structure of the Company's financial liabilities, based on the agreed undiscounted payments, is presented below:

At 31 March 2023

	On demand	**< 3 months**	**3-12 months**	**1-5 year**	**> 5 years**	**Total**
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Lease liabilities	-	-	101	268	-	369
Trade payables	-	1,526	-	-	-	1,526
Payables to related parties	-	246	-	-	-	246
Interest-bearing loans and borrowings	-	-	129	6,354	-	6,483

At 31 December 2022

	On demand	**< 3 months**	**3-12 months**	**1-5 year**	**> 5 years**	**Total**
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Lease liabilities	-	-	131	268	-	399
Trade payables	-	1,461	-	-	-	1,461
Payables to related parties	-	823	-	-	-	823
Interest-bearing loans and borrowings	-	-	129	6,354	-	6,483

Currency risk

The Company performs purchases, sales, and receives loans in foreign currencies – EUR. Since the exchange rate BGN/EUR is fixed at ratio of EUR 1: BGN 1.95583, the currency risk relating to the EUR exposures of the Company is immaterial. The FX gains and losses reported by the Company are the outcome of the bid-ask spread on the fixed rate.

Credit risk

The Company trades only with recognised, creditworthy contractors. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Moreover, the trade receivable balances are monitored currently, and as a result of that the Company's exposure to bad and doubtful debts is insignificant. There are no significant concentrations of credit risk within the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash and other financial assets, the Company's credit exposure arises from default of its counterparties.

The maximum credit exposure of the Company in relation to the recognised financial assets equals their respective carrying amount as per the statement of financial position as at 31 March 2023.

Cash transactions are made only with financial institutions with high credit ratings. Cash and cash equivalents are held with banks having a credit rating of BBB or higher. Approximately 75% (31 December 2022: 81%) of the cash and cash equivalents are concentrated in one bank.

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

19. Financial risk management objectives and policy (continued)

	31.03.2023	31.12.2022
	BGN'000	*BGN'000*
Existing customers		
Trade receivables	220	197
Receivables from related parties	6,809	4,023
Cash and cash equivalents		
A- (Fitch)	1,215	280
BBB (BCRA)	11	209

Impairment of financial assets

The Company has the following financial assets, which are subject to the expected credit loss model:

- Trade receivables
- Cash and cash equivalents

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been analysed on an individual basis. The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 March 2023 or 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Based on this analysis, the Company concluded that all trade receivables are paid within 60 days and no receivables were written off in the period analysed, except for a single trade receivable of a single counterparty at the amount of BGN 172 thousand, which was partially impaired on individual basis as at 31 March 2023, with loss allowance amounting to BGN 69 thousand.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, but the impairment loss was immaterial.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise owner's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the payment of dividends to the shareholders, to redeem its treasury shares, to increase or decrease its share capital, by decision of the shareholders. No changes were made in the objectives, policies or processes for managing the Company's capital during 2023 and 2022.

19. Financial risk management objectives and policy (continued)

Impairment of financial assets (continued)

The Company monitors its equity through the realized financial result for the reporting period ending 31 March 2023 and 31 December 2022, as follows:

	31.03.2023	**31.12.2022**
	BGN'000	*BGN'000*
Net profit	**215**	**4,382**

20. Reconciliation of the movements in liabilities with cash flows from financing activity

	Borrowings	**Lease liabilities**	**Retained earnings**	**Total**
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
At 1 January 2022	**3,716**	**166**	**8,391**	**12,273**
Cash flows	2,347	(196)	(3,819)	(1,660)
New lease contracts	-	400	-	400
Interest expense	85	7	-	92
Profit for the year	-	-	4,382	4,382
Non-cash transactions	(49)	-	-	(49)
Interest payables presented in current liabilities to related parties	(36)	-	-	(36)
At 31 December 2022	**6,099**	**377**	**8,954**	**15,394**
At 1 January 2023	**6,063**	**377**	**8,954**	**15,394**
Cash flows	-	(30)	-	(30)
New lease contracts	-	-	-	-
Interest expense	54	3	-	57
Profit for the year	-	-	215	215
Non-cash transactions	-	-	-	-
Interest payables presented in current liabilities to related parties	(54)	-	-	(54)
At 31 March 2023	**6,063**	**350**	**9,169**	**15,582**

21. Events after the reporting date

No events have occurred after the reporting date, which require adjustments and/or disclosures in the Company's financial statements.