ANNUAL MANAGEMENT REPORT

INDEPENDENT AUDITOR'S REPORT

SEPARATE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015

(Unofficial translation of the original in Bulgarian)

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Name of the Company: FILKAB AD
Unified Identification Code: 115328801
Registered Office: 92 Komatevsko shosse Str., Plovdiv
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ANNUAL REPORT ON THE ACTIVITY

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1. Company's Profile

FILKAB AD (the Company) is a joint-stock company, registered by decision of the Plovdiv District Court under company file № 2189/1999 and is entered in the Trade Register of the Registry Agency.

In the country and the region the Company is a leader with its main activity – trade in cables and wires, electrical and automation equipment, medium-voltage electrical equipment, cable accessories, lighting fixtures, and electrical installation materials.

FILKAB AD offers engineering services and performs overall activities – design, manufacturing, delivery, installation, and commissioning of complete electrical and automation projects, lines and facilities; designs and manufactures lighting fixtures, electrical LV-switchboards, complete distribution systems 24kV, concrete complete transformer substations (CCTS); builds substations 110kV and 400kV, cogeneration systems, etc. (alone or through its subsidiary company Engineering EAD).

Among the clients and partners of FILKAB AD, there are companies operating in the sphere of electricity generation, transmission and distribution, of the telecommunications sector, companies performing electrical installation, construction, and trade activities, etc. Among those of particular importance are investors and general contractors of substantial and key projects, Bulgarian investors from small and medium-sized businesses, state companies and public associations.

In 2015, the Company completed the process of substantial structural change by separataing the production and design activities in two subsidiaries:

- Engineering EAD, which performs the design, manufacturing, supply, installation and commissioning of complete electrical and automation projects, as well as the design and manufacturing of metal cabinets, lighting fixtures, electrical LV-switchboards, complete distribution systems 24kV, and concrete complete transformer substations;

- FILKAB Solar Ltd., which offers engineering services, supply and construction of photovoltaic (PV) systems in various configurations – connected to the grid, autonomous and hybrid, as well as for self-consumption. The systems can be ground- or building mounted – on facades, on horizontal or inclined roofs.

As of the date of preparation of these report, the newly-registered subsidiary in Turkey, FİLKAB Solar Enerji A.Ş., in partnership with the Korean manufacturer of PV modules Hanwha Q CELLS Co., Ltd. (NASDAQ:HQCL), completed the work on its first major photovoltaic project in the Republic of Turkey. The PV project Maraş 01 (8 MW) is located in the village of Büyükyapalak, Elbistan District, , and covers an area of over 120 acres. The team of FILKAB AD was responsible for the supply of materials and the construction of the electrical part of the project.

Through its subsidiaries and associated companies (Engineering EAD, FILKAB Solar Ltd., MAKKAB DOOEL – Macedonia, and FİLKAB Solar Enerji A.Ş. – Turkey), as well as individually, FILKAB continues to develop actively its activities in the field of renewable energy sources (RES) not only providing equipment and services, but also as an EPC-contractor, offering turnkey solutions for big-scale PV projectsin the role of EPC-contractor. So far, the Company has participated as a main contractor and/or subcontractor in a considerable number of projects regarding energy generation from PV sources in Bulgaria, Greece, Romania, Macedonia, Cyprus, and Turkey.

In mid-2015, the Company became the sole proprietor of the Romanian SPV (project company) GESPRO Green Energy S.R.L., owner of a PV park (920kWp) near Bucharest. The acquisition has helped for the restructuring of the debt of GESPRO Green Energy S.R.L. to FILKAB, arising upon an agreement for construction of the photovoltaic plant, a major asset of the Romanian SPV.

The economic situation in 2016 will continue to cause changes in the industry in which FILKAB AD operates. The International Monetary Fund forecasts for economic growth in the country of 2.1 percent for 2015 have come true. The economic growth model for 2015 is dominated by the export – i.e. sales abroad are the main reason for the growth last year. That was also the main reason, to a certain extent, in the mid-2015, FILKAB AD to establish FILKAB MIG d.o.o. – a subsidiary company in Serbia through which to operate on the Serbian market. In an effort to expand its activities on the foreign markets and to invest in neighboring countries, it was approved to make investments in a new commercial and warehouse centre on the territory of Macedonia. The investment is performed by the subsidiary of FILKAB AD in Macedonia – MAKKAB DOOEL.

According to the forecasts of the Ministry of Finance, the GDP rate in the country for 2016–2018 will reach growth of 3.6%. In this regard, the Company should continue its activities on the diversification of offered products and services from the emerging new areas – energy efficiency solutions, new efficient lighting sources and renewable energy sources – wind, water, sun, bioenergy. FILKAB AD is gaining considerable experience in this direction through its participation in projects as main contractor or subcontractor, thus obtaining know-how, establishing contacts and partnerships with external companies and organisations, working with research institutes, participating in joint manufacturing activities with them, applies with already completed projects for grants from Structural Funds and others.

2. Share Capital of the Company

As of December 31, 2015 the registered share capital of the Company is at the total amount of BGN 20 000 thousand and is distributed in 2 000 000 ordinary shares at nominal value of BGN 10 per share. Shareholders of the Company are six individuals. In 2015 new shares are not issued or transferred. As of December 31, 2015, the net assets of Company are at the amount of BGN 42 876 thousand (2014: BGN 42 559 thousand).

3. Company's Structure (branch network, subsidiary companies)

FILKAB AD has its own branch network across the country. The headquarters and the main warehouse are located in Plovdiv. In Burgas, Sliven, Varna, Sofia and Ruse, the Company has representations with large showrooms and warehouses, and in the towns of Veliko Tarnovo, Shumen, and Plovdiv it has its own stores as well.

FILKAB AD holds shares in the following companies:

№	Name of company of investment based on latest legal registration	Number of shares	Carrying amount of the investment in thousands of BGN	% of equity participation
1	ENGINEERING EAD	10 000	139	100.00%
2	FILKAB SOLAR LTD	3 500	35	70.00%
3	MAK KAB DOOEL, Macedonia	600 000	1 168	100%
4	FILKAB DISTRIBUTIE SRL, Romania	88 000	1 222	71.4%
5	FILKAB SOLAR ENERJI A.Ş., Turkey	100 000	71	100.00%
6	FILKAB MIG DOO, Serbia	5 000	50	51.00%
7	GESPRO GREEN ENERGY S.R.L., Romania	100	1	100.00%
8	ELRESURS LTD, Sofia	200	5	5.00%
9	IKEM JSC	2 000	2	4.00%
		Total:	**2 693**	

4. Company Management Bodies Information

The Company management bodies are the General Meeting of Shareholders and the Board of Directors (BoD). The Company is represented by two Executive Directors.

As of December 31, 2015, the Board of Directors of FILKAB AD consists of eight member, as follows:

1. Nikola Todorov Avramov, Chairman of the BoD;
2. Ivan Stoykov Kukov, member of the BoD;
3. Vasil Nikolov Madanski, member of the BoD;
4. Rumen Hristov Tsankov, member of the BoD;
5. Margarit Stefanov Georgiev, member of the BoD;
6. Lachezar Manolov Manolov, member of the BoD;
7. Nonka Dimitrova Cherpokova, member of the BoD - Executive Director;
8. Atanas Ivanov Tanchev, member of the BoD - Executive Director.

The operational management of the Company is carried out by:

1. Executive Directors;
2. Department Directors;
3. Unit Managers;
4. Analytical Specialists and Administration.

The activity of the Company is divided into the following three areas:
1. Trade activity – which is of key importance to the Company and is 93% of the total volume;
2. Project activity – in 2015 it covers 7% of the total volume;
3. General operations.

5. Financial Position

	December 31, 2015	December 31, 2014	Change
Revenue	70 606	66 268	6.5%
Profit from operating activities, net	314	219	43.4%
Assets	76 626	85 414	-10.3%
Liabilities	33 750	42 855	-21.2%
Equity	42 876	42 559	0.7%
Current assets	51 074	59 209	-13.7%
Current liabilities	33 443	42 600	-21.5%
Current liquidity (current assets/current liabilities) ratio	1.53	1.39	10.1%
Quick ratio (receivables+cash/current liabilities) ratio	0.74	0.69	7.2%
Capital utilization	56.00%	50%	12.0%
Equity profitability (net profit/equity) ratio	1.00%	1.00%	0.0%
Equity to debt ratio (equity/equity+liabilities)	0.56	0.5	12.0%
Debt to equity ratio (equity+liabilities/equity	1.790	2.010	-10.9%
Assets turnover	92.00%	78%	17.9%
Working capital, net	17 631	16 718	5.5%

5.1. Financial Instruments, Financial Risk Management

In 2015, FILKAB AD has five bank loans to cover working capital needs. Detailed information on the financial instruments and the financial risk is disclosed in the Notes to the Financial Statements.

6. Future Development Prospects for the Company

Maintaining the leading position on the Bulgarian market and expanding the Company's presence on international markets can be achieved by focused work in the following areas:

1. Identifying new potential customers in and out of the country. Attracting new loyal customers, as well as keeping the current ones;
2. Increasing sales through large construction and engineering companies and organisations. Cooperation and joint participation in the implementation of infrastructure and energy projects (water treatment plants, energy projects, new renewable energy sources, reconstruction of railway and public infrastructure, etc.);
3. Maintaining consistent distribution policy with trade companies, loyal to FILKAB AD and positioned in key regions, and taking targeted action to assist them;
4. Research, establishment of initial contact and initiation of regular deliveries to investors and contractors in projects financed under the Operational Programmes of the European Structural Funds;
5. Improving the organisational structure and increasing the efficiency of business processes by fully exploiting the opportunities of the new ERP-system to gain competitive advantage in our business sphere;
6. Work permanently on the discovery and implementation of new products and solutions in the trade activities with high profit margins, outstripping competitors on the market;

7. Expanding the international presence of FILKAB AD, also through the establishment and investments in subsidiaries with activity which is suitable to the fullest extent to the business environment and the growth opportunities within the respective country;
8. Analysing the opportunities for significant improvement of the Company's profitability of the through business combinations (mergers and acquisitions);
9. Completion of the investment in the reconstruction of the Company's commercial and warehouse centre in Varna.

7. Environment Protection and Healthy and Safety Working Conditions

FILKAB AD has implemented an integrated system for management of quality, environment and healthy and safety working conditions for which the Company has the following certificates: ISO 9001:2008; ISO 14001:2004 and BS OHSAS 18001:2008, issued by the Bureau Veritas Certification.

8. Management Responsibilities

Management acknowledges that an adequate and consistent accounting policy has been applied and that the financial statements as of December 31, 2015 are prepared following the prudence principle in the valuation of assets, liabilities, income and expenses. Management is responsible for the accuracy of its books of account, for the safekeeping of assets and for the prevention and detection of fraud and other errors.

FILKAB JSC
Bulgaria, 4004 Plovdiv
92, Komatevsko Shosee Str.
VAT BG 115328801

Nonka Cherpokova
Executive Director

Atanas Tanchev
Executive Director

March 07, 2016
Plovdiv

INDEPENDENT AUDITOR'S REPORT

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This document is a translation of the original in Bulgarian, in case of divergence the Bulgarian original is prevailing.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
FILKAB JSC

Report on the Financial Statements

1 We have audited the accompanying separate financial statements of FILKAB JSC ("the Company"), which comprise the separate statement of financial position as at December 31, 2015, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards, endorsed for application by the European Union Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

5 In our opinion, the separate financial statements present fairly, in all material respects, the financial position of FILKAB JSC as at December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, endorsed for application by the European Union Commission.

Other Reports on regulatory requirements – Separate annual report of the activities of the Company according to article 33 of the Accountancy Act

6 Pursuant to the requirements of the Accountancy Act, article 38, paragraph 4, we have read the enclosed Separate annual report of activities of the Company. The Separate annual report of the activities is not a part of the separate financial statements. The historical financial information, presented in the separate annual report of the activities, prepared by the management, is consistent in all material respects, with the financial information, disclosed in the annual separate financial statements of the Company as of December 31, 2015 prepared in accordance with International Financial Reporting Standards, endorsed for application by the European Union Commission. The responsibility for the preparation of the Separate annual report of the activities of the Company from March 7, 2016, is of the management of the Company.

AndA Consulting Ltd.

Antoaneta Bazlyankova
Managing Director

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №128
"АНДА КОНСУЛТИНГ" ООД

March 7, 2016
Sofia

Dimitar Bazlyankov
Registered auditor

SEPARATE
FINANCIAL STATEMENTS
AS OF
DECEMBER 31, 2015

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2015
All amounts are in thousands of BGN, unless otherwise stated

	Note №	December 31, 2015	December 31, 2014
Revenue	*4*	70 606	66 268
Other operating income, net	*5*	1 462	981
Materials expenses	*6*	(3 536)	(6 996)
Hired services	*7*	(3 123)	(2 896)
Personnel expenses	*8*	(3 490)	(4 464)
Depreciaition and amortization expenses	*9*	(1 655)	(1 947)
Cost of goods sold	*10*	(58 470)	(51 060)
Change in finished goods and work in progress		(421)	920
Capitalized expenses		-	54
Other changes in inventories		-	657
Other expenses	*11*	(584)	(663)
Finance income	*12*	588	382
Finance expenses	*12*	(1 036)	(1 016)
Profit before taxation		**341**	**220**
Income tax expense	*13*	(27)	(1)
Profit for the period		**314**	**219**
Items that will not be reclassified in profit or loss			
Actuarial gains recognised	*25*	3	135
Deferred taxes on actuarial gains	*25*	-	(13)
Total other comprehensive income for the period, net		**3**	**122**
Total comprehensive income for the period		**317**	**341**

Approved for issuance by the Management of Filkab AD on March 7, 2016.

Nonka Cherpokova
Executive Director

Atanas Tanchev
Executive Director

Zhana Tokova
Preparer

FILKAB JSC
Bulgaria, 4004 Plovdiv
92, Komatevsko Shosee Str.
VAT BG 115328801

Antoaneta Bazlyankova
Managing Director
AndA Consulting Ltd

Dimitar Bazlyankov
Registered Auditor

Специализирано одиторско предприятие "АНДА КОНСУЛТИНГ" ООД
София
Рег. № 128

March 7, 2016, Sofia

(The accompanying notes from page 16 to page 54 are an integral part of these financial statements)

SEPARATE STATEMENT OF FINANCIAL POSITION
as of December 31, 2015
All amounts are in thousands of BGN, unless otherwise stated

	Note №	December 31, 2015	December 31, 2014
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	21 909	23 126
Intangible assets	*15*	245	342
Investments in entities	*16*	2 693	2 604
Trade and other receivables	*18*	600	-
Deferred tax assets, net	*13*	105	132
		25 552	26 204
Current assets			
Inventories, net	*17*	26 282	29 592
Trade and other receivables, net	*18*	24 527	29 174
Cash and cash equivalents	*19*	265	423
Income tax recoverable	*20*	-	21
		51 074	59 210
TOTAL ASSETS		76 626	85 414
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*26*	20 000	20 000
Reserves	*26*	9 365	9 362
Retained earnings		13 511	13 197
		42 876	42 559
Non-current liabilities			
Retirement benefits obligation	*25*	281	255
Lease liabilities	*23*	26	-
		307	255
Current liabilities			
Trade and other payables	*21*	12 098	18 084
Borrowings	*22*	21 334	24 364
Lease liabilities	*23*	11	-
Deferred income	*24*	-	152
		33 443	42 600
TOTAL EQUITY AND LIABILITIES		76 626	85 414

Approved for issuance by the Management of Filkab AD on March 7, 2016.

Nonka Cherpokova
Executive Director

Atanas Tanchev
Executive Director

Zhana Tokova
Preparer

Antoaneta Bazlyankova
Managing Director
AndA Consulting Ltd
March 7, 2016, Sofia

Dimitar Bazlyankov
Registered Auditor

(The accompanying notes from page 16 to page 54 are an integral part of these financial statements)

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2015
All amounts are in thousands of BGN, unless otherwise stated

	Share capital	Legal reserves	Other reserves	Actuarial gain	Accumulated profit	Total
Balance at January 1, 2014	**20 000**	**2 029**	**7 160**	**51**	**13 697**	**42 937**
Changes in equity for 2014						
Comprehensive income for the period	-	-	-	122	219	**341**
Dividends distributed	-	-	-	-	(700)	**(700)**
Bonus payments	-	-	-	-	(19)	**(19)**
Balance at December 31, 2014	**20 000**	**2 029**	**7 160**	**173**	**13 197**	**42 559**
Changes in equity for 2015						
Comprehensive income for the period	-	-	-	3	314	**317**
Balance at December 31, 2015	**20 000**	**2 029**	**7 160**	**176**	**13 511**	**42 876**

Approved for issuance by the Management of Filkab AD on March 7, 2016.

Nonka Cherpokova
Executive Director

Atanas Tanchev
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Zhana Tokova
Preparer

Antoaneta Bazlyankova
Managing Director
AndA Consulting Ltd
March 7, 2016, Sofia

София
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Dimitar Bazlyankov
Registered Auditor

(The accompanying notes from page 16 to page 54 are an integral part of these financial statements)

SEPARATE CASH FLOW STATEMENT
for the year ended December 31, 2015
All amounts are in thousands of BGN, unless otherwise stated

	December 31, 2015	December 31, 2014
A. Cash flows from operating activities (note 28)	**4 312**	**2 836**
Income taxes paid	-	(28)
Corporate income tax refunded	-	18
Net cash, generated from operating activities:	**4 312**	**2 826**
B. Cash flows from investing activities		
Purchase of property, plant and equipment	(441)	(842)
Proceeds from sale of property, plant and equipment	132	3
Purchase of investments in entities	(103)	(68)
Proceeds from government grants (note 24)	-	363
Proceeds from sale of investments in entities	15	-
Net cash, used in investing activities:	**(397)**	**(544)**
C. Cash flows from financing activities		
Proceeds from borrowings	4 100	7 248
Repayments of borrowings	(7 129)	(7 691)
Interest paid, net	(767)	(814)
Interest paid on commerce transactions	(3)	(18)
Payables of bank charges, commissions and others, net	(260)	(156)
Interest received on trade loans granted	349	-
Proceeds on trade loans granted	85	21
Dividends paid	(448)	(894)
Net cash, used in financing activities:	**(4 073)**	**(2 304)**
Net decrease in cash and cash equivalents for the period	**(158)**	**(22)**
Cash and cash equivalents at the beginning of the period	**423**	**445**
Cash and cash equivalents at the end of the period (note 19)	**265**	**423**

Approved for issuance by the Management of Filkab AD on March 7, 2016.

Nonka Cherpokova
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Preparer

Antoaneta Bazlyankova
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March 7, 2016, Sofia

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
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Dimitar Bazlyankov
Registered Auditor

(The accompanying notes from page 16 to page 54 are an integral part of these financial statements)

NOTES TO THE
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2015

1. Legal status and business activity

FILKAB AD (the Company) is a joint-stock company, registered by decision of the Plovdiv District Court under company file № 2189/1999 and is entered in the Trade Register of the Registry Agency under Unified Identification Code 115328801. The seat and registered office of the Company is 92, Komatevsko shosse Str., Plovdiv 4004. As of December 31, 2015 shareholders in the Company are six individuals.

The Company's main activity is trade in cables and wires, electrical and automation equipment, medium voltage electrical equipment, cable accessories, lighting fixtures and electrical installation materials. The Company offers services for design and manufacture of lighting fixtures, low-voltage electrical switchboards, complete distribution systems 24kV and concrete complete transformer stations. The Company provides renewable energy sources solutions such as PV plants and systems both grid connected or autonomous, which can also be fixed or tracking the sun, ground- or building mounted – on walls, horizontal and inclined roofs; as well as hybrid systems for electricity production through photovoltaic and wind generators.

These separate financial statements have been approved for issuance by the management of the Company on March 7, 2016.

2. Basis for preparation of the financial statements and accounting principles

2.1. General

The Company prepares and presents its financial statements in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the Interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), adopted by the European Union Commission (the Commission).

During the year the Company has adopted all new and revised IFRS of the International Accounting Standards Board (IASB), adopted by the Commission and Interpretations issued, effective for 2015 and applicable for the activities of the Company. All changes in IFRS, effective for 2015, are approved by the Commission (see note 2.1.1).

These financial statements are prepared for general purpose and provide information for the financial position, results and cash flows, generated by the Company for the year ended December 31, 2015. These financial statements are separate financial statements, prepared in accordance with the accounting and tax legislation in the Republic of Bulgaria. These separate financial statements are prepared on the historical cost basis.

As disclosed in note 16, the Company owns 50 and more than 50 percent of the voting rights in legal entities, therefore based on article 37, paragraph 2 of the Accountancy Act and IFRS 10 - Consolidated Financial Statements, it prepares consolidated financial statements.

All amounts are in thousands of BGN, unless otherwise stated

2.1.1. Changes in IFRS

2.1.1.1 Standards and Interpretations effective in the current period

The following new and revised pronouncements, all of which are adopted by the EU Commission, are effective for 2015:

Standard or interpretation, date of revision and effective date	*Name of the standard or interpretation*	*Effect on the Company's activity*
Annual Improvements 2011-2013 Cycle, issued by the IASB on December 12, 2013, applicable to annual periods beginning on or after January 1, 2015	Improvements to IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40)	No effect on the Company's financial statements

2.1.1.2. Standards and Interpretations, issued by the International Accounting Standards Board (IASB), adopted by the EU Commission, not yet effective

Standard or interpretation, date of revision and effective date	*Name of the standard or interpretation*	*Date of adoption by the EU Commission*
Annual Improvements 2010-2012 Cycle, issued by the IASB on December 12, 2013, applicable to annual periods beginning on or after February 1, 2015	Improvements to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38)	January 9, 2015
Defined Benefit Plans: Employee Contributions issued on November 21, 2013, effective for annual periods beginning on or after February 1, 2015	Amendments to IAS 19	January 9, 2015
Amendments to IAS 1 (issued on December 18, 2014), effective for annual periods beginning on or after January 1, 2016	Disclosure Initiative	December 18, 2015
Annual Improvements 2012-2014 Cycle, issued by the IASB on September 25, 2014, applicable to annual periods beginning on or after January 1, 2016	Improvements to IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34)	December 15, 2015
Amendments to IAS 27, issued on August 12, 2014, effective for annual periods beginning on or after January 1, 2016	Amendments to IAS 27: Equity Method in Separate Financial Statements	December 18, 2015
Amendments to IAS 16 and IAS 38, issued on May 12, 2014, effective for annual periods beginning on or after January 1, 2016	Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	December 2, 2015
Amendments to IFRS 11, issued on May 6, 2014, effective for annual periods beginning on or after January 1, 2016	Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	November 24, 2015

All amounts are in thousands of BGN, unless otherwise stated

2.1.1. Changes in IFRS (continued)

2.1.1.2. Standards and Interpretations, issued by the International Accounting Standards Board (IASB), adopted by the EU Commission, not yet effective (continued)

Standard or interpretation, date of revision and effective date	*Name of the standard or interpretation*	*Date of adoption by the EU Commission*
Amendments to IAS 16 and IAS 41, issued on June 30, 2014, effective for annual periods beginning on or after January 1, 2016	Amendments to IAS 16 and IAS 41: Bearer Plants	November 23, 2015

2.1.1.3 Standards and Interpretations, issued by the IASB, expected endorsement by the EU Commission

Standard or interpretation, date of revision and effective date	*Name of the standard or interpretation*	*Status of adoption by the EU Commission*
IFRS 9 Financial Instruments (issued on July 24, 2014), effective for annual periods beginning on or after January 1, 2018	Financial Instruments – Classification and Measurement, the standard will supersede completely IAS 39	Endorsement expected in the first half of 2016
IFRS 14, issued in January, 2014, effective for annual periods beginning on or after January 1, 2016	Regulatory Deferral Accounts - applicable to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2016	The endorsement date is yet to be determined
IFRS 15, issued in May, 2014, effective for annual periods beginning on or after January 1, 2017	Revenue from Contracts with Customers - applicable to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2017	Endorsement is expected in Q 2 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 (issued on December 18, 2014), effective for annual periods beginning on or after January 1, 2016	Investment Entities: Applying the Consolidation Exception	Endorsement is expected in Q 2 2016
Amendments to IFRS 10 and IAS 28, issued on September 11, 2014, effective for annual periods beginning on or after January 1, 2016	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

2.1.1. Changes in IFRS (continued)

2.1.1.4 Impact of the new and revised standards on the financial statements

The more significant amendments to IFRSs issued by the International Accounting Standards Board (IASB) and adopted by the EU Commission that are mandatorily effective for an accounting period that begins on or after 1 January 2015 are, as follows:

Annual Improvements to IFRSs 2011 -2013 Cycle

The Annual Improvements include amendments to a number of IFRSs, which have been summarized below.

IFRS 3 Business Combinations

The subject of the amendment is the scope exceptions for joint ventures. The amendments clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

The subject of the amendment is the scope of paragraph 52 (portfolio exception). The amendments clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 Investment Property

The amendments are related to the clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendments clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether: (i) the property meets the definition of investment property in terms of IAS 40; and (ii) the transaction meets the definition of a business combination under IFRS 3.

2.1.1. Changes in IFRS (continued)

2.1.1.4 Impact of the new and revised standards on the financial statements (continued)

With regard to the amendments to IAS 40 Investment Property, the amendments require the assessment of whether the acquisition of an investment property is an asset acquisition or a business combination to be made by reference to IFRS 3. IFRS 3 defines a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participants. Specifically, IFRS 3 states that a business consists of inputs and processes that have the ability to create outputs. To qualify for the definition of a business, the integrated set of activities and assets should have two essential elements - inputs and processes; outputs are not necessarily required (although businesses usually have outputs).

In considering whether the acquisition of an investment property is an asset acquisition or a business combination, significant judgement is required taking into account the specific facts and circumstances surrounding each transaction. It is important to distinguish an asset acquisition from a business combination because their respective accounting treatments are very different.

The Company has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2011-2013 Cycle for the first time in the current year. The application of the amendments has had no impact on the disclosures or amounts recognized in the Company's financial statements,

During 2015 the Company has not elected early adoption of standards, revisions and interpretations, effective for future annual periods. The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations would have no material impact on its financial statements in the period of initial application, except for IFRS 9 and IFRS 15, the impact of which has not yet been evaluated.

2.2. Functional and presentation currency

Functional currency is the currency in the primary economic environment in which an entity operates and in which mainly generates its cash inflows and outflows. It reflects the underlying transactions, events and conditions that are relevant to the entity. The Company prepares its financial statements in the national currency of the Republic of Bulgaria - the Bulgarian Lev, adopted by the Company as its functional currency.

These financial statements are presented in thousand Bulgarian Levs (BGN'000).

2.3. Foreign currency transactions

Transactions in foreign currency are initially recorded at the official rate of exchange of the Bulgarian National Bank (BNB) as of the date of the transaction. The foreign exchange rate differences, arising upon the settlement of these monetary positions or at restatement of these positions at rates, different from those when initially recorded, are reported in profit or loss for the respective period.

The monetary positions denominated in foreign currency as of each reporting period end are stated at the closing exchange rate of the BNB. Since 1999 the Bulgarian Lev is pegged to the EURO at the rate of 1.95583 BGN/EUR.

2.4. Accounting estimates and reasonable assumptions

The preparation of the financial statements in accordance with the IFRS requires management to make certain accounting estimates and reasonable assumptions that affect some of the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based on the best estimates of management, taking into account historical experience and analysis of all factors of significance in the circumstances as of the date of the financial statements. The actual results could differ from those estimates, presented in these financial statements.

3. Definition and valuation of the financial statements items

3.1. Property, plant and equipment and intangible assets

Property, plant and equipment are non-current assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period. Intangible assets are identifiable non-monetary assets without physical substance.

Property, plant and equipment and intangible assets are recognized and initially carried at cost, including the purchase price, import duties and non-refundable taxes, as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. After initial recognition, property, plant and equipment and intangible assets are stated at cost less accumulated depreciation and impairment loss, if any (see also note 3.2).

Subsequent costs are capitalized in the carrying amount of the asset, only if they satisfy the criteria for recognition of a non-current asset. All other subsequent costs are recognized in profit or loss for the period as incurred.

Depreciation is charged over the estimated useful lives, using the straight-line method.

3.1. Property, plant and equipment and intangible assets (continued)

The useful life of an asset is defined in terms of the asset's expected utility to the Company, and is a matter of judgment based on the experience with similar assets. The useful life of property, plant and equipment in years is estimated as follows:

Useful life	2015	2014
Administrative and commerce buildings	25 years	25 years
Machines and equipment	4-8 years	4-8 years
Computers and software	2 years	2 years
Transport vehicles	4-10 years	4-10 years
Office equipment	7 years	7 years
Intangible assets	2-7 years	2-7 years

Depreciation of an asset begins in the month, following the month in which the asset is available for use and ceases at the earlier of the date when the asset is classified as held for sale, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, and the date when the asset is derecognized.

The depreciation method applied to an asset and its estimated useful life are reviewed at least at each financial year-end, and changes are made to reflect the future usage of the asset or the expected pattern of consumption of the future economic benefits embodied in the asset. Such changes, if any, are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Land, assets under construction and fully depreciated assets are not depreciated.

3.2. Impairment of property, plant and equipment and intangible assets

As of the date of preparation of the financial statements, the management of the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication for impairment of these assets. If any such indication exists, the recoverable amount of the respective asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit, to which the asset belongs.

The recoverable amount is the higher of the asset's fair value less costs to sell the asset and its value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment loss is recognized in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the respective asset in prior periods. A reversal of an impairment loss is recognized in profit or loss immediately.

3.3. Inventories

Inventories are assets held for sale in the ordinary course of business of the Company, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. As direct sales are performed with inventories, i.e. the inventories have characteristics of goods, and also inventories, comprising materials, are consumed in the production process, the inventories cannot be classified as goods or materials until their sale or utilisation. Because the relative volume of directly sold inventory is significantly higher than that the volume of inventory input in production, the Company has adopted a policy to present inventories as goods (see also note 17).

Inventories are stated at the lower of cost and net realizable value. Cost comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories in their present location and condition– transportation, customs duties and other similar costs. Net realizable value represents the estimated selling price less all estimated costs to be incurred in completing the production and selling.

The costs on conversion of inventories include costs directly attributable to the units of production. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The costs of conversion of each product, which are not separately identifiable, are allocated between the products on a rational and consistent basis.

Upon processing of inventories products are created, having different designation, namely (i) products, manufactured under specific contracts with customers, which are presented as finished goods in the statement of financial position in the item inventories, and (ii) semifinished products intended for further processing for production of finished goods, which are presented as goods in the statement of financial position in the item inventories (see above). Since the manufacturing process of conversion of inventories is aggregated and it is not possible to distinguish the costs of semifinished products manufacturing and the costs for production, the costs are reported gross according to the nature of expenses in the statement of comprehensive income, and the amount representing the cost of semifinished products, manufactured during the reporting period, is reported in the item Other changes in inventories as an adjustment to the reported expenses gross amount. From April 1, 2014 the Company uses a new accounting software, where it is possible to distinguish the cost of production of semifinished products from the production costs and the method of gross cost accounting of expenses, mentioned above, is discontinued (see also note 3.16).

Upon consumption, the cost of inventories is defined by application of the weighted average cost method.

3.4. Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets/liabilities are recognized in the statement of financial position only when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized from the statement of financial position when the contractual rights to the cash flows from the financial asset expire, or the financial asset is transferred and the transfer qualifies for derecognition in accordance with the derecognition requirements of IAS 39 Financial Instruments: Recognition and Measurement.

Financial liabilities are removed from the statement of financial position only when they are extinguished – i.e. when the obligation specified in the contract is discharged or cancelled, or expired.

On initial recognition financial assets/liabilities are measured at fair value plus, in the case of financial assets/liabilities not reported at fair value through profit or loss, transaction costs, which are directly attributable to the acquisition or issue of the financial assets/liabilities.

For the purposes of subsequent measurement, in the current and prior reporting periods the Company classifies the financial assets and liabilities into the following categories: loans and receivables (trade and other receivables) and financial liabilities, other than those, reported at fair value through profit or loss (interest bearing loans and trade and other liabilities). The classification under each category depends on the purpose and term of the respective contract.

The effective interest method is a method of calculating the amortized cost of a financial asset or a liability (or group of financial assets/liabilities) and of allocating the interest expense or interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

3.4.1. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are originated when the Company provides cash, goods or services, having no intention to trade the receivable incurred. These receivables are stated at their amortized cost, calculated based on the effective interest rate method. For current receivables, which are expected to be settled within normal credit terms, the amortized cost is approximately equal to their nominal value.

3.4. Financial instruments (continued)

3.4.2. Cash

For the purposes of cash flow presentation, cash represents cash on hand and cash in bank accounts of the Company and other high-liquidity investments, that could be converted in certain cash amount and are subject to insignificant changes in value. For the purposes of cash flow presentation, cash comprises unrestricted cash funds. Cash receipts from customers and cash payments to suppliers are presented in the cash flow statement as their gross amounts, including value added tax (VAT).

3.4.3. Impairment of financial assets

As of the date of preparation of the financial statements the Company's management assesses whether there is any objective evidence for impairment of all financial assets, except for financial assets reported at fair value through profit or loss. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, resulting in a decrease of the estimated future cash flows. It may not be possible to identify a single, discrete event, rather than a combined effect of several events that may have caused the impairment.

Trade and other receivables

The Company recognizes impairment of trade receivables, whether there is objective evidence, that the Company would not be able to collect all amounts due at their maturity date. The Company considers as indications for potential impairment significant financial problems of the debtor, the probability that the debtor will be a subject to a bankruptcy procedure or non-fulfillment of the contract terms, as well as payment delay. If any of these indications for impairment occurs, the impairment loss is calculated as a difference between the carrying amount and the present value of the expected future cash flows, discounted by the original effective interest rate for similar assets. Current receivables are not discounted if the discounting effect is immaterial. Impairment is recorded by using a separate impairment account, which is shown as a reduction to receivables in the statement of financial position and the impairment expenses are stated as Other expenses in the statement of financial position. If a receivable is non-collectable and there is a recognized impairment loss for it, the receivable is written off by decrease of the respective allowance account. The recovery of the loss from impairment of trade receivables is reported as a decrease of the item, in which the impairment has been previously recorded.

3.4.4. Trade and other payables

Trade and other payables incurred as a result of purchases of goods and services, which are not classified as financial liabilities measured at fair value through profit or loss, are stated in the statement of financial position at amortized cost, calculated based on the effective interest rate. For current payables, which will be settled within normal credit terms, the amortized cost is approximately equal to their nominal value.

3.4. Financial instruments (continued)

3.4.5. Borrowings

Loans are initially recorded at the fair value of the proceeds received, net of transaction costs. After initial recognition, loans are measured at amortized cost, and any difference between the initial cost and maturity cost is recognized in the profit or loss over the loan period, using the effective interest rate method. If no transaction costs have been incurred in negotiating an interest bearing loan, the loan is not subject to amortization. This also applies to bank overdrafts, where the borrower is entitled to multiple utilizations or repayments of the borrowed funds within a pre-determined overdraft limit.

Finance costs, including direct issue costs are expensed, using the effective interest rate method, except for transaction costs on bank overdrafts, which are recognized as expense on a straight line basis over the overdraft period (see also note 3.10).

Loans are classified as current liabilities, unless the Company has an unconditional right to defer repayment of the liability for at least twelve months after the end of the reporting period.

3.4.6. Factoring

The Company performs transactions for assignment of trade receivables to a third party, which is a specialized factoring company (factor). Essentially these transactions are factoring of trade receivables with right of recourse.

The Company does not derecognise these financial assets until the cash flows from the end customer are not received, as not all risks and rewards, related to the trade receivables are transferred along with the transfer of the financial assets. Under the terms of the contract with the factor, the Company also recognizes financial liabilities, related to the fees and commissions. These liabilities are recognized at their fair value, as they are not subject to subsequent revaluation due to their short-term nature.

Upon receipt of the cash flows by the factor, the cash flows received are recorded as a current liability. Upon receipt of the cash flows related to trade receivable from the factor, the trade receivable is written off against the financial commitment to factor.

Trade receivables, that are a subject of the factoring agreement, are subsequently measured at their amortized cost.

3.4.7. Share capital

The share capital of the Company is presented at historical cost as of the date of its registration.

3.5. Deferred income and prepaid expenses

In the statement of financial position of the Company deferred income and prepaid expenses comprise income and expenses that are prepaid in this period, but refer to future reporting periods - guarantees, insurance, subscriptions, rents and government grants (see also note 3.9).

3.6. Income tax

Income tax expense comprises of current income tax and deferred tax.

The tax currently payable is based on the taxable profit (tax loss) for the period, by the application of the effective tax rate according to the tax legislation as of the date of the financial statements. Deferred tax is the income tax expected to be payable (recoverable) on taxable (deductible) temporary differences. Temporary difference is the difference between the carrying amount of an asset or liability and the corresponding tax basis.

Deferred income taxes are calculated using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets are recognized for deductible temporary differences, only to the extent that it is probable that sufficient taxable profit will be generated by the Company against which the deductible temporary difference can be utilized.

Deferred tax assets/liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on the information available at the date of preparation of the financial statements. Deferred tax is recognized in profit or loss, except when it relates to items reported as other comprehensive income, in which case the deferred tax is also reported as other comprehensive income.

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

Deferred tax assets and liabilities are reported net when they are subject to a unified tax regime.

In accordance with the tax legislation enforceable for 2015 and 2014, the tax rate applied for the calculation of the current tax liabilities of the Company is 10%. The enforceable for 2016 tax rate of 10% is applied in the calculation of the amount of deferred tax assets and liabilities as of December 31, 2015.

3.7. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of the present value of the minimum lease payments and their fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position of the Company as a finance lease obligation.

Lease payments are allocated between principal and interest, so as to achieve a constant interest rate over the remaining liability on the principal. Interest is recognized in profit or loss.

For assets acquired under finance leases depreciation expense is recognized as the Company's policy regarding depreciation of assets acquired under leases. is no different from the policy for other depreciable assets, owned by the Company.

Leases, whereas a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rental costs under operating lease contracts, net of any incentives received by the lessor, are recognized in profit or loss on a straight line basis over the term of the respective lease contract.

3.8. Employee benefits

Defined benefit plans

The Government of Bulgaria is responsible for the security of pensions under defined benefit plans. The expenses regarding the responsibility of the Company to pay defined social security are recognized in profit or loss at the time of their incurrence.

Unused paid annual leaves accruals

As of the end of each reporting period the Company recognizes as a liability the undiscounted amount of the estimated expenses for unused paid annual leaves, expected to be paid to employees in future reporting periods with respect of their past service. As of December 31, 2015 and 2014 there are no unused paid annual leaves of the personnel of the Company, therefore in profit or loss provisions on personnel paid annual leaves are not accrued.

Retirement benefits

According to the requirements of the Labour Code, upon termination of an employee labour contract at retirement. the Company is liable to indemnify the respective employee to the amount of two gross salaries, if the employee's experience in the Company is less than ten years. or six gross salaries, if the employee's experience in the Company is over ten consecutive years.

3.8. Employee benefits (continued)

Retirement benefits (continued)

Additionally, on early retirement due to disability, the employees are entitled to benefits amounting to two gross monthly salaries, provided that their length of service is at least five years, and they have received no other such benefits during the last five years of service.

In accordance with the requirements of IAS 19 Employee benefits, the Company recognizes a retirement benefits liability, which is determined estimated by a licensed actuary using the Projected Unit Credit Method. The current service costs and the interest on the obligation are recognized in profit or loss, and the actuarial gains and losses from adjustments based on experience and changes in the actuarial assumptions are charged or credited directly to equity, in reserve for actuarial recalculations, in the period, in which they arise. The subsequent changes in the reserve for actuarial recalculations are transferred directly in the retained earnings.

The past service costs are recognized as an expense on a straight line basis over the average period, until the benefits become vested. To the extent that the benefits are already vested, immediately following the implementation of or after changes in the retirement benefits plan, the Company recognizes the past service cost immediately. The amount of the retirement benefits obligation, reported in the statement of the financial position represents the present value of the defined benefits obligation of the Company.

3.9. Government grants

Government grants, (financing, government grants), are assistance by the government, government agencies and similar bodies in the form of transfers of resources to the Company in return for future compliance with certain conditions relating to the operating activities of the Company. Government grants may be (i) related to assets and (ii) related to income.

Government grants are recognized when there is reasonable assurance that: (i) the Company will comply with the conditions attaching to them; and (ii) the grants will be received.

The government grants received by the Company are related to assets and the main condition is to purchase, produce or acquire in other manner property, plant and equipment and intangible assets.

Government grants, related to assets are presented in the statement of financial position as deferred income, that are recognized as income on a systematic and rational basis over the useful life of the acquired assets.

3.10. Revenue and expenses recognition

Revenues and expenses are accrued when they arise, regardless of the cash receipts and payments. They are reported in compliance with the matching concept.

3.10. Revenue and expenses recognition (continued)

Revenues are carried at the fair value of the consideration received or receivable, less any discounts allowed by the entity.

Revenue is recognized when the amount of the revenue can be reliably measured and it is probable that future economic benefits will flow to the entity as a result of the transaction, and when all specific criteria for revenue recognition are met. It is considered that the amount of the revenue is not reliably measured until all contingencies related to the contract are dealt. The Company shall exercise judgment regarding the criteria for recognition of revenue based on its previous experience and the substance of each transaction and the class of each client.

Sales of goods

The revenue from sales of goods is recognized when the following conditions have been met:

- The significant risks and rewards of the ownership over the goods are transferred to the buyer;
- The Company has not retained a continuing involvement and effective control over the management of the goods, which usually relates to the ownership of the goods;
- It is possible in the event of the transaction, the Company to receive economic benefits;
- The income and expenses directly attributable to the transaction can be reliably measured.

Income from services

Revenue, associated with a transaction involving the rendering of services, is recognized by reference to the stage of completion of the transaction at the end of the reporting period. Revenue recognition by reference to the stage of completion of the transaction is called the percentage of completion method, whereby revenue is recognized in the accounting period in which the services are rendered. In case the outcome of the transaction cannot be reliably measured, revenue is recognized to the extent the expenses incurred are recoverable.

Interest income and dividends

Interest income and dividends are accrued by application of the effective interest rate method over the outstanding principal.

Dividend income is recognized, when the Company's rights to receive payment is established.

Expenses

Expenses are recognized in the profit or loss, when a decrease of future economic benefits arise, regarding decrease of an asset or increase of a liability, which can be reliably measured.

When the economic benefits are expected to incur during more than one financial period and the corresponding revenue cannot be measured precisely but only indirectly, the expenses shall be recognized based on procedures for rational and systematic allocation.

All amounts are in thousands of BGN, unless otherwise stated

3.10. Revenue and expenses recognition (continued)

Borrowing costs

The borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are those borrowing costs that would have been avoided, if the expenditure on the qualifying asset had not been made.

The amount of borrowing costs eligible for capitalization is determined as the actual borrowing costs incurred on the borrowings during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period.

Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. As in 2015 and 2014 the Company has no borrowing costs directly attributable to the acquisition or production of a qualifying asset, borrowing costs are not capitalized.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred and are determined on the basis of the outstanding principal and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the liability.

Other income/expenses

Profit/(loss) from sale of property, plant and equipment is presented as other income/(expenses). Compensations from third parties regarding impairment or loss of property, plant and equipment, are recognized in profit or loss, when such compensations become payable.

3.11. Financial instruments and financial risk assessment and management

The carrying amounts of the financial assets and liabilities as of December 31, 2015 and 2014, classified by category in accordance with the requirements of IAS 39 Financial Instruments: Recognition and Measurement, are presented in the table below:

Financial assets:

	December 31, 2015	December 31, 2014
Trade and other receivables, net (note 18)	24 944	28 970
Cash (note 19)	265	423
Total	25 209	29 393

All amounts are in thousands of BGN, unless otherwise stated

3.11. Financial instruments and financial risk assessment and management (continued)

Financial liabilities:

	December 31, 2015	December 31, 2014
Trade and other payables (note 21)	11 186	17 345
Borrowings (note 22)	21 334	24 364
Finance lease liabilities (note 23)	37	
Total	32 557	41 709

3.11.1. Financial risk factors

The Company's activities expose it to a variety of financial risks – market risk (comprising currency risk, interest rate risk and price risk); credit risk and liquidity risk. The Company does not use derivative financial instruments to manage financial risks.

3.11.2. Market risk

Currency risk

The Company performs transactions denominated in foreign currency primarily originated in EUR. As the EUR is fixed to the Bulgarian Lev, the Company is not exposed to currency risk.

Interest rate risk

As the Company has no significant interest bearing assets, the incomes and operating cash flows of the Company are independent from changes in market interest rates. Financial instruments that potentially expose the Company to interest rate risk are primarily the bank loans and finance lease contracts. As the contracted interest rate of the utilized loans is with a fixed markup over EURIBOR, the Company is potentially exposed to cash flow risk.

If the interest rates on the loans with floating interest rate during 2015, had been 1 % higher/(lower) with all other variables held constant, the financial result after taxes would have been BGN 192 thousand lower/higher (2014: BGN 219 thousand).

Price risk

The Company does not own any assets, the prices of which are dependent on the international market prices, so it is not exposed to price risk.

All amounts are in thousands of BGN, unless otherwise stated

3.11. Financial instruments and financial risk assessment and management (continued)

3.11.3. Credit risk

Financial assets that potentially expose the Company to credit risk are primarily its trade receivables. The Company has a significant concentration of credit risk in certain clients. Basically, the Company is exposed to credit risk, in case the clients do not meet their payment obligations. The Company's policy is directed to sales of goods on deferred payment to customers having favorable credit reputation, based on assessment of the customer's credit history and creditworthiness, expected sales volumes to the client, client's reputation, reference from contactors and others. For clients on deferred payment credit limits are defined, within which the clients are entitled to purchase goods on deferred payment. The credit limits are monitored by the Company's trade directorate on an ongoing basis.
In addition, to minimize the credit risk, the Company demands collateral from some clients, when such is possible to be ensured.

3.11.4. Liquidity risk

Liquidity risk is the risk that the Company may have difficulties in paying its financial obligations. To manage this risk the Company's management keeps an optimal level of quick liquid assets (cash and receivables), as well as the potential opportunity to demand additional credit line.

The Company's financial liabilities as at the end of the reporting period, are stated in the table below, classified according their contracted maturity. The amounts reported are the contracted non-discounted cash flows. The amounts due within twelve months after the end of the reporting period are approximately equal to their carrying amount, as the discounting effect for them is insignificant.

	Up to 1 year
December 31, 2015	
Borrowings (note 22)	21 703
Finance lease liabilities (note 23)	37
Trade and other payables (note 21)	11 186
Total	32 926
December 31, 2014	
Borrowings (note 22)	24 738
Trade and other payables (note 21)	17 345
Total	42 083

All amounts are in thousands of BGN, unless otherwise stated

3.12. Capital risk management

The primary goal of the management of the Company in capital risk management is to maintain the share capital level in such limits, so that the Company could maintain its normal activities on a going concern basis, as well as to provide returns to its owners. In order to accomplish those goals the management aims to maintain an optimal capital structure, so as to reduce the cost of capital.

The capital structure is measured by the gearing ratio, which is a ratio between the net debt and equity. The net debt is calculated as the difference between interest bearing loans and finance lease obligations on one side and cash on the other side. The gearing ratio shows the extent to which the Company finances its activities with equity or with borrowings.

	December 31, 2015	December 31, 2014
Borrowings (note 22)	21 334	24 364
Finance lease liabilities (note 23)	37	-
Cash and cash equivalents (note 19)	(265)	(423)
Net debt	21 106	23 941
Equity	42 876	42 559
Gearing ratio	0.492	0.563

3.13. Estimates of fair value

Fair value of financial instruments that are not traded on an active market , is determined based on valuation techniques. To determine the fair value of some instruments the discounted cash flows method is applied. The fair values of current trade receivables and liabilities is assessed to be close to their nominal values, as the discounting effect for them is insignificant.

3.14. Impact of the economic environment in the country

The Bulgarian economy in 2015 is continuing to be characterized by slight economic growth and low investor interest, deflation and unemployment, negative trade balance, uncertain economic environment for the business and the population, combined with high savings and low credit activity. In 2015 the domestic consumption, export and investments are the main drivers of economic growth for the country.

During 2015 the Bulgarian economy continued to register low growth rates around 1.9% to 2% expected for the year.. For 2016 analysts expect economic growth of the Gross domestic product (GDP) of Bulgaria from 2.2% to 2.6% with a deflation in consumer prices of 0.2% to 0.7% for 2015, and an inflation rate of 0.8% to 1.7% for 2016, accompanied by a slowly decreasing unemployment. Although slightly better, the forecasts for 2017 are also for a weak economic growth, as the GDP projected in the approved state budget for 2016, is at the rate of 2.1%.

3.14. Impact of the economic environment in the country (continued)

Despite the expected GDP growth for 2015 and 2016, due to its low rate, it will have an insignificant effect on the labor market and employment, which are expected to remain a major problem area. The reported unemployment rate for 2015 slightly decreased to 10%, and for 2016 it is expected to fall just under 9.1%.

In 2015 for the Bulgarian banking sector retained is the steady tendency of declining interest rates on deposits and loans, which is favorable for lending and investment activities; however, the demand for bank loans continues to be low, despite the available cash resources and increased supply.

Future economic development of Bulgaria depends significantly on the economic, financial and monetary measures undertaken by the government and on the tax, regulatory and policy changes. The country's economy is also under the direct influence of the international economic conditions. Due to the sharp decrease in the prices of oil from 2015, retained is the risk for deflation to continue throughout 2016, accompanied by the risks imposed by the migration crisis in the EU zone and the Russian-Ukrainian crisis, uncertainty about the natural gas supplies and delayed economic recovery in the EU.

Management is unable to foresee and estimate reliably all the effects of changes in the Company's operating economic environment over the Company's future financial position. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Impact on debtors

Debtors of the Company may be adversely affected by the financial and economic environment which could in turn impact their ability to repay the amounts owed. Deteriorating economic conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

3.15. Critical accounting judgments and sources of estimation uncertainty

The application of the adopted accounting policy requires the Company's management to apply certain accounting estimates and assumptions, which have significant effect on the financial statements. Such judgments rarely are equal to the actual results. Due to their nature the estimations are permanently reviewed and updated taking into account historical experience and analysis of all factors of significance, including expected future events, which the management believes are appropriate given the factual circumstances.

3.15. Critical accounting judgments and sources of estimation uncertainty (continued)

Retirement benefits obligation

Retirement benefits obligation is determined on the basis of actuarial valuation. This valuation requires certain assumptions about discount rates, future salary increases, staff turnover and mortality rates to be made. Due to the long term nature of the personnel benefits on retirement, these assumptions are subject to considerable uncertainty. As of December 31, 2015, the Company's defined benefits obligation is at the amount of BGN 281 thousand (2014.: BGN 255 thousand). Additional information about the defined benefits obligation is presented in note 25.

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

Financial reporting of property, plant and equipment, and intangible assets involves the use of estimates of their expected useful life and residual values, that are based on judgments by the management of the Company.

Valuation of inventories

By the acquisition the inventories are recognized at cost comprising all costs of purchase, costs of conversion and other costs incurred in bringing the inventories in their present location and condition– transportation, customs duties and other similar costs.

At the end of each reporting period the inventories are valued at the lower of cost and net realizable value. The net realizable value represents the estimated selling price less all estimated costs to be incurred for the completing of the conversion and sale. The assessment is performed based on the best estimate of the management for the sales prices of the inventories as at the date of preparation of the financial statements.

Impairment of receivables

Allowance for impairment of trade receivables is recognized, whether there is objective evidence, that it would not be able to collect all amounts due at their maturity date. Significant financial problems of the debtor, the probability that the debtor will be subject to a bankruptcy procedure or financial reorganization, or non-fulfillment of the contract terms are considered by the management, by the determination and classification of individual amount for impairment.

Assessment of the estimated loss from doubtful and uncollectable receivables is performed on an individual basis at the end of each financial year, depending on the overdue period. All doubtful receivables, not collected as at the date of the financial statements and for which indications for impairment existed, are impaired.

All amounts are in thousands of BGN, unless otherwise stated

3.15. Critical accounting judgments and sources of estimation uncertainty (continued)

Corporate income tax

For its activities the Company is subject to tax audits by the Bulgarian tax authorities. The Company recognizes liabilities for expected tax obligations from future tax audits on the basis of assessment of management whether additional taxes would be due for payment. When the finally payable taxes resulting from such events are different from the preliminary recorded taxes, these differences will be reported as short-term corporate income taxes payable and will affect the deferred taxes for the period in which this difference has occurred.

3.16. Comparative information for the current and prior reporting period

As stated in note 3.3, from April 1, 2014 the Company uses a new accounting software, where it is possible to distinguish the cost of production of semifinished products from the production costs. From this date discontinued is the gross accounting of production costs according their substance in the statement of comprehensive income and their adjustment with the amount, comprising the cost of semiproducts produced for the reporting period in item Other changes in inventories. Therefore, as well as because the data presented in items Materials expenses and Other changes in inventories in the statement of comprehensive income is not possible to be recalculated for comparative information purposes, they are not completely comparable.

4. Revenue

	December 31, 2015	December 31, 2014
Revenue from sale of goods	65 349	57 409
Revenue from sale of finished goods	5 187	8 605
Revenue from rendering of services	70	254
Total	70 606	**66 268**

Revenue from sale of goods, is as follows:

	December 31, 2015	December 31, 2014
Cables and wires	42 531	38 891
Electrical and automation equipment	11 040	7 081
Lighting fixtures and electrical materials	6 467	7 004
Cable accessories	2 899	2 589
Transformer substations, complete distribution systems and others	2 192	819
Renewable energy sources	130	678
Other	90	347
Total	65 349	57 409

All amounts are in thousands of BGN, unless otherwise stated

4. Revenue (continued)

Revenue from sale of finished goods is, as follows:

	December 31, 2015	December 31, 2014
Construction projects	1 566	1 355
Concrete transformer substations	1 256	3 599
Electrical LV-switchboards	1 207	1 951
Other	1 158	1 700
Total	5 187	8 605

5. Other income, net

	December 31, 2015	December 31, 2014
Rents	784	613
Bonuses	503	142
Income from financing	152	211
Income from insurance compensations paid	21	-
Waste products	5	2
Liabilities written-off	1	-
(Loss)/gain from sale of property, plant and equipment and materials	(5)	3
Surpluses of assets	-	1
Impaired receivables	-	3
Other	1	6
Total	1 462	981

6. Materials expenses

	December 31, 2015	December 31, 2014
Materials for the production process	2 899	5 989
Fuels	371	551
Electricity and water consumption	134	209
Maintenance materials	63	65
Materials for transport vehicles	35	46
Office materials and consumables	22	99
Safety and protective equipment	8	10
Furniture and fittings	3	9
Other	1	18
Total	3 536	6 996

All amounts are in thousands of BGN, unless otherwise stated

7. Hired services

	December 31, 2015	December 31, 2014
Hired services on a subcontractor and for production process	1 901	1 469
Charges	218	161
Rents	180	188
Repairs and maintenance	180	190
Consulting services	162	130
Advertizing and promotion	117	123
Notary and legal advisory services	117	84
Insurances	97	108
Transportation	45	229
Communication	41	66
Personnel trainings	6	8
Other	59	140
Total	3 123	2 896

8. Personnel expenses

	December 31, 2015	December 31, 2014
Remunerations	2 976	3 804
Social security expenses	473	622
Retirement benefits obligation	41	38
Total	**3 490**	**4 464**

9. Depreciation and amortization expenses

	December 31, 2015	December 31, 2014
Dpreciation of property, plant and equipment	1 558	1 838
Amortization of intangible assets	97	109
Total	1 655	1 947

For 2015 depreciation and amortization expenses at the amount of BGN 152 thousand (2014: BGN 211 thousand) are compensated with recognized income from government grants (see also note 5).

All amounts are in thousands of BGN, unless otherwise stated

10. Cost of goods sold

	December 31, 2015	December 31, 2014
Cables and wires	38 166	35 432
Electrical and automation	10 118	6 293
Lighting fixtures and electrical materials	5 495	5 975
Cable accessories	2 342	2 022
Transformer substations, complete distribution systems and others	2 151	724
Renewable energy sources	121	506
Other	77	108
Total	**58 470**	**51 060**

11. Other expenses

	December 31, 2015	December 31, 2014
Taxes, charges and other similar expenses	173	215
Social expenses	132	166
Business trips – in the country and abroad	114	160
Shrinkage and waste of inventory	75	44
Representation expenses	43	37
Fines and penalties	30	-
Donations	5	8
Receivables written-off	3	11
Trade bonuses	-	15
Other expenses	9	7
Total	**584**	**663**

12. Finance income and expenses

	December 31, 2015	December 31, 2014
Finance income		
Income from trade loans granted	522	-
Interest income on bank accounts	3	1
Income from delayed trade payments	1	272
Exchage rate differences gains, net	62	-
Dividends received	-	102
Other income	-	7
Total	**588**	**382**
Finance expenses		
Interest expenses on trade loans	*767*	*832*
Interest expenses on retirement benefits provisions	*6*	*13*
Total interest expenses	773	845
Bank charges, commissions and other expenses, net	263	171
Total	**1 036**	**1 016**

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All amounts are in thousands of BGN, unless otherwise stated

13. Income tax

Income tax expense comprises current income tax expense and deferred income tax expense in accordance with IAS 12 Income Taxes.

	December 31, 2015	December 31, 2014
Income tax from previous periods	-	7
Deferred tax	27	(6)
Total tax expense	27	1

Net deferred tax assets arising from tax effects on the taxable and deductible temporary differences are, as follows:

	December 31, 2015	December 31, 2014
Non-current assets	(39)	(34)
Total liabilities on deferred tax	(39)	(34)
Receivables and inventory	84	103
Tax losses carried forward	26	33
Retirement benefits provisions	28	26
Provisions on personal income	6	4
Total assets on deferred taxes	144	166
Assets on deferred taxes, net	105	132

The reconciliation of the tax expense to the accounting profit, and a recalculation of the effective tax rate as at December 31, 2015 and 2014 are provided in the table below:

	December 31, 2015	December 31, 2014
Accounting profit	341	220
Applicable tax rate	10%	10%
Income tax at the applicable tax rate	34	22
Tax effect on permanent differences	8	3
Tax effect from financing	(15)	(21)
Tax effect from dividends income	-	(10)
Taxes from previous periods	-	7
Tax effect from a merger	-	-
Total income tax expense	27	1
Effective tax rate	**7.92%**	**0.45%**

All amounts are in thousands of BGN, unless otherwise stated

14. Property, plant and equipment

	Land and land improvements	Buildings	Machines and equipments	Transport vehicles	Computers and other assets	Assets under construction	Total
Cost of acquisition							
Balance at December 31, 2013	**4 302**	**18 118**	**8 430**	**4 652**	**1 719**	**2 159**	**39 380**
Additions	-	-	14	74	65	689	842
Disposals	-	-	-	(61)	-	-	(61)
Tranfers	-	406	16	-	-	(422)	-
Balance at December 31, 2014	4 302	18 524	8 460	4 665	1 784	2 426	40 161
Additions	-	-	32	45	13	388	478
Disposals	(59)	-	-	(64)	(14)	(66)	(203)
Balance at December 31, 2015	4 243	18 524	8 492	4 646	1 783	2 748	40 436
Depreciation							
Balance at December 31, 2013	**895**	**4 008**	**5 441**	**3 468**	**1 445**	-	**15 257**
Depreciation	161	729	521	241	186	-	1 838
On disposals	-	-	-	(60)	-	-	(60)
Balance at December 31, 2014	1 056	4 737	5 962	3 649	1 631	-	17 035
Depreciation	130	744	334	230	120	-	1 558
On disposals	-	-	-	(52)	(14)	-	(66)
Balance at December 31, 2015	1 186	5 481	6 296	3 827	1 737	-	18 527
Carrying amount							
At December 31, 2013	3 407	14 110	2 989	1 184	274	2 159	24 123
At December 31, 2014	3 246	13 787	2 498	1 016	153	2 426	23 126
At December 31, 2015	3 057	13 043	2 196	819	46	2 748	21 909

Assets acquired in 2015 include machinery, equipment, computers and construction of assets. Acquired vehicles are under finance lease contracts.

As of December 31, 2015 property, plant and equipment at cost of BGN 9 915 thousand (2014: BGN 9 060 thousand) are fully depreciated.

Property, plant and equipment with a carrying amount of BGN 11 131 thousand (2014: BGN 8 135 thousand) serve as a collateral under bank loans utilized by the Company (see also note 22).

All amounts are in thousands of BGN, unless otherwise stated

15. Intangible assets

	Software	Other intangible products	Total
Other intangible products			
Balance at December 31, 2013 and 2014	**646**	**127**	**773**
Additions	-	-	-
Balance at December 31, 2015	646	127	773
Amortization			
Balance at December 31, 2013	**218**	**104**	**322**
Amortization for the year	99	10	**109**
Balance at December 31, 2014	317	114	431
Amortization	**88**	9	**97**
Balance at December 31, 2015	405	123	528
Carrying amount			
At December 31, 2013	428	23	451
At December 31, 2014	329	13	342
At December 31, 2015	241	4	245

As at December 31, 2015 intangibles with cost amounting to BGN 348 thousand are fully depreciated (2014: BGN 274 thousand).

16. Investments in entities

As at December 31, 2015 and 2014 the Company has investments in the following subsidiary and other companies:

Company	**Operations**	**December 31, 2015**		**December 31, 2014**	
		BGN'000	**Participation %**	**BGN'000**	**Participation %**
Subsidiary companies:					
Engineering EAD	Installation	139	100.0%	139	100.0%
Filkab Solar Ltd.	Installation	35	70.0%	50	100.0%
Filkab Distributie SRL, Romania	Trade	1 222	71.4%	1 222	71.4%
MAK KAB DOOEL, Macedonia	Trade	1 168	100.0%	1 168	100.0%
Filkab Solar Enerli A.Ş., Turkey	Installation	71	100.0%	18	100.0%
Filkab MIG DOO, Serbia	Trade	50	51%	-	-
Gespro Green Energy S.R.L., Romania	Installation	1	100 0%	-	-
Total subsidiary companies		2 686		2 597	
Other entities		7		7	
Total		**2 693**		**2 604**	

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16. Investments in entities (continued)

Investments in subsidiaries and other companies are presented at cost of acquisition in accordance with the requirements of IAS 27, as these investments are not quoted in an active market and their fair value cannot be reliably determined.

In 2015 a new subsidiary Filkab MIG is registered in Serbia and has acquired 100% of the share capital in Gespro Green Energy S.R.L., Romania.

In 2015 a sale of shares in Filkab Solar Ltd. was performed by wo individuals. A change of the legal form of Filkab Solar was performed - from a sole-owner limited liability company in a limited liability company and the Company's interest in the share capital of Filkab Solar Ltd. Decreased from BGN 50 thousand to BGN 35 thousand, comprising 70%.

17. Inventory, net

	December 31, 2015	December 31, 2014
Goods	25 142	28 031
Work in progress	904	1 256
Finished goods	236	305
Total	**26 282**	**29 592**

In 2015 and 2014 a portion of the impairment, charged to profit or loss in 2012, was reversed at the amount of BGN 37 thousand and BGN 57 thousand, respectively.

As of December 31, 2015 inventories at the amount of BGN 11 393 thousand (2014: BGN 18 384 thousand) are pledged as a collateral on bank loans utilized by the Company (see also note 22).

18. Trade and other receivables, net

	December 31, 2015	December 31, 2014
Trade receivables, gross	18 180	25 029
Impairment	(547)	(704)
Trade receivables, net of impairment	17 633	24 325
Receivables from related parties	5 098	3 517
Trade loans granted	718	-
Deposits and guarantees granted	499	532
Advances granted	294	494
Dividends	102	102
Court receivables	55	58
Prepaid expenses	25	89
Refundable taxes, other than income taxes	16	-
Other receivables	87	57
Total current trade and other receivables, net	**24 527**	**29 174**

All amounts are in thousands of BGN, unless otherwise stated

18. Trade and other receivables, net (continued)

	December 31, 2015	December 31, 2014
Receivables from related parties	600	-
Total non-current trade and other receivables	**600**	-

As at December 31, 2015 trade receivables with carrying amount of BGN 17 633 thousand are completely serviced (2014: BGN 24 325 thousand).

Receivables from related parties are disclosed in note 27.

Company's policy regarding the monitoring of receivables and indications for impairment is disclosed in note 3.4.3. Trade receivables, that are overdue till 3 months after their maturity date, are not considered not-serviced.

The movement of the impairment of trade and other receivables is, as follows:

	December 31, 2015	December 31, 2014
Balance at the beginning of the period	704	921
Written-off	(157)	(214)
Reintegrated	-	(3)
Balance at the end of the period	**547**	704

The carrying amount of the current and non-current trade and other receivable.s analyzed by foreign currency is, as follows:

	December 31, 2015	December 31, 2014
BGN	12 326	14 504
EUR	11 721	14 614
RON	672	-
TRY	243	-
GBP	108	-
USD	57	56
Total	**25 127**	29 174

As of December 31, 2015 trade receivables of the Company at the amount of BGN 1 439 thousand serve as a collateral to bank loans utilized by the Company (see note 22).

As at December 31, 2015 financial assets held by the Company comprise trade and other receivables. To determine their fair value the Company uses the discounted cash flows method. Short-term financial instruments are with a negligible short defer of maturity and their carrying and fair values are approximately equal. Carrying and fair values of long-term financial instruments are approximately equal. The Company classifies its financial assets in Level 2 inputs, other than quoted prices included within Level 1, that are either directly or indirectly observable.

All amounts are in thousands of BGN, unless otherwise stated

19. Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash in bank accounts	234	388
Cash on hand	31	35
Total	**265**	**423**

As at December 31, 2015 cash on bank accounts of the Company at the amount of BGN 53 thousand are as a collateral on bank loans utilized by the Company (see note 22).

20. Receivables on income taxes

	December 31, 2015	December 31, 2014
Balance at the beginning of the period	21	18
Offset against other taxes	(21)	-
Corporate income tax paid	-	3
Balance at the end of the period	-	21

21. Trade and other payables

	December 31, 2015	December 31, 2014
Payables to suppliers	10 234	14 451
Advances received from customers	719	2 231
Payables on taxes	606	423
Payables to employees and social securities payable	306	316
Payables to related parties and key management personnel	153	142
Guarantees	72	64
Dividends payable	-	448
Other	8	9
Total	**12 098**	**18 084**

As of December 31, 2015 in the Company there are no unutilized paid annual leaves by the personnel.

As at December 31, 2015 financial liabilities of the Company comprise trade and other payables. To determine their fair value the Company uses the discounted cash flows method. As the financial liabilities are short-term and with a negligible short defer of maturity, their carrying and fair values are approximately equal. The Company classifies its financial liabilities in Level 2 inputs, other than quoted prices included within Level 1, that are either directly or indirectly observable.

Payables to related parties are disclosed in note 27

22. Borrowings

As at December 31, 2015 and 2014 the Company has current bank loans received at the amount of BGN 21 334 thousand and BGN 24 364 thousand, respectively.

Liabilities under loans, analyzed by foreign currency are, as follows:

	December 31, 2015		December 31, 2014	
	Original currency in thousands	**BGN'000.**	**Original currency in thousands**	**BGN'000**
BGN	751	751	2 026	2 026
EUR	10 524	20 583	11 421	22 338
Total		21 334		24 364

All bank loans received are at a floating interest rate and a fixed markup. The interest rate is bound to 1-month and 3-month EURIBOR, therefore the interest rates are updated on an ongoing basis. The bank loans terms can be renegotiated after one year of their allocation, after a respective financial analysis by the bank-creditor.

Bank loans granted to the Company are secured by a mortgage on property, plant and equipment, pledge of inventories, trade receivables and cash funds (see also notes 14, 17, 18 and 19).

Financial liabilities held by the Company as of December 31, 2015 include interest bearing loans. To determine their fair value the Company uses the discounted cash flows method. The Company classifies its financial assets in Level 2 - inputs, other than quoted prices included within Level 1, that are either directly or indirectly observable. The interest bearing loans fair value as at December 31, 2015 and 2014, is at the amount of BGN 21 330 thousand and BGN 24 360 thousand, respectively and the carrying amount is BGN 21 334 thousand and BGN 24 364 thousand, respectively.

23. Finance lease liabilities

		Minimum lease payments		**Present value of minimum lease payments**
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Finance lease liabilities				
Up to one year	14	-	11	-
Between two and five years	28	-	26	-
Less: Interest on leases	(5)	-	-	-
Present value of finance lease liabilities	37	-	37	-
Less: Present value of finance lease liabilities up to one year			**(11)**	-
Present value of finance lease liabilities over one year			**26**	-

All amounts are in thousands of BGN, unless otherwise stated

23. Finance lease liabilities (continued)

As at December 31, 2015 the Company has liabilities under financel lease contracts for acquisition of transport vehicles. The Company's management believes that the fair value of the finance lease liabilities does not differ significantly from their present value.

24. Deferred income

In 2013 the Company has entered into contract for a government grant with the Bulgarian Small and Medium Enterprises Promotion Agency to the Ministry of Economy, Energy and Tourism of the Republic of Bulgaria, financed through the Operational programme "Development of the competitiveness of the Bulgarian economy 2007 – 2013". Government grant amount under the contract is BGN 363 thousand and is received in 2014.

Movement of the government grants is, as follows:

	December 31, 2015	December 31, 2014
Balance at the beginning of the period	152	-
Government grants received	-	363
Recognised income from government grants	(152)	(211)
Balance at the end of the period	-	152

25. Retirement benefits obligation

Movement of the retirement benefits obligation, recognized in the statement of financial position is, as follows:

	December 31, 2015	December 31, 2014
Present value of the retirement benefits obligation	255	358
Expenses on current length of service	41	38
Interest expenses	6	13
Benefits paid	(18)	(19)
Actuarial gain, arising from adjustments due to experience	(2)	(118)
Actuarial gain, arising from adjustments due to experience	(1)	(17)
Balance at the end of the period	281	255

All amounts are in thousands of BGN, unless otherwise stated

25. Retirement benefits obligation (continued)

For the years ended December 31, 2015 and 2014 expenses on current length of service are included in the personnel expenses.

The amounts, recognized in the statement of comprehensive income, regarding retirement benefits obligation are, as follows:

	December 31, 2015	December 31, 2014
Expenses on current length of service, net	41	38
Interest expenses	6	13
Expenses, recognized in profit or loss	47	51
Actuarial gain, arising from change in the financial assumptions	(1)	(17)
Actuarial gain, arising from adjustments due to experience	(2)	(118)
Actuarial gain, recognized in other comprehensive income	(3)	(135)
Total	44	(84)

Retirement benefits obligation liability as at December 31, 2015 and 2014 includes:

	December 31, 2015	December 31, 2014
Benefits on attainment of retirement age	280	254
Benefits on early retirement	1	1
Total	281	255

The movement of the reserve on retirement benefits obligation is, as follows

	December 31, 2015	December 31, 2014
Balance at the beginning of the period	173	51
Actuarial gain, recognized in other comprehensive income, gross	3	135
Deferred taxes, directly recognized in equity	-	(13)
Balance at the end of the period	**176**	**173**

Provision is accrued upon adoption of the following basic financial assumptions:

	December 31, 2015	December 31, 2014
Discount rate	2.5%	3.5%
Future remunerations increase for the following five years	5%	5%
Future remunerations increase after the fifth year	3%	4%

All amounts are in thousands of BGN, unless otherwise stated

25. Retirement benefits obligation (continued)

The demographic actuarial assumptions used are based on the following:

- data for the personnel turnover for the Company for the last three years;
- mortality rate data for the overall mortality of the population of Bulgaria, according to data of the National Statistical Institute for the period from 2011 to 2013;

Personnel turnover is, as follows:

Age	**December 31, 2015**	**December 31, 2014**
18 – 30 years	4 %	4 %
31 – 40 years	3 %	3 %
41 – 50 years	2 %	2 %
51 – 60 years	1 %	1 %
over 60 years	0 %	0 %

Under the provisions of the present Collective Labour Contract and pursuant to the Labour Code, the employees are entitled to retirement benefits amounting to two gross monthly salaries on attainment of retirement age or six gross monthly salaries if the length of service is in companies from the group for the last 10 consecutive years.

Defined benefit plan exposes the Company to the following actuarial risks:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate of Bulgarian government securities, denominated in BGN, with maturity up to 10 years, and the data for the following periods is received by data interpolating.
Interest risk	A decrease in the interest rate of the Bulgarian government securities will increase the defined benefit plan liability.
Longevity risk	The present value of the defined benefit liability is calculated by reference to the best estimate of the mortality of plan participants
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan's liability

All amounts are in thousands of BGN, unless otherwise stated

25. Retirement benefits obligation (continued)

A sensitivity analysis based on reasonably possible changes in the respective assumptions, at the end of the reporting period, assuming all other assumptions held constant is, as follows:

	Less 1 %	Assumptions and results used	Plus 1 %
Discount rate	1.5%	2.5%	3.5%
Amount of the liability (BGN thousand)	325	281	245
Difference (BGN thousand)	44	-	(36)
Difference (%)	14%	-	(14%)
Salary growth	2.00%	3.00%	4.00%
Amount of the liability (BGN thousand)	245	281	324
Difference (BGN thousand)	(36)	-	43
Difference (%)	(14%)	-	13%
Probability of early retirement	1.11%	1.97%	2.97%
Amount of the liability (BGN thousand)	283	281	278
Difference (BGN thousand)	2	-	(3)
Difference (%)	1%	-	(1%)
Mortality assumption	-1 year	Mortality rate	+ 1 year
Amount of the liability (BGN thousand)	277	281	284
Difference (BGN thousand)	(4)	-	3
Difference (%)	(1%)	-	1%

The sensitive analysis presented above may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above calculations the projected unit credit method is used, the same as that applied in calculating the retirement benefit obligation liability, recognized in the statement of financial position.

26. Share capital and reserves

The share capital of the Company is presented at nominal value, according to the court decision for registration and as of December 31, 2015 and 2014 is distributed into 2 000 000 shares with a nominal value of BGN 10 each.

In accordance with the Bulgarian Commerce Act requirements, the Company is obliged to set up a legal reserves (reserve fund). The sources of financing the reserve fund are:

- at least one tenth of the profit which is set aside until the fund's assets reach one tenth or more of the Company's share capital or such other larger portion as the Company's statute may provide;
- the proceeds obtained in excess of the nominal value of shares and debentures upon their issuing;
- the total of the additional payments made by the shareholders for preferences given them with shares;
- other sources provided for by the Company's statute or by a general meeting resolution.

Disbursements from the reserve fund may be made only for covering losses. When the amount of the reserve fund exceeds one-tenth of the Company's share capital, the excess amount may be used for increase of the share capital.

All amounts are in thousands of BGN, unless otherwise stated

26. Share capital and reserves (continued)

Other reserves are formed during previous periods based on the enforceable at that time legislation. Their use is determined according to decisions of the General meeting of the shareholders. For the set up and use of the reserve for retirement obligations (actuarial gains and losses) see notes 3.8 and 25.

Based on a decision of the General meeting of the shareholders from March 2015, dividends are not distributed from the profit realized in 2014. In 2014 dividends are not distributed from the profit realized in 2013 at the amount of BGN 700 thousand, that are reported as a decrease in retained earnings in the statement of changes in equity for 2014.

As of December 31, 2015 dividends, due for previous years are completely paid (see note 21).

27. Related parties transactions

In 2015 and 2014 the Company performed transactions with the following related parties:

Related party	**Nature of relationship**
Engineering EAD	Subsidiary company
Filkab Solar Ltd.	Subsidiary company
Mak Kab DOO, Macedonia	Subsidiary company
Filkab Distribution, Romania	Subsidiary company
Filkab Solar Energy AS, Turkey	Subsidiary company
Filkab MIG, Serbia	Subsidiary company
Gespro Green Energy S.R.L., Romania	Subsidiary company
Poly Bolcans Ltd.	Company with participation of key management personnel
Management of the Company	Key management personnel

Related parties transactions relate mainly to:

- Purchase-sale of goods and installments performed;
- Loans granted;
- Remunerations paid;

During 2015 and 2014 the Company transactions with related parties are, as follows:

Related party	**December 31, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
	Sale of goods, services and assets	Sale of goods, services and assets	Purchase of goods and services	Purchase of goods and services
Subsidiaries	10 584	6 816	5 916	1 605
Company with participation of key management personnel	161	2	-	-
Total	10 745	6 818	**5 916**	**1 605**

All amounts are in thousands of BGN, unless otherwise stated

27. Related parties transactions (continued)

As of December 31, 2015 and 2014 the outstanding balances with related parties are, as follows:

Related party	**December 31, 2015**	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
	Receivables	Receivables	Payables	Payables
Subsidiaries	5 707	3 617	153	142
Company with participation of key management personnel	30	2	-	-
Key management personnel	63	-	-	-
Total	**5 800**	3 619	153	**142**

Dividends distributed and dividends liabilities are presented in note 21.

28. Cash flows generated from operating activities

	December 31, 2015	**December 31, 2014**
Profit for the period before taxation	341	220
Adjustments for:		
Depreciation	1 655	1 947
Income from financing	(152)	(211)
Dividends	-	(102)
Receivables written-off	3	11
Provision accrued on retirement benefits obligation	29	51
Loss/(profit) from sale of property, plant and equipment	5	(3)
Interest expenses and charges, net	681	730
	2 562	2 643
Changes in working capital, including:		
Trade and other receivables	3 978	5 217
Inventory	3 310	(996)
Trade and other payables	(5 538)	(4 028)
Cash flows generated from operating activities	4 312	2 836