

BILLBOARD PLC

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

BILLBOARD JSC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2016

All amounts are in thousands BGN, unless otherwise specified

	Appendix	<u>31.12.2016</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
ASSETS				
Non-current assets				
Property, plant and equipment	1.1.	38 150	38 891	39 373
Intangible assets	1.2.	581	921	1 182
Investments in associated companies	1.3.	20	20	20
Non-current financial assets	1.4.	130	200	900
Non-current commercial and other receivables		-	-	148
Deferred tax assets	1.5.	129	39	256
Goodwill	1.6.	37	37	37
Total non-current assets		<u>39 047</u>	<u>40 108</u>	<u>41 916</u>
Current assets				
Inventories	1.7.	2 675	3 449	3 196
Current commercial and other receivables	1.8.	9 289	9 674	8 140
Recoverable taxes	1.9.	131	185	-
Current financial assets	1.10.	894	956	1 567
Cash and cash equivalents	1.11.	2 162	1 256	1 775
Total current assets		<u>15 151</u>	<u>15 520</u>	<u>14 678</u>
TOTAL ASSETS		<u><u>54 198</u></u>	<u><u>55 628</u></u>	<u><u>56 594</u></u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital	1.12.1.	15 000	15 000	15 000
Revaluation reserve	1.12.2.	1 020	851	851
Reserves	1.12.2.	3 868	3 851	3 825
Financial result		1 727	1 411	2 144
- Retained profit/loss		1 394	2 118	6 395
- Profit/loss for the year		333	(707)	(4 251)
Group equity		<u>21 615</u>	<u>21 113</u>	<u>21 820</u>
Non-controlling interest		<u>2 526</u>	<u>2 268</u>	<u>2 189</u>
TOTAL EQUITY		<u><u>24 141</u></u>	<u><u>23 381</u></u>	<u><u>24 009</u></u>
LIABILITIES				
Non-current liabilities				
Non-current financial liabilities	1.13.	14 967	16 816	17 667
Deferred tax liabilities	1.14.	980	1 042	1 065
Grants provided by the state	1.15.	59	69	79
Total non-current liabilities		<u>16 006</u>	<u>17 927</u>	<u>18 811</u>
Current liabilities				
Current financial liabilities	1.16.	4 219	4 416	4 615
Current commercial and other liabilities	1.17.	7 274	7 581	6 958
Tax liabilities	1.18.	1 843	1 718	1 582
Liabilities to employees	1.19.	705	595	609
Grants provided by the state	1.20.	10	10	10
Total current liabilities		<u>14 051</u>	<u>14 320</u>	<u>13 774</u>
TOTAL LIABILITIES		<u><u>30 057</u></u>	<u><u>32 247</u></u>	<u><u>32 585</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>54 198</u></u>	<u><u>55 628</u></u>	<u><u>56 594</u></u>

These consolidated financial statements were authorized for issue and signed on 28 FEBRUARY 2017 on behalf of BILLBOARD JSC:

Stefan Genchev
Executive Director

Kamen Kamenov
Complier

The appendices are an integral part of these consolidated financial statements.

BILLBOARD JSC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AS OF 31 DECEMBER 2016

All amounts are in thousands BGN, unless otherwise specified

	Appendix	<u>31.12.2016</u>	<u>31.12.2015</u>
Net income from sales	2.1.1.	34 000	32 692
Income from grants provided by the state	2.1.2.	10	10
Other profits	2.1.3.	451	667
Financial income	2.1.4.	49	91
Expenses for materials	2.2.1.	(15 130)	(14 175)
Expenses for hired services	2.2.2.	(8 474)	(8 465)
Depreciation expenses	2.2.3.	(2 300)	(2 179)
Expenses for salaries and social security	2.2.4.	(6 105)	(6 072)
Impairment of assets	2.2.5.	(212)	(665)
Other operating expenses	2.2.6.	(394)	(369)
Changes in inventories of finished goods and work in progress	2.2.7.	(50)	(38)
Financial expenses	2.2.8.	(1 301)	(1 806)
Profit / (loss) on sale of non-current assets	2.2.9.	38	1
PROFIT / LOSS BEFORE TAX EXPENSES		<u>582</u>	<u>(308)</u>
Tax expenses	2.2.10.	<u>9</u>	<u>(267)</u>
NET PROFIT / LOSS FOR THE YEAR		<u>591</u>	<u>(575)</u>
- Related to the owners of the Parent Company		333	(707)
- Related to non-controlling interest		258	132
OTHER COMPREHENSIVE INCOME		<u>169</u>	-
Revaluation of Land		188	-
Tax effect on other comprehensive income		(19)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>760</u>	<u>(575)</u>
- Related to the owners of the Parent Company		502	(707)
- Related to non-controlling interest		258	132

These consolidated financial statements were authorized for issue and signed on 28 FEBRUARY 2017 on behalf of BILLBOARD JSC:

Stefan Genchev
Executive Director

Kamen Kamenov
Complier

The appendices are an integral part of these consolidated financial statements.

BILLBOARD JSC

CONSOLIDATED CASH FLOW STATEMENT
AS OF 31 DECEMBER 2016

All amounts are in thousands BGN, unless otherwise specified

	Appendix	<u>31.12.2016</u>	<u>31.12.2015</u>
Cash flows from operations			
Proceeds from contractors		38 564	36 394
Payments to contractors		(25 314)	(25 199)
Payments for wages and social security		(5 707)	(5 801)
Taxes paid (excluding corporate taxes)		(2 388)	(1 876)
Corporate taxes paid		(62)	(52)
Foreign exchange differences		(9)	(8)
Other cash flows from operations		-	61
Net cash flow from operations		<u>5 084</u>	<u>3 519</u>
Cash flows from investment activities			
Purchases of non-current assets		(1 237)	(2 125)
Proceeds from sale of non-current assets		88	5
Proceeds from sale of investments		-	6
Payments on loans granted		(63)	(236)
Proceeds from loans granted		228	1 240
Interest on loans granted		13	181
Other cash flows from investment activities		(6)	-
Net cash flow (used for) / from investment activities		<u>(977)</u>	<u>(929)</u>
Cash flows from financial activities			
Proceeds from loans received		6 837	12 704
Payments on loans received		(7 879)	(12 709)
Paid interest and fees on loans received		(1 016)	(2 122)
Payments on financial lease		(1 094)	(937)
Other cash flows used for financial activities		(49)	(45)
Net cash flow used for financial activities		<u>(3 201)</u>	<u>(3 109)</u>
Net change in cash and cash equivalents		906	(519)
Cash and cash equivalents on 1 JANUARY		<u>1 256</u>	<u>1 775</u>
Cash and cash equivalents on 31 DECEMBER	1.11.	<u>2 162</u>	<u>1 256</u>

These consolidated financial statements were authorized for issue and signed on 28 FEBRUARY 2017 on behalf of BILLBOARD JSC:

Stefan Genchev
Executive Director

Kamen Kamenov
Complier

The appendices are an integral part of these consolidated financial statements.

BILLBOARD JSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS OF 31 DECEMBER 2016

All amounts are in thousands BGN, unless otherwise specified

	Share capital	Revaluation reserve	General and other reserves	Accumulated profit / loss	Group equity	Equity for non-controlling interest	Total equity
Balance as of 31.12.2014	15 000	851	3 825	2 424	22 100	2 189	24 289
Changes in Accounting Estimates and Errors	-	-	-	(280)	(280)	-	(280)
Recalculated balance as of 31.12.2014 r.	15 000	851	3 825	2 144	21 820	2 189	24 009
Changes in equity for 2015	-	-	26	(733)	(707)	79	(628)
Profit / loss for the period	-	-	-	(707)	(707)	132	(575)
Total comprehensive income for 2015	-	-	-	(707)	(707)	132	(575)
Distribution of profit	-	-	43	(43)	-	-	-
Other changes in equity	-	-	(17)	17	-	(53)	(53)
Balance as of 31.12.2015	15 000	851	3 851	1 411	21 113	2 268	23 381
Balance as of 1.01.2016	15 000	851	3 851	1 411	21 113	2 268	23 381
Changes in equity for 2016	-	169	17	316	502	258	760
Other comprehensive income	-	169	-	-	169	-	169
Revaluation of Fixed Assets	-	188	-	-	188	-	188
Tax effect on other comprehensive income	-	(19)	-	-	(19)	-	(19)
Profit / loss for the period	-	-	-	333	333	258	591
Total comprehensive income for 2016	-	169	-	333	502	258	760
Distribution of profit	-	-	17	(17)	-	-	-
Balance as of 31.12.2016	15 000	1 020	3 868	1 727	21 615	2 526	24 141

These consolidated financial statements were authorized for issue and signed on 28 FEBRUARY 2017 on behalf of BILLBOARD JSC:

Stefan Genchev
Executive Director

Kamen Kamenov
Complier

The appendices are an integral part of these consolidated financial statements.

BILLBOARD JSC

APPENDICES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 December 2016

All amounts are in thousands BGN, unless otherwise specified

GENERAL INFORMATION

Name of Parent Company

BILLBOARD PLC

Board of Directors

- Kalin Vasilev Genchev – Chairperson;
- Stefan Vasilev Genchev – Executive Director;
- Desislav Grozev Tomov – Member of the Board of Directors;
- Borislav Hristov Borisov – Member of the Board of Directors;

Compiler

Kamen Petrov Kamenov

Audit Committee

- Valeri Vasilev Tanov – Chairperson;
- Daniela Ilcheva Peeva;
- Stanimir Stefanov Genchev.

Country of Group registration

Republic of Bulgaria

Registered office and address

City of Sofia, 1, Bulgaria Square, National Palace of Culture, AI 4

These financial statements are the consolidated financial statements of Billboard PLC and its subsidiaries as of and for the period ending on 31 December 2016.

Companies included in the consolidation:

BILLBOARD PLC – Parent Company

Scope of activity: printing, prepress and advertising

Motion Arts Ltd – 51 % property of BILLBOARD PLC

Scope of activity: advertising

Dedrax PLC – 60 % property of BILLBOARD PLC

Scope of activity: printing, prepress and advertising

Digital Print Ltd – 100 % property of BILLBOARD PLC

Scope of activity: printing, prepress and advertising

In-store Media Ltd – 100 % property of BILLBOARD PLC

Scope of activity: advertising

BILLBOARD JSC

APPENDICES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 December 2016

All amounts are in thousands BGN, unless otherwise specified

GENERAL INFORMATION (CONTINUED)

Companies included in the consolidation: (continued)

Date of the consolidated financial statements

31.12.2016

Period of the consolidated financial statements - current period

01.01.2016 – 31.12.2016

Period of the comparative information - previous period

01.01.2015 – 31.12.2015

BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in all material respects, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations on their application issued by the IFRS Interpretations Committee (IFRIC), adopted by the European Union (EU) and applicable in the Republic of Bulgaria.

MATERIAL ACCOUNTING POLICIES

Changes in Accounting Policies

The accounting policies adopted are consistent with the ones applied during the previous year.

Current and Non-current Assets

An asset is classified as current when it meets any of the following criteria:

- The asset is expected to be realized or it is intended to be sold or consumed in the regular operations cycle;
- The asset is held primarily for the purpose of trading;
- The asset is expected to be realized within twelve months after the end of the reporting period; or
- The asset is cash or a cash equivalent (as defined in IAS 7), unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

An asset is classified as non-current if it does not meet the criteria to be classified as current.

Principles of Consolidation

As of 31 December 2016, the Group consists of a Parent Company and subsidiaries listed in the General Information note.

A subsidiary is an entity that the Parent Company can control by determining its financial and operating policies, or otherwise, to a degree which allows the Parent Company to derive economic benefit from its activities. Most often, the exercise of control is accompanied by a shareholding of more than half of the voting rights in a particular company.

Statements of subsidiaries may be fully consolidated starting from the date on which control is effectively obtained by the Parent Company and are excluded from the consolidated statements when the company is no longer controlled by the Parent Company.

Where necessary, adjustments and reclassifications of financial data in the individual statements of the subsidiaries are made in order to align their accounting policies with the policy of the Parent Company.

All significant intra-group balances and intra-group transactions and resulting profits and losses are eliminated as a result of the consolidation procedures.

Non-controlling interests in subsidiaries are disclosed separately from the Group's equity. Participation of non-controlling shareholders is measured on initial recognition of the business combination in one out of the following two methods: (1) at fair value or (2) as a proportional share of non-controlling interests in the fair value of the identifiable net assets of the company that is to be acquired. The selection of the method for initial reporting of non-controlling interests is made separately for each business combination.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

Upon subsequent evaluation, the balance of non-controlling interests is defined by adding the share of non-controlling shareholders in the changes in equity of the subsidiary to the amount of the initially recognized balance. Comprehensive income is distributed to non-controlling interests even if this results in a negative balance of non-controlling interests.

Upon acquisition, investments in subsidiaries are accounted for using the purchase method, which involves identifying the acquirer, determining the acquisition price and distributing the acquisition cost between the assets acquired and liabilities and contingent liabilities undertaken.

The acquisition price is defined as the aggregate of the fair value at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, and the costs directly associated with the transaction. The portion of the acquisition price exceeding the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the acquisition price is lower than the investor's share in the fair value of the acquired company's net assets, the difference is recognized directly in the statement of comprehensive income.

In the consolidated statements of financial position, goodwill is carried at original cost, less accumulated impairment losses, if any. Goodwill arising on business combinations is checked for impairment once per year or more frequently if events or changes in circumstances indicate that it might be impaired. For the purpose of impairment checking, goodwill is distributed to cash-generating units that are expected to be influenced positively by the business combination.

Associated Companies

An associated company is an entity over which the Parent Company has significant influence, directly or indirectly, through one or more subsidiaries, but that is not a subsidiary or a jointly controlled entity. Significant influence is the right to participate in decisions related to the financial and operating policies of the associated company, but not to control or to exercise joint control over those policies.

In these consolidated financial statements, Billboard PLC reports investments in associated companies using the capital approach, i.e. accounting the share of profits and losses of the associated company.

Business Combinations

In accordance with IFRS 3 Business Combinations, a business combination is the bringing together of separate entities or businesses into one reporting entity. If an entity obtains control of another company which is not a separate business, integration of these companies is not considered a business combination. A business combination is accounted for using the purchase method, in accordance with the applicable standards.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business Combinations (Continued)

When changes occur in the participation of the Parent Company in the subsidiary in reporting periods after the acquisition of control over the subsidiary, without this leading to any loss of control, the changes are accounted for as equity transactions (i.e. transactions with the owners in their capacity of owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect changes in their relative participation in the subsidiary. Any difference between the amount with which the non-controlling interests are adjusted, or in the fair value of the consideration paid or received, is recognized directly in the equity and it is attributed to the owners of the Parent Company.

When the Group loses control over a subsidiary, the profit or loss from the transaction is defined as the difference between (1) the aggregate fair value of the consideration received and the fair value of the remaining shares in the company and (2) the carrying amount of the assets (including goodwill), the liabilities and the non-controlling interest of the company sold.

Property, Plant and Equipment

Assets are accounted for as property, plant and equipment when they meet the criteria of IAS 16 for recognition and have an acquisition price equal to or higher than 500 BGN. Assets with an acquisition price that is lower than the one indicated above are reported as running costs for the period of acquisition, in accordance with the accounting policy approved. Any property, plant or equipment is valued at its acquisition price upon acquisition, which is determined in accordance with the requirements of IAS 16.

The Group has agreed to take into account the land using the fair value model. The book value of land in the consolidated statement of financial position is the fair value at the date of revaluation. In 2012, due to the uncertain economic environment and the outlook for the Group, the Management considered the fair value of land not to be materially different from its cost in 2007 and 2011, when the latter was purchased. The Group carries out regular revaluations of the land to ensure that the carrying value of the land at the date of the consolidated statements of financial position does not differ materially from its fair value. Land is not depreciated.

Increase in fair value upon revaluation of land is recognized in another comprehensive income - revaluation reserve, as part of the equity, unless the increase does not compensate previous reductions in the value of the same asset recorded as a loss, in which case the increase is recorded as profit up to the amount of the loss recognized in previous periods. Decrease in fair value due to revaluation of land is recorded as a reduction of another comprehensive income (revaluation reserve) up to the amount of the accumulated positive revaluation reserve, with any excess being recorded as current loss in the comprehensive income consolidated statement.

Other property, plant and equipment are recorded at acquisition price less accumulated depreciation and impairment losses, if any.

Subsequent expenditure related to particular property, plant or equipment is recorded as an increase to the book value of the asset, if the principle of recognition set out in IAS 16 is observed.

Current service costs of property, plant and equipment are recognized in the profit or loss at the moment when they are incurred.

Book value of particular property, plant or equipment is written-off when the asset is sold, when no other economic benefits are expected from the asset's use, or upon the asset's disposal.

MATERIAL ACCOUNTING POLICIES (CONTINUED)**Property, Plant and Equipment (Continued)**

Profit or loss arising upon writing-off of property, plant or equipment is included in the profit or loss when the asset is written-off, unless IAS 17 requires otherwise in case of a sale or a leaseback. Profits or losses arising from writing-off property, plant or equipment are defined as a difference between the net proceeds from the sale, if any, and the book value of the asset.

Property, plant and equipment are depreciated using the straight-line method over the period of the expected useful life.

Residual values and useful lives of assets are reviewed when completing each financial year and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Depreciation starts to be accrued from the moment the property, plant or equipment are available to the Group, at the location and in the condition necessary for their operation, in the manner intended by the management. Depreciation of the assets ceases at the earlier of the two dates:

- The date they are classified as held for sale in accordance with IFRS 5 or
- The date of disposal of the assets.

Depreciation does not cease during periods of downtime or withdrawal from active use.

The average useful life in years for the main groups of non-current assets is as follows:

Group	Years
Buildings	100
Plant and equipment	12-33
Computer equipment	2
Vehicles	4-5
Fixtures	7

Impairment of Property, Plant and Equipment

In accordance with the requirements of IAS 36, an assessment is made at the end of the reporting period whether there are indications that the value of an asset classified as Property, Plant or Equipment is impaired. In case that such an indication is present, the recoverable amount of the asset is calculated and the impairment loss is determined. In case that it is not possible to determine the recoverable amount of a separate asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher one out of the fair value less the selling costs and the value in use. When assessing the value in use, the estimated future cash flows are discounted up to their present value using a discount rate before tax that reflects current market assessments of the value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-flow-generating unit) is less than its book value, the latter is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is regarded as a reduction of the revaluation.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (Continued)

In case of recovery of impairment loss, the book value of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the reduced book value does not exceed the book value that would have been determined if no impairment loss for the particular asset (cash-generating unit) had been recognized in previous periods. Recovery of impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of impairment is considered a revaluation increase.

Intangible Assets

The Group recognizes identifiable non-monetary assets having no physical substance as intangible assets if they meet the definition of an intangible asset and the recognition criteria set out in IAS 38.

The Group recognizes costs incurred for internally generated intangible assets as intangible assets as well.

In order to assess whether an internally generated intangible asset meets the criteria for recognition, the Group classifies the creation of an asset in the scientific research phase or the research and development phase. Expenses for scientific research activities are recognized as an expense in the period when they are incurred. Intangible assets, created as a result of internal research and development, are recognized only if the following criteria are present:

- Technical feasibility to finish the intangible asset so that it is available for use or sale;
- The Group intends to finish the intangible asset and use it or sell it;
- The Group is able to use or sell the intangible asset;
- The intangible asset will generate possible future economic benefits;
- Availability of adequate technical, financial and other resources to complete the research and development activities and to use or sell the intangible asset;
- Expenses related to the intangible asset during its development can be determined reliably.

Initially, intangible assets are carried at acquisition price.

The acquisition price of a separately acquired intangible asset is determined in accordance with IAS 38 and includes:

- The purchase price, import duties and non-refundable taxes on the purchase, commercial discounts and rebates are deducted; and
- Any costs related to the asset's preparation for its intended use.

The acquisition price of an intangible asset acquired in exchange for a non-monetary asset is measured at fair value unless:

- The exchange transaction lacks commercial substance; or
- The fair value of neither the asset obtained nor the asset given up can be measured reliably.

The acquired asset is measured in this manner, even if the Group cannot immediately write-off the asset given up. If the acquired asset is not measured at fair value, its acquisition price is measured using the book value of the given asset.

MATERIAL ACCOUNTING POLICIES (CONTINUED)**Intangible Assets (Continued)**

The acquisition price of an internally generated intangible asset in accordance with IAS 38 is its cost price, including the amount of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

Intangible assets after acquisition are accounted for at acquisition price less accumulated depreciation and accumulated impairment losses.

The Group assesses whether the useful life of an intangible asset is finite or indefinite and if it is finite, it evaluates the duration or the number of production units or similar units constituting, that useful life.

Intangible asset is regarded as having an indefinite useful life when, based on an analysis of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives are depreciated and intangible assets with indefinite useful lives are not depreciated.

Intangible assets subject to depreciation are depreciated using the straight-line method over the period of the estimated useful life.

Depreciation begins to accrue when the asset is available for use, i.e. when it is in the location and in the condition necessary for its capability to operate in the manner intended by the management.

Accrual of depreciation ends on the earlier of the following dates:

- The date when the asset is classified as held for sale (or included in a disposal group that is held for sale), in accordance with IFRS 5; and
- The date on which the asset is written-off.

The useful life in years for the main groups of amortizable intangible assets is as follows:

Group	Years
Software	7 – 25
Intellectual property rights	5-10
Other	7

Impairment of Intangible Assets

In accordance with the requirements of IAS 36, an assessment is made at the end of each reporting period whether there are indications that the value of non-current intangible assets is impaired. If any such an indication exists, the recoverable amount of the assets is calculated and the impairment loss is determined.

Intangible assets with indefinite useful lives and intangible assets not available for use are tested for impairment annually and also when an indication of impairment of the asset exists.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Assets

Financial asset is any asset that is:

- Cash;
- Equity instrument of another entity;
- Contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under terms and conditions that are potentially favorable to the Group;
- Contract that will or may be settled using own equity instruments of the issuer, and is
 - a non-derivative for which the Group is or may be obliged to receive a variable number of equity instruments of the Group; or
 - a derivative that will or may be settled by exchanging a fixed amount of cash or another financial asset for a fixed number of own equity instruments of the Group. For this purpose, the equity instruments of the Group do not include puttable financial instruments classified as equity instruments that impose the obligation on the Group to provide to another party a pro rata share of the net assets of the Group only in case of liquidation, or instruments that are contracts for future receipt or provision of equity instruments of the Group.

Financial assets are classified under the following categories, in accordance with the requirements of IAS 39:

- Financial assets measured at fair value in profit or loss:
 - a financial asset held for trading;
 - one that at initial recognition by the Group is determined to be recorded in profit or loss at fair value.
- Investments held until maturity;
- Loans and receivables;
- Financial assets available for sale.

The Group recognizes a financial asset or financial liability in the consolidated statement of financial position when, and only when, the Group becomes a party under the contractual provisions of the instrument.

Upon initial recognition, financial assets are measured at fair value, plus, in case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

After their initial recognition, the Group measures financial assets as follows:

- At fair value:
 - financial assets measured at fair value in the profit or loss;
 - financial assets available for sale.

With the exception of investments in equity instruments that do not have a quoted market price on an active market and whose fair value cannot be reliably measured, as well as derivatives that are linked to unquoted equity instruments or must be settled by the transfer of such unquoted equity instruments, which are measured at acquisition price.

- At depreciated value using the effective interest rate method:
 - loans and receivables;
 - investments held until maturity

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Profits and Losses on Financial Assets

- Profits and losses arising from changes in fair value of financial assets are recognized as follows:
 - profit or loss on a financial asset or financial liability classified as measured at fair value through profit or loss is recognized in the consolidated statement of comprehensive income.
 - profit or loss on financial assets available for sale is recognized in another comprehensive income, with the exception of impairment losses and profits or losses on exchange rates until the financial asset is written-off. At this time the cumulative profit or loss previously recognized in another comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- The interest rate, which is calculated using the method of effective interest rate, is recognized in the consolidated statement of comprehensive income.
- Dividends on equity instruments available for sale are recognized in the consolidated statement of comprehensive income when the right of the Group to receive the payment is established.
- For financial assets that are carried at depreciated value, profit or loss on the asset is recognized in the consolidated statement of comprehensive income when the financial asset or financial liability is written-off or impaired, and through the amortization process.

The Group writes-off a financial asset when:

- The contractual rights over cash flows from the financial asset have expired; or
- It transfers the financial asset when the contractual rights to receive cash flows from the financial asset are transferred or the contractual rights to receive cash flows from the asset are retained, but a contractual obligation is undertaken to pay the cash flows to one or more recipients in an agreement and the transfer meets the requirements to be written-off (derecognized), in accordance with IAS 39.

Terms and conditions for writing-off (derecognizing) a financial asset:

When the Group transfers the financial asset, it assesses the extent to which it will retain the risks and rewards of ownership of the financial asset:

- If the Group transfers to a substantial degree all the risks and rewards of ownership of the financial asset, the Group writes-off (derecognizes) the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained upon the transfer;
- If the Group retains to a substantial degree all the risks and rewards of ownership of the financial asset, the Group continues to recognize the financial asset;
- If the Group neither transfers nor retains to a substantial degree all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset. In this case, if:
 - the Group has not retained control, it writes-off (derecognizes) the financial asset and recognizes separately as assets or liabilities any rights and obligations created by the transfer.
 - the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Upon derecognition of the financial asset the difference between:

- a) Its carrying value; and
- b) The amount of the consideration received (including any new asset obtained minus any new liability assumed) and any cumulative profit or loss that have been recognized directly in equity is recognized in the consolidated statement of comprehensive income.

Impairment and Uncollectability of Financial Assets

At the end of each reporting period, the Group assesses whether there is objective evidence for a financial asset or a group of financial assets to be impaired.

Financial asset or a group of financial assets is considered to be impaired and impairment losses are incurred when there is an objective evidence of impairment arising from one or more events that have occurred after the initial recognition of the asset ("loss" event) and when that loss event (or events) has an impact on the estimated future cash flows from the financial asset or group of financial assets that can be measured reliably. It may not be possible to identify a single, individual event that has caused the impairment. Rather, the impairment may be caused by the combined effect of several events.

Losses expected as a result of future events, regardless of their likelihood, are not recognized.

- Impairment of financial assets carried at depreciated value

If there is objective evidence that an impairment loss has arisen from loans and receivables or from investments held until maturity, measured at depreciated value, the amount of the loss is measured as the difference between the asset's book value and the present value of estimated future cash flows (with the exception of future credit losses that have not been incurred) discounted at the original effective interest rate of the financial asset (i.e. the effective interest rate calculated at initial recognition). The book value of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income.

- Impairment of financial assets carried at acquisition price

If there is objective evidence that an impairment loss has occurred of a financial asset carried at acquisition price, the amount of the impairment loss is measured as the difference between the book value of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Losses are recognized in the consolidated comprehensive income statement. Such impairment losses are not recoverable.

- Impairment of financial assets available for sale

When a decline in the fair value of a financial asset available for sale is recognized directly in the equity and there is objective evidence that the asset is impaired, the cumulative loss recognized in another comprehensive income is subtracted from the capital and recognized in the profit or loss, even if the financial asset has not been written-off (derecognized).

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

Impairment and Uncollectability of Financial Assets (Continued)

The amount of the accumulated loss that is reclassified from equity to profit or loss is the difference between the acquisition price (net of any principal repayment and amortization) and current fair value, less any impairment loss from that financial asset previously recognized in the profit or loss.

Impairment losses recognized in the profit or loss, for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

Impairment losses recognized in the profit or loss for a debt instruments classified as available for sale are reimbursed; the reimbursement is recognized in the profit or loss.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits in BGN and foreign currency.

Cash equivalents are short-term, highly liquid investments that are easily exchangeable in a particular amount of cash and carry an insignificant risk of changes in their value.

Loans, Commercial and Other Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except for:

- Those that the Group intends to sell immediately or in the near future, which will be classified as held for trading and those that the Group defines as measured at fair value through profit or loss upon initial recognition;
- Those that the Group classifies as available for sale upon initial recognition; or
- Those for which the holder may not be able to recover to a substantial degree all of its initial investment, except for the cases where the reason is deterioration in the credit quality, and which are classified as available for sale.

Financial assets acquired from direct provision of goods, services, cash or cash equivalents (trade receivables and loans) are classified as loans and receivables.

Loans and receivables with fixed maturity are carried at their depreciated value.

Loans and receivables without fixed maturity are carried at cost price.

Prepaid expenses related to subsequent reporting periods are accounted for as amounts paid in advance to suppliers and are included in trade receivables.

Recoverable Taxes

Recoverable taxes include:

- The amounts of recoverable income taxes in respect of the taxable profit/tax loss for the period and amounts paid for the current and previous periods in excess of the amounts due;
- The amounts of tax credit to be reimbursed and offset after the reporting period and amounts paid for the current and previous periods in excess of the amounts due for other taxes.

Current tax assets for the current and previous periods are measured at the amount expected to be reimbursed by the tax authorities, using the applicable tax rates and tax regulations, being in force or expected to enter into force at the end of the reporting period.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are assets:

- Held for sale in the ordinary course of business activity (goods, production);
- In the process of being produced for such sale (work in progress);
- Inventories that are consumed in the production process or in the provision of services (materials, raw materials).

As of 31 December 2016 and 31 December 2015, the inventories of the Group consist of basic materials.

Inventories are valued at the lower one out of the cost price or the net realizable value.

The cost price of inventories consists of the sum of all costs of purchase, processing and other expenses incurred in bringing them to their existing condition and location.

The costs for purchasing inventories consist of the purchase price, import duties and other non-recoverable taxes, transport costs and others that are directly attributable to the acquisition of the goods, materials and services. Commercial discounts, rebates and other similar components are deducted when determining the purchase value.

Processing costs include direct costs and systematically charged fixed and variable production overheads that are incurred when transforming materials into finished goods.

Other costs are included in the cost price of inventories only to the extent where they are incurred in regard with bringing the inventories to their present location and condition.

In limited circumstances, borrowing costs, which are defined under IAS 23 Borrowing Costs, are included in the cost of inventories.

Expenses that are not included in the cost price of production and are recognized as expenses in the period when they have arisen are as follows:

- Quantities of materials, labor and other production costs outside the normal range;
- Storage expenses;
- Administrative expenses;
- Sales expenses.

Consumption of inventories is valued at weighted average cost.

The cost price of inventories may not be recoverable in the event that they are damaged or are fully or partially obsolete, or if there is a decline in their selling price. Also, the cost price of inventories may not be recoverable if the estimated costs for completion or the estimated costs that are to be incurred in order to make the sale have increased. Inventories are decreased to the net realizable value on an item by item basis. However, in some circumstances it may be appropriate to group similar or related items.

A new estimate of the net realizable value is made for each subsequent period. When the circumstances that led to reduction of the inventories below their cost price are no longer present or when there is clear evidence of an increase in the net realizable value due to a change in the economic circumstances, the amount of impairment is restored so that the new book value is the lower one out of the cost price and the revised net realizable value. The recovery is limited to the amount of the initial impairment.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Inventories (Continued)

Upon selling inventories, the book value of those inventories is recognized as an expense in the period when the respective revenue is recognized. The amount of any writing-off of inventories to their net realizable value as well as any loss from inventories is recognized as an expense in the period of the impairment or in the period when losses have occurred.

The amount of any possible reversal of the value of impairment on inventories, arising from an increase in net realizable value, is recognized as a reduction of the amount of recognized expenses for inventories during the period in which the reversal has occurred.

Equity

Group's equity consists of share capital, reserves and retained earnings.

The share capital is the registered capital – presented at nominal value, pursuant to a court decision for registration.

Upon issuing or acquiring its own equity instruments, the Group makes various expenses. These expenses typically include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers and the like. In case of a capital transaction, the transaction costs are accounted for as a reduction in equity (net from any related income tax relief) to the extent where they are additional costs directly attributable to a capital transaction, which would otherwise have been avoided. The costs of a capital transaction that is abandoned are recognized as an expense.

Reserves include:

- Reserve from subsequent valuations (revaluation reserve) – formed by applying the fair value model to account of land;
- General reserves – formed by distribution of profit in accordance with the Commercial Act of the Republic of Bulgaria and the Articles of Incorporation of the Group;
- Other reserves - formed by decision of the owners of capital.

Retained earnings include:

- Earnings from previous periods retained by the end of the reporting period;
- Accumulated loss from previous periods uncovered by the end of the reporting period;
- Profit/Loss for the period.

Current and Non-current Liabilities

A liability is classified as a current one when it meets any of the following criteria:

- The Group expects to settle the liability within its normal operating cycle;
- The Group holds the liability primarily for the purpose of trading;
- The liability is to be settled within twelve months after the end of the reporting period; or
- The Group does not have the unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Current and Non-current Liabilities (Continued)

A liability is classified as a non-current one if it does not meet the criteria to be classified as a current.

A liability is classified as a current one when it should be settled within twelve months as of the end of the reporting period, even if:

- The initial term was for a period longer than twelve months; and
- After the end of the reporting period and before the consolidated financial statements have been approved for publication, an agreement is concluded to refinance or to reschedule payments on a long-term basis.

Financial Liabilities

Financial liability is any liability that is:

- Contractual obligation:
 - to provide cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under terms and conditions that are potentially unfavorable to the Group; or
- Contract that will or may be settled in equity instruments of the Group and is
 - a non-derivative, for which the Group is or may be obliged to provide a variable number of equity instruments; or
 - a derivative that will or may be settled by exchanging a fixed amount of cash or another financial asset for a fixed number of equity instruments of the Group. For this purpose, the equity instruments of the Group do not include puttable financial instruments classified as equity instruments that impose the obligation for the Group to provide to another party a pro rata share of the net assets of the Group only in case of liquidation, or instruments that are contracts for future receipt or provision of equity instruments of the Group.

Financial liabilities are classified under the following categories, in accordance with the requirements of IAS 39:

- Financial liabilities measured at fair value in profit or loss:
 - classified as held for trading;
 - at their initial recognition they are determined by the Group to be recorded in profit or loss at fair value.
- Financial liabilities measured at depreciated value.

Financial liabilities are recognized in the consolidated statement of financial position when the Group becomes a party under the contractual terms and conditions of the instrument.

Upon the initial recognition, financial liabilities are carried at fair value, plus, in the case of financial liabilities that are not carried at fair value in profit or loss, the transaction costs that are directly attributable to the acquisition or issue of the financial liability.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities (Continued)

Subsequent Evaluation of Financial Liabilities

- The following financial liabilities are recognized at fair value:
 - financial liabilities measured at fair value in profit or loss; with the exception of the liabilities – derivatives that are linked to an unquoted equity instrument and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which are measured at acquisition price;
- At depreciated value using the effective interest rate method – all other financial liabilities

Recognition of Profits and Losses from Financial Liabilities

- Profits and losses from financial liabilities classified as measured at fair value in profit or loss are recognized in the consolidated statement of comprehensive income;
- Profit or loss from financial liabilities that are measured at depreciated value is recognized in the consolidated statement of comprehensive income when the financial liability is written-off (derecognized) and through the amortization process.

The Group writes-off a financial liability (or a part of a financial liability) when it is paid off – i.e. when the obligation specified in the contract is discharged, canceled or its deadline has expired.

Upon writing-off (de-recognition) of a financial liability, the difference between the book value of a financial liability (or a part of a financial liability), which is terminated or transferred to a third party and the consideration paid, including transferred and assumed non-monetary assets and liabilities, is recognized in the consolidated statement of comprehensive income.

Commercial and Other Liabilities and Loans

Loans, trade and other payables are financial liabilities arising from direct receipt of goods, services, cash and cash equivalents from suppliers and creditors.

After their initial recognition, loans and commercial obligations that have no fixed maturity are reported at their estimated value upon acquisition.

Loans and obligations with fixed maturity are reported at their depreciated value.

Tax Liabilities

Current tax liabilities of the Group include:

- Current income tax for the current and previous periods is recognized as a liability to the extent, where it is not paid;
- Current tax liabilities under other tax regulations.

Current tax liabilities for the current and previous periods are measured at the amount expected to be paid to the tax authorities, applying the tax rates and tax laws in force at the end of the reporting period.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Grants Provided by the State

Grants provided by the state, according to IAS 20 are assistance from the state (government, government agencies and other bodies, which can be local, national or international) in the form of transfers of resources to the Group in return for past or future compliance with certain conditions related to the operations of the Group. They exclude forms of government assistance which cannot reasonably be quantified and transactions with the state, which cannot be distinguished from the normal commercial transactions of the Group.

Grants related to assets are grants provided by the state, whose major condition is that the entity qualified to obtain them should purchase, create or otherwise acquire non-current assets.

Grants related to income are grants provided by the state, other than those related to assets.

Grants provided by the state are presented as deferred income, which is recognized as income on a systematic and rational basis over the period of useful life of the asset. Grants provided by the state related to income are presented as deferred income, which is recognized as income at the time when the expenses, as coverage of which they have been provided, are recognized.

Payables to Employees and Provisions for Long-term Employee Benefits

Payables to employees include liabilities of the Group in relation to past work carried out by the staff employed and the relevant social security contributions required by law. In accordance with the requirements of IAS 19, the short-term employee benefits accrued that originate from annual leave unused by staff and the social security contributions on those benefits based on current rates are to be included.

Pursuant to the requirements of the Labor Code, at termination of employment of an employee who has reached retirement age, enterprises in the country are obliged to pay a lump sum for compensation between 2 and 6 salaries, depending on his length of service in the enterprise. The Group has estimated the possible amount of the liability for this benefit, but because of its insignificant size and the low average age of the staff, it has not accrued any provision in these consolidated financial statements.

Provisions

Provisions are liabilities of uncertain timing and amount. Provisions are recognized in connection with constructive and legal obligations arising from past events, in accordance with the requirements of IAS 37.

Legal obligation is an obligation resulting from:

- A contract (according to its explicit clauses and by default);
- Legislation; or
- Another effect of the law.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Provisions (Continued)

Constructive obligation is an obligation that is derived from the actions of the Group when:

- Based on an established trend of a previous practice, published policies or a sufficiently specific current statement, the Group has demonstrated to other parties that it is ready to accept certain responsibilities; and
- As a result, the Group creates certain expectation to the other parties that it will fulfill these responsibilities.

Provision is recognized when:

- The Group has a present obligation (legal or constructive) as a result of past events;
- It is likely for an outflow of resources embodying economic benefits to be necessary to settle the obligation; and
- The amount of the obligation may be estimated reliably.

If these conditions are not met, the provision is not recognized.

Provisions are recognized at the best estimate of the Group's management at the end of the reporting period for the expenditure required to settle the present obligation. Recognized amounts of provisions are reviewed at each end of a reporting period and are recalculated in order to reflect the current best estimate.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their book value at the end of the reporting period.

Deferred tax liability is recognized for all outstanding amounts of taxes due in future periods related to taxable temporary differences.

Deferred tax asset is recognized for amounts of taxes recoverable in future periods that are related to deductible temporary differences, the carry forward of unused tax losses and tax credits to the extent that it is probable for taxable profits to be present, against which they can be used. At the end of each reporting period, the Group reassesses unrecognized deferred tax assets. The Group recognizes previously unrecognized deferred tax assets to the extent that it has become probable for the future taxable profit to allow the recovery of a deferred tax asset.

The book value of deferred tax assets is reviewed at the end of each reporting period. The Group reduces the book value of deferred tax assets to the extent to which it is no longer likely to realize sufficient taxable profit that allows utilization of the benefit of a part or the entire deferred tax asset. Any such reduction will be reversed to the extent that it has become probable to realize sufficient taxable profit.

Deferred tax assets and liabilities are measured with tax rates that are expected to apply in the period when the asset is realized or the liability is settled / repaid, based on the tax rates (and tax regulations) in force or expected to enter into force at the end of the reporting period.

Deferred taxes are recognized as income or expense and are included in the profit or loss for the period, except to the extent where the tax arises from a transaction or an event that is recognized in the same or a different period directly in equity.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Profit or Loss for the Period

The Group recognizes all components of income and expense for the period in profit or loss, unless a particular IFRS requires or permits otherwise.

Some IFRSs specify circumstances under which the Group recognizes particular items outside the profit or loss for the current period. Other IFRSs require or permit components of another comprehensive income meeting the definition of the Framework for income and expenses to be excluded from the profit or loss. As of 31 December 2016, there are no such components.

Expenses

The Group carries out current reporting of operating expenses by economic elements. Expenses are recognized when arises a decrease in future economic benefits that are related to a reduction of an asset or an increase of a liability which can be measured reliably. Recognition of expenses (costs) for the current period is carried out when their corresponding revenues are accrued.

When economic benefits are expected to arise during several accounting periods and the relationship between expenses and revenues can be defined only vaguely or indirectly, the costs are recognized based on procedures for systematic and rational distribution.

An expense is recognized immediately in the comprehensive income consolidated statement when the expense does not create future economic benefits or when, and to the extent that the future economic benefit does not meet the requirements or no longer meets the requirements for recognition of an asset in the consolidated statement of financial position.

Expenses are accounted for in accordance with the accrual accounting principle. They are valued at fair value of amounts paid or amounts that are yet to be paid.

Revenues

Revenue is the gross inflow of economic benefits during the period arising in the ordinary course of business of the Group, when these inflows result in an equity increase, other than increases related to contributions from equity participants.

The Group carries out current accounting of revenues from ordinary activities by type of activity.

Revenues are measured at fair value of the payment or remuneration received or that is yet to be received.

Revenues recognition is carried out in accordance with the accounting policies adopted for the following types of income:

- Revenue from the sale of goods and products is recognized when all of the following conditions have been fulfilled:
 - the Group has transferred the significant risks and rewards resulting from ownership of the goods and products to the buyer;
 - the Group has not retained any continuing involvement in the management of the goods or production, to the extent usually associated with ownership, nor any effective control over the goods or production sold;
 - the amount of revenue may be measured reliably;
 - it is probable for the economic benefits associated with the transaction to be received by the Group; and
 - the expenses incurred or the ones to be incurred in respect of the transaction may be measured reliably.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenues (Continued)

- Revenue from the sale of services is recognized when the outcome of a transaction may be estimated reliably. The revenue associated with the transaction is recognized depending on the phase of completion of the transaction at the end of the reporting period. The outcome of a transaction may be estimated reliably when all of the following conditions are met:
 - the amount of the revenue may be measured reliably;
 - the Group is likely to generate future economic benefits associated with the transaction;
 - the phase of completion of the transaction at the end of the reporting period may be measured reliably; and
 - the expenses incurred with respect to the transaction as well as the costs to complete the transaction may be measured reliably.

Interim payments and advances received from customers usually do not reflect the services performed.

The phase of completion of a transaction may be determined by various methods. Depending on the nature of the transaction, the methods may include:

- Review of the work performed;
- Services performed to date as a percentage of the total volume of services to be performed; or
- The portion that the costs incurred to date consist out of the total envisaged expenses for the transaction. Only costs that reflect services performed to date are included in the costs incurred to date. Only costs that reflect the services performed or the services to be performed are included in the estimated total volume of expenses for the transaction.

Income from interest, royalties and dividends are recognized when:

- It is possible for the Group to have future economic benefits associated with the transaction; and
- The amount of revenues may be measured reliably.

Income from interest, royalties and dividends are recognized as follows:

- The interest is recognized in accordance with the effective interest rate method under IAS 39;
- Royalties are recognized based on the accounting principle of accrual, in accordance with the contents of the respective agreement;
- Dividends are recognized when the right of the shareholder to receive payment is established;

Unpaid interest accrued before the acquisition of an interest-bearing investment - subsequent receipt of interest is distributed between the pre-acquisition period and the post-acquisition period. Only the portion after the acquisition is recognized as revenue.

Dividends on capital securities announced for profits before acquisition are recognized in the profit or loss upon establishing the right to receive dividends, regardless whether dividends relate to profits realized before or after the acquisition.

Royalties are accrued in accordance with the terms and conditions of the relevant agreement and are usually recognized on that basis, unless with regard to the provisions of the agreement it is more appropriate to recognize the revenue on another systematic and rational basis.

Revenue is recognized only when the Group is likely to receive economic benefits associated with the transaction.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenues (Continued)

When a uncertainty arises about the collectability of an amount already included in the revenue, the uncollectable amount or the amount in respect of which reimbursement has ceased to be probable is recognized as an expense rather than as an adjustment to the amount of revenue originally recognized.

Rental income is recognized on a time basis for the duration of the contract.

Financial Risks

Credit Risk

The risk that a party under financial instruments – assets of the Group will fail to pay its obligation and will cause a financial loss to the Group.

Liquidity Risk

Liquidity risk arises from the mismatch in terms of time of contractual maturity of monetary assets and liabilities and the possibility that debtors may not be able to settle obligations to the Group within the standard terms.

Market Risk

The risk that the fair value or the future cash flows of the financial instrument will fluctuate because of changes in market prices. Market risk consists of three types of risk:

- *Currency risk* - the risk that the fair value or the future cash flows of the financial instrument will fluctuate due to changes in the exchange rates.
- *Interest rate risk* - the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.
- *Other price risk* - the risk that the fair value or the future cash flows of the financial instrument will fluctuate because of changes in the market prices (other than those arising from the interest rate risk or currency risk), regardless whether those changes are caused by factors specific to the separate financial instrument or its issuer, or by factors affecting all similar financial instruments traded on the market.

The policy of the Group on the overall risk management is focused and seeks to minimize potential adverse effects on the financial result.

Effects of Changes in Foreign Exchange Rates

The functional currency of the Group is the Bulgarian lev (BGN). The currency of presentation of the consolidated financial statements is BGN.

These financial statements are presented in thousands of BGN (thou. BGN).

Foreign currency is any currency other than the functional currency of the Group.

Transactions in foreign currency are initially recorded in the functional currency as to the amount of foreign currency is applied the exchange rate of the Bulgarian National Bank (BNB) for the respective currency as at the date of the transaction.

Exchange differences arising upon the settlement of monetary positions or recalculation of monetary positions of the Group at rates different from those at which they were recalculated on initial recognition during the period or in previous financial statements are recognized as profit or loss during the period when they have occurred, with some exceptions in accordance with IAS 21 of exchange rate differences arising for a particular monetary position that in its essence forms a part of a net investment of the reporting entity in a foreign operation.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Effects of Changes in Foreign Exchange Rates (Continued)

When a monetary position arises as a result of a foreign currency transaction and there is a change in the exchange rate between the transaction date and the date of settlement, an exchange difference appears. When the transaction is settled within the same accounting period during which it has occurred, the entire exchange difference is recognized in that period. But when the transaction is settled in a subsequent accounting period, the exchange difference recognized in each interim period up to the date of settlement is determined by the change in the exchange rates during each period.

When a profit or loss from a non-monetary position is recognized directly in equity, every exchange component of that profit or loss is recognized in another comprehensive income. When a profit or loss from a non-monetary position is recognized in the profit or loss, every exchange component of that profit or loss is recognized as profit or loss.

When certain IFRSs require some profits and losses from assets to be recognized directly in equity and when such an asset is measured in a foreign currency, IAS 21 requires the revalued amount to be recalculated using the exchange rate at the date when the value is determined, as a result of which an exchange difference occurs, which is also recognized in another comprehensive income.

The Group reassesses its positions in foreign currency at the end of the reporting period, as well as on a continuous basis throughout the reporting period.

Positions in foreign currencies as of 31 December 2016 and 31 December 2015 were evaluated in the present consolidated financial statements using the final exchange rate of the Bulgarian National Bank.

Accounting Assumptions and Accounting Estimates

As a result of the uncertainties inherent in business activities, many entries in the consolidated financial statements are not liable to a precise measurement and can only be estimated. Estimates are evaluated based on the latest available reliable information.

Using reasonable estimates is an essential element in the preparation of financial statements and does not undermine their reliability. Implementation of the International Financial Reporting Standards requires the management to apply certain accounting assumptions and accounting estimates in the preparation of financial statements and when determining the value of certain assets, liabilities, income and expenses. All of those are made based on the best estimate, which is made by the management at the end of the reporting period. Actual results could differ from those presented in the consolidated financial statements.

An estimate is a subject to a revision if changes occur in the circumstances on which it is based or as a result of new information obtained or additionally accumulated experience. The revision of an estimate does not relate to previous periods and is not a correction of an error.

The effect of a change in an accounting estimate is recognized prospectively by including it in the comprehensive income statement for the period of the change, if the change affects only that period or the period of the change and future periods, if the change affects future periods as well.

To the extent that a change in an accounting estimate leads to changes in the assets and liabilities, or relates to a component of capital, it is recognized by adjusting the book value of the related asset, liability or component of the capital in the period of change.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Lease

A lease contract (lease) is classified as financial lease if it transfers substantially all the risks and benefits from the asset's ownership. A lease contract is classified as operating lease if it does not transfer substantially all the risks and rewards from the asset's ownership.

Recognition and Reporting of Financial lease with the Group being the Lessee

At the beginning of the lease term, financial lease is recognized as an asset and a liability in the statement of financial position in the amount, which at the beginning of the lease term is equal to the fair value of the leased asset or, if lower – to the present value of the minimum lease payments, each one of which is defined in the beginning of the lease agreement.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate set out under the lease agreement, as far as it is practicable to be determined; if this is impossible - the differential interest rate under the liability of the lessee is used. Initial direct expenses made by the lessee are added to the amount recognized as an asset.

The minimum lease payments are distributed between the financial expense and the reduction of the outstanding liability. The financial expense is distributed in periods during the term of the lease agreement, so as to produce a constant periodic interest rate on the remaining balance of the liability.

Amortizable leased assets are depreciated in accordance with the depreciation rates and methods that apply to the Group's own assets. If there is a reasonable certainty that the Group will obtain ownership over the asset at the end of the lease agreement's term, the asset is depreciated over the estimated useful life, otherwise, the asset is fully depreciated over the shorter one out of the following two periods – the period of the lease agreement or the useful life of the asset.

Recognition and Reporting of Operating lease with the Group being the Lessee

Lease payments under operating lease are recognized as an expense in the comprehensive income consolidated statement on a straight-line basis over the overall term of the lease agreement, unless another systematic basis is more representative for the time during which the Group uses the benefits from the leased asset.

Recognition and Reporting of Financial lease with the Group being the Lessor

The Group recognizes assets held under financial lease in its consolidated financial statements and presents them as a receivable, the amount of which is equal to the net investment in the lease. The lease payment receivable is considered to be a repayment of principal and financial income.

The recognition of financial income is based on a model reflecting a constant periodic rate of return for the periods on the net investment of the lessor, in respect of the financial lease.

The sales revenue recognized in the beginning of the financial lease term by the lessor is the fair value of the asset or, if lower – the present value of the minimum lease payments calculated at a market interest rate. The cost price of the sale in the beginning of the lease term is the cost price, or book value, if different, of the leased property less the present value of the unguaranteed residual value.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that meets the requirements are capitalized as part of the value of that asset. Other borrowing costs are recognized as an expense.

Asset that meets the requirements is an asset that necessarily takes a substantial period of time to be prepared for its intended use or for sale.

Borrowing costs are capitalized as part of the value of the asset when there is a probability that they will result in future economic benefits for the Group and when the expenses may be measured reliably.

Borrowing costs that can be directly attributed to the acquisition, construction or production of an asset that meets the requirements are those borrowing costs that would have been avoided if the expenditure for the asset that meets the requirements had not been made.

The Group capitalizes borrowing costs as part of the value of an asset that meets the requirements on the commencement date of capitalization.

The commencement date of capitalization is the date when the Group first met the following conditions:

- Incurs expenses for the asset;
- Incurs borrowing costs; as well as
- Undertakes activities necessary to prepare the asset for its intended use or for sale.

The Group discontinues the capitalization of borrowing costs for long periods during which the active upgrade of an asset that meets the requirements is suspended.

The Group ceases the capitalization of borrowing costs when it completes to a substantial extent all the activities necessary to prepare the asset that meets the requirements for its intended use or for sale.

Contingent Assets and Liabilities

Contingent liability is:

- A possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that cannot be fully controlled by the Group; or
- A present obligation that arises from past events, but it is not recognized because:
 - it is not likely for an outflow of resources embodying economic benefits to be necessary for its repayment; or
 - the amount of the obligation cannot be determined with sufficient reliability.

A contingent asset is a possible asset that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that cannot be fully controlled by the Group.

APPENDICES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 December 2016

All amounts are in thousands BGN, unless otherwise specified

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION**1.1 Property, Plant and Equipment**

	Land	Buildings	Machinery and equipment	Vehicles	Other assets	Capitalized expenses	Total
Book value							
Balance at 31.12.2014	4 313	11 306	39 087	1 243	6 366	-	62 315
Incoming	-	-	1 355	46	243	-	1 644
Outgoing	-	-	(1 034)	(67)	(237)	-	(1 338)
Impairment	(202)	-	-	-	-	-	(202)
Balance at 31.12.2015	4 111	11 306	39 408	1 222	6 372	-	62 419
Incoming	-	-	768	141	351	249	1 509
Outgoing	-	-	(1 318)	(205)	-	(124)	(1 647)
Revaluation	189	-	-	-	-	-	189
Balance at 31.12.2016	4 300	11 306	38 858	1 158	6 723	125	62 470
Amortization							
Balance at 31.12.2014	-	793	18 192	1 061	2 896	-	22 942
Incoming	-	115	1 392	56	330	-	1 893
Outgoing	-	-	(1 008)	(65)	(234)	-	(1 307)
Balance at 31.12.2015	-	908	18 576	1 052	2 992	-	23 528
Incoming	-	112	1 432	72	328	-	1 944
Outgoing	-	-	(951)	(201)	-	-	(1 152)
Balance at 31.12.2016	-	1 020	19 057	923	3 320	-	24 320
Carrying amount							
Carrying amount at 31.12.2015	4 111	10 398	20 832	170	3 380	-	38 891
Carrying amount at 31.12.2016	4 300	10 286	19 801	235	3 403	125	38 150

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**1.2 Intangible Assets**

	Rights	Software	Other assets	Total
Book value				
Balance at 31.12.2014	76	4 743	1 800	6 619
Incoming	-	27	-	27
Outgoing	-	(1 316)	(167)	(1 483)
Balance at 31.12.2015	76	3 454	1 633	5 163
Incoming	-	4	11	15
Outgoing	(72)	(14)	(1 415)	(1 501)
Balance at 31.12.2016	4	3 444	229	3 677
Amortization				
Balance at 31.12.2014	47	3 982	1 408	5 437
Incoming	14	129	143	286
Outgoing	-	(1 314)	(167)	(1 481)
Balance at 31.12.2015	61	2 797	1 384	4 242
Incoming	15	129	212	356
Outgoing	(73)	(14)	(1 415)	(1 502)
Balance at 31.12.2016	3	2 912	181	3 096
Carrying amount				
Carrying amount at 31.12.2015	15	657	249	921
Carrying amount at 31.12.2016	1	532	48	581

1.3. Investments in Associated Companies

Type	31.12.2016		31.12.2015	
	Amount	Value	Amount	Value
Airport Outdoor Ltd	50%	20	50%	20
Total		20		20

1.4. Non-current Financial Assets**1.4.1. Loans and Receivables - Non-current**

Type	31.12.2016	31.12.2015
Receivables from loans granted to non-related parties (net)	130	200
Receivables from loans granted to non-related parties	130	200
Total	130	200

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**1.5. Deferred Tax Assets**

According to the Bulgarian tax legislation deferred tax assets and liabilities of different companies cannot be reimbursed and settled on a consolidated basis. The individual statements of the Group companies present the deferred tax assets and liabilities as offset. In the consolidated financial statements the deferred tax assets include uncompensated values representing assets from the individual statements of companies within the Group.

Temporary difference	31.12.2015		Change in deferred taxes for 2016				31.12.2016	
	Temporary difference	Deferred tax	Increase		Decrease		Temporary difference	Deferred tax
			Temporary difference	Deferred tax	Temporary difference	Deferred tax		
Deferred tax assets								
Impairment of receivables	1	-	79	8	(3)	-	77	8
Impairment of fixed assets	202	20	-	-	-	-	202	20
Compensable leaves	55	6	5	-	(3)	(1)	57	5
Tax loss	105	11	825	83	-	-	930	94
Income of individuals	16	2	6	1	(7)	(1)	15	2
Total assets:	379	39	915	92	(13)	(2)	1 281	129

1.6. Goodwill

As of 31 December 2016 and 31 December 2015 goodwill amounted to BGN 37 thousand and is formed with the acquisition of the subsidiary Motion Arts Ltd.

1.7. Inventories

Type	31.12.2016	31.12.2015
Materials	2 593	3 317
Produce	82	132
Total	2 675	3 449

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**1.8. Current Commercial and Other Receivables**

Type	31.12.2016	31.12.2015
Receivables from related parties outside the Group (net)	61	61
Receivables on sales	61	61
Receivables on sales (net)	6 924	7 313
Receivables on sales	6 924	7 313
Receivables from advance payments made (net)	1 749	1 687
Receivables from advance payments made	1 749	1 687
Other current receivables	555	613
Guarantees and deposits provided	520	435
Prepaid expenses	26	152
Other receivables	9	26
Total	9 289	9 674

1.9. Recoverable taxes

Type	31.12.2016	31.12.2015
VAT	131	185
Total	131	185

1.10. Current Financial Assets

Current Financial Assets	31.12.2016	31.12.2015
Loans and receivables	883	945
Financial assets available for sale	11	11
Total	894	956

1.10.1. Loans and Receivables - Current

Type	31.12.2016	31.12.2015
Receivables from loans granted to related parties outside the Group (net)	-	-
Receivables from loans granted to related parties outside the Group	183	183
Receivables from interest on loans granted to related parties outside the Group	34	34
Impairment of receivables from loans and interest granted to related parties outside the Group	(217)	(217)
Receivables from loans granted to non-related parties (net)	883	945
Receivables from loans granted to non-related parties	718	813
Receivables from interest on loans granted to non-related parties	409	376
Impairment of receivables from loans and interest	(244)	(244)
Total	883	945

Loans and receivables are presented in the consolidated statement of financial position as current and non-current according to the period when they were due.

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**1.10. Current Financial Assets (Continued)****1.10.1. Loans and Receivables - Current (Continued)**

The parameters of the loans and receivables from non-related parties as of 31 December 2016 are as follows:

Borrower	Agreed loan amount	Int. %	Maturity
Lachezar Terziyski	70	6.50%	12.2016
Logservices Land Ltd	346	8.00%	12.2016
D Print Ltd	170	6.50%	12.2016
Lachoni 3 Ltd	200	6.50%	22.12.2017
Yordan Varbitsaliev	300	6.50%	2.8.2016
Dom Media Ltd	130	BIR + 5%	31.12.2015
Dolsamex Ltd	11		2016
Metroreklama Ltd	66	6.00%	12.2016
No Name Ltd	28	6.00%	12.2016
DZZD Reklama v metroto	23	6.00%	12.2016
TIARA	3	6.00%	12.2016

As of 31 December 2016 loans and receivables from non-related parties are divided into short- and long-term, as follows:

Borrower	Short-term portion at depreciable value		Long-term portion at depreciable value	
	Principal	Interest	Principal	Interest
Lachezar Terziyski	70	45	-	-
Logservices Lend Ltd	-	41	-	-
D Print Ltd	126	10	-	-
Lachoni 3 Ltd	200	78	-	-
Yordan Varbitsaliev	73	101	-	-
Dom Media Ltd	-	26	130	-
Dolsamex Ltd	11	1	-	-
Metroreklama Ltd	35	6	-	-
No Name Ltd	21	2	-	-
DZZD Reklama v metroto	23	4	-	-
TIARA	9	1	-	-
Total	568	315	130	-

1.10.2 Financial Assets Available for Sale

Type	31.12.2016		31.12.2015	
	Amount	Value	Amount	Value
Renlon Dairy Products	1%	11	1%	11
Total		11		11

1.11. Cash and Cash Equivalents

Type	31.12.2016	31.12.2015
Cash in hand	1 886	982
In BGN	1 755	979
In foreign currency	131	3
Cash in current accounts	250	213
In BGN	245	207
In foreign currency	5	6
Blocked cash	26	61
Total	2 162	1 256

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**1.12. Equity****1.12.1. Share Capital**

Type of shares	31.12.2016			31.12.2015		
	Number of shares	Value in BGN	Nominal value per share in BGN	Number of shares	Value in BGN	Nominal value per share in BGN
<i>Ordinary</i>						
Issued	15 000 000	15 000 000	1	15 000 000	15 000 000	1
Total	15 000 000	15 000 000		15 000 000	15 000 000	

1.12.2. Revaluation Reserves and General Reserves

	Revaluation reserve	General reserves	Total reserves
Reserves at 31.12.2014	851	3825	4 676
Increases from:	-	43	43
Distribution of profit	-	43	43
Намаления от:	-	(17)	(17)
Други	-	(17)	(17)
Reserves at 31.12.2015	851	3 851	4 702
Увеличения от:	169	17	186
Distribution of profit	-	17	17
Revaluation of fixed assets	169	-	169
Reserves at 31.12.2016	1 020	3 868	4 888

1.13. Non-current Financial Liabilities

Non-current financial liabilities	31.12.2016	31.12.2015
Liabilities under leases	2 425	2 908
Financial liabilities measured at depreciated value	12 542	13 908
Total	14 967	16 816

Type	31.12.2016	31.12.2015
Obligations on loans from financial institutions	12 542	13 908
Total	12 542	13 908

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**1.14. Deferred Tax Liabilities**

Temporary difference	31.12.2015		Change in deferred taxes for 2016				31.12.2016	
	Temporary difference	Deferred tax	Increase		Decrease		Temporary difference	Deferred tax
			Temporary difference	Deferred tax	Temporary difference	Deferred tax		
Deferred tax liabilities								
Revaluation reserve	945	94	188	19	-	-	1 133	113
Amortization	9 480	948	119	12	(930)	(93)	8 669	867
Total liabilities:	10 425	1 042	307	31	(930)	(93)	9 802	980
Deferred taxes (net)	(10 046)	(1 003)	608	61	917	91	(8 521)	(851)

1.15. Grants Provided by the State - Non-current

Type	31.12.2016	31.12.2015
Grants related to assets	59	69
Total	59	69

1.16. Current Financial Liabilities

Current financial liabilities	31.12.2016	31.12.2015
Liabilities under leases	567	1 114
Financial liabilities measured at depreciated value	3 652	3 302
Total	4 219	4 416

1.16.1. Loan Liabilities

Borrowing obligations include:

Type	31.12.2016	31.12.2015
Obligations on loans from related parties outside the Group	50	-
Obligations on loans from financial institutions	3 581	3 299
Obligations on interest under loans from financial institutions	21	3
Total	3 652	3 302

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**1.16. Current Financial Liabilities (Continued)****1.16.1. Loan Liabilities (Continued)**

As of 31 December 2016 the parameters of the liabilities under loans from financial institutions are as follows:

Bank/Lender	Agreed loan amount	Interest rate (%)	Maturity	Short-term portion at depreciable value		Long-term portion at depreciable value	
				Principal	Interest	Principal	Interest
Bulgarian Bank For Development	11735	3M EURIB + 4.2% > 5.50%	20.3.2025	848	21	9 740	-
Eurobank Bulgaria PLC	978	3M SOFIBOR + 3.5%	31.5.2017	973	-	-	-
Eurobank Bulgaria PLC	1173	3M SOFIBOR + 3.50%	31.5.2017	1 037	-	-	-
SG Expressbank PLC	6571	3MEURIBOR + 4.75 %	30.12.2021	686	-	2 802	-
Credit Cards				37	-	-	-
Total				3 581	21	12 542	-

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**1.17. Current Commercial and Other Liabilities**

Type	31.12.2016	31.12.2015
Liabilities to related parties outside the Group	17	17
Liabilities under guarantees and deposits	17	17
Incl. guarantees for SB, MB, BD	17	17
Liabilities under deliveries	7 252	7 520
Liabilities under advance payments received	4	43
Other current liabilities	1	1
Liabilities under guarantees and deposits	1	1
Total	7 274	7 581

1.18. Tax Liabilities

Type	31.12.2016	31.12.2015
Value added tax	644	976
Value added tax – interest	476	513
Corporate tax	127	52
Personal income tax	122	165
Withholding tax	3	7
Tax on expenses	4	5
Other tax liabilities	467	-
Total	1 843	1 718

1.19. Liabilities to Employees

Type	31.12.2016	31.12.2015
Liabilities to employees	448	365
Incl. liabilities under unused leave	47	45
Liabilities to social security	257	230
Incl. liabilities under unused leave	8	9
Total	705	595

1.20. Grants Provided by the State - Current

Type	31.12.2016	31.12.2015
Grants related to assets	10	10
Total	10	10

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**2.1. Revenues and Profits****2.1.1. Net Income from Sales**

Type	2016	2015
Sales of produce	28 761	27 505
Sales of services	5 239	5 187
Total	34 000	32 692

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**2.1. Revenues and Profits (Continued)****2.1.2. Income from Grants Provided by the State**

Income type	2016	2015
Grants related to assets	10	10
Total	10	10

2.1.3. Other Profits

Type	2016	2015
Profit (loss) from sale of goods (materials)	(59)	15
Income from sale of goods (materials)	196	340
Cost of goods sold (materials)	(255)	(325)
Other income incl.	510	652
Sales of industrial waste	365	393
Insurance payments received	86	46
Liabilities written-off	33	209
Other	26	4
Total	451	667

2.1.4. Financial Income

Type	2016	2015
Interest income incl.	47	91
Under commercial loans	47	90
Under deposits	-	1
Positive exchange differences	2	-
Total	49	91

2.2. Expenses**2.2.1. Expenses for Materials**

Type	2016	2015
Basic and auxiliary materials for production	14 531	13 576
Fuel and lubricants	272	296
Workwear	10	1
Supplies for vehicles	75	127
Office supplies and consumables	71	46
Maintenance	85	60
Assets below the materiality threshold	83	60
Other materials	3	9
Total	15 130	14 175

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**2.2. Expenses (Continued)****2.2.2. Expenses for Hired Services**

Type	2016	2015
Services of subcontractors	2 270	2 057
Transportation services	128	98
Rents (property, fixed assets, adv. areas)	3 765	3 701
Repairs	394	363
Marketing services (including advertising)	680	777
Communication services (telephone, Internet, etc.).	134	166
Consultancy and legal services	137	195
Civil contracts and fees	3	4
Insurance	151	161
Fees (notary, legal, state, etc.).	47	74
Security	7	40
Commissions	93	69
Occupational health	9	11
Subscriptions	10	6
Electricity and heat	389	478
Water	13	17
Accounting and auditing services	144	150
Other hired services	100	98
Total	8 474	8 465

2.2.3. Depreciation Expenses

Type	2016	2015
Depreciation expenses for production	2 052	1 931
- Property, plant and equipment	1 707	1 655
- Intangible assets	345	276
Depreciation expenses for administrative	248	248
- Property, plant and equipment	237	238
- Intangible assets	11	10
Total	2 300	2 179

2.2.4. Expenses for Salaries and Social Security

Type	2016	2015
Wages and salaries	5 282	5 305
Social security contributions	823	767
Total	6 105	6 072

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**2.2. Expenses (Continued)****2.2.5. Impairment**

Type	2016	2015
Impairment of fixed assets	-	202
Impairment of trade receivables	212	246
Impairment of financial assets	-	217
Total	212	665

2.2.6. Other Operating Expenses

Type	2016	2015
Mission expenses	53	62
Representative expenses	22	34
Scrap	-	14
Expenses for protective food	26	29
Expenses for fines and penalties	43	8
Interest expense on state claims	149	141
Expenses for local taxes and fees	20	16
Loss from sold investments in subsidiaries	-	21
Other expenses	81	44
Total	394	369

2.2.7. Changes in inventories of finished goods

Type	2016	2015
Changes in inventories of finished goods	50	38
Total	50	38

2.2.8. Financial Expenses

Type	2016	2015
Interest expenses incl.	1 142	1 591
Under commercial loans	-	1
Under borrowing from financial institutions	948	1 361
Under leases	146	177
Under commercial liabilities	2	-
Other	46	52
Exchange losses	12	10
Other financial expenses	147	205
Total	1 301	1 806

2.2.9. Profit / Loss on Sale of Non-current Assets

Type	2016	2015
Profit / (loss) on sale of non-current assets	38	1
Cost of of non-current assets sold	35	12
Income from sale of of non-current assets	73	13
Total	38	1

2.2.10. Tax Expenses

Pursuant to the legislation in force, profits are subject to corporate tax at the rate of 10%. For the calculation of deferred taxes, a rate of 10% is used, which is expected to be valid for the reversal.

Type	31.12.2016	31.12.2015
Current tax	163	74
Deferred tax with respect to origination and reversal of temporary differences	(172)	193
Total	(9)	267

3. OTHER DISCLOSURES**3.1. Related Parties and Related Party Transactions**

The Group announces the following related parties:

RELATION TYPE	Name of individual /	UIC
	Name of legal entity	
Companies in the management of which Group managers or equity owners participate.	G.V.S..Computering Ltd	831334212
	Europa 2001 Ltd	831437002
	G.V.S. Art Ltd	831334162
	G.V.S. - Holding Ltd	831334187
	G.V.S. Trading and Finance Ltd	831334174
Companies in the capital of which Group managers or Group equity owners participate.	Oxizen Ltd	200190007
	Holding Ltd	831334187
	G.V.S. Art Ltd	831334162
Group equity owners.	Vasil Stefanov Genchev	
	Veneta Stefanova Gencheva	
	Stefan Vasilev Genchev	
	Kalin Vasilev Genchev	
Companies in which the Group has an indirect interest in the ownership of their capital through enterprises, where it has direct interest in the capital, with a participation % of over 5%.	Airport Outdoor Ltd	200818622

3. OTHER DISCLOSURES (CONTINUED)**3.1. Related Parties and Related Party Transactions (Continued)****3.1.1 Related Parties Outside the Group**

Receivables		
Customer	31.12.2016	31.12.2015
Europa 2001 Ltd	61	61
Total	61	61

Payables		
Supplier	31.12.2016	31.12.2015
BD members	17	17
Total	17	17

Bank/Lender	Short-term portion at depreciated value		Long-term portion at depreciated value	
	Principal	Interest	Principal	Interest
Vassil Genchev	50	-	-	-
Total	50	-	-	-

4. CAPITAL MANAGEMENT

Type	31.12.2016	31.12.2015
Debt	30 057	32 247
Cash and cash equivalents	(2 162)	(1 256)
Net debt	27 895	30 991
Total equity	21 615	21 113
Total capital	49 510	52 104
Gearing ratio	0.56	0.59

5. KEY ESTIMATES AND JUDGMENTS OF MANAGEMENT WITH HIGH UNCERTAINTY

In these consolidated financial statements when determining the value of certain assets, liabilities, revenue and expenditure, the management has made certain accounting assumptions and accounting estimates. All of them have been made based on the best judgment and information available to the management at the end of the reporting period. Actual results could differ from those presented in these consolidated financial statements.

5.1. Impairment of Inventories

At the end of each reporting period, the management reviews the available inventories – materials, production and goods to determine whether any where the net realizable value is lower than their book value are present. In the review carried out as of 31 December 2016, no indications for impairment of inventories were established.

5.2. Impairment of Receivables

At the end of each reporting period, the management carries out a review on the estimate for loss from dubious receivables and uncollectable debts.

Impairment of trade receivables is formed when there is objective evidence that the Group will not be able to collect all amounts due under the original terms and conditions of the receivables. The management considers the following to be such evidence: establishment of significant financial difficulties of the debtor, probability that the debtor will enter into insolvency proceedings initiated or undergo another financial reorganization.

After the usual or specific contract period has expired, the management reviews the entire exposure of the client and assesses whether there are conditions for impairment. These circumstances are taken into account by the management when it defines and classifies whether a receivable to be impaired.

5.3 Impairment of Goodwill

At the end of each reporting period, the Group performs an impairment review of goodwill. For the purpose of the impairment review, goodwill is distributed to the cash-generating units that are expected to be positively influenced by the business combination.

As of 31 December 2016 the evaluation was carried out based on the present value of expected cash flows, associated with the customer base acquired under the business combination and no impairment has been established.

6. CONTINGENT ASSETS, CONTINGENT LIABILITIES AND ASSETS PLEDGED AS COLLATERAL

Contingent assets		
Contract / counterparty	Established guarantee, collateral from the counterparty	Amount of contingent assets
Stefan Genchev, Kalin Genchev, Vasil Genchev, Veneta Gencheva	Pledge of shares	5 781
Stefan Genchev, Kalin Genchev, Vasil Genchev, Veneta Gencheva	Pledge of property	4 807
Dom Media Ltd	collateral under a loan agreement	156

Contingent liabilities		
Contract / counterparty	Established guarantee, collateral for the counterparty	Amount of contingent liabilities
Bulgarian Bank For Development	Pledge of commercial enterprise of Bilboard and Dedrax	5 781
Bulgarian Bank For Development	Pledge of commercial enterprise of Bilboard and Dedrax	4 807
Eurobank Bulgaria	Receivables – collateral	973
Eurobank Bulgaria	FA, Receivables – collateral	1 037
SG Expressbank	FA – collateral	3 488
United Bulgarian Bank	Bank guaranties	118
Interlease PLC	FA – collateral under a lease	106
Auto Bohemia	FA – collateral under a lease	13
IBM Bulgaria Ltd	FA – collateral under a lease	70
Porsche Leasing BG	FA – collateral under a lease	18
SG Lease Bulgaria	FA – collateral under a lease	2 766
NRA	FA – collateral	1 073

8. EVENTS AFTER THE END OF THE REPORTING PERIOD

No adjusting events have occurred after the date of approval for issue of the consolidated financial statements that are significant in relation to the information presented in the financial statements.

9. GOING CONCERN

The Group's management believes that the Group is active and will remain active; there are no plans or intentions to cease operations.