Annual Activity Report
Independent Auditor's Report
Separate Financial Statements

CHIMIMPORT AD

31 December 2016

Contents

Statement of financial position

	Note	31 December 2016 BGN '000	31 December 2015 BGN '000
Assets			
Non-current assets			
Property, plant and equipment	5	7 686	15 862
Intangible assets		5	-
Investment property	6	35 831	33 572
Investments in subsidiaries	7	787 201	748 919
Long-term financial assets	8	46 171	42
Long-term related party receivables	33	27 509	90 946
Long-term loans granted	9	127 014	104 269
Non-current assets		**1 031 417**	**993 610**
Current assets			
Inventories	11	-	367
Short-term financial assets	12	117 161	149 709
Loans granted	13	101 757	139 266
Trade and other receivables	14	44 731	44 809
Related party receivables	33	126 683	275 840
Income tax receivables		60	-
Cash and cash equivalents	15	76 359	75 058
Current assets		**466 751**	**685 049**
Total assets		**1 498 168**	**1 678 659**

Prepared by: ______________________
/A. Kerezov/

Executive Director: ______________________
/I. Kamenov/

Date: 28 March 2017

Audited according to the auditor's report dated 31 March 2017:

Mariy Apostolov
Managing partner
Grant Thornton OOD
Audit firm

Zornitza Djambazka
Registered auditor responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 032 ГРАНТ ТОРНТОН ООД

ХИМИМПОРТ АД СОФИЯ

The accompanying notes on pages from 7 to 48 form an integral part of the separate financial statements.

Statement of financial position (continued)

Equity and liabilities	Note	31 December 2016 BGN '000	31 December 2015 BGN '000
Equity			
Share capital	16.1	239 646	239 646
Share premium	16.2	260 615	260 615
Remeasurement of defined benefit liability		66	64
Other reserves	16.3	59 824	59 824
Retained earnings		641 986	612 514
Net profit for the year		33 748	40 256
Total equity		**1 235 885**	**1 212 919**
Liabilities			
Non-current liabilities			
Bank and other borrowings – non-current portion	19	43 078	54 880
Long-term related party payables	33	13 333	172 171
Dividend payables – non-current portion	17	-	8 081
Pension and other employee obligations	18.2	24	21
Deferred tax liabilities	10	18 952	16 852
Non-current liabilities		**75 387**	**252 005**
Current liabilities			
Bank and other borrowings	19	32 713	30 743
Trade and other payables	20	28 145	25 866
Short-term related party payables	33	116 885	140 060
Dividend payables	17	9 063	16 790
Income tax payable		-	192
Pension and other employee obligations	18.2	90	84
Current liabilities		**186 896**	**213 735**
Total liabilities		**262 283**	**465 740**
Total equity and liabilities		**1 498 168**	**1 678 659**

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CHIMIMPORT PUBLIC HOLDING COMPANY

Statement of profit or loss and comprehensive income for the year ended 31 December

	Note	2016 BGN '000	2015 BGN '000
Gain from transactions with financial instruments	21	21 424	61 115
Loss from transactions with financial instruments	22	(13 841)	(27 006)
Net result from transactions with financial instruments		**7 583**	**34 109**
Interest income	23	20 980	30 880
Interest expense	24	(8 395)	(22 509)
Net interest income		**12 585**	**8 371**
Other financial income	25	894	4 229
Other financial expenses	25	(819)	(4 295)
Net other financial income / (cost)		**75**	**(66)**
Dividend income	26	14 859	1 151
Revenue from operating activities	27	4 826	1 806
Gain on sale of non-current assets	28	876	42
Operating expenses	29	(4 956)	(5 139)
Profit before tax		**35 848**	**40 274**
Income tax expense	30	(2 100)	(18)
Profit for the year		**33 748**	**40 256**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liability	18.2	2	29
Income tax relating to items not reclassified	30	-	(3)
Other comprehensive income for the year, net of tax		**2**	**26**
Total comprehensive income		**33 750**	**40 282**
Earnings per share:	31	**0.17**	**0.27**
Diluted earnings per share:	31	**0.15**	**0.18**

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Одиторско дружество
София
Рег. № 032
Грант Торнтон ООД

Химимпорт АД
София

Statement of changes in equity for the year ended 31 December

All amounts are presented in BGN '000	Share capital	Share premium	Remeasurement of defined benefit liability	Other reserves	Retained earnings	Total equity
Balance at 1 January 2016	**239 646**	**260 615**	**64**	**59 824**	**652 770**	**1 212 919**
Dividends	-	-	-	-	(10 784)	**(10 784)**
Transactions with owners	-	-	-	-	(10 784)	**(10 784)**
Profit for the year	-	-	-	-	33 748	**33 748**
Other comprehensive income	-	-	2	-	-	**2**
Total comprehensive income for the year	**-**	**-**	**2**	**-**	**33 748**	**33 750**
Balance at 31 December 2016	**239 646**	**260 615**	**66**	**59 824**	**675 734**	**1 235 885**

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The accompanying notes on pages from 7 to 48 form an integral part of the separate financial statements.

Statement of changes in equity for the year ended 31 December (continued)

All amounts are presented in BGN '000	Share capital	Share premium	Remeasurement of defined benefit liability	Other reserves	Retained earnings	Total equity
Balance at 1 January 2015	**239 646**	**260 615**	**38**	**59 836**	**612 514**	**1 172 649**
Profit for the year	-	-	-	-	40 256	**40 256**
Other comprehensive income	-	-	26	-	-	**26**
Total comprehensive income for the year	**-**	**-**	**26**	**-**	**40 256**	**40 282**
Other changes in equity	-	-	-	(12)	-	**(12)**
Balance at 31 December 2015	**239 646**	**260 615**	**64**	**59 824**	**652 770**	**1 212 919**

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/A. Kerezov/

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/I. Kamenov/

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CHIMIMPORT PUBLIC HOLDING COMPANY

Statement of cash flows for the year ended 31 December

	Note	2016 BGN '000	2015 BGN '000
Operating activities			
Proceeds from short-term borrowings		70 070	90 776
Repayments of short-term borrowings		(84 322)	(144 153)
Proceeds /(payments) from short-term financial assets		52 283	(3 714)
Cash receipts from customers		3 376	1 093
Cash paid to suppliers		(2 486)	(3 060)
Interest received		33 360	37 094
Payments on interest, commission and other		(10 137)	(17 222)
Cash paid to employees and social security institutions		(1 416)	(2 015)
Income taxes paid		(176)	(1 525)
Other taxes paid		(2 016)	(378)
Other proceeds		1 169	1 817
Net cash flow from operating activities		**59 705**	**(41 287)**
Investing activities			
Acquisition of property, plant and equipment	5	(14)	(31)
Proceeds from sale of property, plant and equipment		-	25
Acquisition of subsidiaries		(2)	(23)
Proceeds from sale of subsidiaries		2 543	-
Dividends received		5 388	-
Loan repayments received		18 511	3 156
Loans granted		(64 430)	(6 599)
Net cash flow from investing activities		**(38 004)**	**(3 472)**
Financing activities			
Dividends paid	17, 35	(7 330)	(6 391)
Proceeds from long-term borrowings		18 948	58 675
Repayments of long-term borrowings		(30 121)	(13 436)
Interest paid		(1 820)	(2 255)
Discharge of finance lease liabilities		-	(5)
Net cash flow from financing activities		**(20 323)**	**36 588**
Net change in cash and cash equivalents		**1 378**	**(8 171)**
Cash and cash equivalents, beginning of year		75 058	84 147
Exchange losses on cash and cash equivalents		(77)	(918)
Cash and cash equivalents, end of year	15	**76 359**	**75 058**

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Одиторско дружество София Рег. № 032 Грант Торнтон ООД

Химимпорт АД София

The accompanying notes on pages from 7 to 48 form an integral part of the separate financial statements.

Notes to the financial statements

1. Nature of operations

Chimimport AD was registered as a joint-stock company at Sofia city court on 24 January 1990 with UIC 000627519. The address of the Company's registered office is 2 St. Karadja Str., Sofia, Bulgaria.

The Company is registered on the Bulgarian Stock Exchange – Sofia on 30 October 2006 with emission numbers 6C4 for ordinary shares.

The operations of the Company comprise the following activities:

- The acquisition, management and sale of shares in Bulgarian and foreign companies;
- Financing of companies in which the Company participates;
- Banking services, Finance, Non-life insurance, Life insurance and Pensions;
- Production of oil and gas;
- Building capacity in the oil industry, production of biodiesel and production of rubber products;
- Production and marketing of petroleum, chemical products and natural gas;
- Production of vegetable oil, purchasing, processing and marketing of cereals;
- Aviation transport and ground activities on servicing and repair of aircraft and aircraft engines;
- Inland waterways and maritime transport and port infrastructure;
- Commercial agency and brokerage;
- Commission, forwarding and warehouse activity.

The Company's management system is two-tier management system comprising Supervisory and Managing Boards.

Members of the Supervisory Board of the Company are:
Invest Capital AD
CCB Group EAD
Mariana Bazhdarova

Members of the Managing Board of the Company are:
Aleksander Kerezov
Ivo Kamenov
Marin Mitev
Nikola Mishev
Mirolyub Ivanov
Tsvetan Botev

The Company is represented by its executive directors Ivo Kamenov and Marin Mitev, together and separately.

The number of employees as at 31 December 2016 is 41 (2015:42).

The ultimate owner of the Company, that prepares consolidated financial statements, is Invest Capital AD, which is not publicly listed.

2. Basis for the preparation of the separate financial statements

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union (IFRS, as adopted by the EU). The term "IFRS, as adopted by the EU" has the meaning of paragraph 1, subparagraph 8 of the Additional provisions of Bulgarian Accountancy Act, which is International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council.

The financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Company. All amounts are presented in thousand Bulgarian leva (BGN '000) (including comparative information for 2015) unless otherwise stated.

These financial statements are separate financial statements. The Company also prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and approved by EU. Investments in subsidiaries are accounted for and disclosed in accordance with IFRS 10 "Consolidated Financial Statements".

The financial statements are prepared under the going concern principle.

At the date of preparation of these financial statements the management has assessed the ability of the Company to continue as a going concern on the basis of the available information for the foreseeable future. Following a review of the activities of the Company, the management anticipates that the Company has sufficient financial resources to continue its operational activities in the near future and continues to apply the going concern assumption in preparing the financial statements.

3. Changes in accounting policies

3.1. New and revised standards that are effective for annual periods beginning on or after 1 January 2016

The Company has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2016 and have no significant impact on the Company's results or financial position:

- IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosures of interests in other entities" and IAS 28 "Investments in associates and joint ventures"- Investment Entities: Applying the Consolidation Exception (amended), effective from 1 January 2016, adopted by the EU
- IFRS 11 "Joint Arrangements" (amended) – Acquisition of an Interest in a Joint Operation, effective from 1 January 2016, adopted by the EU
- IAS 1 "Presentation of financial statements" (amended) – Disclosure Initiative, effective from 1 January 2016, adopted by the EU
- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible Assets" (amended), effective from 1 January 2016, adopted by the EU
- IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" (amended) - Bearer Plants, effective from 1 January 2016, adopted by the EU

- IAS 27 "Separate financial statements" (amended), effective from 1 January 2016, adopted by the EU
- Annual Improvements to IFRSs 2012 - 2014 Cycle effective from 1 January 2016, adopted by the EU

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2016 and have not been applied early by the Company. They are not expected to have a material impact on the Company's financial statements. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

A list of the changes in the standards is provided below:

- IFRS 2 "Share Based Payments" (amended) effective from 1 January 2018, not yet adopted by the EU
- IFRS 4 "Insurance contracts" (amended) effective from 1 January 2018, not yet adopted by the EU
- IFRS 9 "Financial Instruments" effective from 1 January 2018, adopted by the EU
- IFRS 9 "Financial Instruments" (amended) – Hedge accounting, effective from 1 January 2018, not yet adopted by the EU
- IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (amended), effective date to be determined, not yet adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU
- IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018, adopted by the EU
- IFRS 15 "Revenue from Contracts with Customers" (amended) effective from 1 January 2018, adopted by the EU
- IFRS 16 "Leases" effective from 1 January 2019, not yet adopted by the EU
- IAS 7 "Statement of Cash Flows" (amended) effective from 1 January 2017, not yet adopted by the EU
- IAS 12 "Income Taxes" (amended) effective from 1 January 2017, not yet adopted by the EU
- IAS 40 "Investment property" (amended) - Transfers of Investment Property effective from 1 January 2018, not yet adopted by the EU
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" effective from 1 January 2018, not yet adopted by the EU
- Annual Improvements to IFRS Standards 2014-2016 Cycle

4. Summary of accounting policies

4.1. Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2. Presentation of financial statements

The separate financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Company has elected to present the statement of profit or loss and other comprehensive income as a single statement.

Two comparative periods are presented for the statement of financial position when the Company:

i) applies an accounting policy retrospectively;

ii) makes a retrospective restatement of items in its financial statements; or

iii) reclassifies items in the financial statements.

In 2016 the Company presents one comparative period.

4.3. Investments in subsidiaries

Subsidiaries are firms under the control of the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the financial statements of the Company investment in subsidiaries is accounted at cost of the investment.

The Company recognizes a dividend from a subsidiary in profit or loss in its separate financial statements when its right to receive the dividend is established.

4.4. Foreign currency translation

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.5. Segment reporting

In identifying its operating segments, management generally follows the Company's main activities performed by the Company. The activity of the Company is performed in one segment on separate financial statements basis, which is the financial sector.

The measurement policies the Company uses for segment reporting under IFRS 8 "Operating Segments" are the same as those used in its financial statements.

Finance income and costs are included in the results of operating segments which are regularly reviewed by the chief operating decision maker.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

4.6. Revenue

Revenue arises from sale of goods and rendering of services. Revenue from the major goods and services is presented in note 21, 23, 25, 26 and 28.

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding VAT, rebates and trade discounts.

Revenue is recognized, provided all the following conditions are satisfied:

- the amount of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the costs incurred or to be incurred can be measured reliably;
- when the criteria for each of the Company's different activities have been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are described below.

4.6.1. Sale of goods

Revenue from sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods supplied. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

4.6.2. Rendering of services

Revenue from rendering of services is recognized when the services are provided by reference to the stage of completion of the contract at the reporting date.

Rental income from operating leases of the Company's investment properties is recognized on a straight-line basis over the term of the lease.

4.6.3. Interest and dividend income

Interest income is reported on an accrual basis using the effective interest method. Dividend income is recognized at the time the right to receive payment is established.

4.7. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

4.8. Interest expenses and borrowing costs

Interest expenses are reported on an accrual basis using the effective interest method.

Borrowing costs primarily comprise interest on the Company's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in “Finance costs”.

4.9. Intagible assets

Intangible assets include software products. They are accounted for using the cost model. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure on an intangible asset after its purchase or its completion is expensed as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives are reviewed at each reporting date.
Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Software 2 years

Amortization has been included within statement of profit or loss and other comprehensive income for the respective period on the line "Operating expenses".
The recognition threshold adopted by the Company for the intangible assets amounts to BGN 700.

4.10. Property, plant and equipment

Property, plant and equipment are initially measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

After initial recognition property, plant and equipment are carried at its cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Impairment losses are recognized in the statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of the its originally assessed standard of performance. All other subsequent expenditure is recognized as incurred.

Material residual value estimates and estimates of useful life are updated by management as required, but at least annually.

Property, plant and equipment acquired under finance lease agreement, are depreciated based on their expected useful life, determined by reference to comparable assets or based on the period of the lease contract, if shorter.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Buildings 25 years

- Machines and equipment 3-5 years
- Computers 2 years
- Others 7 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within "Gain on sale of non-current assets".

The recognition threshold adopted by the Company for property, plant and equipment amounts to BGN 700.

4.11. Leases

Lessee

In accordance with IAS 17 "Leases", the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

Upon conclusion of a financial lease contract the asset is recognized in statement of financial position of the lessee at the lower of the two - the fair value of the leased asset and the present value of the minimum lease payments plus incidental payments, if any. The respective obligation under finance lease is included in the statement of financial position, regardless of whether some of these lease payments are payable in advance upon signing the lease.

The finance lease liabilities are reduced by subsequent lease payments, which consist of repayment of principal and finance costs.

Assets acquired under the terms of finance lease are depreciated or amortized in accordance with IAS 16 "Property, Plant and Equipment" or IAS 38 "Intangible Assets".

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.12. Impairment testing of intangible assets and property, plant and equipment, investments in subsidiaries

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce the carrying amount of the assets allocated to that cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.13. Investment property

The investment property of the Company that are held to earn rentals and/or for capital appreciation are accounted for using the fair value model.

The investment property is initially measured at cost, which comprises the purchase price and any directly attributable expenses, e. g. legal fees, property transfer taxes and other transaction costs.

The investment property is revalued annually and is included in the statement of financial position at its open market value. This is determined by an independent appraiser with professional qualification and significant experience with respect to both the location and the nature of the investment property and supported by sufficient market evidence.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in profit or loss within "Revenue from operating activity".

Subsequent expenditure relating to investment property, which is already recognized in the Company's financial statements, is added to the carrying amount of the investment property when it is probable that this expenditure will enable the existing investment property to generate future economic benefits in excess of its originally assessed value. All other subsequent expenditure is recognized as incurred.

The investment property is derecognized upon its sale or permanent withdrawal from use in case that no future economic benefits are expected from its disposal. Gains or losses arising from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Rental income and operating expenses from investment property are reported within "Revenue from operating activities" and "Operating expenses", respectively, and are recognized as described in note 4.6 and note 4.7.

4.14. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All financial assets are recognized on their transaction date.

Financial assets and financial liabilities are subsequently measured as described below.

4.14.1. Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All revenue and expenses, related to financial instruments, are recognized in profit or loss as incurred, regardless of the valuation method used for the related financial asset and are included in the statement of profit or loss and other comprehensive income within "Other finance expense", "Other finance income", excluding the impairment of trade receivables which is presented within "Operating expenses".

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available feature of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables are presented within "Operating expenses".

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include sharers. Financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they do not have fixed date of payment. Changes in fair value are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, net of income taxes, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within "finance income". Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

4.14.2. Financial liabilities

The Company's financial liabilities include bank and other loans and overdrafts, trade and other payables and finance lease liabilities.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavorable terms. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "Interest expenses" or "Interest income".

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Bank and other loans are raised for support of long-term and short-term funding of the Company's operations. They are recognized in the statement of financial position of the Company, net of any costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the statement of profit or loss/statement of profit or loss and other comprehensive income on an accrual basis using the effective interest method and are added to the carrying amount of the financial liability to the extent that they are not settled in the period in which they arise.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends payable to shareholders are recognized when the dividends are approved at the general meeting of the shareholders.

4.15. Inventory

Inventory include materials and goods. Cost of inventory includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value. The amount of impairment of inventories to their net realizable value is recognized as an expense for the period of impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. In case inventories, have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, then the new net realizable value is adopted. The reversal amount can only be up to the carrying amount of the inventories prior to their impairment. The reversal of the impairment is accounted for as decrease in inventory expenses for the period in which the reversal takes place.

The Company determines the cost of inventories by using the weighted average cost.

When inventories are sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognized.

4.16. Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.21.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4.17. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current bank accounts and no term deposits.

4.18. Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other reserves are based on the requirements of the Trade act for the formation of legal reserves.

Retained earnings include all current and prior period retained profits and uncovered losses.

All transactions with owners of the Company are recorded separately within equity.

4.19. Pension and short-term employee benefits

The Company reports short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected the leaves to occur within 12 months after the end of the accounting period during which the employees have performed the work related to those leaves. The short-term payables to personnel include wages, salaries and related social security payments.

In accordance with Labor Code requirements, in case of retirement, after the employee has gained the legal right of pension due to years of services and age, the Company is obliged to pay him/her compensation at the amount of up to six gross wages.

The liability recognized in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

Management estimates the defined benefit obligation annually with the assistance of independent actuaries. The estimate of its post-retirement benefit obligations is based on standard rates of inflation, expected resignation rate and mortality. It also takes into account the Company's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to yield of government bonds.

Actuarial gains and losses are recognized in the other comprehensive income.

Interest expenses related to pension obligations are included in “Interest expenses” in the statement of profit or loss and comprehensive income. All other post-employment benefit expenses are included in “Operating expenses”.

Short-term employee benefits, including holiday entitlement, are current liabilities included in “Pension and other employee obligations”, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

4.20. Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Contingent liabilities are subsequently measured at the higher of the above described comparable provision and initially recognized value, less accumulated amortization.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.21. Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 4.22.

4.21.1. Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

4.22. Estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

4.22.1. Impairment of investments in subsidiaries

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.12). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

4.22.2. Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date.

At 31 December 2016 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in note 5. Actual results, however, may vary due to technical obsolescence

4.22.3. Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries. The actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability BGN 24 thousand (2015: BGN 21 thousand) is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Company's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to the return on government securities.

4.22.4. Fair value measurement

Management uses valuation techniques in measuring the fair value of financial instruments (where active market quotes are not available). Details on the assumptions used are presented in the notes regarding financial assets and liabilities. In applying valuation techniques, the management makes maximum use of market inputs and assumptions that market participants would use in pricing the financial instrument. When applicable data is not available, the management uses the best estimate of assumptions that the market participants would make. These estimates may differ from the actual prices that would be determined at fair market transaction between knowledgeable, willing parties at the end of the reporting period.

5. Property, plant and equipment

Company's property, plant and equipment comprise land, buildings, machines and equipment, vehicles, assets under construction and other. The carrying amount as at 31 December 2016 can be analyzed as follows:

	Land	Buildings	Machines and equipment	Vehicles	Other	Acquisition costs	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount							
Balance at 1 January 2016	8 178	26	222	113	1 407	6 370	16 316
Additions	-	-	3	-	4	-	7
Disposals	(8 178)	-	-	-	-	-	(8 178)
Balance at 31 December 2016	**-**	**26**	**225**	**113**	**1 411**	**6 370**	**8 145**
Depreciation							
Balance at 1 January 2016	-	(21)	(221)	(113)	(99)	-	(454)
Depreciation	-	(1)	(2)	-	(2)	-	(5)
Balance at 31 December 2016	**-**	**(22)**	**(223)**	**(113)**	**(101)**	**-**	**(459)**
Carrying amount at 31 December 2016	**-**	**4**	**2**	**-**	**1 310**	**6 370**	**7 686**

The carrying amount as at 31 December 2015 can be analyzed as follows:

	Land	Buildings	Machines and equipment	Vehicles	Other	Acquisition costs	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount							
Balance at 1 January 2015	8 178	26	221	203	1 397	6 370	16 395
Additions	441	-	1	-	35	-	477
Disposals	(441)	-	-	(90)	(25)	-	(556)
Balance at 31 December 2015	**8 178**	**26**	**222**	**113**	**1 407**	**6 370**	**16 316**
Depreciation							
Balance at 1 January 2015	-	(20)	(207)	(202)	(93)	-	(522)
Disposals	-	-	-	90	-	-	90
Depreciation	-	(1)	(14)	(1)	(6)	-	(22)
Balance at 31 December 2015	**-**	**(21)**	**(221)**	**(113)**	**(99)**	**-**	**(454)**
Carrying amount at 31 December 2015	**8 178**	**5**	**1**	**-**	**1 308**	**6 370**	**15 862**

All depreciation charges are included in the Statement of profit or loss and other comprehensive income within "Operating expenses".

The Company has no property, plant and equipment pledged as security for its liabilities.

6. Investment property

Investment property includes land and buildings, which are located at 1 Batenberg Str., Sofia, Bulgaria and which are owned for capital appreciation.

The fair value of the investment property is determined by licensed appraisers based on the income method as at 31.12.2016 and 31.12.2015

Changes to the carrying amounts can be summarized as follows:

	Investment property BGN '000
Carrying amount at 1 January 2015	**33 572**
Carrying amount at 31 December 2015	**33 572**
Net gain from fair value adjustments	2 259
Carrying amount at 31 December 2016	**35 831**

No improvements are made to the investment property in 2016 and 2015. No rental income or direct operating expenses were recognized during the presented reporting periods. Investment properties are pledged as collateral for borrowings, see note 19.1

7. Investments in subsidiaries

As at 31 December 2016, the Company has the following investments in subsidiaries:

Name of the subsidiary	Country of incorporation	Main activities	31.12.2016 BGN '000	share %	31.12.2015 BGN '000	share %
CCB Group EAD	Bulgaria	Financial services	256 826	100.00%	210 270	100.00%
Zarneni Hrani Bulgaria AD	Bulgaria	Manufacturing and trade	165 363	63.65%	165 363	63.65%
Bulgarian Airways Group EAD	Bulgaria	Aviation Services	209 611	100.00%	209 611	100.00%
Bulgarian Shipping Company EAD	Bulgaria	Sea and river transport	44 393	100.00%	44 393	100.00%
Central Cooperative Bank AD	Bulgaria	Financial services	22 492	6.60%	33 707	9.90%
Sporten Kompleks Varna AD	Bulgaria	Real estate	22 474	65.00%	22 474	65.00%
Oil and Gas Exploration and Production AD	Bulgaria	Manufacturing and trade	16 929	13.84%	16 929	13.84%
Port Lesport AD	Bulgaria	Sea and river transport	16 380	99.00%	16 380	99.00%
Armeec Insurance JSC	Bulgaria	Financial services	20 736	9.89%	19 263	8.98%
Bulchimex GmbH	Germany	Manufacturing and trade	2 500	100.00%	2 500	100.00%
Energoproekt AD	Bulgaria	Engineering sector	2 168	83.25%	2 166	83.20%
Trans Intercar EOOD	Bulgaria	Transport	4 855	100.00%	2 095	100.00%
National Commodity Exchange AD	Bulgaria	Manufacturing and trade	1 879	67.00%	1 879	67.00%
TI AD	Bulgaria	Manufacturing and trade	480	87.67%	480	87.67%
Accounting House "XGX Counsult" OOD	Bulgaria	Services	111	59.34%	111	59.34%
Prime Lega Consult OOD	Bulgaria	Services	4	70.00%	4	70.00%
Global Invest Holding B.V.	Netherlands	Financial services	-	-	1 294	100.00%
			787 201		**748 919**	

The subsidiaries are recognized in the financial statements of the Company using the cost method.

During the reporting period the following changes occurred in terms of investments in subsidiaries:

- in 2016 Chimimport AD acquired new 3 000 shares of the subsidiary Armeec Insurance JSC, resulting in increased participation by 0.91%. The total acquisition cost amounts to BGN 1 474 thousand;
- in 2016 Chimimport AD acquired new 0.05% of the capital of Energoproekt AD for the amount of BGN 2 thousand;
- in 2016 Chimimport AD sold 3 727 042 shares of the subsidiary Central Cooperative Bank AD, representing 3.30%, which reduced participation to 6.60%.
- in 2016 Chimimport AD sold its investment in Global Invest Holding B.V.
- in 2016 the investment in CCB Group EAD increased by BGN 46 556 thousand, representing loans granted to the subsidiary without maturity, payable upon subsidiary decision.

8. Long-term financial assets

Amounts recognized in the statement of financial position, refer to the category of financial assets available for sale:

	2016 BGN '000	2015 BGN '000
Financial assets available for sale		
Investments in stocks and shares	42	42
Convertible debentures	46 129	-
	46 171	**42**

The presented investments in stocks and shares available for sale amounting to BGN 42 thousand are not traded on a regulated market and their fair value cannot be reliably measured, thus are valued at cost.
The convertible bonds amounting to BGN 46 129 thousand present 23 000 debenture bonds issued by Central Cooperative Bank AD, with a par value of EUR 1 000, maturing on 10 December 2023. The bonds are convertible into ordinary shares of Central Cooperative Bank AD and are interest-bearing, with annual interest rate of 3.6%.

9. Long-term loans granted

	2016 BGN '000	2015 BGN '000
Long-term loans granted	127 014	104 269
	127 014	**104 269**

Long-term loans granted include principle and interest receivables on loans, provided by the Company to non- related parties. The loans were granted at market interest rates. The loans maturity dates are after 31 December 2017. The loans are not secured.

10. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences can be summarized as follows:

Deferred tax liabilities/(assets)	1 January 2016	Recognized in profit or loss	31 December 2016
	BGN '000	BGN '000	BGN '000
Non-current assets			
Non-current investments	6 613	-	6 613
Investment property	2 901	234	3 135
Current assets			
Short-term financial assets	7 346	2 008	9 354
Trade receivables	(1)	1	-
Non-current liabilities			
Pension and other employee obligations	(3)	-	(3)
Current liabilities			
Pension and other employee obligations	(4)	(1)	(5)
Tax loss	-	(142)	(142)
	16 852	**2 100**	**18 952**
Recognized as:			
Deferred tax assets	**(8)**		**(150)**
Deferred tax liabilities	**16 860**		**19 102**
Net deferred tax liabilities	**16 852**		**18 952**

The deferred taxes for the comparative reporting period in 2015 are summarized as follows:

Deferred tax liabilities/(assets)	1 January 2015	Recognized in other comprehensive income	Recognized in profit or loss	31 December 2015
	BGN '000	BGN '000	BGN '000	BGN '000
Non-current assets				
Non-current investments	6 613	-	-	6 613
Investment property	2 901	-	-	2 901
Current assets				
Short-term financial assets	7 568	-	(222)	7 346
Trade receivables	(1)	-	-	(1)
Non-current liabilities				
Pension and other employee obligations	(5)	3	(1)	(3)
Current liabilities				
Pension and other employee obligations	(3)	-	(1)	(4)
	17 073	**3**	**(224)**	**16 852**
Recognized as:				
Deferred tax assets	**(9)**			**(8)**
Deferred tax liabilities	**17 082**			**16 860**
Net deferred tax liabilities	**17 073**			**16 852**

All deferred tax assets and liabilities are included in the Statement of financial position.

11. Inventories

Inventories recognized in the statement of financial position can be analyzed as follows:

	2016 BGN '000	2015 BGN '000
Goods	-	365
Materials and supplies	-	2
	-	**367**

As at 31 December 2015 the inventories are not pledged on any of the Company's liabilities.

12. Short-term financial assets

Short-term financial assets during the reporting periods are classified into the following categories:

	Note	2016 BGN '000	2015 BGN '000
Financial assets, measured at fair value in profit or loss	12.1	117 152	97 077
Investments held to maturity	12.2	-	52 623
Financial assets available for sale	12.3	9	9
		117 161	**149 709**

As at 31 December 2016 the Company has not pledged its short-term financial assets.

12.1. Financial assets, measured at fair value in profit or loss

The short-term financial assets at the amount of BGN 117 152 thousand (2015: BGN 97 077 thousand) are classified as financial instruments held for trade, measured at fair value in profit or loss. As at 31 December 2016 the financial assets are presented at their fair value, estimated based on valuations performed by independent, professionally-qualified appraisers (Note 39.1).

12.2. Investments held to maturity

The financial assets held as investments held to maturity as at 31 December 2015 are sold during the period.

12.3. Financial assets available for sale

As at 31 December 2016, the financial assets available for sale amounting to BGN 9 thousand (2015: BGN 9 thousand) comprise shares, that are not traded on a regulated market and their fair value cannot be determined. Therefore, available-for-sale financial assets are recognized at their acquisition value.

13. Loans granted

	2016 BGN ’000	2015 BGN ’000
Short-term loans granted	101 757	139 266
	101 757	**139 266**

Short-term loans are granted with annual interest rates from 3% to 8%, depending on the maturity date. The repayment is up to 31 December 2017. The loans are not secured. The fair value of the granted loans has not been determined separately, as the management considers the carrying amounts recognized at the statement of financial position to be a reasonable approximation of their fair value.

14. Trade and other receivables

	2016 BGN ’000	2015 BGN ’000
Advances for purchase of investments	23 011	38 486
Other trade receivables	299	1 802
Trade receivables	**23 310**	**40 288**
Short-term deposits	19 030	893
Prepaid expenses	19	25
VAT refund	116	116
Other receivables	2 256	3 487
Other receivables	**21 421**	**4 521**
Trade and other receivables	**44 731**	**44 809**

All trade and other receivables are short term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value.

All trade and other receivables of the Company have been reviewed for indicators of impairment. Certain trade and other receivables were found to be impaired and the impairment has been recognized in the Statement of profit or loss and other comprehensive income within ‘Operating expenses’. The impaired trade and other receivables are mostly due from trade customers that are experiencing financial difficulties.

As at the reporting date there are no significant not impaired trade and other receivables with expired maturity.

15. Cash and cash equivalents

Cash and cash equivalents include the following elements:

	2016 BGN ’000	2015 BGN ’000
Cash on hand and in banks:		
- BGN	70 835	56 546
- EUR	5 380	3 273
- USD	144	139
Short-term deposits up to 3 months	-	15 100
	76 359	**75 058**

The amount of cash and cash equivalents restricted to the Company as at 31 December 2016 amounts to BGN 5 103 thousand (2015: BGN 510 thousand).

16. Equity

16.1.Share capital

The share capital of the Company as at 31 December 2016 consists of 239 646 267 ordinary shares with a nominal value of BGN 1. Company's shares are dematerialized, registered and freely transferable and are entitled to a single vote and liquidation share.

	2016 Number of shares	2015 Number of shares
Ordinary shares	239 646 267	150 875 596
Preferred shares	-	88 770 671
Shares issued and fully paid at the end of the period	**239 646 267**	**239 646 267**

On 15 June 2016, all preferred shares of the Company at that date were mandatory converted into ordinary shares, under the terms of the prospectus for the issue.

At the date of the financial statements the dividend payables on preferred shares due for 2016 until the date of conversion, amount to BGN 9 063 thousand.

The list of major shareholders holding ordinary and preferred shares of the Company is as follows:

	2016 Number ordinary shares	2016 %	2015 Number ordinary shares	2015 %	2015 Number preferred share	2015 %
Invest Capital AD	175 002 247	73.03%	111 439 365	73.86%	65 391 482	73.66%
POAD CCB Sila	7 464 307	3.11%	609 676	0.40%	4 851 031	5.46%
Armeec Insurance JSC	3 211 507	1.34%	745 400	0.49%	3 000 000	3.38%
PIC Syglasie	2 965 952	1.24%	1 021 836	0.68%	5 108 224	5.75%
The Bank of New York Mellon	2 642 238	1.10%	3 466 084	2.30%	-	0.00%
DSK – Funds	2 284 238	0.95%	230 526	0.15%	2 191 373	2.47%
CCB Group EAD	1 863 605	0.78%	5 160 005	3.42%	-	0.00%
Eaton Vance Emerging Markets	825 588	0.34%	1 651 176	1.09%	-	0.00%
NN funds	670 287	0.28%	1 362 052	0.90%	965 933	1.09%
Piraeus Bank Bulgaria	645 391	0.27%	545 998	0.36%	323 803	0.36%
UniCredit Bank Austria	557 594	0.23%	3 133 880	2.08%	198 769	0.22%
Raiffeisen Bank International AG	34 225	0.01%	371 313	0.25%	-	0.00%
Blackrock Frontier Markets Fund	32 308	0.01%	138 649	0.09%	-	0.00%
EURIZON EASYFUND	-	0.00%	202 437	0.13%	-	0.00%
Euribank Ergasias Clients ACC	-	0.00%	139 606	0.09%	-	0.00%
Russell Institutional funds public limited	-	0.00%	943 000	0.63%	-	0.00%
Eaton Vance International (Ireland) FU	-	0.00%	50 616	0.03%	-	0.00%
Other legal entities	25 382 220	10.60%	7 807 722	5.18%	3 306 476	3.73%
Other individuals	16 064 560	6.71%	11 856 255	7.87%	3 433 580	3.88%
	239 646 267	**100.00%**	**150 875 596**	**100.00%**	**88 770 671**	**100.00%**

16.2. Share premium

As at 31 December 2016 the share premium amounts to BGN 260 615 thousand (2015: BGN 260 615 thousand). Share premium is formed by the following share issues:

- Share premium of BGN 28 271 thousand from the issue of preferred shares in 2009. The expenses related to the share issue amounting to BGN 2 033 thousand are deducted from the share premium. None of the preferred shares were converted in 2015 or 2014.
- The premium reserve amounting to BGN 199 419 thousand is accumulated from the Secondary Public Offering (SPO) of the shares of the Company in 2007. The expenses related to the share issue amounting to BGN 581 thousand are deducted from the share premium.
- The premium reserve amounting to BGN 32 925 thousand is accumulated from the Initial Public Offering (IPO) of the shares of the Company in the period from 07 September 2006 to 20 September 2006. The expenses related to the share issue amounting to BGN 327 thousand are deducted from the share premium.

16.3. Other reserves

Other reserves, amounting to BGN 59 824 thousand as at 31 December 2016 (2015: BGN 59 824 thousand) are accumulated in accordance with the requirements of the Commercial Act for accumulation of statutory reserves.

17. Dividend payables

As at 31 December 2016 dividend payables on the preferred shares are as follows:

	Current		Non-current	
	2016 BGN '000	2015 BGN '000	2016 BGN '000	2015 BGN '000
Dividend payables	9 063	16 790	-	8 081
	9 063	**16 790**	**-**	**8 081**

In 2016 and 2015 Chimimport AD distributed to its shareholders of preferred shares guaranteed dividend at the amount of BGN 17 736 thousand (2015: BGN 17 693 thousand) or BGN 0.1998 per preferred share in both periods.

Dividends payables of the Company arose as a result of the issue of mandatory convertible preferred shares in 2009 with a guaranteed fixed annual dividend of 9%. On 15 June 2016, all preferred shares of the Company at that date were mandatory converted into ordinary shares, under the terms of the prospectus for the issue. The current payables amounting to BGN 9 063 thousand represent the outstanding residual part of the guaranteed dividend for the period 1 January 2016 to 15 June 2016, which will be paid in 2017 after a vote by the General Meeting of the Company.

18. Employee remunerations

18.1. Employee benefits expense

Expenses recognized for employee benefits include:

	2016 BGN '000	2015 BGN '000
Wages, salaries	(1 456)	(2 087)
Social security costs	(106)	(115)
Current service cost	(4)	(5)
Past service cost	-	(1)
Corrections on unused leave obligations	(1)	(2)
Employee benefits expense	**(1 567)**	**(2 210)**

18.2. Pension and other employee obligations

The liabilities for pension and other employee obligations recognized in the statement of financial position consist of the following amounts:

	2016 BGN '000	2015 BGN '000
Non-current:		
Defined benefit plans	24	21
Non-current pension and other employee obligations:	**24**	**21**
Current:		
Payables to employees	44	35
Payables to social security institutions	27	30
Payables for unused annual leave	19	19
Current pension and other employee obligations:	**90**	**84**

The current portion of these liabilities represents the Company's obligations to its current employees that are expected to be settled during 2017. Other short-term employee obligations arise mainly from accrued holiday entitlement at the reporting date and current remunerations.

The defined benefit obligation for the reporting periods under review is as follows:

	2016 BGN '000	2015 BGN '000
Defined benefit obligation at 1 January	21	42
Current service cost	4	7
Interest cost	1	1
Remeasurement – actuarial gains from changes in demographic assumptions	(4)	(33)
Remeasurement - actuarial gains from changes in financial assumptions	2	4
Defined benefit obligation at 31 December	**24**	**21**

For determination of the pension obligation, the following actuarial assumptions were used:

	2016	2015
Discount rate	3%	3%
Expected rate of salary increases	1%	2%
Average life expectancies:		
Average retirement age- men	64	64
Average retirement age - women	61	61

A mortality table is used, as prepared by the National Statistics Institute.

These assumptions were developed by management with the assistance of independent actuaries. These assumptions were used in determining the defined benefit obligations for the reporting periods and are considered as the best estimates by the management.

19. Bank and other borrowings

Company's borrowings include the following financial liabilities at amortized cost:

	Notes	Current		Non-current	
		2016	**2015**	**2016**	**2015**
		BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Financial liabilities at amortized cost:					
Bank borrowings	19.1	10 334	10 334	38 872	46 206
Other borrowings	19.2, 19.3	22 379	20 409	4 206	8 674
Total carrying amount		**32 713**	**30 743**	**43 078**	**54 880**

19.1. Bank borrowings

	Current		Non-current	
	2016	**2015**	**2016**	**2015**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Bank borrowings	10 334	10 334	38 872	46 206

Investment loan – UniCredit Bulbank AD

The investment loan, dated 30 January 2015, is for the amount of BGN 58 675 thousand and the maturity is on 30 April 2023, in accordance with repayment schedule. The loan is secured by investment property presented in note 6. The annual interest rate on the loan amounts to 3M SOFIBOR plus 4.9%.

Revolving loan – DSK EAD

The revolving loan, dated 05 October 2011, is for the amount of BGN 3 000 thousand and has a maturity of 1 year, such as payables on 29 September 2017. The loan is secured by a pledge on real estate. The annual interest rate on the loan is 8.5%, formed on the basis of 1M SOFIBOR plus 4%, such as not to fall below 8.5% and exceed 10%.

19.2. Other long-term borrowings

	2016 BGN '000	2015 BGN '000
Long-term portion of payables on cession agreements	4 206	8 412
Long-term borrowings	-	262
	4 206	**8 674**

The long-term portion of payables on cession agreements amount to BGN 4 206 thousand. The annual interest rate on the outstanding principal is 3.5% for the period, ending 2018.

19.3. Other short-term borrowings

	2016 BGN '000	2015 BGN '000
Short-term portion of payables on cession agreements	13 714	8 923
Short-term borrowings	8 665	11 486
	22 379	**20 409**

Short-term borrowings are received with annual interest rates from 3% to 8%, depending on the maturity date. The borrowings are classified based on their maturity date in 2017. The fair value of the borrowings has not been determined separately, as the management considers the carrying amounts recognized at the statement of financial position to be a reasonable approximation of their fair value.

The short-term portion of payables on cession agreements amounting to BGN 13 714 thousand represent the current portion, payable in 2017. The annual interest rate on the outstanding principal is 3.5% for the 1 year period.

20. Trade and other payables

Trade and other payables include in the statement of financial position, include:

	2016 BGN '000	2015 BGN '000
Advances for the acquisition of financial assets	2 245	15 178
Other trade payables	22	44
	2 267	**15 222**
Tax on personal income	168	88
Tax on dividends	96	-
VAT payables	3	19
Tax on expenditures	1	4
Other payables	25 610	10 533
	25 878	**10 644**
Trade and other payables	**28 145**	**25 866**

21. Gain from transactions with financial instruments

Gains from operations with financial instruments for the reporting periods can be analyzed as follows:

	2016 BGN '000	2015 BGN '000
Gains from operations with securities and investment	21 424	61 115
	21 424	**61 115**

22. Loss from transactions with financial instruments

	2016 BGN '000	2015 BGN '000
Losses from operations with securities and investment	(13 841)	(27 006)
	(13 841)	**(27 006)**

23. Interest income

Interest income for the reporting periods include:

	2016 BGN '000	2015 BGN '000
Interest income related to:		
- Loans granted	17 498	30 840
- Debentures	3 472	-
- Bank deposits	10	40
	20 980	**30 880**

24. Interest expense

Interest expense for the reporting periods include:

	2016 BGN '000	2015 BGN '000
Interest expense related to:		
- Borrowings	(3 046)	(15 085)
- Bank borrowings	(3 424)	(3 822)
- Other payables	(1 925)	(3 602)
	(8 395)	**(22 509)**

25. Other financial income and expenses

Other financial income and expenses for the reporting period can be summarized as follows:

Other financial income	**2016 BGN '000**	**2015 BGN '000**
Gain from exchange differences	894	3 963
Income from cessions	-	266
	894	**4 229**

Other financial expenses	**2016 BGN '000**	**2015 BGN '000**
Loss from exchange differences	(594)	(3 949)
Bank fees and commissions	(209)	(346)
Other financial costs	(16)	-
	(819)	**(4 295)**

26. Dividend income

	2016 BGN '000	**2015 BGN '000**
Dividend income	14 859	1 151
	14 859	**1 151**

27. Revenue from operating activities

Revenues from operating activities of the Company can be analyzed as follows:

	2016 BGN '000	**2015 BGN '000**
Revenue from services granted	1 964	1 646
Income from liabilities written off	547	160
Gain on revaluation of investment property	2 259	-
Other operating income	56	-
	4 826	**1 806**

28. Gain on sale of non-current assets

	2016 BGN '000	**2015 BGN '000**
Revenue from sale of non-current assets	9 111	67
Carrying amount of sold non-current assets	(8 235)	(25)
Gain on sale of non-current assets	**876**	**42**

29. Operating expenses

Company's operating expense can be analyzed as follows:

	Note	2016 BGN '000	2015 BGN '000
Hired services expense		(2 319)	(1 878)
Employee benefits expense	18.1	(1 567)	(2 210)
Allowances for impairment of current assets		(808)	(250)
Cost of materials		(73)	(94)
Depreciation and amortisation expenses		(7)	(24)
Other operating expenses		(182)	(683)
		(4 956)	**(5 139)**

The remuneration for independent financial audit for 2016 amounts to BGN 115 thousand. No tax advice or other services unrelated to the audit were provided during the year. This disclosure is in compliance with the requirements of Art. 30 of the Accounting Act.

30. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate in Bulgaria of 10 % (2015: 10 %) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2016 BGN '000	2015 BGN '000
Profit before tax	35 848	40 274
Tax rate	10%	10%
Expected tax expense	**(3 585)**	**(4 027)**
Adjustments for tax-exempt income	3 731	9 978
Adjustments for non-deductible expenses	(4)	(6 193)
Current tax expense	**-**	**(242)**
Deferred tax (expense)/income:		
Origination and reversal of temporary differences	(2 100)	224
Income tax expense	**(2 100)**	**(18)**
Deferred tax income recognized directly in other comprehensive income	-	3

Note 10 provides information on the deferred tax assets and liabilities, including the amounts recognized directly in other comprehensive income.

31. Earnings per share

Basic earnings per share has been calculated using the profit attributed to shareholders of ordinary shares of the Company as the numerator.

The weighted average number of ordinary shares used for the calculation of basic earnings per share as well as the net profit, less dividends, attributable to shareholders are as follows:

	2016	2015
Net profit in BGN, attributable to the shareholders	33 748 000	40 256 000
Weighted average number of outstanding shares	199 273 852	150 875 596
Basic earnings per share (BGN per share)	**0.17**	**0.27**

The weighted average number of common shares / ordinary and preferred / used for calculation of diluted earnings per share, and net profit, adjusted for the dividend payable to shareholders are as follows:

	2016	2015
Adjusted Profit attributable to the shareholders (BGN)	35 673 000	43 498 000
Weighted average number of outstanding shares	239 646 267	239 646 267
Diluted earnings per share (BGN per share)	**0.15**	**0.18**

32. Related party transactions

The Company's related parties include its owners, subsidiaries and associates and key management personnel.

32.1. Transactions with owners

Sales	**2016 BGN '000**	**2015 BGN '000**
- sales of services, rental income and interest income – ultimate owner	1 709	3 901

Purchases	**2016 BGN '000**	**2015 BGN '000**
- purchase of services, goods and interest expense – ultimate owner	(300)	-

Cash flows	**2016 BGN '000**	**2015 BGN '000**
Cash inflow to the owner	7 289	13 413
Cash outflow to the owner	(5 821)	(14 045)

32.2. Transactions with subsidiaries

	2016 BGN '000	2015 BGN '000
Sales		
- sales of services, rental income and interest income		-
- subsidiaries	12 272	12 272
Purchases		
- purchase of services, goods and interest expense		
- subsidiaries	(14 698)	(14 698)

32.3. Transactions with key management personnel

Key management of the Company includes members of the Managing Board and the Supervisory Board. Key management personnel remunerations include the following expenses:

	2016 BGN '000	2015 BGN '000
Short-term employee benefits:		
Salaries including bonuses	(956)	(1 544)
Social security costs	(19)	(19)
Company car allowance	-	(2)
Total remunerations	**(975)**	**(1 565)**

33. Related party balances at year-end

	2016 BGN '000	2015 BGN '000
Non-current receivables from:		
- subsidiaries	27 509	90 946
Total non-current receivables from related parties	**27 509**	**90 946**

	2016 BGN '000	2015 BGN '000
Current receivables from:		
- owners and key management personnel	28 841	175 858
- subsidiaries	83 778	86 937
- other related parties under common control	14 064	13 045
Total receivables from related parties	**126 683**	**275 840**

	2016	2015
	BGN '000	BGN '000
Non-current payables to:		
- subsidiaries	13 333	172 171
Total non-current payables to related parties:	**13 333**	**172 171**

	2016	2015
	BGN '000	BGN '000
Current payables to:		
- subsidiaries	116 390	139 164
- other related parties under common control	495	896
Total current payables to related parties:	**116 885**	**140 060**

34. Non-cash transactions

During the presented reporting periods, the Company entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- The Company has offset dividends payable on preferred shares against receivables from the shareholders at the amount of BGN 21 094 thousand in 2016 (2015: BGN 11 300 thousand).

35. Dividends

In 2016, dividends were paid to holders of ordinary shares from the profit for 2015 at the amount of BGN 10 784 thousand, BGN 0.045 per share. In 2016, dividends were paid to holders of preferred shares, according to the prospectus at the amount of BGN 17 736 thousand, BGN 0.1998 per share.

The dividend tax for individuals and foreign legal entities from countries other than EU countries and the Agreement on the European Economic Area, at the rate of 5% for 2016 and 2017, such as the tax is deducted from the gross amount of the dividends.

36. Contingent liabilities

The Company has provided guarantees under Art. 240 of the Commercial Code as a member of the managing and supervisory bodies of Bulgarian River Shipping AD and Oil and Gas Exploration and Production AD

The company is co-debtor under the following debt contracts:

- credit facility agreement between DSK Bank EAD and Zarneni Hrani Bulgaria AD amounting to BGN 6 135 thousand as at 31 December 2015 with a repayment date on 25 September 2017;

- credit agreement dated 16 March 2011 concluded between Alpha Bank EAD and Slanchevi lachi Provadia AD at the amount of EUR 2 013 thousand. (BGN 3 937 thousand) with maturity on 31 December 2017;

- loan Agreement between UniCredit Bulbank and Zarneni hrani Grain EOOD dated 13 December 2013, with a present value of the obligation of BGN 16 000 thousand and maturity 13 March 2017;

The Company is co-borrower on the following agreement:

- credit agreement dated 25 January 2008 signed between DSK Bank EAD and Zarneni Hrani Bulgaria AD, amounting to BGN 7 500 thousand with a repayment schedule maturing on 25 September 2017;

The Company is a guarantor under the following contracts:

- bank loan agreement №739 / 21 June 2013, signed between Bulgarian Development Bank and Slanchevi lachi Provadia AD amounting to BGN 12 974 thousand with maturity on 22 May 2023;

- guarantee contracts with Landesbank Baden - Württemberg to loan agreement dated 29 August 2008 and maturity on 28 August 2017, to a loan agreement dated 16 November 2006 and maturity on 28 August 2017, concluded with Zyrneni Hrani Bulgaria AD with total balance at the end of the period amounting to BGN 1 220 thousand.

- a guarantee contract with the Bulgarian Development Bank to a loan agreement maturing on 20 May2017, concluded with Zarneni Hrani Grain EOOD with outstanding balance at the end of the period amounting to BGN 14 053 thousand.

The Company has concluded agreements for issuance of bank guarantees to companies within the Group with a limit of BGN 1 million, maturing in November 2017.

The company is a co-borrower or guarantor to its subsidiary companies on loans granted by Central Cooperative Bank AD totaling BGN 51 200 thousand and EUR 6 291 thousand.

37. Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Financial assets	**Note**	**2016** **BGN ’000**	**2015** **BGN ’000**
Financial assets available for sale:			
Investments in stocks and shares	8, 12.3	51	51
Convertible debentures	8	46 129	-
Investments held to maturity			
Debentures	12.2	-	52 623
Financial assets held for trading (carried at fair value through profit or loss):			
Short-term financial assets	12.1	117 152	97 077
Loans and receivables:			
Loans granted	9, 13	228 771	243 535
Related party receivables	33	154 192	366 786
Trade and other receivables	14	21 585	6 182
Cash and cash equivalents	15	76 359	75 058
		644 239	**841 312**

Financial liabilities	Note	2016 BGN '000	2015 BGN '000
Financial liabilities measured at amortized cost			
Non-current liabilities:			
- borrowings	19.1, 19.2	43 078	54 880
- related party payables	33	13 333	172 171
- dividend payable	17	-	8 081
Current liabilities:			
- dividend payable	17	9 063	16 790
- borrowings	19.1,19.3	32 713	30 743
- related party payables	33	116 885	140 060
- trade and other payables	20	22	9 726
		215 094	**432 451**

See note 4.14 about information related to the accounting policy for each category financial instruments. Description of the risk management objectives and policies of the Company related to the financial instruments is presented in note 39.

38. Financial instrument risk

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in note 37. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated at its headquarters, in close co-operation with the Managing board, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

Following the use of financial instruments the Company is exposed to market risk and in particular to the risk of exchange rate changes, interest rate risk and risk of modifying specific prices due to the operating and investing activities of the Company.

38.1. Market risk analysis

38.1.1. Foreign currency risk

Most of the Company's transactions are carried out in Bulgarian leva (BGN). Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in Euro and US-Dollars.

To mitigate the Company's exposure to foreign currency risk, non-BGN cash flows are monitored and forward exchange contracts are entered into in accordance with Company's risk management policies. Generally, Company's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid, and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into Bulgarian leva at the closing rate:

	Short-term exposure		Long-term exposures	
	USD	EUR	USD	EUR
	'000	'000	'000	'000
31 December 2016				
Financial assets	10 961	9 669	-	46 129
Financial liabilities	-	(23 154)	-	(4 995)
Total exposure	**10 961**	**(13 485)**	**-**	**41 134**

	Short-term exposure		Long-term exposures	
	USD	EUR	USD	EUR
	'000	'000	'000	'000
31 December 2015				
Financial assets	25 531	154 188	-	-
Financial liabilities	(12 490)	(2 035)	-	(142 188)
Total exposure	**13 041**	**152 153**	**-**	**(142 188)**

The following tables illustrate the sensitivity of post-tax financial result for the year and equity in regards to exchange rate differences between the Bulgarian Lev (BGN) and the US Dollars (USD) 'all other things being equal.

The table assumes that the percentage strengthened/ weakened as of 31 December 2016 exchange rate of the Bulgarian lev against the dollar is + / - 3.6% (2015: +/- 2.2%). These percentages are determined based on average exchange rates for the last 12 months. The sensitivity analysis is based on the Company's investments in financial instruments in foreign currency held by the end of the reporting period.

If the BGN had strengthened/weakened against the USD by + / - 3.6% (2015 +/- 2.2%) then this would have had the following impact:

	Effect on the Net financial result after tax	Effect on the Net financial result after tax
	Increase	Decrease
	BGN '000	BGN '000
31 December 2016	359	(359)
31 December 2015	257	(257)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

38.1.2. Interest rate risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually at fixed rates. At 31 December 2016, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other financial assets and liabilities are at fixed interest rates.

The following tables illustrate the sensitivity of the net financial result after tax for the year and equity to a reasonably possible change in interest rates in regard to borrowings at variable interest rate based on – 1M SOFIBOR of +/- 3.82% and 3M SOFIBOR of +/- 4.24% (2015 – 1M SOFIBOR of +/- 4.10% and 3M SOFIBOR of +/- 9.04%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The effect ot the change in 1M SOFIBOR for 2016 and 2015 is less then BGN 1 thousand.

31 December 2016	Net financial result		Equity	
	Increase of interest rate	Decrease of interest rate	Increase of interest rate	Decrease of interest rate
Borrowings (3M SOFIBOR)	(3)	3	(3)	3

31 December 2015	Net financial result		Equity	
	Increase of interest rate	Decrease of interest rate	Increase of interest rate	Decrease of interest rate
Borrowings (3M SOFIBOR)	(26)	26	(26)	26

38.1.3. Other price risk

The Company is exposed to other price risk in respect of the following direct investments in subsidiaries and short-term financial assets, the shares of which are listed on the Bulgarian Stock Exchange – Sofia:

- Central Cooperative Bank AD – subsidiary;
- Oil and Gas Exploration and Production AD – subsidiary;
- Zarneni Hrani Bulgaria AD – subsidiary
- Holding Nov Vek AD – short-term financial asset.
- Holding Center AD - short-term financial asset

Investments in shares of subsidiary companies traded on the Bulgarian Stock Exchange - Sofia act as short- and long-term strategic investments. In accordance with the policy of the Company no specific hedging activities have been initiated in connection with such investments. The operation of these companies is monitored on a regular basis and the control or significant influence over these companies is used to maintain the value of the investments in these companies.

The short-term assets, described above, are held with the purpose of trade on the Bulgarian Stock Exchange-Sofia.

38.2. Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, etc. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2016 BGN '000	2015 BGN '000
Classes of financial assets – carrying amounts:		
Securities / financial assets /	163 332	149 751
Loans granted	228 771	243 535
Related party receivables	154 192	366 786
Trade and other receivables	21 585	6 182
Cash and cash equivalents	76 359	75 058
Carrying amount	**644 239**	**841 312**

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. None of the Company's financial assets are pledged as collateral on other transactions.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents, money market funds, debentures and derivate financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. The carrying amounts disclosed above are the Company's maximum possible risk exposure in relation to these financial instruments.

38.3. Liquidity risk

The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Company maintains cash to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at 31 December 2016 the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2016	Short-term		Long-term
	Within 6 months	Within 12 months	2 to 5 years
	BGN '000	BGN '000	BGN '000
Dividend liabilities	9 063	-	-
Bank and other long-term borrowings	12 454	20 259	43 078
Related party payables	112 904	3 981	13 333
Trade and other payables	22	-	-
Total	**134 443**	**24 240**	**56 411**

As at 31 December 2015 the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2015	Short-term		Long-term
	Within 6 months	Within 12 months	2 to 5 years
	BGN '000	BGN '000	BGN '000
Dividend liabilities	-	16 790	8 081
Bank and other long-term borrowings	6 513	24 230	54 880
Related party payables	19 957	120 103	172 171
Trade and other payables	5 398	4 328	-
Total	**31 868**	**165 451**	**235 132**

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date. Annual interest payments amount to BGN 19 190 thousand (2015: BGN 19 190 thousand).

Financial assets used for managing liquidity risk

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Company's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within 1 year.

39. Fair value measurement

39.1. Fair value measurement of financial instruments

The fair value of financial instruments is presented in comparison with their carrying value at the end of the reporting periods in the table below:

Financial assets	31 December 2016		31 December 2015	
	Fair value	Carrying amount	Fair value	Carrying amount
	BGN '000	BGN '000	BGN '000	BGN '000
Financial assets measured at fair value through profit or loss	117 152	117 152	97 077	97 077
	117 152	**117 152**	**97 077**	**97 077**

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2016	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Financial assets				
Non-listed equity instruments	-	117 152	-	117 152
Total	**-**	**117 152**	**-**	**117 152**

31 December 2015	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Financial assets				
Non-listed equity instruments	-	97 077	-	97 077
Total	**-**	**97 077**	**-**	**97 077**

During the reporting periods, there have been no significant transfers between levels 1 and 2.

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Non-listed equity instruments

The fair value of these instruments is based on observed rates of recent market transactions with shares of similar companies, adjusted for specific factors.

39.2. Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2016 and 31 December 2015:

31 December 2016	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Investment property				
- land and buildings	-	-	35 831	35 831

31 December 2015	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Investment property				
- land and buildings	-	-	33 572	33 572

Fair value of the Company's main property assets is estimated based on valuations performed by independent, professionally-qualified property appraisers.

Land and buildings (Level 3)

The fair values of the land and buildings are estimated using an income approach. The investment property is revaluated as at 31 December 2016.

40. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to the shareholder by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the correlation between capital and net debt.

The Company determines the capital based on the carrying amount of equity included in the statement of financial position.

Net debt comprises of total liabilities less the carrying amount of cash and cash equivalents.

The objective of the Company is to maintain a ratio of capital to net debt at levels which would ensure relevant and conservative ratio of financing.

The Company manages the capital structure and adjusts according to changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The amount of the correlation for the presented accounting periods is summarized as follows:

	2016 BGN '000	2015 BGN '000
Equity	1 235 885	1 212 919
Capital	**1 235 885**	**1 212 919**
+Total Liabilities	262 283	465 740
- Cash and cash equivalents	(76 359)	(75 058)
Net debt	**185 924**	**390 682**
Capital to net debt	**1:0.15**	**1:0.32**

The ratio in 2016 improved compared to 2015 due to the decrease in related party liabilities during the period. The Company has honored its covenant obligations, including maintaining capital ratios.

41. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization on 30 March 2017.

42. Authorization of the financial statements

The financial statements for the year ended 31 December 2016 (including comparatives) were approved by the Managing board on 30 March 2017.