Financial Statements
“MIRKAT” OOD
31 December 2016

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INDEPENDENT AUDITOR'S REPORT

To the owners of
"MIRKAT" OOD
Pop Gruyu Str. No.96, Sofia, Bulgaria

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **"MIRKAT" OOD** (the Company), which comprise the statement of financial position as at 31 December 2016 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of 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 (IFRS), as adopted by the EU and Bulgarian legislation.

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 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 Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the 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 whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation, 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and Bulgarian Independent Financial Audit Act 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 financial statements.

As part of our 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 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 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 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

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Financial Statements and Auditor's Report Thereon", regarding annual management report, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA), issued on 29 November 2016. The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

(a) the information in the management report is consistent with the financial statements for the same reporting period;

(b) the management report is prepared in accordance with the applicable legal requirements; and

(c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the management report.

Gergana Mihaylova
Registered Auditor

30 March 2017
Bulgaria, Sofia 1680, Sinanishko ezero Srt. 9, app. 37

Statement of financial position as at 31.12.2016

	Notes	2016 BGN'000s	2015 BGN'000s
Assets			
Non-current			
Property, plant and equipment	5	7 182	6 774
Intangible assets	6	2	6
Long - term receivables	7	1 309	2 375
Deferred tax assets	8	353	495
		8 846	**9 650**
Current			
Inventories	9	3 027	2 168
Trade receivables	10	14 543	17 726
Related parties receivables	27.3	164	16
Other receivables	11	2 950	3 285
Cash and cash equivalents	12	713	577
		21 397	**23 772**
Total assets		**30 243**	**33 422**

Prepared by:
Aleksander Stoykov, ABCC OOD

Date: 28.03.2017

Manager:
G. Papakonstantinou

Audited according to the auditor's report dated 26 April 2017

Gergana Mihaylova
Registered auditor

Statement of financial position as at 31.12.2016

	Notes	2016 BGN'000s	2015 BGN'000s
Equity			
Share capital	13.1	16 165	16 165
Revaluation reserve	13.2	207	207
Other reserves		98	95
Accumulated loss		(5 681)	(3 220)
Total equity		**10 789**	**13 247**
Liabilities			
Non-current			
Long-term financial liabilities	14	1 827	2 179
Employee benefits	18.2	28	27
Other non-current liabilities	15	4	4
		1 859	**2 210**
Current			
Short-term financial liabilities	14	5 056	6 024
Trade payables	17	285	288
Related parties payables	27.3	11 639	10 928
Payables to employees and social security institutions	18.2	65	66
Other payables	19	550	659
		17 595	**17 965**
Total liabilities		**19 454**	**20 175**
Total equity and liabilities		**30 243**	**33 422**

Prepared by:
Aleksander Stoykov, ABCC OOD

Date: 28.03.2017

"АКАУНТИНГ ЕНД БИЗНЕС КОНСАЛТИНГ ЦЕНТЪР" ООД СОФИЯ

Manager:
G. Papakonstantinou

МИРКАТ ООД СОФИЯ

Audited according to the auditor's report dated 26 April 2017

Gergana Mihaylova
Registered auditor

0649 Гергана Михайлова Регистриран одитор

The notes on pages 6 to 38 are an integral part of the financial statements

Statement of profit and loss and other comprehensive income for the year ended at 31.12.2016

	Notes	2016 BGN'000s	2015 BGN'000s
Sales revenue:	20	**11 373**	**8 105**
Goods for resale		9 115	6 049
Services		2 042	1 054
Other		216	1 002
Cost of materials	21	(125)	(102)
Hired services expenses	22	(1 677)	(2 098)
Employee benefit expenses	18.1	(695)	(847)
Depreciation, amortization and impairment of non-financial assets	5,6	(799)	(707)
Other expenses	23	(4 436)	(1 621)
Cost of sold goods and other assets		(7 474)	(5 110)
Gain on sale of non-current assets		1 930	-
Operating loss		**(1 903)**	**(2 380)**
Finance income	24	30	81
Finance expenses	25	(447)	(517)
Net finance expense		**(417)**	**(436)**
Loss for the year before tax		**(2 320)**	**(2 816)**
Income tax expense	26	(141)	(404)
Net loss for the year		**(2 461)**	**(3 220)**
Other comprehensive income			
Remeasurement of defined benefit liability		3	2
Other comprehensive income for the year after taxes		**3**	**2**
Total comprehensive loss for the year		**(2 458)**	**(3 218)**

Prepared by:
Aleksander Stoykov, ABCC OOD

Date: 28.03.2017

Manager:
G. Papakonstantinou

Audited according to the auditor's report dated 26 April 2017

Gergana Mihaylova
Registered auditor

The notes on pages 6 to 38 are an integral part of the financial statements

Statement of changes in equity for the year ended at 31.12.2016

All amounts presented in BGN'000's	Share Capital	Premium reserve	Revaluation reserve	Retained earnings	Total Equity
Balance 1 January 2015	**16 165**	**95**	**207**	**25**	**16 492**
Loss for the year	-	-	-	(3 220)	(3 220)
Other comprehensive income for the year	-	-	-	2	2
Total comprehensive loss for the year	-	-	-	(3 218)	(3 218)
Other changes in equity	-	-	-	(27)	(27)
Balance 31 December 2015	**16 165**	**95**	**207**	**(3 220)**	**13 247**
Balance 1 January 2016	**16 165**	**95**	**207**	**(3 220)**	**13 247**
Loss for the year	-	-	-	(2 461)	(2 461)
Other comprehensive income for the year	-	3	-	-	3
Total comprehensive loss for the year	-	-	-	(2 461)	(2 458)
Balance 31 December 2016	**16 165**	**98**	**207**	**(5 681)**	**10 789**

Prepared by:
Aleksander Stoykov, ABCC OOD

Date: 28.03.2017

Manager:
G. Papakonstantinou

АКАУНТИНГ ЕНД БИЗНЕС КОНСАЛТИНГ ЦЕНТЪР ООД СОФИЯ

МИРКАТ ООД СОФИЯ

Audited according to the auditor's report dated 26 April 2017

Gergana Mihaylova
Registered auditor

0649 Гергана Михайлова Регистриран одитор

Statement of cash flows (indirect) method for the year ended at 31.12.2016

	Notes	2016 BGN'000s	2015 BGN'000s
Operating activities			
Loss for the year before tax		(2 320)	(2 816)
Adjustments		1 216	1 144
(Increase)/decrease in inventories		(859)	(391)
(Increase)/decrease in trade and other receivables		5 055	1 151
Increase/(decrease) in trade and other payables		(2 167)	2 387
Net cash flows from operating activities		**925**	**1 475**
Investing activities			
Purchase of property, plant and equipment		(2 059)	(2 376)
Proceeds from sale of property, plant and equipment		1 950	1 631
Interest received		30	81
Net cash flows from investing activities		**(79)**	**(664)**
Financing activities			
Repayment of bank loans		(352)	(352)
Payment of bank charges		(42)	(30)
Interest paid		(313)	(430)
Net cash flows from financing activities		**(707)**	**(812)**
Cash and cash equivalents, beginning of year		577	580
Exchange gains/(losses) on cash and cash equivalents		(3)	(2)
Net (decrease)/increase in cash and cash equivalents		139	(3)
Cash and cash equivalents, end of year	12	**713**	**577**

Prepared by:
Aleksander Stoykov, ABCC OOD

Manager:
G. Papakonstantinou

„АКАУНТИНГ ЕНД БИЗНЕС КОНСАЛТИНГ ЦЕНТЪР" ООД СОФИЯ

МИРКАТ ООД СОФИЯ

Date: 28.03.2017

Audited according to the auditor's report dated 26 April 2017

Gergana Mihaylova
Registered auditor

0649 Гергана Михайлова Регистриран одитор

The notes on pages 6 to 38 are an integral part of the financial statements

Notes to the financial statements

1 General information

"MIRKAT" OOD is registered as a limited liability company at the Sofia City Court under company case file No. 13448/1993, with a domicile and a registered office located at: No.96 Pop Gruyu street, City of Sofia, Republic of Bulgaria. The Company is managed and represented by Georgios Papakonstantinou.

The company has no branches or offices registered at the territory of the country. The average number of employees for 2016 is 26 people.

The principal activity of the Company consists of:
- sales and leasing of cars and motorcycles of the SUZUKI trade mark
- sales of electricity generators, propeller engines for motorboats of the SUZUKI trade mark etc.

The financial report as of 31 December 2016 (including the comparative information as of 31 December 2015) was approved and endorsed by the manager of the Company on 30 March 2017.

2 Basis for the preparation of the financial statements

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

The owner of 100.00 % of "Mirkat" Ltd.' s share capital is the Greek company "Sfakianakis" A.E.B.E. The company owner has been prepared a consolidated financial statement which includes the subsidiary company "Mirkat" Ltd.

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

The financial statements are prepared under the going concern principle.

As at the date of preparation of these financial statements, management have made an assessment of the Company's ability to continue as a going concern based on available information for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

3 Changes in accounting policies

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

The Company has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2016:

IAS 1 "Presentation of financial statements" (amended) – Disclosure Initiative, effective from 1 January 2016, adopted by the EU
These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. They clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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

- IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosures of interests in other entities" and IAS 28 "Investments in associates and joint ventures" - Investment Entities: Applying the Consolidation Exception (amended), effective from 1 January 2016, adopted by the EU
- IFRS 11 "Joint Arrangements" (amended) – Acquisition of an Interest in a Joint Operation, effective from 1 January 2016, adopted by the EU
- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible Assets" (amended), effective from 1 January 2016, adopted by the EU
- IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" (amended) - Bearer Plants, effective from 1 January 2016, adopted by the EU
- IAS 27 "Separate financial statements" (amended), effective from 1 January 2016, adopted by the EU
- Annual Improvements to IFRSs 2012 - 2014 Cycle effective from 1 January 2016, adopted by the EU. This set of amendments impacts 4 standards:
  - IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
  - IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
  - IAS 19, 'Employee benefits' regarding discount rates.
  - IAS 34, 'Interim financial reporting' regarding disclosure of information.

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2016 and have not been adopted early by the Company. Information on those expected to be relevant to the Company's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

IFRS 9 "Financial Instruments" effective from 1 January 2018, adopted by the EU
The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Company's management have yet to assess the impact of IFRS 9 on these consolidated financial statements.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

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

• an expected credit loss-based impairment will need to be recognised on the Company's trade receivables and investments in debt-type assets currently classified as AFS and HTM, unless classified as at fair value through profit or loss in accordance with the new criteria

• if the Company continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Company's own credit risk.

IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018, adopted by the EU
IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and some revenue-related Interpretations and establishes a new control-based revenue recognition model. It changes the basis for deciding whether revenue is recognised at a point in time or over time and expands and improves disclosures about revenue. IFRS 15 is based on a core principle that requires an entity to recognise revenue in a manner that depicts the transfer of goods or services to customers and at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. Early adoption is permitted. The Company is required to apply the new revenue standard either retrospectively to each prior period presented, subject to some practical expedients or retrospectively, with the cumulative effect of initial application recognized in the current period.

Management intends to adopt the Standard retrospectively, recognising the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings on the initial date of application. Under this method, IFRS 15 will only be applied to contracts that are incomplete as at 1 January 2018. Management has started to assess the impact of the new Standard.

IFRS 16 "Leases" effective from 1 January 2019, not yet adopted by the EU

This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use-asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information.

IAS 7 "Statement of Cash Flows" (amended) effective from 1 January 2017, not yet adopted by the EU

These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 "Income Taxes" (amended) effective from 1 January 2017, not yet adopted by the EU

These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The following new standards, amendments and interpretations to existing standards, which have also been issued, but are not yet effective, are not expected to have a material impact on the Company's financial statements:

- IFRS 2 "Share Based Payments" (amended) effective from 1 January 2018, not yet adopted by the EU
- IFRS 9 "Financial Instruments" (amended) – Hedge accounting, effective from 1 January 2018, not yet adopted by the EU
- IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (amended), effective date to be determined, not yet adopted by the EU
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU
- IFRS 15 "Revenue from Contracts with Customers" (amended) effective from 1 January 2018, adopted by the EU
- IAS 40 "Investment property" (amended) - Transfers of Investment Property effective from 1 January 2018, not yet adopted by the EU

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" effective from 1 January 2018, not yet adopted by the EU
- Annual Improvements to IFRS Standards 2014-2016 Cycle. This set of amendments impacts 3 standards, which become effective as of the following dates:
  - IFRS 1 "First-time Adoption of International Financial Reporting Standards" - Deletion of short-term exemptions for first-time adopters, effective from 1 January 2018, not yet adopted by the EU
  - IFRS 12 "Disclosure of Interests in Other Entities" - Clarification of the scope of the Standard, effective from 1 January 2017, not yet adopted by the EU
  - IAS 28 "Investments in Associates and Joint Ventures" - Measuring an associate or joint venture at fair value, effective from 1 January 2018, not yet adopted by the EU.

4 Significant accounting policy

4.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.
The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies below.

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

4.2 Foreign currency translation

The separate elements of the financial statements of the Company are in the currency of the main economic environment in which it carries out its activities ("functional currency"). Company's financial statements are presented in Bulgarian Leva (BGN), which is also is the functional currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of remaining balances at year-end exchange rates are recognized in the income statement.

The Currency Board was introduced in Bulgaria on 1 July 1997 following the recommendations by the International Monetary Fund (IMF) and fixed the value of the BGN against the DEM in ration 1:1. Following the introduction of the EURO, the BGN was fixed to the EURO at rate 1 EURO = 1.95583 BGN. On 31 December 2016 the closing exchange rate of the BGN in relation to the Japanese Yen was 100 JPY = BGN 1.58495, in relation to the US Dollar – 1USD = BGN 1.85545, and in relation to the pound sterling – 1GBP = BGN 2.28437.

4.3 Income and expense recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates, allowed by the Company. In case of similar assets with similar values are exchanged, the transaction is not recognized as generating income.

Revenue from sale of goods is recognized, provided all of the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- The value of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the enterprise;
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is recognized, when the outcome of the transaction can be measured reliably.

Operating expenses are recognized in the income statement upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. Interest income and expenses are reported on an accrual basis. Dividends received, other than those from investments in associates, are recognized at the time of their distribution.

4.4 Borrowing costs

All borrowing costs are expensed as incurred. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

4.5 Intangible assets

Intangible fixed assets are measured initially at cost. If an intangible asset is acquired separately, the cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition.

After initial recognition, according to the benchmark treatment, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and this expenditure can be measured and attributed to the asset reliably. If these two conditions are met, the subsequent expenditure is added to the cost of the intangible asset.
Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

	2016	2015
• software	2 years	2 years
• others	4-7 years	4-7 years

Careful judgment by Company's management is applied when deciding whether the recognition requirements for development costs have been met. Judgments are based on the best information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by Company's management.
The recognition threshold, selected by the Company for intangible fixed assets amounts to BGN 700.

4.6 Property, plant and equipment

With the IFRS implement for a first time, the company has chose to execute the model of revaluation of the position "Buildings" from the entry "Estate, machinery and equipment", as an accepted value.

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

Subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses according to benchmark treatment. Impairment losses are recognized in the current period income statement.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized in the financial statements is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as an expense in the period in which it is incurred.

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

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

	2016	2015
• Buildings	25 years	25 years
• Machines	3-4 years	3-4 years
• Vehicles	6-7 years	6-7 years
• Fixtures & Fittings	6-7 years	6-7 years
• IT equipment	2 years	2 years
• Others	6-7 years	6-7 years

The recognition threshold, selected by the Company for tangible fixed assets amounts to BGN 700.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Adjustments are treated as changes in the estimation and enter into force as at the date changing.

Development expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

4.7 Leases

In the Lessee's Statements

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

The related asset is recognized at the time of inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs.

Assets acquired under the terms of finance lease are depreciated in accordance with IAS 16 Property, plant and equipment or IAS 38 Intangible assets.

All other leases are treated as operating lease agreements. Operate lease payments are recognized as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

In the Lessor's Statements

Assets subject to operating lease agreements are presented in the balance sheet and are depreciated in accordance with the lessor's normal depreciation policy for similar assets. The depreciation charge are calculated on the basis set out in IAS 16, Property, plant and equipment and IAS 38 Intangible assets. Lease income is recognized on a straight line basis in the Income statement for the period of the lease agreement.

Assets held under a finance lease agreement are presented in the balance sheet as a receivable at amount equal to the net investment in the lease. The sales revenue from assets is recognized in the current year Income statement. The spreading of the financial income, trough the whole term of the leasing contract has been performed on the systemic and rational base. The recognition of the financial income has been based on such model that is affecting a constant percent of returnability over the net investment.

4.8 Impairment testing of goodwill, other intangible assets and property, plant and equipment

The Company's assets are subject to impairment testing at every balance sheet date, other intangible assets and property, plant and equipment are subject to impairment testing.

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

4.9 Financial assets

Company's financial assets include cash and financial instruments other than hedging instruments. They can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are initially recognized at cost plus related transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the Income statement.

Trade receivables are provisioned when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the carrying amount of the asset and the present value of estimated future cash flows. In order to determine whether there is objective evidence indicating deterioration in the financial condition of the customers, the Company performs quantitative and qualitative analysis of the information obtained, uses public available sources of additional information and review the fair value of the property under the contract as well.

The impairment expense is pointed as "Other expenses" in the statement of comprehensive income.

Receivables are being written off as uncollectible under a resolution of the management, evidencing that the company cannot perform more reasonable collection efforts and activities.

4.10 Inventories

Inventories comprise raw materials and supplies, purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories are carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, than a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The costs of inventories are assigned by using the concrete identification of the value of inventories.

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

4.11 Accounting for income taxes

Current income tax assets and/or liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax basis. However, in accordance with the rules set out in AS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Company can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets. Deferred tax asset in relation to carried forward losses is recognized to the extent that the realization of the related tax benefits through the future taxable profits is probable.

Deferred tax liabilities are always recognized in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be offset against future taxable income.

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to equity (such as the re-evaluation of land are debited or credited directly to equity.

4.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, short term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

4.13 Equity

The company capital of "Mirkat" OOD reflects the nominal value of the shares.

The revaluation reserve consists of profits and losses related to the revaluation of certain categories of buildings.

Retained earnings include all current and prior period results as determined in the income statement.

4.14 Pension obligations and short term employee benefits

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

Definitive retirement incomes - According to the Labour Code as at the date of employee retirement, the Company effect compensation at the amount of two gross salaries if the length of working period in the company in less than ten years. If the employee has been working more than 10 years in the company then the amount of the compensation is at the amount of six gross salaries. The current value of the liability has been calculated on the base of the actuarial valuation from independent experts.

4.15 Financial liabilities

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

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the Income statement.

Bank loans are raised for support of long - term funding of the Company's operations. They are recognized at proceeds received, net of direct issue costs. Financial charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

Dividend distributions to shareholders are included when the dividends are approved by the shareholders' meeting.

4.16 Other provisions, contingent liabilities and contingent assets

Provisions, representing current obligations of the Company arising from past events, the settlement of which is expected to result in an outflow of resources, are recognized as liabilities. A provision is recognized only when the following conditions are present:

- The Company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Company takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Company does not recognize contingent assets in the financial statements as possible obligations arise, whose existence is not yet confirmed or this may result in the recognition of income that may never be realized.

4.17 Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment
The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

Trade and other receivables
The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivatives financial liabilities
The fair values which are determined for disclosure purposes is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. For a financial leasing the market interest rate is estimated according to similar contracts.

4.18 Significant management judgement in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 4.19.

4.18.1. Deferred tax assets

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

4.19. Estimation uncertainty

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

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

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

4.19.1. Impairment of non-financial assets

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.8). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

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

4.19.2. Useful lives of depreciable assets

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

At 31 December 2016 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in notes 5 and 6. Actual results, however, may vary due to technical obsolescence.

4.19.3. Inventories

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. Moreover, future realization of the carrying amounts of inventory assets BGN 3 027 (2015: BGN 2 168) is affected by changes in vehicle's market.

4.19.4. Impairment of receivables

The management assesses the appropriateness of this provision based on ageing analysis of the receivables, historical experience as to the write-off rates of bad debts, as well analysis of the solvency of the respective customer, changes in the contractual payment terms, etc. If the financial position and performance of the customers deteriorate (in excess of the expected) the amount of the receivables to be written off in the next reporting periods may be higher than the one estimated at the reproting date. At 31 December 2016 the best estimate of management regarding the required impairment of receivables amounts to BGN 2 310 (2015: BGN 0). Further details are provided in note 10.

5 Property, plant and equipment

	Land	Buildings	Machines Equipment	Vehicles	Other	Total
	BGN'000s	BGN'000s	BGN'000s	BGN'000s	BGN'000s	BGN'000s
At 1 January 2015						
Cost or valuation	3 096	756	361	3 476	207	7 896
Accumulated depreciation	-	(511)	(127)	(1 348)	(170)	(2 156)
Net book amount	**3 096**	**245**	**234**	**2 128**	**37**	**5 740**
Year ended 31 December 2015						
Opening net book amount	3 096	245	234	2 128	37	5 740
Additions	-	-	5	2 349	22	2 376
Disposals (at net book value)	-	-	(20)	(1 577)	(34)	(1 631)
Depreciation charge	-	(40)	(16)	(637)	(7)	(700)
Write off depreciation	-		20	935	34	989
Closing net book amount	**3 096**	**205**	**223**	**3 198**	**52**	**6 774**
At 31 December 2015						
Cost or valuation	3 096	756	346	4 248	195	8 641
Accumulated depreciation	-	(551)	(123)	(1 050)	(143)	(1 867)
Net book amount	**3 096**	**205**	**223**	**3 198**	**52**	**6 774**
Year ended 31 December 2016						
Opening net book amount	3 096	205	223	3 198	52	6 774
Additions	-	-	4	2 026	28	2 058
Disposals	(219)	(671)	(1)	(1 054)	-	(1 945)
Depreciation charge	-	(28)	(16)	(741)	(9)	(794)
Write off depreciation	-	494	-	595	-	1 089
Closing net book amount	**2 877**	**-**	**210**	**4 024**	**71**	**7 182**
At 31 December 2016						
Cost or valuation	2 877	85	349	5 220	223	8 754
Accumulated depreciation	-	(85)	(139)	(1 196)	(152)	(1 572)
Net book amount	**2 877**	**-**	**210**	**4 024**	**71**	**7 182**

With the IFRS implement for a first time, the company performs the revalued amount model, according to the previous Generally Accepted Accounting Principles, as an accepted value of the position "Buildings" on the date of the first IFRS implementing.

The value of the building before the revaluation was performed was in the amount of 462 thousand BGN. The revalued value of the building includes a revaluation reserve in the amount of 207 thousand BGN, which is not intended to be distributed among the shareholders of the Company.

6 Intangible assets

	Acquired software licenses	Right of use	Other	Total
	BGN'000s	BGN'000s	BGN'000s	BGN'000s
At 1 January 2015				
Cost	54	72	130	256
Accumulated amortization and impairment	(53)	(71)	(108)	(232)
Net book amount	**1**	**1**	**22**	**24**
Year ended 31 December 2015				
Opening net book amount	-	1	13	14
Disposals	(1)	(72)	(99)	(172)
Amortization	-	(1)	(6)	(7)
Write off amortization	1	72	98	171
Closing net book amount	**-**	**-**	**6**	**6**
At 31 December 2015				
Cost	53	-	30	83
Accumulated amortization and impairment	(53)	-	(24)	(77)
Net book amount	**-**	**-**	**6**	**6**
Year ended 31 December 2016				
Opening net book amount	-	-	6	6
Additions	1	-	-	1
Amortization charge	-	-	(5)	(5)
Closing net book amount	**1**	**-**	**1**	**2**
At 31 December 2016				
Cost	54	-	30	84
Accumulated amortization and impairment	(53)	-	(29)	(82)
Net book amount	**1**	**-**	**1**	**2**

7 Long-term receivables

	2016 BGN'000s	2015 BGN'000s
Long-term trade receivables	1 283	2 349
Finance lease receivables	26	26
	1 309	**2 375**

6.1 Financial leasing

As at 31 December 2016, the Company has receivables in connection with assets made available to be used under financial lease contracts concluded. The lease contracts envisage fixed lease payments and an option for acquisition of the asset at the end of the term of the lease. The lease contracts are irrevocable but they contain no other limitations.

Future minimum lease receivables as per 31 December 2016 are as follows:

	Up to 1 year BGN'000s	1 to 5 years BGN'000s	Total BGN'000s
Lease payments	1 340	22	1 362
Discounts	52	1	53
Net present value	**1 288**	**21**	**1 309**

Future minimum lease receivables as per 31 December 2015 are as follows:

	Up to 1 year BGN'000s	1 to 5 years BGN'000s	Total BGN'000s
Lease payments	1 499	24	1 523
Discounts	66	2	68
Net present value	**1 565**	**26**	**1 591**

6.2 Operative leasing

Future minimum lease receivables related to operating leasing are as follows:

	Up to 1 year BGN'000s	1 to 5 years BGN'000s	Total BGN'000s
As at 31.12.2016	78	1 969	2 047
As at 31.12.2015	813	1776	2 589

The Contracts for operating leasing do not content clauses for payments under conditions, renewal or post buying.

8 Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses under the liability method, using a principal tax rate of 10% (2015: 10%), can be summarized as follows:

	2016 Deferred tax asset BGN'000s	2016 Deferred tax liability BGN'000s	2015 Deferred tax asset BGN'000s	2015 Deferred tax liability BGN'000s
Non current assets				
Tax depreciation	79	-	-	25
Current assets				
Impairment of assets	231	-	146	-
Tax loss	-	-	366	-
Non-current liabilities				
Retirement indemnity	3	-	3	-
Current liabilities				
Unused paid leaves of the personnel and other employee obligations	5	-	5	-
Interest expenses from thin capitalization	38	-	-	-
	353	**-**	**520**	**25**

Please also refer to note 25 for information on the Company's tax expense.

9 Inventories

	2016 BGN'000s	2015 BGN'000s
Goods	3 071	2 212
Impairment of goods	(44)	(44)
	3 027	**2 168**

In 2016, the Company has not committed impairment of inventories.

10 Trade receivables

	2016 BGN'000s	2015 BGN'000s
Trade receivables – dross	16 853	18 312
Impairment of receivables	(2 310)	(586)
Trade receivables – net	**14 543**	**17 726**

All trade receivables are subject to credit risk exposure. However, the Company does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers.
Under a Contract for Loan line with Alpha Bank AD, the company has been established a pledge over current and future receivables under leasing contracts.

Movement in impairment of receivables in 2016 is as follows:

	2016 BGN'000s	2015 BGN'000s
Impairment of receivables at 1 January	586	679
Impairment losses	2 310	-
Disposals from impairment	(586)	(93)
Impairment of receivables at 31 December	**2 310**	**586**

11 Other receivables

	2016 BGN'000s	2015 BGN'000s
Other debtors	1 718	1 781
Claims for litigation	285	220
Awarded receivables	814	1 153
Prepaid expenses	133	131
	2 950	**3 285**

The receivables from other debtors are receivables for insurance policies, taxes, fees etc. for automobiles made available under financial lease contracts.

12 Cash and cash equivalents

	2016 BGN'000s	2015 BGN'000s
Cash at bank and in hand:		
- BGN	695	550
- EUR	18	27
	713	**577**

13 Equity

13.1 Share capital

The share capital of the Company consists of 323 303 fully paid ordinary shares with a nominal value of BGN 50. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the owners meeting of the Company.

The list of the two partners with shares in the Company was presented as follows:

	2016 Number of shares	2016 %	2015 Number of shares	2015 %
Sfakianakis A.E.B.E	323 300	99.9999	323 300	99.9999
Stavros Taki	3	0.0009	3	0.0009
	323 303	**100**	**323 303**	**100**

13.2 Revaluation reserve

As a result of the performed revaluation until 2001 of the book value of assets, the Company formed a revaluation reserve in the amount of BGN 207 thousand.

14 Long-term financial liabilities

	2016 BGN'000s	2015 BGN'000s
Long-term bank loans	1 827	2 179
	1 827	**2 179**

Fair values of these long term financial liabilities are as follows:

	2016 BGN'000s	2015 BGN'000s
Long-term bank loans:		
-Alfa Bank AD – under limit B	1 827	2 179
	1 827	**2 179**

15 Other non-current liabilities

	2016 BGN'000s	2015 BGN'000s
Other loans	4	4
	4	**4**

16 Short-term financial liabilities

	2016 BGN'000s	2015 BGN'000s
Short-term bank loans:		
- Alfa Bank AD – under limit B	-	352
- Alfa Bank AD – under limit C	4 616	5 672
- Interest	88	-
	5 056	**6 024**

The contract for a revolving line of credit with Alpha Bank AD was signed on 13 December 2001 for the amount of EUR 6 000 thousand or BGN 11 735 thousand. The interest rate is specified as the sum of: the three-month EURIBOR plus a mark-up of 3%. The loan must be repaid by 30 April 2010. The Company has made a special pledge in favour of the bank of its future receivables under lease contracts. A corporate guarantee has been provided by Sfakianakis A.E.B.E.-Greece.

On the date 29.07.2010 between the companies "Alpha Bank" AD and "Mirkat" Ltd. has been signed an additional agreement related to a Credit agreement № 045/2001, which agreement states that the amount of the credit limit is increased till the amount of 11 750 thousand euro and shall be divided into different "under-limits", as follows:

- Under-limit A – at the amount of 3 427 thousand euro with term of payment till 05.01.2012 and interest at the amount of 12 month EURIBOR plus 4.25 %;
- Under-limit B – at the amount of 3 464 thousand euro with term of payment till 05.01.2017 and interest at the amount of 1 month EURIBOR plus 5.50 %;
- Under-limit C – at the amount of 3 850 thousand euro with term of payment till 31.03.2016 and interest at the amount of 1 month EURIBOR plus 5.50 %

"Sfakianakis A.E.B.E." has been provided a corporate guarantee, representing a pledge over a receivable at the amount of 3 500 thousand euro at the bank account of "Sfakianakis A.E.B.E." and a pledge over current and future receivables under leasing contracts and a mortgage on real property – 2. Land with an area of 7,831 acres and building in Sofia.

17 Trade payables

	2016 BGN'000s	2015 BGN'000s
Trade payables	32	59
Advances from customers	128	71
Deposits under rental contracts	125	158
	285	**288**

The fair values of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be a reasonable approximation of their fair value.

18 Employee compensation

18.1 Employee benefit expenses

Expense recognized for employee benefits is analyzed below:

	2016 BGN'000s	2015 BGN'000s
Wages and salaries	(605)	(758)
Social security	(87)	(85)
Expenses for retirement compensations plans	(3)	(4)
	(695)	**(847)**

18.2 Employee benefit

Compensation for employees	2016 BGN'000s	2015 BGN'000s
Compensation liabilities for retirement plans	28	27
	28	**27**

According to Art 222 from the Labour Code as at the date of employee retirement, the Company is obliged to effect compensation at the amount of two gross salaries if the length of working period in the company in less than ten years. If the employee has been working more than 10 years in the Company then the amount of the compensation is at the amount of six gross salaries.

The Company performs retirement plans compensations and the current value of the liability has been calculated on the base of the actuarial valuation from independent experts.

Movement in the present value of the defined benefit obligations

	2016 BGN'000s	2015 BGN'000s
Defined benefit obligations at 1 January	27	27
Current interest	1	-
Current service costs	3	4
Income paid	-	(2)
Actuarial (gains) losses in other comprehensive income	(3)	(2)
Defined benefit obligations at 31 December	**28**	**27**

18.3 Pensions and other employee obligations

	2016 BGN'000s	2015 BGN'000s
Payables to social security	14	15
Unused paid holiday	51	51
	65	**66**

19 Other payables

	2016 BGN'000s	2015 BGN'000s
VAT	162	177
Municipal taxes	338	314
Other taxes	18	10
Insurances	27	80
Interest payables	-	33
Other creditors	5	45
	550	**659**

20 Incomes from sales

Incomes include:

	2016 BGN'000s	2015 BGN'000s
Sales of goods	9 115	6 049
Provided services	2 042	1 054
Other income	216	1 002
	11 373	**8 105**

21 Costs for materials

Costs include:

	2016 BGN'000s	2015 BGN'000s
Costs for electricity	-	(25)
Costs for fuel and oils	(13)	(18)
Costs for spare parts	(62)	(9)
Costs for office materials	(13)	(20)
Promotional materials	(19)	-
Manuals and catalogs	(14)	-
Other costs	(4)	(30)
	(125)	**(102)**

22 Costs for services

Costs include:

	2016 BGN'000s	2015 BGN'000s
Costs for transport	(42)	(19)
Costs for advertisement	(373)	(705)
Telephones, couriers	(18)	(19)
Consultancy services	(172)	(192)
Costs for routine repairmen	(230)	(212)
Costs for one-off tax payments	-	(96)
Insurances	(268)	(294)
Rental	(463)	(471)
Other	(111)	(90)
	(1 677)	**(2 098)**

23 Other costs

Costs include:

	2016 BGN'000s	2015 BGN'000s
Costs for business trips	(10)	(10)
Costs for representatives purposes	(13)	(17)
Impairment of receivables	(2 310)	93
Receivables written of	(1 933)	(1 654)
Municipal taxes	(118)	-
Other costs	(52)	(33)
	(4 436)	**(1 621)**

24 Financial incomes

	2016 BGN'000s	2015 BGN'000s
Incomes from leasing contracts interests	30	81
	30	**81**

25 Financial expenses

	2016 BGN'000s	2015 BGN'000s
Costs for loans interests	(402)	(485)
Costs for bank fees	(42)	(30)
Costs resulted from changes in the exchange rate	(3)	(2)
	(447)	**(517)**

26 Income tax expense

The relationship between the expected tax expense based on the effective tax rate of The Company at 10 % (2015: 10 %) and the tax expense recognized in the income statement can be reconciled as follows:

		2016 BGN'000s		2015 BGN'000s
Loss for the year before tax		(2 320)		(2 816)
Tax rate		10 %		10 %
Expected tax expense		-		-
	Base amount	Tax effect at 10 %	Base amount	Tax effect at 10 %
Adjustment for tax exempt income				
- tax deductible depreciation	(788)	(79)	(1 360)	(136)
- tax value of write-off assets	(682)	(68)	-	-
- recognized amounts for accumulated unused vacation time	(51)	(5)	(31)	(3)
-other	(1)	-	(254)	(25)
Adjustment for non-deductible expenses				
-depreciation expenses	828	83	1 350	135
- net book value of write-off assets	870	87	-	-
- impairment of assets, incl. receivables	2 310	231	31	3
- interest expenses from thin capitalization	372	37	-	-
- unrecognized amounts for accumulated unused vacation time	51	5	10	1
- other	49	5	25	3
Current tax expense		-		-
Deferred tax income, resulting from				
- origination and reversal of temporary differences		(141)		(404)
Actual tax expense, net		**(141)**		**(404)**

Please refer to note 7 for information on the entity's deferred tax assets and liabilities.

27 Related parties transactions

None of the transactions incorporate special terms and conditions and no guarantee was given or received.

27.1 Transactions with owners

	2016 BGN'000s	2015 BGN'000s
Purchases of goods and services	**(8 968)**	**(5 986)**
- purchases of goods from SFAKIANAKIS S.A	(8 968)	(5 986)
Sales of goods and services	**69**	**75**
- Sales of services of SFAKIANAKIS S.A.	69	75

27.2 Transactions with entities under common control

	2016 BGN'000s	2015 BGN'000s
Interests costs	**(15)**	**(21)**
- Ergotrak Bulgaria Ltd – trade	(15)	(21)
Sales of goods and services	**393**	**303**
- Ergotrak Bulgaria Ltd – goods	-	14
- Ergotrak Bulgaria Ltd – services	20	13
- Executive Lease S.A. – services	373	276
Purchases of goods and services	**(88)**	**(68)**
- purchases of services Ergotrak Bulgaria	-	(2)
- purchases of services Executive Lease S.A.	(88)	(66)

27.3 Balances at the end of the year

	2016 BGN'000s	2015 BGN'000s
Payables to:	**11 549**	**10 635**
- owners	11 549	10 635
Paybles to the group entities	**90**	**293**
- Ergotrak Bulgaria Ltd - principal	-	293
- Executive Lease S.A. – services	90	-
Receivables from the group entities	**164**	**16**
- Executive Lease S.A. – services	-	16
- Enterprise Rent a car	164	-

27.4 Key managing deals

	2016 BGN'000s	2015 BGN'000s
Short term benefits		
- salaries	220	220
- costs for social insurance	6	6
- total	**226**	**226**

28 Contingent assets and contingent liabilities

Various guarantees and legal claims were filed by and against the Company during the year. Part of the Company's claims against third parties has been closed with Court resolutions in favour of Mirkat Ltd and the amounts are collected. Over another part from the Company's claims againts third parties there are no deducted Court resolutions yet. The management of the Company is of the opinion that the claims files against the Company are unwarranted and ungrounded and that the probability that they will result in a settlement request is very low. This assessment by the management is supported by the opinion of an independent legal consultant.

On 03.06.2014 a pledge has been registered for part of the capital of Mirkat Ltd., which correspond to the planned shareholding of Sfakianakis A.E.B.E.

- Pledger and debtor - Sfakianakis A.E.B.E. Greece
- Pledgee - Alpha Bank AE Greece
- Reason - Contractual loan from 11.12.2009
- Collateral receivables - transfer of money for the amount of 186 500 000 Euro

29 Policy of the management related to risk

The activity of the company is exposed to market, credit and liquidity risk. However, the company does not use financial instruments to reduce financial risks.

29.1 Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument may fluctuate due to changes in market prices. Market prices include four types of risk: interest rate risk, currency risk, commodity price and other price risk. Financial instruments that are affected by market risk include loans and trade payables.

Interest rate risk

The interest risk is the risk that the value of the Company's interest – bearing loans might vary as a consequence of the changes in the market interest rates.
The interest's margins may increase from these changes, but they also may be reduced or to perform losses if an unexpected movements have arise, in accordance from the level of inaccuracy in the revaluation of the interests. In this case the Management has limited the allowed level for the inaccuracy in the revaluation of the interests percent.
The table below provides an analysis of the sensitivity to possible changes in interest rates to their effect on profit before tax, provided that all other variables are assumed to be constant. No effect on other components of equity of the Company.

	Increase/ Decrease in basis points '000 BGN	**Effect over profit before taxes '000 BGN**
2016 г.		
In euro, based on EURIBOR	0,5%	(2)
In euro, based on EURIBOR	-1%	4

	Increase/ Decrease in basis points '000 BGN	**Effect over profit before taxes '000 BGN**
2015 г.		
In euro, based on EURIBOR	0,5%	(3)
In euro, based on EURIBOR	-1%	5

Foreign currency risk

The Company has received loans in foreign currency from financial institutions. As a result, the Company is imposed to a risk, related to the possible change in the exchange rates. Transactions in foreign currencies are mostly in Euros and because of the fixed rate the risk level is minimal.

Risk from the activity

The risk from the activity, resident in all economic companies, brings the potential for financial losses and economical instability, consequence of a bad internal control, process activities or their supporting systems. The aim of the management of the activity risk is to balance the costs and the risk in the frames of the limits, till the potential benefits

29.2 Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Company secures the financial receivables under lease contracts with the property leased under the contract.

The Company assesses the financial condition of the client, which includes qualitative and quantitative analysis that takes into account all the circumstances that might affect repayment.

The Company's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The credit risk arises, because the clients or the partners may do not want or they are maybe not able to execute the agreed obligations. The company is performing credit capacity analysis over an each client and requires insurance for its receivables as set forth in the financial leases with financial risk policy of the leading market insurance companies. In the case of an insured event, the insurance company covers all the losses or buys the receivable at the market prices.

At 31 December 2016 and at December 31, 2015 the Company is exposed to concentration of credit risk in relation to receivables from several companies as follows:

Client	**Amount of exposure as at 31.12.2016 '000 BGN**	**% from all receivables**
Client 1	1 958	13%
Client 2	1 431	10%
Client 3	1 185	8%
	14 543	

Client	Amount of exposure as at 31.12.2015 '000 BGN	% from all receivables
Client 1	5 439	31%
Client 2	1 431	8%
Client 3	1 185	7%
	17 726	

29.3 Liquidity risk

Effective management of the Company's liquidity implies providing adequate working capital, primarily by maintaining unused committed credit lines and financing from related parties.

As at 31 December the maturity structure of financial liabilities of the Company based on contractual undiscounted payments is presented below:

31.12.2016 r.	Current payment	Short-term to 1 year	From 1 to 5 years	Total
Financial liabilities				
Banks' loans	-	5 056	1 827	6 883
Trade liabilities	157	-	-	157
Related parties liabilities	-	11 639	-	11 639
Other liabilities	32	-	-	32
Total financial liabilities	**189**	**16 695**	**1 827**	**18 711**

31.12.2015 r.	Current payment	Short-term to 1 year	From 1 to 5 years	Total
Financial liabilities				
Banks' loans	-	6 024	2 179	8 203
Trade liabilities	217	-	-	217
Related parties liabilities	-	10 928	-	10 928
Other liabilities	95	63	-	158
Total financial liabilities	**312**	**17 015**	**2 179**	**19 506**

29.4 Equity managing

The Company policy is focused to hold a strong capital base that could keep the investors, creditors and market trust and to ensure business activity development.
Management's aims related to the equity managements are as follows:

- to ensure the company forward its activity as a going concern in way that could return the capital to the shareholders
- to ensure as well appropriate earnings capacity to the shareholders by adequately determination of its products and services prices as its investment projects in accordance with the different risk level.
- To follow the capital structure and to perform necessary adjustments in accordance with the changes in the economical environment.

29.5 Fair value

Below is a comparison between the carrying amounts and fair values of financial instruments of the Company separated by categories that are included in the financial statements:

	Balance value			**Fair value**
	2016	**2015**	**2016**	**2015**
	'000 BGN	**'000 BGN**	**'000 BGN**	**'000 BGN**
Assets				
Financial assets				
Trade receivables	14 543	17 726	14 543	17 726
Related parties receivables	164	16	164	16
Other receivables	1 099	1 373	1 099	1 373
Cash and cash equivalents	713	577	713	577
Total financial assets	**16 519**	**19 692**	**16 519**	**19 692**
Liabilities				
Financial liabilities				
Banks' loans	6 883	8 203	6 883	8 203
Trade liabilities	157	217	157	217
Related parties liabilities	11 639	10 928	11 639	10 928
Other liabilities	32	158	32	158
Total financial liabilities	**18 711**	**19 506**	**18 711**	**19 506**

The Company's management has concluded that the balance amounts of cash and cash equivalents, trade receivables and trade payables approximate their balance values due to the short-term nature of these instruments.

The fair value of financial assets and liabilities is based on an approximate amount value for which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale.

30 Post Balance sheet events

The management of the Company declares that for the period after the balance sheet date until the date of the preparation of the financial statements no significant and/or material non-adjusting events took place concerning the activities of the Company, the non-disclosure of which could influence the truthful and fair presentation in the financial statements.

Prepared by: Aleksander Stoykov, ABCC OOD
Date: 28.03.2017

"АКАУНТИНГ ЕНД БИЗНЕС КОНСАЛТИНГ ЦЕНТЪР" ООД СОФИЯ

Manager: G. Papakonstantinou

МИРКАТ ООД СОФИЯ