



**ANNUAL MANAGEMENT REPORT**  
**INDEPENDENT AUDITOR'S REPORT**  
**SEPARATE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2016**

*(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, cable fittings and accessories, electrical and automation equipment, monitoring and visualization, lighting fixtures, and electrical installation systems and products.

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 separating the production and design activities in two subsidiaries:

- Engineering EAD, which provides engineering services, 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.

Through its subsidiary companies (Engineering EAD, FILKAB Solar Ltd., MAKKAB DOOEL – Macedonia, and FILKAB 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 projects in 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 the end of 2016, the Company became the sole proprietor of the Romanian SPV project company SC Solar Remus. S.R.L., owner of a PV park (2160 kWp) near Bucharest. The acquisition has helped for the restructuring of the debt of Apostolos Bobolas S.A. to FILKAB, arising upon an agreement for construction of the photovoltaic plant, a major asset of the Romanian SPV.

The economic situation in 2017 will continue to cause changes in the industry in which FILKAB AD operates. For 2016 the GDP rate in the country was 3.6%. The economic growth model for 2016 is dominated by the export – i.e. sales abroad were the main reason for the growth during the year. That was also the main reason, to a certain extent, in 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, completed was the new commercial and warehouse centre on the territory of Macedonia, used 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 2017–2018 will reach growth of 2.9%. In this regard, the Company should continue its activities on the diversification of offered products and services from the rapidly growing new areas – energy efficiency solutions, new efficient lighting sources and renewable energy sources: wind, water, sun, bioenergy. FILKAB AD is developing 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.

The Company does not perform research and development activities.

## **2. Share Capital of the Company**

As of December 31, 2016 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 nine individuals. In 2016 shares at nominal value were transferred from two individuals to three new shareholders, also individuals, and no new shares were issued. The transferred shares present 31.45 % of the share capital of the Company. As of December 31, 2016, the net assets of Company are at the amount of BGN 42 894 thousand (2015: BGN 42 876 (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	SOLAR REMUS S.R.L., Romania	1000	4	99.80%
9	FILKAB SUN S.R.L., Romania	99	0.4	99.00%
10	OTHER	-	7	4.00%-5.00%
<b>Total:</b>			<b>2 697</b>	

### 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 an Executive Director.

As of December 31, 2016, the Board of Directors of FILKAB AD consists of seven members, 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. Atanas Ivanov Tanchev, member of the BoD - Executive Director.

For 2016 the remunerations received by the Board of Directors are at the amount of BGN 252 thousand.

The operational management of the Company is carried out by:

1. Executive Director;
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 97% of the total volume;
2. Project activity – in 2016 covering 3% of the total volume;
3. General operations.

## 5. Financial Position

In 2016 continued is the business diversification by transfer of certain activities in the subsidiaries of Filkab AD. A major part of the contracts performed by Filkab AD in the past are now realized directly by the subsidiaries. This leads to a reduction in the Company's turnover on behalf of the subsidiaries, while maintaining revenue on consolidated basis and improving the profit margin in 2016.

	December 31, 2016	December 31, 2015	Change
Revenue	61 156	70 606	-13.4%
Profit from operating activities, net	298	314	-5.1%
Assets	77 179	76 626	0.7%
Liabilities	34 285	33 750	1.6%
Equity	42 894	42 876	0.0%
Current assets	51 376	51 074	0.6%
Current liabilities	33 217	33 443	-0.7%
Current liquidity (current assets/current liabilities) ratio	1.55	1.53	1.3%
Quick ratio (receivables+cash/current liabilities) ratio	0.78	0.74	5.4%
Capital utilization	56.00%	56.00%	0.0%
Equity profitability (net profit/equity) ratio	1.00%	1.00%	0.0%
Equity to debt ratio (equity/equity+liabilities)	0.56	0.56	12.0%
Debt to equity ratio (equity+liabilities/equity)	1.80	1.79	0.6%
Assets turnover	79%	92.00%	-14.1%
Working capital, net	18 159	17 631	3.0%

## **6. Financial Instruments and Financial Risk Management**

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.

### ***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. Taking into account the low volume of foreign currency transactions, the risk is minimal.

#### ***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.

#### ***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.

### ***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.

### ***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.

## **7. 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);

## **8. 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. Forthcoming in May 2017 is a recertification under the new standards ISO 9001:2015; ISO 14001:2015.

## **9. Disclosure of information pursuant to the Commerce Act**

In 2016 Filkab AD has no contracts under Art. 240b of the Commerce Act..

As of December 31, 2016, members of the Board of Directors posses Company's shares, as follows:

- Ivan Stoykov Kukov – 433 000 shares;
- Rumen Hristov Tsankov – 433 000 shares;
- Lachezar Manolov Manolov – 300 000 shares;
- Vasil Nikolov Madanski – 80 000 shares;
- Margarit Stefanov Georgiev – 80 000 shares;
- Nikola Todorov Avramov – 45 000 shares.



In 2016 members of the Board of Directors have transferred the following number of shares:

- Vasil Nikolov Madanski – 309 000 shares
- Margarit Stefanov Georgiev – 320 000 shares

As at December 31, 2016 the participation of members of the Board of Directors in companies as general partners, having more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives as procurators, managers or members of management bodies is, as follows:

- Ivan Stoykov Kukov – “Kukov and Co” EOOD – participation in the capital with more than 25% and Managing Director;
- Rumen Hristov Tsankov – “Filkom 4” EOOD - participation in the capital with more than 25% and Managing Director;
- Lachezar Manolov Manolov – “Nilex – 2“ Ltd. - participation in the capital with more than 25% and Managing Director;
- Vasil Nikolov Madanski – “Electrum” EOOD - participation in the capital with more than 25%;
- Margarit Stefanov Georgiev – “Fenix Sporting Goods” Ltd. - participation in the capital with more than 25% and Managing Director;
- Atanas Ivanov Tanchev – “Electro Ins” Ltd. - participation in the capital with more than 25% and Managing Director, “Engineering” EAD – member of the Board of Directors.

#### **10. Events after the date of preparation of the annual financial statements**

After the date of preparation of the annual financial statements there are no significant events that require disclosure or adjustment in the annual financial statements.

#### **8. Management Responsibilities**

Management acknowledges that an adequate and consistent accounting policy has been applied and that the financial statements as of December 31, 2016 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.

Atanas Tanchev  
Executive Director

March 17, 2017  
Plovdiv



## **INDEPENDENT AUDITOR'S REPORT**

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 Audit of the Separate Financial Statements*

#### *Opinion*

We have audited the financial statements of FILKAB JSC (the Company), which comprise the separate statement of financial position as at 31 December 2016, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Information Other than the Separate Financial Statements and Auditor's Report Thereon*

Management is responsible for the other information. The other information comprises the management report prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### *Responsibilities of Management for the Separate Financial Statements*

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs as adopted by the EU 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.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### ***Report on Other Legal and Regulatory Requirements***

#### ***Additional Matters to be Reported under the Accountancy Act***

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA), issued on 29 November 2016/approved by its Management Board on 29 November 2016. These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

#### ***Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act***

Based on the procedures performed, our opinion is that:


- a) The information included in the management report referring to the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements.
- b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

AndA Consulting Ltd.

Antoaneta Bazlyankova  
Managing Director

March 17, 2017  
Sofia



  
Dimitar Bazlyankov  
Registered auditor

**SEPARATE  
FINANCIAL STATEMENTS  
AS OF  
DECEMBER 31, 2016**

**SEPARATE STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended December 31, 2016**  
*All amounts are in thousands of BGN, unless otherwise stated*

	Note №	December 31, 2016	December 31, 2015
Revenue	4	61 156	70 606
Other operating income, net	5	553	959
Materials expenses	6	(1 573)	(3 536)
Hired services	7	(1 471)	(3 123)
Personnel expenses	8	(3 693)	(3 490)
Depreciation and amortization expenses	9	(1 404)	(1 655)
Cost of goods sold	10	(51 604)	(57 967)
Change in finished goods and work in progress		(763)	(421)
Other expenses	11	(539)	(584)
Finance income	12	715	588
Finance expenses	12	(1 026)	(1 036)
<b>Profit before taxation</b>		<b>351</b>	<b>341</b>
Income tax expense	13	(53)	(27)
<b>Profit for the period</b>		<b>298</b>	<b>314</b>
<i>Items that will not be reclassified in profit or loss</i>			
Actuarial gains recognised	25	22	3
Deferred taxes on actuarial gains	25	(2)	-
<b>Total other comprehensive income for the period, net</b>		<b>20</b>	<b>3</b>
<b>Total comprehensive income for the period</b>		<b>318</b>	<b>317</b>

Approved for issuance by the Management of Filkab AD on March 17, 2017.

Atanas Tanchev  
Executive Director

Zdravko Peychev  
Compiler

Antoaneta Bazlyankova  
Managing Director  
AndA Consulting Ltd

Dimitar Bazlyankov  
Registered Auditor

March 17, 2017, Sofia

(The accompanying notes from page 19 to page 59 are an integral part of these financial statements)

**SEPARATE STATEMENT OF FINANCIAL POSITION**  
**as of December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

	Note №	December 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	22 271	21 909
Intangible assets	15	184	245
Investments in entities	16	2 698	2 693
Trade and other receivables	18	600	600
Deferred tax assets, net	13	50	105
		<b>25 803</b>	<b>25 552</b>
<b>Current assets</b>			
Inventories, net	17	25 624	26 282
Trade and other receivables, net	18	25 512	24 527
Cash and cash equivalents	19	240	265
		<b>51 376</b>	<b>51 074</b>
		<b>77 179</b>	<b>76 626</b>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	26	20 000	20 000
Reserves	26	9 385	9 365
Retained earnings		13 509	13 511
		<b>42 894</b>	<b>42 876</b>
<b>Non-current liabilities</b>			
Borrowings	22	757	-
Retirement benefits obligation	25	239	281
Lease liabilities	23	72	26
		<b>1 068</b>	<b>307</b>
<b>Current liabilities</b>			
Trade and other payables	21	11 081	12 098
Borrowings	22	22 083	21 334
Lease liabilities	23	53	11
		<b>33 217</b>	<b>33 443</b>
		<b>77 179</b>	<b>76 626</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			

Approved for issuance by the Management of Filkab AD on March 17, 2017.

Atanas Tanchev  
Executive Director

Antoaneta Bazlyankova  
Managing Director  
AndA Consulting Ltd  
March 17, 2017, Sofia

Zdravko Peychev  
Compiler

Dimitar Bazlyankov  
Registered Auditor

(The accompanying notes from page 19 to page 59 are an integral part of these financial statements)



**SEPARATE STATEMENT OF CHANGES IN EQUITY**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*

	Share capital	Legal reserves	Other reserves	Actuarial gain	Accumulated profit	Total
<b>Balance at January 1, 2015</b>	<b>20 000</b>	<b>2 029</b>	<b>7 160</b>	<b>173</b>	<b>13 197</b>	<b>42 559</b>
<b>Changes in equity for 2015</b>						
Comprehensive income for the period	-	-	-	3	314	317
<b>Balance at December 31, 2015</b>	<b>20 000</b>	<b>2 029</b>	<b>7 160</b>	<b>176</b>	<b>13 511</b>	<b>42 876</b>
<b>Changes in equity for 2016</b>						
Comprehensive income for the period	-	-	-	20	298	318
Dividends paid	-	-	-	-	(300)	(300)
<b>Balance at December 31, 2016</b>	<b>20 000</b>	<b>2 029</b>	<b>7 160</b>	<b>196</b>	<b>13 509</b>	<b>42 894</b>

Approved for issuance by the Management of Filkab AD on March 17, 2017.

 Atanas Tanchev  
 Executive Director

 Zdravko Peychev  
 Compiler

 Antoaneta Bazlyankova  
 Managing Director  
 AndA Consulting Ltd.  
 March 17, 2017, Sofia

 Dunitar Bazlyankov  
 Registered Auditor

(The accompanying notes from page 19 to page 59 are an integral part of these financial statements)

**SEPARATE CASH FLOW STATEMENT**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*

	December 31, 2016	December 31, 2015
<b>A. Cash flows from operating activities (note 28)</b>	<b>1 668</b>	<b>4 312</b>
<b>Net cash, generated from operating activities:</b>	<b>1 668</b>	<b>4 312</b>
<b>B. Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1 498)	(441)
Proceeds from sale of property, plant and equipment	4	132
Purchase of intangible assets	(35)	-
Purchase of investments in entities	(5)	(103)
Proceeds from sale of investments in entities	-	15
<b>Net cash, used in investing activities:</b>	<b>(1 534)</b>	<b>(397)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from borrowings	2 124	4 100
Repayments of borrowings	(709)	(7 129)
Trade loans granted	(498)	-
Interest paid, net	(661)	(767)
Interest paid on commerce transactions	(15)	(3)
Payables of bank charges, commissions and others, net	(266)	(260)
Interest received on trade loans granted	145	349
Proceeds on trade loans granted	-	85
Dividends paid	(279)	(448)
<b>Net cash, used in financing activities:</b>	<b>(159)</b>	<b>(4 073)</b>
<b>Net decrease in cash and cash equivalents for the period</b>	<b>(25)</b>	<b>(158)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>265</b>	<b>423</b>
<b>Cash and cash equivalents at the end of the period (note 19)</b>	<b>240</b>	<b>265</b>

Approved for issuance by the Management of Fikab AD on March 17, 2017.

Atanas Tanchev  
Executive Director

Antoaneta Bazlyankova  
Managing Director  
AndA Consulting Ltd  
March 17, 2017, Sofia

Zdravko Peychev  
Compiler

Dimitar Bazlyankov  
Registered Auditor

(The accompanying notes from page 19 to page 59 are an integral part of these financial statements)

**NOTES TO THE  
SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2016**

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**for the year ended December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

**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, 2016 shareholders in the Company are nine 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 17, 2017.

**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 2016 and applicable for the activities of the Company. All changes in IFRS, effective for 2016, 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, 2016. 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 31 of the Accountancy Act and IFRS 10 - Consolidated Financial Statements, it prepares consolidated financial statements.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*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 2016:

<i>Standard or interpretation, date of revision and effective date</i>	<i>Name of the standard or interpretation</i>	<i>Effect on the Company's activity</i>
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)	No effect on the Company's financial statements
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	No effect on the Company's financial statements
Amendments to IAS 1 (issued on December 18, 2014), effective for annual periods beginning on or after January 1, 2016	Disclosure Initiative	No effect on the Company's financial statements
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)	No effect on the Company's financial statements
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	No effect on the Company's financial statements
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	No effect on the Company's financial statements
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	No effect on the Company's financial statements
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	No effect on the Company's financial statements
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	No effect on the Company's financial statements

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*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**

<i>Standard or interpretation, date of revision and effective date</i>	<i>Name of the standard or interpretation</i>	<i>Date of adoption by the EU Commission</i>
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	December 22, 2016
IFRS 15, issued in May, 2014, effective for annual periods beginning on or after January 1, 2018	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	September 22, 2016

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

<i>Standard or interpretation, date of revision and effective date</i>	<i>Name of the standard or interpretation</i>	<i>Status of adoption by the EU Commission</i>
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 16, issued on January 13, 2016, effective for annual periods beginning on or after January 1, 2019	Leases	Endorsement is expected in H2 2017
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	The endorsement date is yet to be determined
Amendments to IAS 12, issued on January 19, 2016, effective for annual periods beginning on or after January 1, 2017	Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	Endorsement is expected in Q 2 2017
Amendments to IAS 7, issued on January 29, 2016, effective for annual periods beginning on or after January 1, 2017	Amendments to IAS 7: Disclosure Initiative	Endorsement is expected in Q 2 2017
Clarifications to IFRS 15, issued on April 12, 2016, effective for annual periods beginning on or after January 1, 2018	No changes in the underlying principles of the standard, just clarify and offer some additional transition relief.	Endorsement is expected in Q 2 2017
Amendments to IFRS 2, issued on June 20, 2016, effective for annual periods beginning on or after January 1, 2018	Amendments to classification and measurement of share-based payment transactions	Endorsement is expected in H 2 2017

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**2.1.1. Changes in IFRS (continued)**
**2.1.1.3 Standards and Interpretations, issued by the IASB, expected endorsement by the EU Commission (continued)**

<i>Standard or interpretation, date of revision and effective date</i>	<i>Name of the standard or interpretation</i>	<i>Status of adoption by the EU Commission</i>
Amendments to IFRS 4, issued on September 12, 2016, effective for annual periods beginning on or after January 1, 2018	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Endorsement is expected in 2017
Annual Improvements to IFRS Standards 2014-2016 Cycle, issued by the IASB on December 8, 2016, applicable to annual periods beginning on or after January 1, 2017 and January 1, 2018	Improvements to IFRS (IFRS 1, IAS 28 and IFRS 12)	Endorsement is expected in H 2 2017
IFRIC Interpretation 22, issued on December 8, 2016, effective for annual periods beginning on or after January 1, 2018	Foreign Currency Transactions and Advance Consideration	Endorsement is expected in H 2 2017
Amendments to IAS 40, issued on December 8, 2016, effective for annual periods beginning on or after January 1, 2018	Amendments to IAS 40: Transfers of Investment Property	Endorsement is expected in H 2 2017

**2.1.1.4 New and revised standards effective in the current year**

The more significant changes are, as follows:

***Annual Improvements to IFRSs 2010 - 2012 Cycle***

The annual improvements include amendments to a number of IFRSs, which have been summarized below.

***IFRS 2 Share-based Payment***

The subject of the amendment is the definition of vesting condition. The amendments (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

Specifically,

- For "market condition", the amendment indicates that is a performance condition that relates to the market price or value of the entity's equity instruments or the equity instruments of another entity in the same group. A market condition requires the counterparty to complete a specified period of service.
- For "performance condition", the amendment specifies that the period over which the performance target is achieved should not extend beyond the service period and that it is defined by reference to the entity's own operations or activities of another entity in the same group.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

**for the year ended December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

**2.1.1. Changes in IFRS (continued)**

**2.1.1.4 New and revised standards effective in the current year (continued)**

*IFRS 3 Business Combinations*

The subject of the amendment is the accounting for contingent consideration in a business combination. The amendment clarifies that contingent consideration should be measured at fair value at each reporting date, irrespective of whether or not the contingent consideration falls within the scope of IFRS 9 or IAS 39. Changes in fair value (other than measurement period adjustments as defined in IFRS 3) should be recognized in profit and loss. The amendment to IFRS 3 requires prospective application, i.e. entities should apply the amendment prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

*IFRS 8 Operating Segments*

The subject of the amendments are the aggregation of operating segments and the reconciliation of the total of the reportable segments' assets to the entity's assets. The amendments (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

*IFRS 13 Fair Value Measurement*

The subject of the amendments are the short-term receivables and payables. The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The subject of the amendment is the revaluation method of proportionate restatement of accumulated depreciation/amortization. The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

*IAS 24 Related Party Disclosures*

The amendments are related to key management personnel. The amendments clarify that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid through another entity is not required.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

**for the year ended December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

**2.1.1. Changes in IFRS (continued)**

**2.1.1.4 New and revised standards effective in the current year (continued)**

*Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or on a straight-line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. Retrospective application is required.

*Amendments to IAS 1 Disclosure initiative*

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

*Annual improvements to IFRSs 2012-2014 Cycle*

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarized below.

*IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

*IFRS 7 Financial Instruments: Disclosures*

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. Specifically,

- Servicing contracts. If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context. The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. The amendment is prospective with an option to apply retrospectively.
- Interim financial statements. The amendment clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

**for the year ended December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

**2.1.1. Changes in IFRS (continued)**

**2.1.1.4 New and revised standards effective in the current year (continued)**

*IAS 19 Employee Benefits*

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

*IAS 34 Interim Financial Reporting*

The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

*Amendments to IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances (i) when the intangible asset is expressed as a measure of revenue; or (ii) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

*Amendments to IFRS 11 Joint Arrangements*

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

**for the year ended December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

**2.1.1. Changes in IFRS (continued)**

**2.1.1.4 New and revised standards effective in the current year (continued)**

*Amendments to IAS 16 Property Plant and Equipment and IAS 41 Agriculture*

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

*Amendments to IAS 27 Separate Financial Statements*

The amendment to IAS 27 allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost;
- in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9); or
- using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The same accounting must be applied to each category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

*Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

**for the year ended December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

**2.1.1. Changes in IFRS (continued)**

**2.1.1.4 New and revised standards effective in the current year (continued)**

*Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (continued)*

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 *Disclosures of Interests in Other Entities*.

The amendments apply retrospectively.

During 2016 the Company has not elected early adoption of standards, revisions and interpretations, effective for future reporting 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 at December 31, 2016 and 2015 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**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.

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	2016	2015
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.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

**for the year ended December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

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

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 (excluding finished goods and work in progress), 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

**for the year ended December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

**3.3. Inventories (continued)**

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 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

**for the year ended December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

**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). Cash receipts and payments on revolving bank loans, overdrafts and factoring are presented net.

**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.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

**for the year ended December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

**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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)****for the year ended December 31, 2016***All amounts are in thousands of BGN, unless otherwise stated***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, insurances, subscriptions and rents.

**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 2016 and 2015, the tax rate applied for the calculation of the current tax liabilities of the Company is 10%. The enforceable for 2017 tax rate of 10% is applied in the calculation of the amount of deferred tax assets and liabilities as of December 31, 2016.

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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**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, 2016 and 2015 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)****for the year ended December 31, 2016***All amounts are in thousands of BGN, unless otherwise stated***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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

**for the year ended December 31, 2016**

*All amounts are in thousands of BGN, unless otherwise stated*

**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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*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 2016 and 2015 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, 2016 and 2015, classified by category in accordance with the requirements of IAS 39 Financial Instruments: Recognition and Measurement, are presented in the table below:

**Financial assets:**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Trade and other receivables, net (note 18)	25 970	24 944
Cash (note 19)	240	265
<b>Total</b>	<b>26 210</b>	<b>25 209</b>



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*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, 2016	December 31, 2015
Trade and other payables (note 21)	10 645	11 186
Borrowings (note 22)	22 840	21 334
Finance lease liabilities (note 23)	125	37
<b>Total</b>	<b>33 610</b>	<b>32 557</b>

**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. Taking into account the low volume of foreign currency transactions, the risk is minimal (see also note 18).

**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 2016, had been 1 % higher/(lower) with all other variables held constant, the financial result after taxes would have been BGN 206 thousand lower/higher (2015: BGN 192 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*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.

**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	Over 1 year	Total
<b>December 31, 2016</b>			
Borrowings (note 22)	23 444	1 016	24 460
Finance lease liabilities (note 23)	57	75	132
Trade and other payables (note 21)	10 645	-	10 645
<b>Total</b>	<b>34 146</b>	<b>1 091</b>	<b>35 237</b>
<b>December 31, 2015</b>			
Borrowings (note 22)	21 703	-	21 703
Finance lease liabilities (note 23)	37	28	42
Trade and other payables (note 21)	11 186	-	11 186
<b>Total</b>	<b>32 926</b>	<b>28</b>	<b>32 931</b>



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*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.

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Borrowings (note 22)	22 840	21 334
Finance lease liabilities (note 23)	125	37
Cash and cash equivalents (note 19)	(240)	(265)
<b>Net debt</b>	<b>22 725</b>	<b>21 106</b>
Equity	42 894	42 876
<b>Gearing ratio</b>	<b>0.530</b>	<b>0.492</b>

**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. 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)****for the year ended December 31, 2016***All amounts are in thousands of BGN, unless otherwise stated***3.14. 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, 2016, the Company's defined benefits obligation is at the amount of BGN 239 thousand (2015: BGN 281 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**3.14. 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.

**3.15. Comparative information for the current and prior reporting period**

For comparative information purposes, some items from the previous reporting period have been reclassified.

**4. Revenue**

	December 31, 2016	December 31, 2015
Revenue from sale of goods	59 445	65 349
Revenue from sale of finished goods	1 647	5 187
Revenue from rendering of services	64	70
<b>Total</b>	<b>61 156</b>	<b>70 606</b>

Revenue from sale of goods, is as follows:

	December 31, 2016	December 31, 2015
Cables and wires	37 884	42 531
Electrical and automation equipment	9 942	11 040
Lighting fixtures and electrical materials	6 371	6 467
Transformer substations, complete distribution systems and others	2 501	2 192
Cable accessories	2 388	2 899
Renewable energy sources	62	130
Other	297	90
<b>Total</b>	<b>59 445</b>	<b>65 349</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**4. Revenue (continued)**

Revenue from sale of finished goods is, as follows:

	December 31, 2016	December 31, 2015
Concrete transformer substations	641	1 256
Construction projects	44	1 566
Electrical LV-switchboards	21	1 207
Other	941	1 158
<b>Total</b>	<b>1 647</b>	<b>5 187</b>

**5. Other income, net**

	December 31, 2016	December 31, 2015
Rents	470	784
Surpluses of assets	23	-
Waste products	12	5
Income from insurance compensations paid	4	21
Gain/(loss) from sale of property, plant and equipment and materials	4	(5)
Income from financing	-	152
Liabilities written-off	-	1
Other	40	1
<b>Total</b>	<b>553</b>	<b>959</b>

**6. Materials expenses**

	December 31, 2016	December 31, 2015
Materials for the production process	1 017	2 899
Fuels	270	371
Electricity and water consumption	144	134
Maintenance materials	59	63
Materials for transport vehicles	33	35
Furniture and fittings	28	3
Office materials and consumables	13	22
Safety and protective equipment	8	8
Other	1	1
<b>Total</b>	<b>1 573</b>	<b>3 536</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**7. Hired services**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Hired services on a subcontractor and for production process	258	1 901
Rents	198	180
Consulting services	190	162
Repairs and maintenance	174	180
Advertizing and promotion	141	117
Notary and legal advisory services	140	117
Charges	122	218
Insurances	86	97
Transportation	50	45
Communication	48	41
Personnel trainings	7	6
Other	57	59
<b>Total</b>	<b>1 471</b>	<b>3 123</b>

**8. Personnel expenses**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Remunerations	3 199	2 976
Social security expenses	455	473
Retirement benefits obligation (note 25)	39	41
<b>Total</b>	<b>3 693</b>	<b>3 490</b>

**9. Depreciation and amortization expenses**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Dpreciation of property, plant and equipment	1 308	1 558
Amortization of intangible assets	96	97
<b>Total</b>	<b>1 404</b>	<b>1 655</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**10. Cost of goods sold**

	December 31, 2016	December 31, 2015
Cables and wires	32 878	38 166
Electrical and automation	8 641	9 638
Lighting fixtures and electrical materials	5 365	5 472
Transformer substations, complete distribution systems and others	2 463	2 151
Cable accessories	1 899	2 342
Renewable energy sources	55	121
Other	303	77
<b>Total</b>	<b>51 604</b>	<b>57 967</b>

**11. Other expenses**

	December 31, 2016	December 31, 2015
Taxes, charges and other similar expenses	181	173
Social expenses	131	132
Business trips – in the country and abroad	89	114
Representation expenses	41	43
Shrinkage and waste of inventory	35	75
Receivables written-off	20	3
Fines and penalties	15	30
Donations	3	5
Other expenses	24	9
<b>Total</b>	<b>539</b>	<b>584</b>

**12. Finance income and expenses**

	December 31, 2016	December 31, 2015
<b><i>Finance income</i></b>		
Income from trade loans granted	681	522
Dividends received	32	-
Income from delayed trade payments	2	1
Interest income on bank accounts	-	3
Exchange rate differences gains, net	-	62
<b>Total</b>	<b>715</b>	<b>588</b>
<b><i>Finance expenses</i></b>		
Interest expenses on trade loans	661	767
Interest expenses on a finance lease	5	-
Interest expenses on retirement benefits provisions	6	6
<b>Total interest expenses</b>	<b>672</b>	<b>773</b>
Bank charges, commissions and other expenses, net	266	263
Exchange rate differences loss, net	88	-
<b>Total</b>	<b>1 026</b>	<b>1 036</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*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, 2016	December 31, 2015
Deferred tax	53	27
<b>Total tax expense</b>	<b>53</b>	<b>27</b>

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

	December 31, 2016	December 31, 2015
Non-current assets	(34)	(39)
<b>Total liabilities on deferred tax</b>	<b>(34)</b>	<b>(39)</b>
Receivables and inventory	30	84
Tax losses carried forward	26	26
Retirement benefits provisions	24	28
Provisions on personal income	4	6
<b>Total assets on deferred taxes</b>	<b>84</b>	<b>144</b>
<b>Assets on deferred taxes, net</b>	<b>50</b>	<b>105</b>

The reconciliation of the tax expense to the accounting profit, and a recalculation of the effective tax rate as at December 31, 2016 and 2015 are provided in the table below:

	December 31, 2016	December 31, 2015
Accounting profit	351	341
Applicable tax rate	10%	10%
Income tax at the applicable tax rate	35	34
Tax effect on permanent differences	1	8
Tax effect from financing	-	(15)
Tax effect from dividends income	(3)	-
Tax effect from unrecognized temporary difference from the current period	20	-
<b>Total income tax expense</b>	<b>53</b>	<b>27</b>
<b>Effective tax rate</b>	<b>15.1%</b>	<b>7.92%</b>

For 2016 deferred tax directly recognized in equity is at the amount of BGN 2 thousand.

The Company has tax losses realized at the total amount of BGN 460 thousand that can be carried forward within the following five consecutive years, as follows: BGN 197 thousand till 2021 and BGN 263 thousand till 2019.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**14. Property, plant and equipment**

	Land and land improve- ments	Buildings	Machines and equipments	Transport vehicles	Computers and other assets	Assets under constructi- on	Total
<b>Cost of acquisition</b>							
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
Additions	-	-	128	58	100	1 386	1 672
Disposals	-	-	(5)	(59)	(23)	-	(87)
Balance at December 31, 2016	4 243	18 524	8 615	4 645	1 860	4 134	42 021
<b>Depreciation</b>							
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
Depreciation	87	745	213	223	40	-	1 308
On disposals	-	-	(5)	(58)	(22)	-	(85)
Balance at December 31, 2016	1 273	6 226	6 504	3 992	1 755	-	19 750
<b>Carrying amount</b>							
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
At December 31, 2016	2 970	12 298	2 111	653	105	4 134	22 271

Assets acquired in 2016 include machinery, equipment, computers and construction of assets. Acquired vehicles are under finance lease contracts.

As of December 31, 2016 property, plant and equipment at cost of BGN 11 402 thousand (2015: BGN 9 915 thousand) are fully depreciated.

Property, plant and equipment with a carrying amount of BGN 12 728 thousand (2015: BGN 11 131 thousand) serve as a collateral under bank loans utilized by the Company (see also note 22).

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**15. Intangible assets**

	Software	Other intangible products	Total
<b>Other intangible products</b>			
Balance at December 31, 2014 and 2015	646	127	773
Additions	24	11	35
Balance at December 31, 2016	670	138	808
<b>Amortization</b>			
Balance at December 31, 2014	317	114	431
Amortization for the year	88	9	97
Balance at December 31, 2015	405	123	528
Amortization	89	7	96
Balance at December 31, 2016	494	130	624
<b>Carrying amount</b>			
At December 31, 2014	329	13	342
At December 31, 2015	241	4	245
At December 31, 2016	176	8	184

As at December 31, 2016 intangibles with cost amounting to BGN 370 thousand are fully depreciated (2015: BGN 348 thousand).

**16. Investments in entities**

As at December 31, 2016 and 2015 the Company has investments in the following subsidiary and other companies:

Company	Operations	December 31, 2016		December 31, 2015	
		BGN'000	Participation %	BGN'000	Participation %
<b>Subsidiary companies:</b>					
Engineering EAD	Installation	139	100.0%	139	100.0%
Filkab Solar Ltd.	Installation	35	70.0%	35	70.0%
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%	71	100.0%
Filkab MIG DOO, Serbia	Trade	50	51%	50	51%
Gespro Green Energy S.R.L., Romania	Production	1	100.0%	1	100.0%
Solar Remus S.R.L., Romania	Production	4	99.8%	-	-
Filkab Sun S.R.L., Romania	Trade	1	99%	-	-
<b>Total subsidiary companies</b>		<b>2 691</b>		<b>2 686</b>	
Other entities		7		7	
<b>Total</b>		<b>2 698</b>		<b>2 693</b>	

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**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 2016 a new subsidiary Filkab Sun S.R.L. is registered in Romania and has acquired 99.8% of the share capital in Solar Remus S.R.L., Romania.

**17. Inventory, net**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Goods	25 247	25 142
Work in progress	245	904
Finished goods	132	236
<b>Total</b>	<b>25 624</b>	<b>26 282</b>

In 2016 and 2015 a portion of the impairment, charged to profit or loss in 2012, was reversed at the amount of BGN 12 thousand and BGN 37 thousand, respectively.

As of December 31, 2016 inventories at the amount of BGN 15 888 thousand (2015: BGN 11 393 thousand) are pledged as a collateral on bank loans utilized by the Company (see also note 22).

**18. Trade and other receivables, net**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Trade receivables, gross	12 734	18 180
Impairment	-	(547)
Trade receivables, net of impairment	12 734	17 633
Receivables from related parties	11 502	5 098
Trade loans granted	470	718
Deposits and guarantees granted	384	499
Advances granted	280	294
Court receivables	61	55
Refundable taxes, other than income taxes	17	16
Prepaid expenses	2	25
Dividends	-	102
Other receivables	62	87
<b>Total current trade and other receivables, net</b>	<b>25 512</b>	<b>24 527</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**18. Trade and other receivables, net (continued)**

	December 31, 2016	December 31, 2015
Receivables from related parties	600	600
<b>Total non-current trade and other receivables</b>	<b>600</b>	<b>600</b>

As at December 31, 2016 trade receivables with carrying amount of BGN 12 734 thousand are completely serviced (2015: BGN 17 633 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.

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

	December 31, 2016	December 31, 2015
Balance at the beginning of the period	547	704
Written-off	(547)	(157)
<b>Balance at the end of the period</b>	<b>-</b>	<b>547</b>

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

	December 31, 2016	December 31, 2015
BGN	10 643	12 326
EUR	14 145	11 721
RON	1 225	672
TRY	-	243
GBP	93	108
USD	6	57
<b>Total</b>	<b>26 112</b>	<b>25 127</b>

As of December 31, 2016 trade receivables of the Company at the amount of BGN 1 073 thousand serve as a collateral to bank loans utilized by the Company (see note 22).

As at December 31, 2016 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**19. Cash and cash equivalents**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Cash in bank accounts	208	234
Cash on hand	32	31
<b>Total</b>	<b>240</b>	<b>265</b>

As at December 31, 2016 cash on bank accounts of the Company at the amount of BGN 46 thousand are as a collateral on bank loans utilized by the Company (see note 22).

**20. Receivables on income taxes**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Balance at the beginning of the period	-	21
Offset against other taxes	-	(21)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>

**21. Trade and other payables**

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Payables to suppliers	9 920	10 234
Advances received from customers	498	719
Payables to employees and social securities payable	282	306
Payables on taxes	154	606
Guarantees	118	72
Payables to related parties and key management personnel	98	153
Other	11	8
<b>Total</b>	<b>11 081</b>	<b>12 098</b>

As of December 31, 2016 and 2015 in the Company there are no unutilized paid annual leaves by the personnel.

As at December 31, 2016 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**22. Borrowings**

As at December 31, 2016 and 2015 the Company has current bank loans received at the amount of BGN 22 083 thousand and BGN 21 334 thousand, respectively. As at December 31, 2016 the Company has non-current bank loans received at the amount of BGN 757 thousand.

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

	December 31, 2016		December 31, 2015	
	Original currency in thousands	BGN'000.	Original currency in thousands	BGN'000
BGN	2 642	2 642	751	751
EUR	10 327	20 198	10 524	20 583
<b>Total</b>		<b>22 840</b>		<b>21 334</b>

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, 2016 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, 2016 and 2015, is approximately equal to the carrying amount.

**23. Finance lease liabilities**

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
<b>Finance lease liabilities</b>				
Up to one year	57	14	53	11
Between two and five years	75	28	72	26
Less: Interest on leases	(7)	(5)	-	-
<b>Present value of finance lease liabilities</b>	<b>125</b>	<b>37</b>	<b>125</b>	<b>37</b>
<b>Less: Present value of finance lease liabilities up to one year</b>			<b>(53)</b>	<b>(11)</b>
<b>Present value of finance lease liabilities over one year</b>			<b>72</b>	<b>26</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**23. Finance lease liabilities (continued)**

As at December 31, 2016 the Company has liabilities under finance 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, 2016	December 31, 2015
Balance at the beginning of the period	-	152
Government grants received	-	-
Recognised income from government grants	-	(152)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>

**25. Retirement benefits obligation**

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

	December 31, 2016	December 31, 2015
Present value of the retirement benefits obligation	281	255
Expenses on current length of service	39	41
Interest expenses	6	6
Benefits paid	(65)	(18)
Actuarial gain, arising from adjustments due to experience	14	(2)
Actuarial gain, arising from adjustments due to experience	(36)	(1)
<b>Balance at the end of the period</b>	<b>239</b>	<b>281</b>



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**25. Retirement benefits obligation (continued)**

For the years ended December 31, 2016 and 2015 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:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Expenses on current length of service	39	41
Interest expenses	6	6
Expenses, recognized in profit or loss	45	47
Actuarial loss/(gain), arising from adjustments due to experience	14	(1)
Actuarial gain, arising from change in the financial assumptions	(36)	(2)
Actuarial gain, recognized in other comprehensive income	(22)	(3)
<b>Total</b>	<b>23</b>	<b>44</b>

Retirement benefits obligation liability as at December 31, 2016 and 2015 includes:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Benefits on attainment of retirement age	237	280
Benefits on early retirement	2	1
<b>Total</b>	<b>239</b>	<b>281</b>

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

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Balance at the beginning of the period	176	173
Actuarial gain, recognized in other comprehensive income, gross	22	3
Deferred taxes, directly recognized in equity	(2)	-
<b>Balance at the end of the period</b>	<b>196</b>	<b>176</b>

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

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Discount rate	2%	2.5%
Future remunerations increase for the following five years	2%	5%
Future remunerations increase after the fifth year	1.5%	3%

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

**for the year ended December 31, 2016**

*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, 2016	December 31, 2015
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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*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 %
<b>Discount rate</b>	<b>1.0%</b>	<b>2.0%</b>	<b>3.0%</b>
Amount of the liability (BGN thousand)	270	239	214
Difference (BGN thousand)	31	-	(25)
Difference (%)	13%	-	(10%)
<b>Salary growth</b>	<b>0.50%</b>	<b>1.50%</b>	<b>2.50%</b>
Amount of the liability (BGN thousand)	214	239	270
Difference (BGN thousand)	(25)	-	31
Difference (%)	(11%)	-	13%
<b>Probability of early retirement</b>	<b>1.13%</b>	<b>1.97%</b>	<b>2.97%</b>
Amount of the liability (BGN thousand)	241	239	237
Difference (BGN thousand)	2	-	(2)
Difference (%)	0.8%	-	(1%)
<b>Mortality assumption</b>	<b>-1 year</b>	<b>Mortality rate</b>	<b>+ 1 year</b>
Amount of the liability (BGN thousand)	237	239	242
Difference (BGN thousand)	(2)	-	2
Difference (%)	(1%)	-	0.9%

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, 2016 and 2015 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.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*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 July 2016, dividends are distributed from the profit realized in 2015 at the amount of BGN 300 thousand, that are reported as a decrease in retained earnings in the statement of changes in equity for 2016. For 2015 dividends are not distributed from the profit realized in 2014

As of December 31, 2016 dividends, due for previous years are completely paid.

**27. Related parties transactions**

In 2016 and 2015 the Company performed transactions with the following related parties:

<b>Related party</b>	<b>Nature of relationship</b>
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
Solar Remus S.R.L., Romania	Subsidiary company
Filkab Sun S.R.L., Romania	Subsidiary company
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 2016 and 2015 the Company transactions with related parties are, as follows:

<b>Related party</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	<b>Sale of goods, services and assets</b>	<b>Sale of goods, services and assets</b>	<b>Purchase of goods and services</b>	<b>Purchase of goods and services</b>
Subsidiaries	6 835	10 584	4 714	5 916
<b>Total</b>	<b>6 835</b>	<b>10 745</b>	<b>4 714</b>	<b>5 916</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**
**for the year ended December 31, 2016**
*All amounts are in thousands of BGN, unless otherwise stated*
**27. Related parties transactions (continued)**

As of December 31, 2016 and 2015 the outstanding balances with related parties are, as follows:

Related party	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Receivables	Receivables	Payables	Payables
Subsidiaries	12 048	5 707	98	153
Company with participation of key management personnel	-	30	-	-
Key management personnel	54	63	-	-
<b>Total</b>	<b>12 102</b>	<b>5 800</b>	<b>98</b>	<b>153</b>

Dividends distributed and dividends liabilities are presented in note 26.

**28. Cash flows generated from operating activities**

	December 31, 2016	December 31, 2015
Profit for the period before taxation	351	341
Adjustments for:		
Depreciation	1 404	1 655
Income from financing	-	(152)
Dividends	134	-
Receivables written-off	16	3
Provision accrued on retirement benefits obligation	45	29
Carrying amount of property, plant and equipment written-off	2	-
Loss/(profit) from sale of property, plant and equipment	(4)	5
Interest expenses and charges, net	787	681
	<b>2 735</b>	<b>2 562</b>
Changes in working capital, including:		
Trade and other receivables	(637)	3 978
Inventory	658	3 310
Trade and other payables	(1 088)	(5 538)
<b>Cash flows generated from operating activities</b>	<b>1 668</b>	<b>4 312</b>