



Annual Individual Management Report
Independent Auditor's Report
Individual Financial Statements

CHIMIMPORT AD

31 December 2017




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Statement of financial position

	Note	31 December 2017 BGN'000	31 December 2016 BGN'000
Assets			
Non-current assets			
Property, plant and equipment	5	3 646	7 691
Investment property	6	35 831	35 831
Investments in subsidiaries	7	782 054	787 201
Long-term financial assets	8	12 481	46 171
Long-term related party receivables	32	48 980	27 509
Long-term loans granted	9	147 567	127 014
Non-current assets		1 030 559	1 031 417
Current assets			
Short-term financial assets	11	151 441	117 161
Loans granted	12	103 078	101 757
Trade and other receivables	13	50 438	44 791
Related party receivables	32	85 852	126 683
Cash and cash equivalents	14	72 619	76 359
Current assets		463 428	466 751
Total assets		1 493 987	1 498 168

Prepared by: 
/I.A. Kerezov/

Executive Director: 
/I.I. Kamenov/

Date: 28 March 2018

Audited according to the auditor's report dated 2 April 2018

Mariy Apostolov
Managing partner
Grant Thornton Ltd.
Audit Firm



Zornitza Djambazka
Registered auditor, responsible for the audit



Statement of financial position (continued)

Equity and liabilities	Note	31 December 2017 BGN'000	31 December 2016 BGN'000
Equity			
Share capital	15.1	239 646	239 646
Share premium	15.2	260 615	260 615
Remeasurement of defined benefit liability		68	66
Other reserves	15.3	59 824	59 824
Retained earnings		662 787	641 986
Net profit for the year		38 975	33 748
Total equity		1 261 915	1 235 885
Liabilities			
Non-current liabilities			
Bank and other borrowings – non-current portion	18	52 062	43 078
Long-term related party payables	32	59 388	13 333
Pension and other employee obligations	17.2	27	24
Deferred tax liabilities	10	14 878	18 952
Non-current liabilities		126 355	75 387
Current liabilities			
Bank and other borrowings	18	10 966	28 853
Trade and other payables	19	4 975	25 747
Short-term related party payables	32	89 549	123 143
Dividend payables	16	-	9 063
Income tax payable		115	-
Pension and other employee obligations	17.2	112	90
Current liabilities		105 717	186 896
Total liabilities		232 072	262 283
Total equity and liabilities		1 493 987	1 498 168

Prepared by: _____

/A. Kerezov/

Executive Director: _____

/I. Kamenov/

Date: 28 March 2018

Audited according to the auditor's report dated 20 April 2018:

Mariy Apostolov

Managing partner

Grant Thornton Ltd.

Audit Firm



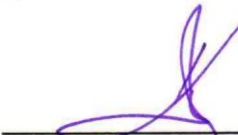
Registered auditor

Zornitza Djambazka
Responsible for the audit



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

	Note	2017 BGN'000	2016 BGN'000
Gain from transactions with financial instruments	20	24 381	21 424
Loss from transactions with financial instruments	21	(4 231)	(13 841)
Net result from transactions with financial instruments		20 150	7 583
Interest income	22	15 254	20 980
Interest expense	23	(5 100)	(8 395)
Net interest income		10 154	12 585
Net other financial (cost)/income	24	(1 439)	75
Dividend income	25	8 491	14 859
Revenue from non-financial activities	26	2 412	4 826
Gain on sale of non-current assets	27	-	876
Non-financial expenses	28	(4 752)	(4 956)
Profit before tax		35 016	35 848
Income/(expenses) from income taxes	29	3 959	(2 100)
Profit for the year		38 975	33 748
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liability	17.2	2	2
Other comprehensive income for the year, net of tax		2	2
Total comprehensive income		38 977	33 750
Earnings per share:	30	0.16	0.17
Diluted earnings per share:	30		0.15

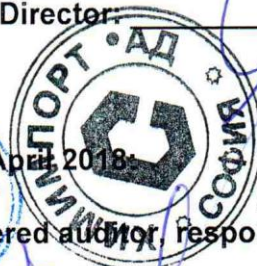
Prepared by:  _____
I.A. Kerezov/

Executive Director: _____
I.I. Kamenov/

Date: 28 March 2018

Audited according to the auditor's report dated 2 April 2018:

Mariy Apostolov
Managing partner
Grant Thornton Ltd.
Audit Firm




Zornitza Djambazka
Registered auditor, responsible for the audit



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 2017	239 646	260 615	66	59 824	675 734	1 235 885
Dividends	-	-	-	-	(12 947)	(12 947)
Transactions with owners	-	-	-	-	(12 947)	(12 947)
Profit for the year	-	-	-	-	38 975	38 975
Other comprehensive income	-	-	2	-	-	2
Total comprehensive income for the year	-	-	2	-	38 975	38 977
Balance at 31 December 2017	239 646	260 615	68	59 824	701 762	1 261 915

Prepared by: 
I.A. Kerezov/

Executive Director: 
H. Kamenov/

Date: 28 March 2018

Audited according to the auditor's report dated 2 April 2018:

Mariy Apostolov
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Audit Firm



Zornitza Djambazka
Registered auditor responsible for the audit



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 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

Prepared by: 
/A. Kerezov/

Executive Director: 
H. Kamenov/

Date: 28 March 2018

Audited according to the auditor's report dated 2 April 2018:

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Grant Thornton Ltd.
Audit Firm



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Registered auditor, responsible for the audit



Statement of cash flows for the year ended 31 December

	Note	2017 BGN '000	2016 BGN '000
Operating activities			
Proceeds from short-term borrowings		47 874	88 581
Repayments of short-term borrowings		(30 487)	(148 752)
Proceeds /(payments) from short-term financial assets		(6 983)	52 283
Cash receipts from customers		925	3 376
Cash paid to suppliers		(2 137)	(2 486)
Interest received		10 741	33 360
Dividend proceeds		6 366	5 388
Payments on interest, commission and other		(1 454)	(10 137)
Cash paid to employees and social security institutions		(1 656)	(1 416)
Income taxes paid		-	(176)
Other taxes paid		(243)	(2 016)
Other proceeds		(597)	1 169
Net cash flow from operating activities		22 349	19 174
Investing activities			
Acquisition of property, plant and equipment	5	(8)	(14)
Acquisition of subsidiaries		-	(2)
Proceeds from sale of subsidiaries		-	2 543
Net cash flow from investing activities		(8)	2 527
Financing activities			
Dividends paid	16, 35	(5 557)	(7 330)
Proceeds from long-term borrowings	33	9 729	18 948
Repayments of long-term borrowings	33	(26 503)	(30 121)
Interest paid	33	(3 731)	(1 820)
Net cash flow from financing activities		(26 062)	(20 323)
Net change in cash and cash equivalents		(3 721)	1 378
Cash and cash equivalents, beginning of year		76 359	75 058
Exchange losses on cash and cash equivalents		(19)	(77)
Cash and cash equivalents, end of year	14	72 619	76 359

Prepared by: _____ Executive Director: _____

/A. Kerezov/

/I. Kamernov/

Date: 28 March 2018

Audited according to the auditor's report dated 2 April 2018:

Mariy Apostolov

Managing partner

Grant Thornton Ltd.

Audit Firm

Zornitza Djambazka
Registered auditor, responsible for the audit

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 2017 is 41 (2016:41).

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 2016) 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 2017

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 2017:

- IAS 7 "Statement of Cash Flows" (amended) effective from 1 January 2017, adopted by the EU

These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Company categorises those changes into changes arising from cash flows and non-cash changes with further subcategories as required by IAS 7 (see Note 33).

- IAS 12 “Income Taxes” (amended) effective from 1 January 2017, 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 authorisation 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 2017 and have not been adopted early by the Company. Information on those expected to be relevant to the Company’s financial statements is provided below.

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’ replaces IAS 39 ‘Financial Instruments: Recognition and Measurement’. The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new ‘expected credit loss’ model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has identified the following areas that are expected to be most impacted by the application of IFRS 9:

- the classification and measurement of the Company’s financial assets will need to be reviewed based on the new criteria that considers the assets’ contractual cash flows and the business model in which they are managed.

Debt instruments

Management of the Company adheres to a diversified investment policy in debt and equity instruments. The classification of those instruments depends on the intent and expected yield. Those instruments are held for a different purpose and for a different period.

A substantial portion of the debt instruments held by the Company are held to maturity or sold for the purpose of liquidity management or minimization of expected losses. The Company does not operate debt instruments that do not meet the criterion of solely payments on principal and interest.

Therefore, assets reported as "Loans and Receivables" under IAS 39 "Financial Instruments: Recognition and Measurement" fall into a category measured at amortized cost in accordance with IFRS 9 "Financial Instruments".

Loans and related party receivables are granted to multiple and different counterparties, which is why the estimated credit loss is carried out on an individual basis. The Company is performing a detailed analysis of the impact of application of IFRS 9 and modelling approaches of assessing expected credit losses.

Equity instruments

The management holds most of the financial assets to collect the relevant cash flows and estimates the types of cash flows to properly classify the financial assets.

Financial assets held for trading, as well as those designated at fair value through profit or loss, in accordance with IAS 39 "Financial instruments: recognition and measurement", are classified as at fair value through profit or loss under IFRS 9 and the business model estimates applied by the company. No impact is expected on the financial statements of the Company.

Equity instruments reported in the available for sale category in accordance with the analysis will be presented as equity instruments measured at fair value through other comprehensive income.

Management does not expect the new requirements to have an impact on the classification and accounting of these financial assets. Gains or losses on the sale of financial assets measured at fair value in other comprehensive income will not be recognized in profit or loss but transferred from retained earnings.

- The Company accounts for trade receivables and investments in debt instruments measured at amortized cost and measured at fair value through other comprehensive income within the scope of the impairment model for expected credit losses. The Company applies a simplified approach for assessing the expected credit losses because these assets do not have a financial component.
- The Company owns a number of investments in equity instruments, some of which are held for long-term investment income purposes, while others are short-term with a view to realizing a profit from short-term sale. For this reason, the Company chooses to classify equity instruments in the two categories - measured at fair value through other comprehensive income and measured at fair value through profit or loss.

As at the date of those statements, the Company does not have the financial assets for which it plans to use the exception proposed in paragraph B.2.3 of IFRS 9, except for the investments made in the available-for-sale shares and units referred to in paragraph 7, which amount to BGN 12 481 thousand. These instruments are not traded on a regulated market and their fair value can not be measured reliably, therefore the cost of acquisition is an appropriate estimate of the fair value. This is due to the specificity of the investment for which the fair value measurement information

has a wide range of possible fair value measurements and the cost of the acquisition is the best estimate of the fair value.

IFRS 9 “Financial Instruments” (amended) – Hedge accounting, effective from 1 January 2018, adopted by the EU

These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The Company does not operate with significant hedging contracts or other instruments that contain a hedging component and therefore the Management does not expect an impact on the financial statements.

IFRS 9 “Financial Instruments” (amended) – Prepayment features with negative compensation, effective from 1 January 2019, not yet adopted by the EU

The amendments allow companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income – instead of measuring those assets at fair value through profit or loss.

- 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

The management of the Company does not expect the entry into force of the new standard to have an impact on its financial statements, because the income from the operations of Chimimport AD is mainly generated by financial instruments and the respective revenues are recognized according to other standards.

- IFRS 16 “Leases” effective from 1 January 2019, 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

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 2017 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 22, 24, 25 and 27.

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 goods

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. Non-financial expenses

Non-financial 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 "Interest expense".

4.9. Intangible 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 "Non-financial 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. 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.

4.12. 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 non-financial 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 non-financial activities" and "Non-financial expenses", respectively, and are recognized as described in note 4.6 and note 4.7.

4.13. 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.

4.13.1. 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 "Non-financial 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 “Non-financial 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.

4.13.2. 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.

4.14. 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 4.19.



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.

4.15. Cash and cash equivalents

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

4.16. 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.

Remeasurements of defined benefit liability are included in the Company's reserves and are accounted in accordance with the revised IAS 19. These reserves are formed by the actuarial gains/losses from recognition of provisions for employee pensions.

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.

4.17. 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 "Non-financial 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.

4.18. 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.

4.19. 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 4.20.

4.19.1. 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.

4.20. 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.

4.20.1. 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 4.11). 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.

4.20.2. Useful lives of depreciable assets

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

At 31 December 2017 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

4.20.3. 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 27 thousand (2016: - BGN 24 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.

4.20.4. 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 2017 can be analyzed as follows:

	Buildings	Machines and equipment	Vehicles	Other	Acquisition costs	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount						
Balance at 1 January 2017	26	225	113	1 444	6 370	8 178
Additions	-	7	-	7	-	14
Disposals	-	-	-	-	(4 052)	(4 052)
Balance at 31 December 2017	26	232	113	1 451	2 318	4 140
Depreciation						
Balance at 1 January 2017	(22)	(223)	(113)	(129)	-	(487)
Depreciation	-	(4)	-	(3)	-	(7)
Balance at 31 December 2017	(22)	(227)	(113)	(132)	-	(494)
Carrying amount at 31 December 2017	4	5	-	1 319	2 318	3 646



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	1 433	6 370	16 342
Additions	-	-	3	-	11	-	14
Disposals	(8 178)	-	-	-	-	-	(8 178)
Balance at 31 December 2016	-	26	225	113	1 444	6 370	8 178
Depreciation							
Balance at 1 January 2016	-	(21)	(221)	(113)	(125)	-	(480)
Depreciation	-	(1)	(2)	-	(4)	-	(7)
Balance at 31 December 2016	-	(22)	(223)	(113)	(129)	-	(487)
Carrying amount at 31 December 2016	-	4	2	-	1 315	6 370	7 691

All depreciation charges are included in the Statement of profit or loss and other comprehensive income within “Non-financial 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 31.12.2017 and 31.12.2016

Changes to the carrying amounts can be summarized as follows:

	Investment property BGN '000
Carrying amount at 1 January 2016	33 572
Net gain from fair value adjustments	2 259
Carrying amount at 31 December 2016	35 831
Carrying amount at 31 December 2017	35 831

No improvements are made to the investment property in 2017 and 2016. No rental income or direct operating expenses were recognized during the presented reporting periods. Investment properties are pledged as collateral for borrowings, see note 18.1.



7. Investments in subsidiaries

As at 31 December 2017, the Company has the following investments in subsidiaries:

Name of the subsidiary	Country of incorporation	Main activities	31.12.2017 BGN '000	share %	31.12.2016 BGN '000	share %
CCB Group EAD	Bulgaria	Financial services	251 996	100.00%	256 826	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%	22 492	6.60%
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	20 419	9.74%	20 736	9.89%
Bulchimex GmbH	Germany	Manufacturing and trade	2 500	100.00%	2 500	100.00%
Energoproekt AD	Bulgaria	Engineering sector	2 168	83.25%	2 168	83.25%
Trans Intercar EOOD	Bulgaria	Transport	4 855	100.00%	4 855	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%
			782 054		787 201	



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 2017 Chimimport AD sold /net/ 500 shares of the subsidiary Armeec Insurance JSC, resulting in decrease participation by 0.15 %. The total sale price amounts to BGN 250 thousand;
- In 2017 the investment in CCB Group AD decreased by BGN 4 830 thousand, representing amounts, which were repaid by decision of the subsidiary according to loan contract. The contract does not have a repayment term and is extinguished by decision of the subsidiary.

The Company has received dividends from its investments in subsidiaries that are presented in „Dividend income“, in the Statement of profit or loss and other comprehensive income.

The Company has incurred commitments related to investments in subsidiaries, information for which is presented in Note 36.

8. Long-term financial assets

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

	2017 BGN '000	2016 BGN '000
Financial assets available for sale		
Investments in stocks and shares	12 481	42
Convertible debentures	-	46 129
	12 481	46 171

The presented investments in stocks and shares available for sale amounting to BGN 12 481 thousand are not traded on a regulated market and their fair value cannot be reliably measured, thus are valued at cost.

9. Long-term loans granted

	2017 BGN '000	2016 BGN '000
Long-term loans granted	147 567	127 014
	147 567	127 014



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 2018.

10. Deferred tax assets and liabilities

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

Deferred tax liabilities/(assets)	1 January 2017 BGN '000	Recognized in profit or loss BGN '000	31 December 2017 BGN '000
Non-current assets			
Non-current investments	6 613	(6 613)	-
Investment property	3 135	9	3 144
Current assets			
Short-term financial assets	9 354	2 428	11 782
Trade receivables	-	(37)	(37)
Non-current liabilities			
Pension and other employee obligations	(3)	(1)	(4)
Current liabilities			
Pension and other employee obligations	(5)	(2)	(7)
Tax loss	(142)	142	-
	18 952	(4 074)	14 878
Recognized as:			
Deferred tax assets	(150)		(48)
Deferred tax liabilities	19 102		14 926
Net deferred tax liabilities	18 952		14 878



The deferred taxes for the comparative reporting period in 2016 are summarized as follows:

Deferred tax liabilities/(assets)	1 January 2016 BGN '000	Recognized in profit or loss BGN '000	31 December 2016 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

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

11. Short-term financial assets

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

	Note	2017 BGN '000	2016 BGN '000
Financial assets, measured at fair value in profit or loss	11.1	141 432	117 152
Financial assets held to maturity	11.2	10 000	-
Financial assets available for sale	11.3	9	9
		151 441	117 161

As at 31 December 2017 the Company has not pledged its short-term financial assets.

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

The short-term financial assets at the amount of BGN 141 432 thousand (2016: BGN 117 152 thousand) are classified as financial instruments held for trade, measured at

fair value in profit or loss. As at 31 December 2017 the financial assets are presented at their fair value, estimated based on valuations performed by independent, professionally-qualified appraisers (note 39.1).

11.2. Financial assets held to maturity

Held to maturity investments are bonds with maturity on 22 June 2018.

11.3. Financial assets available for sale

As at 31 December 2017, the financial assets available for sale amounting to BGN 9 thousand (2016: 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.

12. Loans granted

	2017 BGN '000	2016 BGN '000
Short-term loans granted	103 078	101 757
	103 078	101 757

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 2018. 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.

13. Trade and other receivables

	2017 BGN '000	2016 BGN '000
Advances for purchase of investments	42 263	36 344
Other trade receivables	283	299
Trade receivables	42 546	36 643
Short-term deposits	5 661	5 697
Prepaid expenses	25	19
VAT refund	116	116
Other receivables	2 090	2 316
Other receivables	7 892	8 148
Trade and other receivables	50 438	44 791

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 'Non-financial 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.

14. Cash and cash equivalents

Cash and cash equivalents include the following elements:

	2017	2016
	BGN '000	BGN '000
Cash on hand and in banks:		
- BGN	5 142	70 835
- EUR	67 477	5 380
- USD	-	144
	72 619	76 359

The amount of cash and cash equivalents restricted to the Company as at 31 December 2017 amounts to BGN 5 103 thousand. (2016: BGN 5 103 thousand).

15. Equity

15.1. Share capital

The share capital of the Company as at 31 December 2017 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.

	2017	2016
	Number of	Number of
	shares	shares
Ordinary shares	239 646 267	239 646 267
Shares issued and fully paid at the end of the period	239 646 267	239 646 267

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



	2017	2017	2016	2016
	Number ordinary shares	%	Number ordinary shares	%
Invest Capital AD	174 847 247	72.96%	175 002 247	73.03%
POAD CCB Sila	7 872 107	3.29%	7 464 307	3.11%
PIC Syglasie	7 309 150	3.05%	2 965 952	1.24%
Armeec Insurance JSC	3 236 507	1.35%	3 211 507	1.34%
DSK – Funds	2 284 238	0.95%	2 284 238	0.95%
LIC Saglasie	2 138 331	0.89%	2 109 081	0.88%
Expat Bulgaria SOFIX UCITS ETF	1 863 911	0.78%	1 796 983	0.75%
UPF Future	1 388 301	0.58%	1 388 301	0.58%
HORIZON GROWTH FUND N.V.	1 329 629	0.56%	-	0.00%
CCB Group EAD	1 296 605	0.54%	1 863 605	0.78%
EUROINS ROMANIA ASIGURARE- REASIGURARE	1 272 108	0.53%	2 002 108	0.84%
The Bank of New York Mellon	1 162 876	0.49%	2 642 238	1.10%
Eaton Vance Emerging Markets	1 155 510	0.48%	825 588	0.35%
UniCredit Bank Austria	464 921	0.19%	557 594	0.23%
Piraeus Bank Bulgaria	331 950	0.14%	645 391	0.27%
BNPPARIBAS SECURITIES SERVICES S.C.A	242 624	0.10%	242 624	0.10%
Raiffeisen Bank International AG	74 225	0.03%	34 225	0.01%
NN funds	-	0.00%	670 287	0.28%
Blackrock Frontier Markets Fund	-	0.00%	32 308	0.01%
Other legal entities	14 220 866	5.93%	17 843 123	7.45%
Other individuals	17 155 161	7.16%	16 064 560	6.70%
	239 646 267	100.00%	239 646 267	100.00%

On 12 June 2009 Chimimport AD issued mandatory convertible preferred shares with a guaranteed fixed annual dividend of 9% and guaranteed liquidation share. On 15 June 2016, all preferred shares of the Company at that date were mandatory converted into ordinary shares.

15.2. Share premium

As at 31 December 2017 the share premium amounts to BGN 260 615 thousand (2016: 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.



- 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.

15.3. Other reserves

Other reserves, amounting to BGN 59 824 thousand as at 31 December 2017 (2016: BGN 59 824 thousand) are accumulated in accordance with the requirements of the Commercial Act for accumulation of statutory reserves.

16. Dividend payables

As at 31 December 2017 dividend payables on the preferred shares are as follows:

	Current	
	2017	2016
	BGN '000	BGN '000
Dividend payables	-	9 063
	-	9 063

In 2016 Chimimport AD distributed to its shareholders of preferred shares guaranteed dividend at the amount of BGN 17 736 thousand or BGN 0.1998 per preferred share.

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 was paid in 2017 after a vote by the General Meeting of the Company.

17. Employee remunerations

17.1. Employee benefits expense

Expenses recognized for employee benefits include:

	2017	2016
	BGN '000	BGN '000
Wages, salaries	(1 717)	(1 456)
Social security costs	(114)	(106)
Current service cost	(5)	(4)



Corrections on unused leave obligations	-	(1)
Employee benefits expense	(1 836)	(1 567)

17.2. 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:

	2017 BGN '000	2016 BGN '000
Non-current:		
Defined benefit plans	27	24
Non-current pension and other employee obligations:	27	24
Current:		
Payables to employees	36	44
Payables to social security institutions	48	27
Payables for unused annual leave	28	19
Current pension and other employee obligations:	112	90

The current portion of these liabilities represents the Company's obligations to its current employees that are expected to be settled during 2018. 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:

	2017 BGN '000	2016 BGN '000
Defined benefit obligation at 1 January	24	21
Current service cost	5	4
Interest cost	-	1
Remeasurement – actuarial gains from changes in demographic assumptions	(2)	(4)
Remeasurement - actuarial gains from changes in financial assumptions	-	2
Defined benefit obligation at 31 December	27	24

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

	2017	2016
Discount rate	2%	3%



Expected rate of salary increases	2%	1%
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.

18. Bank and other borrowings

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

	Notes	Current		Non-current	
		2017 BGN '000	2016 BGN '000	2017 BGN '000	2016 BGN '000
Financial liabilities at amortized cost:					
Bank borrowings	18.1	10 334	10 334	31 538	38 872
Other borrowings	18.2, 18.3	632	18 519	20 524	4 206
Total carrying amount		10 966	28 853	52 062	43 078

18.1. Bank borrowings

	Current		Non-current	
	2017 BGN '000	2016 BGN '000	2017 BGN '000	2016 BGN '000
Bank borrowings	10 334	10 334	31 538	38 872

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 2018. 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%.



18.2. Other long-term borrowings

	2017 BGN '000	2016 BGN '000
Long-term portion of payables on cession agreements	18 018	4 206
Long-term borrowings	2 506	-
	20 524	4 206

The long-term portion of payables on cession agreements amount to BGN 18 018 thousand (2016: BGN 4 206 thousand). The annual interest rate on the outstanding principal is 3.5% for the period, ending 2018. .

The long-term portion of borrowings represent obligation under loan contract at the amount of BGN 2 506 thousand with maturity date 22 August 2022 and interest rate 4.5%.

18.3. Other short-term borrowings

	2017 BGN '000	2016 BGN '000
Short-term portion of payables on cession agreements	-	13 714
Short-term borrowings	632	4 805
	632	18 519

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 2018. 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.

19. Trade and other payables

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

	2017 BGN '000	2016 BGN '000
Advances for the acquisition of financial assets	152	2 245
Other trade payables	23	22
	175	2 267
Tax on personal income	275	168
Tax on dividends	92	96



VAT payables	37	3
Tax on expenditures	1	2
Other payables	4 395	23 211
	4 800	23 480
Trade and other payables	4 975	25 747

20. Gain from transactions with financial instruments

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

	2017 BGN '000	2016 BGN '000
Gains from operations with securities and investment	24 381	21 424
	24 381	21 424

21. Loss from transactions with financial instruments

	2017 BGN '000	2016 BGN '000
Losses from operations with securities and investment	(4 231)	(13 841)
	(4 231)	(13 841)

22. Interest income

Interest income for the reporting periods include:

	2017 BGN '000	2016 BGN '000
Interest income related to:		
- Loans granted	13 635	17 498
- Debentures	1 619	3 472
- Bank deposits	-	10
	15 254	20 980

23. Interest expense

Interest expense for the reporting periods include:

	2017 BGN '000	2016 BGN '000
Interest expense related to:		
- Borrowings	(1 369)	(3 046)
- Bank borrowings	(3 731)	(3 424)
- Other payables	-	(1 925)
	(5 100)	(8 395)

24. Other financial income and expenses

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

Other financial income and expenses	2017 BGN '000	2016 BGN '000
Gain from exchange differences	306	894
Loss from exchange differences	(1 582)	(594)
Bank fees and commissions	(155)	(209)
Other financial costs	(8)	(16)
	(1 439)	75

25. Dividend income

	2017 BGN '000	2016 BGN '000
Dividend income	8 491	14 859
	8 491	14 859

26. Revenue from non-financial activities

Revenues from non-financial activities of the Company can be analyzed as follows:

	2017 BGN '000	2016 BGN '000
Revenue from services granted	1 902	1 964
Income from liabilities written off	509	547
Gain on revaluation of investment property	-	2 259
Other non-financial income	1	56
	2 412	4 826

27. Gain on sale of non-current assets

	2017 BGN '000	2016 BGN '000
Revenue from sale of non-current assets	-	9 111
Carrying amount of sold non-current assets	-	(8 235)
Gain on sale of non-current assets	-	876



28. Non-financial expenses

Company's non-financial expenses can be analyzed as follows:

	Note	2017 BGN '000	2016 BGN '000
Hired services expense		(2 021)	(2 319)
Employee benefits expense	17.1	(1 836)	(1 567)
Allowances for impairment of current assets		(628)	(808)
Cost of materials		(68)	(73)
Depreciation and amortization expenses		(8)	(7)
Other non-financial expenses		(191)	(182)
		(4 752)	(4 956)

The remuneration for independent financial audit for 2017 amounts to BGN 196 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.

29. Income tax expense

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

	2017 BGN '000	2016 BGN '000
Profit before tax	35 016	35 848
Tax rate	10%	10%
Expected tax expense	(3 502)	(3 585)
Adjustments for tax-exempt income	3 429	3 731
Adjustments for non-deductible expenses	(42)	(4)
Current tax expense	(115)	-
Deferred tax income/(expense):		
- Origination and reversal of temporary differences	4 074	(2 100)
Income tax expense	3 959	(2 100)

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

30. 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:

	2017	2016
Net profit in BGN, attributable to the shareholders	38 975 000	33 748 000
Weighted average number of outstanding shares	239 646 267	199 273 852
Basic earnings per share (BGN per share)	0.16	0.17

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. As at 31 December 2017, the Company has not preferred shares.

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

31. Related party transactions

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

31.1. Transactions with owners

Sales	2017	2016
	BGN '000	BGN '000
- sales of services, rental income and interest income		
– ultimate owner	336	1 709
Purchases	2017	2016
	BGN '000	BGN '000
- purchase of services and interest expense		
– ultimate owner	(194)	(300)
Cash flows	2017	2016
	BGN '000	BGN '000
Cash inflow to the owner	10 429	7 289
Cash outflow to the owner	(5 067)	(5 821)

31.2. Transactions with subsidiaries

2017	2016
-------------	-------------



	BGN '000	BGN '000
Sales		
<i>sales of services, rental income and interest income</i>		
- subsidiaries	8 615	8 362
- other under common control	1 148	3 765
Purchases		
<i>purchase of services, goods and interest expense</i>		
- subsidiaries	(2 603)	(3 982)
- other under common control	-	(305)

31.3. 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:

	2017 BGN '000	2016 BGN '000
Short-term employee benefits:		
Salaries including bonuses	(1 201)	(956)
Social security costs	(20)	(19)
Company car allowance	-	-
Total remunerations	(1 221)	(975)

32. Related party balances at year-end

	2017 BGN '000	2016 BGN '000
Non-current receivables from:		
- subsidiaries	48 980	27 509
Total non-current receivables from related parties:	48 980	27 509

	2017 BGN '000	2016 BGN '000
Current receivables from:		
- owners and key management personnel	20 083	28 841
- subsidiaries	58 929	83 778
- other related parties under common control	6 840	14 064
Total receivables from related parties	85 852	126 683

	2017 BGN '000	2016 BGN '000
Non-current payables to:		
- subsidiaries	59 388	13 333
Total non-current payables to related parties:	59 388	13 333

2017	2016
------	------



	BGN '000	BGN '000
Current payables to:		
- owners	3 890	-
- subsidiaries	79 186	116 390
- other related parties under common control	6 473	6 753
Total current payables to related parties:	89 549	123 143

33. Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings BGN'000	Short-term borrowings BGN'000	Total BGN'000
1 January 2017	43 078	37 916	80 994
Cash flow:			
Principal payments	-	(26 503)	(26 503)
Proceeds		9 729	9 729
Dividend payment		(5 557)	(5 557)
Interest payments	-	(3 731)	(3 731)
Non-monetary changes:			
Reclassification of loans	8 984	(1 000)	7 984
Accrued interest	-	112	112
31 December 2017	52 062	10 966	63 028

	Long-term borrowings BGN'000	Short-term borrowings BGN'000	Total BGN'000
1 January 2016	62 961	47 533	110 494
Cash flow:			
Principal payments	-	(30 121)	(30 121)
Proceeds	-	18 948	18 948
Dividend payment	-	(7 330)	(7 330)
Interest payments	-	(1 820)	(1 820)
Non-monetary changes:			-
Reclassification of loans	(19 883)	1 643	(18 240)
Reclassification of dividends	-	9 063	9 063
Accrued interest	-	-	-



31 December 2016

43 078

37 916

80 994

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 7 390 thousand in 2017 (2016: BGN 21 094 thousand).

35. Dividends

In 2017, dividends were paid to holders of ordinary shares from the profit for 2016 at the amount of BGN 12 947 thousand, BGN 0.054 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 2017 and 2018, 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 5 100 thousand as at 31 December 2017 with a repayment date on 25 September 2018. The fair value of the pledged assets owned by borrower is at the amount of BGN 12 403 thousand.
- credit agreement dated 16 March 2011 concluded between Alpha Bank EAD and Slanchevi lachi Provadia AD at the amount of EUR 898 thousand. (BGN 1 756 thousand) with maturity on 05 December 2018. The fair value of the pledged assets owned by the borrower is at the amount of BGN 22 435 thousand.
- loan Agreement between UniCredit Bulbank and Zarneni hrani Grain EOOD dated 13 December 2013, with a present value of the obligation of BGN 7 000 thousand and maturity 31 March 2018. The fair value of the pledged assets owned by the borrower is at the amount of BGN 13 186 thousand.

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 10 974 thousand with



maturity on 22 May 2023. The fair value of the pledged assets owned by the borrower is at the amount of BGN 39 533 thousand.

- a guarantee contract with the Bulgarian Development Bank to a loan agreement maturing on 21 May 2018, concluded with Zarneni Hrani Grain EOOD with outstanding balance at the end of the period amounting to BGN 14 906 thousand. The fair value of the pledged assets owned by the borrower is at the amount of BGN 15 022 thousand.

- bank loan agreement signed between Unicredit Bulbank AD and Bulgaria Air Maintenance dated 23 December 2015 with a present value of the obligation of BGN 70 995 thousand and maturity on 31 December 2025. The fair value of the pledged assets owned by the borrower is at the amount of BGN 94 822 thousand.

- bank loans agreements signed between Unicredit Bulbank AD and Bulgaria Air Maintenance dated 1 November 2016 with a present value of the obligation of BGN 10 974 thousand and maturity on 30.09.2018. The fair value of the pledged assets owned by the borrower is at the amount of BGN 39 533 thousand.

- bank loans agreement signed between Eurobank Bulgaria AD and M Car Sofia OOD dated 02.08.2016 with a present value of the obligation of BGN 22 959 thousand and maturity on 02 February 2019. The fair value of the pledged assets owned by the borrower is at the amount of BGN 23 470 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 2018. The company is co-borrower or guarantor to its subsidiary companies on loans granted by Central Cooperative Bank AD totalling BGN 60 954 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	2017	2016
		BGN '000	BGN '000
Financial assets available for sale:			
Investments in stocks and shares	8,11.3	12 490	51
Investments held to maturity			
Debentures	8,11.2	10 000	46 129
Financial assets held for trading (carried at fair value through profit or loss):			
Short-term financial assets	11.1	141 432	117 152
Loans and receivables:			
Loans granted	9, 12	250 645	228 771
Related party receivables	32	134 832	154 192
Trade and other receivables	13	5 944	5 996
Cash and cash equivalents	14	72 619	76 359
Financial assets		627 962	628 650
Financial liabilities	Note	2017	2016



		BGN '000	BGN '000
Financial liabilities measured at amortized cost			
Non-current liabilities:			
- borrowings	18.1, 18.2	52 062	43 078
- related party payables	32	59 388	13 333
Current liabilities:			
- dividend payable	16	-	9 063
- borrowings	18.1, 18.3	10 966	28 853
- related party payables	32	89 549	123 143
- trade and other payables	19	23	22
		211 988	217 492

See note 4.13 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 38.

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 2017				
Financial assets	132	9 414	-	41 726
Financial liabilities	-	-	-	(3 295)
Total exposure	132	9 414	-	38 431
	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	-	(18 948)	-	(4 995)
Total exposure	10 961	(9 279)	-	41 134

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 2017 exchange rate of the Bulgarian lev against the dollar is + / - 7.78% (2016: +/- 3.64%). 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 + / - 7.78% (2016 +/- 3.64%) 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 BGN '000	Decrease BGN '000
31 December 2017	(9)	9
31 December 2016	(359)	359

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 2017, 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 +/- 2.77% and 3M SOFIBOR of +/- 2.52% (2016 – 1M SOFIBOR of +/- 3.82% and 3M SOFIBOR of +/- 4.24%). 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 of the change in 1M SOFIBOR for 2017 and 2016 is less than BGN 1 thousand.

31 December 2017	Net financial result		Equity	
	Increase of interest rate	Decrease of interest rate	Increase of interest rate	Decrease of interest rate
Borrowings (3M SOFIBOR)	(1)	1	(1)	1

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)	(1)	1	(1)	1

38.1.3. Other price risk

The Company is exposed to other price risk in respect of the following direct investments in subsidiaries, 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.

Investments in shares of subsidiary companies traded on the Bulgarian Stock Exchange - Sofia act as 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:

	2017 BGN '000	2016 BGN '000
Classes of financial assets – carrying amounts:		
Securities / financial assets /	163 922	163 332
Loans granted	250 645	228 771
Related party receivables	134 832	154 192
Trade and other receivables	5 944	5 996
Cash and cash equivalents	72 619	76 359
Carrying amount	627 962	628 650

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 2017 the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2017	Short-term		Long-term
	Within 6 months	Within 12 months	2 to 5 years
	BGN '000	BGN '000	BGN '000
Bank and other long-term borrowings	5 831	5 135	52 062
Related party payables	34 572	54 977	59 388
Trade and other payables	23	-	-
Total	40 426	60 112	111 450

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	16 399	43 078
Related party payables	119 162	3 981	13 333
Trade and other payables	22	-	-
Total	140 701	20 380	56 411

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 5 185 thousand (2016: BGN 11 957 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 2017		31 December 2016	
	Fair value BGN '000	Carrying amount BGN '000	Fair value BGN '000	Carrying amount BGN '000
Financial assets measured at fair value through profit or loss	133 432	133 432	117 152	117 152
	133 432	133 432	117 152	117 152

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 2017	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Financial assets				
Non-listed equity instruments	-	133 432	-	133 432
Total	-	133 432	-	133 432
31 December 2016				
Financial assets				
Non-listed equity instruments	-	117 152	-	117 152
Total	-	117 152	-	117 152



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 2017 and 31 December 2016:

31 December 2017	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 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

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. Investment properties are not revalued in 2017 because the value of 2016 is retained.

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:

	2017	2016
	BGN '000	BGN '000
Equity	1 261 915	1 235 885
Capital	1 261 915	1 235 885
+Total Liabilities	232 072	262 283
- Cash and cash equivalents	(72 619)	(76 359)
Net debt	159 453	185 924
Capital to net debt	1:0.13	1:0.15

The ratio in 2017 improved compared to 2016 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 2018.

42. Authorization of the financial statements

The financial statements for the year ended 31 December 2017 (including comparatives) were approved by the Managing board on 30 March 2018.