AUDIT
FINANCE
ACCOUNTING
TAX
LAW

INDEPENDENT AUDITOR'S REPORT

TO
THE SHAREHOLDERS
OF THRACE - IPOMA AD

Opinion

We have audited the financial statements of Thrace-Ipoma AD (the Company), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and 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 present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and 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 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 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 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, unless and to the extent explicitly specified in our report. 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 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.

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 on new and expanded auditor's reports and auditor's communication" of the professional organisation of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). 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 financial statements have been prepared is consistent with those financial statements.
b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of Management

Management is responsible for the preparation and fair presentation of the 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 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 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 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 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.

Other Matter

We have performed an audit under International Standards on Auditing of the Company's consolidation financial reporting package for 2017, prepared in accordance with the Group policies for the purposes of the consolidation of Thrace – Plastics S.A, Greece and have issued a separate unmodified Interoffice Auditor's Report dated 16 February 2018.

АФА ООД

AFA OOD

Audit Firm

Renny Georgieva Iordanova

General Manager

Legal representative

Nadia Dimitrova Viachka

Registered CPA in charge of the audit

16 February 2018

38, Oborishte Street

1504-Sofia, Bulgaria

This is a translation from Bulgarian of the Independent Auditor's Report on the Financial Statements of Thrace - Ipoma AD for the year ended 31 December 2017.

THRACE-IPOMA AD

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	2017 BGN '000	2016 BGN '000
Revenue	3	47 183	42 847
Cost of sales	4	(40 033)	(35 650)
Write-down of inventories	5	(85)	(275)
Gross profit		**7 065**	**6 922**
Other operating income/(losses)	6	171	282
Distribution and selling costs	7	(1 507)	(1 203)
Administrative expenses	8	(2 718)	(2 476)
Other operating expenses	10	(328)	(353)
Profit from operations		**2 683**	**3 172**
Finance costs	11	(166)	(159)
Profit before income tax		**2 517**	**3 013**
Income tax expense	12	(297)	(368)
Net profit for the year		**2 220**	**2 645**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	2.15, 22	(21)	(7)
Items that may be reclassified to profit or loss		-	-
Other comprehensive income for the year, net of tax		**(21)**	**(7)**
Total comprehensive income for the year		**2 199**	**2 638**

The accompanying notes on pages 5 to 71 form an integral part of these financial statements.

Executive Director:
(Dimitar Ditchev)

Financial Director:
(Dobri Dobrev)

Chief Accountant (preparer):
(Gergana Vodenicharova)

Акционерно дружество ТРЕЙС-ИПОМА София

AUDITED BY AFA

16/02/2018

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2017.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Notes	31/12/2017 BGN '000	31/12/2016 BGN '000
ASSETS			
Non-current assets			
Property, plant and equipment	13	24 053	22 167
Intangible assets	14	193	211
		24 246	**22 378**
Current assets			
Inventories	15	12 090	9 698
Receivables from related parties	28	4 428	2 857
Trade receivables	16	3 434	2 976
Other receivables and prepaid expenses	17	440	342
Cash and cash equivalents	18	1 105	937
		21 497	**16 810**
TOTAL ASSETS		**45 743**	**39 188**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		3 226	3 226
Retained earnings		23 599	22 174
Reserves		586	586
	19	**27 411**	**25 986**
LIABILITIES			
Non-current liabilities			
Long-term bank loans	21	2 610	790
Deferred tax liabilities	20	954	835
Retirement benefit obligations	22	196	156
		3 760	**1 781**
Current liabilities			
Trade payables	23	6 944	4 161
Current portion of long-term bank loans	21	2 643	1 952
Sort-term bank loans	24	2 537	2 896
Trade payables to related parties	28	1 821	1 739
Payables to personnel and for social security	25	539	539
Tax payables	26	77	126
Other current liabilities	27	11	8
		14 572	**11 421**
TOTAL LIABILITIES		**18 332**	**13 202**
TOTAL EQUITY AND LIABILITIES		**45 743**	**39 188**

The accompanying notes on pages 5 to 71 form an integral part of these financial statements.

The financial statements on pages 1 to 71 were approved for issue by the Board of Directors and signed on 16 February 2018 by:

Executive Director: *(Dimitar Ditchev)*

Financial Director: *(Dobri Dobrev)*

Chief Accountant (preparer): *(Gergana Kozhenicharova)*

Акционерно дружество ТРЕЙС-ИПОМА София

AUDITED BY

16/02/2018

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2017.

THRACE-IPOMA AD

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	2017 BGN '000	2016 BGN '000
Cash flows from operating activities			
Cash receipts from customers		47 362	42 598
Cash paid to suppliers		(36 938)	(32 091)
Cash paid to employees and for social security		(5 159)	(4 606)
Taxes paid (except income taxes)		(921)	(1 082)
Income taxes paid		(276)	(273)
Interest and bank charges paid on working capital loans		(62)	(71)
Other proceeds/(payments), net		(201)	(111)
Net cash flows from operating activities		**3 805**	**4 364**
Cash flows from investing activities			
Purchases of property, plant and equipment		(5 022)	(4 189)
Purchases of intangible assets		(4)	(96)
Proceeds from sale of property, plant and equipment		1	-
Net cash flows used in investing activities		**(5 025)**	**(4 285)**
Cash flows from financing activities			
Proceeds from long-term bank loans		4 618	1 287
Repayments of long-term bank loans		(2 108)	(1 586)
Proceeds/(payments) on bank overdrafts, net		(359)	1 372
Proceeds from short-term bank loans		14	27
Repayments of short-term bank loans		(14)	(27)
Interest and bank charges paid on investment-purpose loans		(104)	(90)
Dividends paid		(773)	(603)
Payments of finance lease liabilities		(2)	(2)
Proceeds from grants		116	-
Net cash flows from financing activities		**1 388**	**378**
Net increase in cash and cash equivalents		**168**	**457**
Cash and cash equivalents at 1 January		937	480
Cash and cash equivalents at 31 December	18	**1 105**	**937**

The accompanying notes on pages 5 to 71 form an integral part of these financial statements.

Executive Director:
(Dimitar Ditchev)

Financial Director:
(Dobri Dobrev)

Chief Accountant (preparer):
(Gergana Vodenicharova)

Акционерно дружество ТРЕЙС-ИПОМА София

AUDITED BY ADA
16/02/2018

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2017.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Notes	Share capital	Statutory reserves	Retained earnings	Total equity
		BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2016		3 226	586	20 116	23 928
Changes in equity for 2016					
Distribution of profit for dividend		-	-	(580)	(580)
Total comprehensive income for the year, including:		-	-	2 638	2 638
** net profit for the year*			-	*2 645*	*2 645*
** other comprehensive income, net of taxes*	22	-	-	*(7)*	(7)
Balance at 31 December 2016	19	3 226	586	22 174	25 986
Changes in equity for 2017					
Distribution of profit for dividend	19	-	-	(774)	(774)
Total comprehensive income for the year, including:		-	-	2 199	2 199
** net profit for the year*		-	-	*2 220*	*2 220*
** other comprehensive income, net of taxes*	22	-	-	*(21)*	*(21)*
Balance at 31 December 2017	19	3 226	586	23 599	27 411

The accompanying notes on pages 5 to 71 form an integral part of these financial statements.

Executive Director:
(Dimitar Ditchev)

Financial Director:
(Dobri Dobrev)

Chief Accountant (preparer):
(Gergana Vodenicharova)

Акционерно дружество ТРЕЙС-ИПОМА София

AUDITED BY
16 / 02 / 2018

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2017.

CONTENTS

1. BACKGROUND CORPORATE INFORMATION

Thrace-Ipoma AD is a joint-stock company established in February 1997 by virtue of a Privatisation Sale Agreement concluded between the Ministry of Industry and Trierina Trading Limited, Cyprus. The Company has a seat and registered address at: Sofia, 7, Nedelcho Bonchev Str. It was registered in court in 1989 by Decision No 394 / 1989 of Sofia City Court. On 13 June 2006, by a court decision Company's name was changed from Ipoma AD to Thrace-Ipoma AD.

Ownership and management

Thrace-Ipoma AD is a non-public joint-stock company.

At 31 December 2017 and 31 December 2016, the structure of Company's registered share capital is as follows:

• Trierina Trading Limited, Cyprus	99.887%
• Republic of Bulgaria through the Ministry of Economy and Energy	0.001%
• Natural persons	0.112%

The Company is a part of the group of Thrace Plastics Co. SA, Greece, being the owner of Trierina Trading Limited, Cyprus.

Company's management, in the form of Board of Directors (BD), is composed as at 31 December 2017 as follows:

- Konstantinos Chalioris – Chairperson;
- Dimitrios Malamos;
- Georgios Braimis;
- Dimitar Ditchev;
- Desislava Neicheva.

The Company is represented and managed by the Executive Director Dimitar Ditchev.

The total number of Company's personnel as at 31 December 2017 was 252 workers and employees (31 December 2016: 238 workers and employees).

Principal activities

The principal activities of the Company for 2017 included the following types of transactions and deals:

- production of crates for non-alcoholic drinks, beer, bread and agriculture produce;
- production and trade in multiple- and single-use buckets;
- production of plastic Big Bags;
- production and sales of garden furniture;
- coordination and cooperation in the area of the production, distribution, sales and marketing of plastic articles.

Main indicators of the economic environment

The main economic indicators of the business environment that have affected the Company's activities throughout the period 2015 – 2017 are presented in the table below:

Indicator	**2015**	**2016**	**2017**
GDP in million levs	88,571	94,130	99,080*
Actual growth of GDP	3.6%	3.9%	3.8*
Year-end inflation (HICP)	-0.9%	-0.5%	1.8%
Average exchange rate of USD for the year	1.76	1.77	1.71
Exchange rate of the USD at year-end	1.80	1.86	1.63
Basic interest rate at year-end	0.01	0.00	0.00
Unemployment rate at year-end	10.0%	8.0%	7.1%

** BNB forecast for 2017.*

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for preparation of the financial statements

The financial statements of Thrace-Ipoma AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force beginning from 1 January 2017 and have been accepted by the Commission of the European Union. IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

For the current financial year the Company has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities. The adoption of these standards and/or interpretations, effective for annual periods beginning on 1 January 2017, has not caused changes in Company's accounting policies, except for some new disclosures and the expansion of those already adopted, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

The new and/or amended standards and interpretations include:

- *IAS 12 (amended) "Income Taxes"* (in force for annual periods beginning on or after 1 January 2017 – endorsed by EC) – recognition of deferred tax assets for unrealised losses.
- *IAS 7 (amended) "Statement of Cash Flows"* – regarding disclosure initiative (in force for annual periods beginning on or after 1 January 2017 – endorsed by EC).

At the date when these financial statements have been approved for issue, there are new standards, amended/revised standards and interpretations issued but not yet in force for annual periods beginning on or after 1 January 2017, which have not been adopted by the Company for early application. The management has decided that out of these the following would have a potential impact in the future resulting in changes in the accounting policies and he classifications and amounts of items inand the financial statements of the Company for subsequent periods, namely:

- *IFRS 9 "Financial Instruments" (in force for annual periods beginning on or after 1 January 2018 –*

endorsed by EC). This is a new standard for financial instruments. It is ultimately intended to replace IAS 39 in its entirety. The replacement project has passed through three phases: Phase 1: Classification and measurement of financial assets and financial liabilities; Phase 2: Hedge accounting; and Phase 3: Impairment methodology. At present, IFRS 9 has been issued four times: in November 2009, October 2010, November 2013 and finally in July 2014. Phase 1: Classification and measurement of financial assets and financial liabilities – by the first issues it replaces those parts of IAS 39 that refer to the classification and measurement of financial instruments. It sets out new principles, rules and criteria for classification, measurement and derecognition of financial assets and liabilities, including hybrid contracts. IFRS 9 introduces a requirement that financial assets are to be classified based on entity's business model for their management and on the contractual cash flow characteristics of the respective assets. It establishes two primary measurement categories for financial assets: amortised cost and fair value. The new rules will lead to changes mainly in the accounting for financial assets as debt instruments and financial liabilities designated at fair value through current profit or loss (for credit risk). A specific feature of the classification and the measurement model for financial assets at fair value is the addition of a new category – fair value through other comprehensive income (for certain debt and capital instruments). Phase 2: Hedge accounting – a new chapter to IFRS 9 has been added for this purpose whereby a new hedge accounting model is introduced that permits consistent and complete reflection of all financial and non-financial risk exposures, subject to hedge transactions, and also, better presentation of risk management activities in the financial statements and especially, their relation to hedge transactions, and the scope and type of documentation to be used. In addition, the requirements to the structure, contents and presentation approach for hedge disclosures have been improved. Furthermore, an option is introduced fair value changes of own debts, measured at fair value through profit or loss, in the part thereof due to changes in the entity's own credit quality, to be presented in other comprehensive income rather than in profit or loss. Phase 3: Impairment methodology – the amendment introduces the application of the 'expected loss' model. Under this model all expected credit losses of an amortisable financial instrument (asset) shall be recognised in three stages, depending on its credit quality change, and not only if a trigger event has occurred as per the current model under IAS 39. The three stages are: upon the initial recognition of the financial asset – impairment for the 12-month period or for the full lifetime of the asset; and respectively, upon the incurrence of the actual impairment. They also set out how to measure impairment losses and respectively the application of the effective interest rate. The impairment of debt instruments measured at fair value through the other comprehensive income is determined and measured by applying the same methodology which is used for financial assets at amortised cost. The management has done research and has concluded that the changes made through the new standard will not have a substantial impact on the the value and classification of Company's assets, liabilities, transactions and performance. The effects of its analyses are disclosed in Note 30.

- *IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the relief from the requirement* *to restate comparatives and the related thereto disclosures when applying IFRS 9 (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).* The amendment is related to a relief from the requirement to restate the comparative financial statements and the option to present modified disclosures on the transition from IAS 39 to IFRS 9 as at the date of the standard application by the Company and whether it chooses the option to restate prior periods. The management has chosen modified retrospective application of IFRS 9 on its adoption and will not restate comparative information.

- *IFRS 15 "Revenue from Contracts with Customers" (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).* This is an entirely new standard. It introduces a single complex of principles, rules and approaches for recognition, accounting for and disclosure of information about the nature, amount, timing and uncertainties related to revenue and cash flows arising from contracts with customers. It will supersede all current standards related to revenue recognition, mainly IAS 18 and IAS 11 and the interpretations thereto. The main principle of the new standard is to provide a stepwise model whereby revenue amount and timing reflect the obligation characteristics and performance of each of the parties to the transaction. The key components include: (a) contracts with customers that are commercial in their substance and assessment of the probability for collecting contractual amounts by the entity in line with the terms and conditions of the particular contract; (b) identification of the separate performance obligations under the contract for providing of a good or service, that is distinct from the other assumed contractual commitments/promises, from which the customer would obtain benefits; (c) transaction price determination – the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer – special attention is paid to the variable component of price, the financing component, as well as the non-cash consideration; (d) allocation of the transaction price to separate performance obligations under the contract – usually on a stand-alone sale price of each component; and (e) the point of time or the period of revenue recognition – when an entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur at a point in time or over time. Clarifications are provided regarding: (a) identification of the performance obligations based on specific promises for the delivery of goods or services; (b) determining whether an entity acts as principal or agent in the provision of goods or services, and (c) license transfers. The expectation is that the introduction of this standard may lead to the more material changes: (a) in complex contracts with bundled sales of goods and services a clear distinction will be required between the goods and services of each component and provision of the contract; (b) probability for a change in the time of sale recognition; (c) expanding of disclosures; and (d) introduction of additional rules for recognising the revenue from a particular type of contracts – licences; consignment; one-time collection of preliminary fees; guarantees and other similar. The standard allows a full retrospective approach or a modified retrospective approach from the beginning of the current reporting period with particular disclosures for prior periods. The management has done research and has concluded that the changes made through the new standard would not have a significant impact on the accounting policies, and on the value and classification of Company's assets, liabilities, transactions and performance. The effects of the analyses made thereby are disclosed in Note 30. The Company has selected modified retrospective first-time adoption of IFRS 15 and will not restate comparative data.

- *IFRS 16 "Leases" (in force for annual periods beginning on or after 1 January 2019 – endorsed by EC).* This standard has an entirely new concept. It establishes new principles for the recognition, measurement and presentation of a lease by introducing a new model with the objective to ensure a more faithful and adequate representation of such transactions both for lessee and lessor. The standard will supersede the effective so far standard related to leases – IAS 17. (a) The main principle of the new standard is the introduction of a single lessee accounting model in the statement of financial position – an asset will be recognised for all contracts with duration of more than 12 months in the form of a 'right-of-use', which will be subsequently depreciated over the duration of the contract, and respectively, a financial liability will be stated for the lease liability under the contracts. This is the significant change in the current accounting practice. The standard allows an exception and retaining the current practice for leases of low-value assets and short-term leases. (b) There would not be any significant changes for lessors and they would continue to account for leases as per the old standard IAS 17 – as operating and finance lease. As far as the new standard introduces a more thorough concept, a more detailed analysis of contractual terms should be carried out on their part as well and it is possible that grounds for reclassification of particular lease transactions may occur for them (lessors), too. The new standard requires more extensive disclosures. The management has done research and has concluded that the changes in the new standard impact the accounting policy and the values and classification of the Company's assets and liabilities with respect to buildings rental and vehicle leases. The effects of the analyses made thereby are disclosed in Note 30. The Company has selected modified retrospective first-time adoption of IFRS 16 and will not restate comparative data.

In addition, with regard to the stated below new standards, amended/revised standards and new interpretations, issued but not yet in force for annual periods beginning on 1 January 2017, the management has judged that they are unlikely to have a potential impact for changes in the accounting policies, and in the classification and value of reporting items in Company's financial statements, namely:

- *IFRS 17 "Insurance Contracts"* (in force for annual periods beginning on or after 1 January 2021 – not endorsed by EC).
- *IFRS 2 (amended) "Share-based Payment"* – Classification and measurement of share-based payment transactions (in force for annual periods beginning on or after 1 January 2018 – not endorsed by EC).
- *IFRS 4 (amended) "Insurance Contracts"* in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).

- Annual Improvements to IFRSs 2014-2016 Cycle (December 2016) – improvements to IFRS 12 (in force for annual periods beginning on or after 1 January 2017 – not endorsed by EC), IFRS 1 and IAS 28 (in force for annual periods beginning on or after 1 January 2018 – not endorsed by EC).
- *IAS 40 (amended) "Investment Property"* – regarding transfers of investment property (in force for annual periods beginning on or after 1 July 2018 – not endorsed by EC).
- *IFRIC 22 "Foreign Currency Transactions and Advance Consideration"* (in force for annual periods beginning on or after 1 January 2018 – not endorsed by EC).
- *IFRIC 23 (amended) "Uncertainty over Income Tax Treatments"* (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).
- *IFRS 9 (amended) "Financial Instruments"* – regarding prepayment features with negative compensation (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).
- *IAS 28 (amended) "Investments in Associates and Joint Ventures"* – regarding long term interests in associates and joint ventures (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).
- *IFRS 10 (amended) – "Consolidated Financial Statements"* and *IAS 28 (amended) – "Investments in Associates and Joint Ventures"* – regarding the sale or contribution of assets between an investor and its associates or joint ventures (postponed effective date, to be determined by the IASB).
- Annual improvements to IFRSs 2015-2017 Cycle (December 2017) – improvements to IAS 23, IAS 12 and IFRS 3 in relation to IFRS 11 (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).

These financial statements have been prepared on a historical cost basis, which have been modified, with regard to property, with a single revaluation to fair value as at 1 January 2004, accepted as replacement cost of acquisition (analogue) as indicated in the respective notes of the financial statements.

The Company keeps its accounting books in Bulgarian Levs (BGN), which is accepted as being its presentation currency. The data in the financial statements and the notes thereto is presented in thousand Bulgarian Levs (BGN'000) except where it is explicitly stated otherwise.

The presentation of financial statements in accordance with International Financial Reporting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, the amounts of income and expenses and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them (whereas in the conditions of financial crisis the uncertainties are more significant). The items presuming a higher level of subjective judgment or complexity or where the assumptions and accounting estimates are material for the financial statements, are disclosed in Note 2.19.

2.2. Comparatives

In these financial statements the Company presents comparative information for one prior year.

Where necessary, comparative data is reclassified in order to achieve comparability in view of the current year presentation changes.

2.3. Functional currency and recognition of exchange differences

The functional and presentation currency of the Company is the Bulgarian Lev. Starting from 1 July 1997, the Bulgarian Lev was fixed under the Bulgarian National Bank Act to the German Mark at the ratio of BGN 1 : DEM 1, and with the introduction of the Euro as the official currency of the European Union, it was fixed to the Euro at a ratio of BGN 1.95583 : EUR 1.00000.

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents, receivables and payables, as monetary reporting items, denominated in a foreign currency, are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 December, these amounts are valued in BGN at the closing exchange rate of BNB.

The non-monetary items in the statement of financial position, which have been initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the transaction date and are not subsequently revalued at the closing exchange rate.

Foreign exchange gains or losses arising on the settlement or recording of foreign currency transactions at rates different from those at which they were converted on initial recognition, are recognised in the statement of comprehensive income (within profit or loss for the year) in the period in which they arise and are treated as 'other operating income/(losses)' with the exception of those related to loans and finance leases denominated in foreign currency that are presented under 'finance costs'.

2.4. Revenue

Revenue is recognised on accrual basis and to the extent that it is probable that the economic benefits will flow to the Company and as far as the revenue can be reliably measured.

Upon sale of finished products, goods and materials, revenue is recognised when all significant risks and rewards of ownership have passed to the buyer.

Upon rendering of services, revenue is recognised by reference to the stage of completion of the transaction at the date of the financial statements if this stage, as well as the transaction and completion costs, can be measured reliably.

Revenue is measured on the basis of the fair value of the products, goods and services sold, net of indirect taxes (excise duties and VAT) and any discounts and rebates granted.

Interest income related with current bank accounts and short-term deposits is presented under 'other operating income/(losses)' on the face of the statement of comprehensive income.

2.5. Expenses

Expenses are recognised as they are incurred, following the accrual and matching concepts (to the extent that this would not cause items unsatisfying the definitions of assets and liabilities to be recognised in the statement of financial position).

Deferred expenses are put off and recognised as current expenses in the period when the contracts, whereto they refer, are performed.

Finance costs are included in the statement of comprehensive income (within profit or loss for the year) as a separate line item and cover interest expense under loans, including bank fees and charges and other direct expenses under loans and bank guarantees.

The bank charges and commissions, related with the servicing of Company's current accounts, are presented as administrative expenses.

2.6. Property, plant and equipment

Property, plant and equipment (tangible fixed assets) are presented in the financial statements at historical cost of acquisition (cost) less the accumulated depreciation and any impairment losses in value. Land and buildings were valued by certified appraisers as at 1 January 2004 whereas this amount was accepted as a substitute (analogue) of acquisition price in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards".

Initial acquisition

Upon their initial acquisition property, plant and equipment are valued *at cost,* which comprises the purchase price, customs duties and any directly attributable costs of bringing the asset to a suitable condition for its intended use. Directly attributable costs comprise mainly the costs of site preparation, initial delivery and handling costs, installation costs, professional fees for people related to the project, non-refundable value added-tax (VAT).

The Company has set a value threshold of BGN 500, below which the acquired assets, regardless of having the features of non-current assets, are treated as current expense at the time of their acquisition.

The Company applies a specific accounting policy regarding part of its tangible fixed assets, used in the production of plastic Big Bags (sewing machines and the directly adjoining thereto furniture, fixtures and equipment). Each machine and the adjoining furniture, fixtures and equipment form an individual workstation, which is treated and presented as a single asset.

Upon acquisition of property, plant and equipment under deferred settlement terms, the purchase price is equivalent to the present value of the liability discounted on the basis of the interest level of the attracted by the Company credit resources with analogous maturity and purpose.

Subsequent measurement

The chosen by the Company approach for subsequent measurement of property, plant and equipment, is the cost model under IAS 16, i.e. cost less any accumulated depreciation and any accumulated impairment losses in value.

Subsequent costs

Repair and maintenance costs are recognised as current expenses as incurred. Subsequent costs incurred in relation to property, plant and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalised in the carrying amount of the respective asset whereas the residual useful life is reviewed at the capitalisation date. At the same time, the nondepreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses for the period of restructure.

Depreciation methods

The Company applies the straight-line depreciation method for property, plant and equipment. Land is not depreciated. Depreciation of an asset begins when it is available for use. The useful life of individual assets is determined by the Company's management and is compliant with the depreciation policy of the Group.

The average useful life per group of assets is as follows:

- buildings – 40 years;
- cooling systems, labelling machines and fire protection equipment – 10 years;
- moulds – 6.7 years;
- other machinery and equipment – 14 years;
- lifting and transportation equipment (motocars, electric trucks, cranes) – 5-7 years;
- office equipment, copy machines – 5 years;
- motor vehicles – 5 years;
- computers – 3 years.

The useful life set for an item of property, plant and equipment is reviewed at the end of each reporting period and in case of any material deviation from the future expectations on the period of use, the latter is adjusted prospectively.

Review for impairment

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that they might significantly differ from their recoverable amount. If any indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of an item of tangible fixed assets is the higher of the fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognised in the statement of comprehensive income (within profit or loss for the year).

Gains and losses on disposal (sale)

Tangible fixed assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of 'property, plant and equipment' group are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net under 'other operating income/(losses)' on the face of the statement of comprehensive income.

2.7. Government grants

Government grants and gratuitous aids from public institutions (municipal, government and international, including under the procedure of using the European funds and programmes) are initially recognised when there is a reasonable assurance that they will be received by the Company and that the latter has complied and complies with the conditions and requirements associated with the grant (the respective programme under which the funds have been awarded).

Government grants and gratuitous aids, related to depreciable assets, are presented in the statement of financial position by deducting the carrying amount of the assets. They are recognised net in the statement of comprehensive income (within profit or loss for the year) over the useful life of the depreciable asset – in the accrued depreciation expense on the underlying asset (Note 13).

Government grants and gratuitous aids for compensating expenses, incurred by the Company in prior periods, are recognised as income (on the line 'Other operating income/(losses)) in the period when they become a receivable (by a confirmation on their receipt). Government grants and gratuitous aids for compensating expenses, incurred by the Company, referring to the current period, are recognised as income (on the line 'Other operating income/(losses)) on a systematic basis for the period to which these expenses refer (Note 6).

2.8. Intangible assets

Intangible assets are stated in the financial statements at acquisition cost (cost) less accumulated amortisation and any impairment losses in value. They include licences for software use.

The Company applies the straight-line amortisation method for the intangible assets with determined useful life of 5 years.

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Then impairment is recognised as an expense in the statement of comprehensive income (within profit or loss for the year).

2.9. Inventories

Inventories are valued in the financial statements at the lower of cost and net realisable value.

Expenses, incurred at bringing a certain product to its current condition and location, are included in cost as follows:

- commercially available raw and other materials – all delivery costs, including import customs duties and charges, transportation expenses, non-refundable taxes and other expenses, incurred for rendering the materials ready for usage;
- finished products and work-in-progress – direct materials and labour costs and the attributable portion of production overheads at normal capacity load of the production facilities exclusive of administrative and finance costs.

The inclusion of fixed production overheads in the cost of finished products is based on normal production capacity. The Company applies the standard unit (in kilograms) of manufactured finished products as basis for allocation of production overheads.

Upon putting into production (sale) of inventories, the method of weighted average cost formula is applied.

The net realisable value represents the estimated selling price of an asset in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. It is determined on the basis of selling prices in the subsequent reporting period less the estimate costs to sell. Main raw materials – polyethylene and polypropylene – are measured by using the specific market (exchange) prices.

2.10. Trade and other receivables

Trade receivables are recognised and carried at fair value based on the original invoice amount less any allowance for uncollectable debts.

An estimate allowance for doubtful and bad debts is made when significant uncertainty exists as to the collectability of the full amount or a part of it. The write-down of receivables is accrued through the use of an allowance account for accumulating all impairments and the amount of the impairment loss for the period is recognised in the statement of comprehensive income within the item 'distribution and selling costs'. In case of subsequent reversal of impairment loss, it is stated as 'other operating income/(losses)' against a decrease in the allowance account.

Bad debts are written-off when the legal grounds for this are available. When a particular trade receivable is assessed as uncollectable, it is written-off against the allowance account.

2.11. Cash and cash equivalents

Cash and cash equivalents include cash in hand, current bank accounts and short-term deposits with banks with original maturity of less than 3 months.

For the purposes of the statement of cash flows:

- Cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- VAT paid on the locally purchased non-current assets is presented on the line 'payment to suppliers' of the cash flows from operating activities as far as it participates and is recovered together and in the operating flows of the Company for the respective period (month);
- Interest and bank charges paid in relation with loans servicing the Company's operations are included under operating activities while interest and bank charges under investment purpose loans are included under financing activities.

2.12. Interest-bearing loans and other borrowings

All loans and other borrowings are initially recognised at cost (nominal amount), being the fair value of the consideration received on the transaction, netted of the direct costs related to these loans and borrowings. After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost by applying the effective interest method. Amortised cost is calculated by taking into account all types of charges, commissions and other costs, including any discount or premium on settlement, associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income or costs throughout the amortisation period, as well as when the liabilities are derecognised or reduced.

2.13. Leases

Operating lease

Lessee

Leases where the lessor keeps a substantial part of all risks and economic benefits incidental to the ownership of the specific asset are classified as operating leases. Therefore, the asset is not included in the statement of financial position of the lessee.

Operating lease payments are recognised as expenses in the statement of comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term.

Lessor

Lessor continues to hold a significant part of all risks and rewards of ownership over the said asset. Therefore the asset is still included in its tangible fixed assets while its depreciation for the period is included in the current expenses (within profit or loss for the year) of the lessor.

Lease income from operating leases is recognised on a straight-line basis over the lease term – within profit or loss for the year. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.14. Trade and other payables

Trade and other current amounts payable are accounted for and presented in the financial statements at original invoice amount (acquisition cost), which is the fair value of the consideration to be paid in the future for goods and services received.

2.15. Pensions and other payables to personnel under the social security and labour legislation

The employment and social security relations with the employees of Thrace-Ipoma AD are based on the provisions of the Labour Code and the effective social security legislation in Bulgaria.

Short-term benefits

Short-term benefits in the form of remuneration, bonuses and social payments and benefits (due for payment within 12 months after the end of the period when the employees have rendered the service or have satisfied the required terms) are recognised as an expense in the statement of comprehensive income (within profit or loss for the year) for the period when the service thereon has been rendered and/or the requirements for their receipt have been met, unless a particular IFRS requires capitalisation thereof to the cost of an asset, and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. At the end of each reporting period, the Company measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated amounts of employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

Long-term retirement benefits

Defined contribution plans

Employer's major duty as an employer in Bulgaria is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund and for health insurance. The rates of the social security and health insurance contributions are defined annually in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC) at the ratio 60:40 (2016: 60:40).

These pension plans, applied by the Company in its capacity as an employer, are defined contribution plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient means to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security fund at the Company.

The contributions, payable by the Company under defined contribution plans for social security and health insurance, are recognised as a current expense in the statement of comprehensive income (within profit or loss for the year) unless a particular IFRS requires this amount to be capitalised to the cost of an asset, and as a current liability at their undiscounted amount along with the accrual of the respective employee benefits to which the contributions refer and in the period of rendering the underlying service.

Defined benefit plans

In accordance with the Labour Code, the Company in its capacity as an employer in Bulgaria is obliged to pay an indemnity to its personnel when coming of age for retirement, at an amount which, depending on the length of service with the entity, varies between two and six gross monthly salaries at the employment termination date. In their nature these are unfunded defined benefit schemes.

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they shall be presented in the statement of financial position, and respectively, the change in their value – in the statement of comprehensive income as follows:

(a) current and past service costs, interest costs and effects of curtailment and settlements are recognised immediately when incurred and are presented within current profit or loss in the item 'employee benefits expense';

(b) the effects of obligation remeasurements, which in substance represent actuarial gains and losses, are recognised immediately when incurred and are presented within other comprehensive income in the item 'remeasurements of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

At the end of each reporting period, the Company assigns certified actuaries who issue a report with their calculations about the long-term retirement benefit obligations to personnel. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation, and using the interest rates of long-term government bonds of similar term, quoted in Bulgaria where the Company itself operates.

Termination benefits

In accordance with the local provisions of the employment and social security regulations in Bulgaria, the Company as an employer is obliged, upon termination of the employment contracts prior to retirement, to pay certain types of indemnities.

The Company recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on a publicly announced plan, including for restructuring, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the statement of financial position at their present value.

2.16. Share capital and reserves

The Company is a joint-stock one and is obliged to register with the Commercial Register a specified ***share capital,*** which should serve as a security for the creditors of the Company for execution of their receivables. Shareholders are liable for the obligations of the Company up to the amount of the capital share held by each of them and may claim returning of this share only in liquidation or bankruptcy proceedings. The Company reports its share capital at the nominal value of the shares registered in the court.

According to the requirements of the Commercial Act and the Statutes, the Company is obliged to set aside a ***Reserve Fund*** by using the following sources:

- at least one tenth of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital;
- any premium received in excess of the nominal value of shares upon their issue (share premium reserve);
- other sources as provided for by a decision of the General Meeting.

The amounts in the Fund can only be used to cover annual loss or losses from previous years. When the amount of the Fund reaches the minimum value specified in the Statutes, the excess may be used for share capital increase.

2.17. Income taxes

Current income taxes

Current income taxes are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal income tax rate for year 2017 was 10% (2016: 10%).

Deferred income taxes

Deferred income taxes are determined using the liability method on all of Company's temporary differences between the carrying amounts of the assets and liabilities and their tax bases, existing at the date of the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of those originating from recognition of an asset or liability, which has not affected the accounting and the taxable profit/(loss) at the transaction date.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax losses, to the extent that it is probable they will reverse and a taxable profit will be available or taxable temporary differences might occur, against which these deductible temporary differences can be utilised, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit /(loss) at the transaction date.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that they will reverse and sufficient taxable profit will be generated or taxable temporary differences will occur in the same period, whereby they could be deducted or compensated.

Deferred taxes, related to items that are accounted for as other components of comprehensive income or an equity item in the statement of financial position, are also reported directly in the respective component of the comprehensive income or the equity item in the statement of financial position.

Deferred tax assets and liabilities are measured at the tax rates and on the bases that are expected to apply to the period and type of operations when the asset is realised or the liability – settled (repaid) on the grounds of the tax laws that have been enacted or substantively enacted, and at tax rates of the country under the jurisdiction of which the respective deferred asset or liability is expected to be realised or settled.

The deferred tax assets of the Company are presented net against its deferred tax liabilities when and as much as it is the tax payer for them in the respective jurisdiction, and this is only in cases where the Company is legally entitled to perform or receive net payments of current tax liabilities or income tax receivables.

Deferred income taxes as at 31 December 2017 were computed at a tax rate of 10% (31 December 2016: 10%).

2.18. Financial instruments

2.18.1 Financial assets

The Company classifies its financial assets in the category 'loans and receivables'. They include trade receivables, receivables from related parties, other receivables and cash and cash equivalents. The classification depends on the nature and purpose (designation) of the financial assets at the date of their acquisition. The management determines the classification of Company's financial assets at the time of their initial recognition on the statement of financial position.

The Company usually recognises its financial assets on the statement of financial position on the trade date, being the date on which the Company commits (undertakes an ultimate engagement) to purchase the respective financial assets. All financial assets are initially measured at their fair value plus the directly attributable transaction costs. Financial assets are derecognised from the Company's statement of financial position when the rights to receive cash (flows) from these assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership of the asset to another entity (person). If the Company retains substantially all risks and rewards associated with the ownership of a particular transferred financial asset, it continues to recognise the transferred asset in its statement of financial position but also recognises a secured liability (a loan) for the consideration received.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured in the statement of financial position at their amortised cost using the effective interest method less any allowance for impairment. These assets are included in the group of current assets when having maturity within 12 months or within a common operating cycle of the Company while the remaining ones are carried as non-current assets. This group of financial assets includes: trade receivables, other receivables from counterparts and third parties, cash and cash equivalents from the statement of financial position (Notes 2.10 and 2.11).

2.18.2 Financial liabilities

The financial liabilities of the Company include loans and payables to suppliers and other counterparts. They are initially recognised in the statement of financial position at fair value net of the directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method (Notes 2.12, 2.13 and 2.14).

2.18.3. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented net in the statement of financial position when, and only when, the following two conditions are simultaneously met: (a) current and legally enforceable right for offsetting the recognised amounts, and (b) intent for settlement of counter balances on a net basis. This requirement arises from the idea of the actual economic nature of Company's relations with a particular counterpart being that on the simultaneous existence of these two conditions, the net cash flow represents the expected actual future cash flow and the benefits for the entity, i.e. the net amount reflects the actual right or obligation of the entity deriving from these financial instruments – in any circumstances to receive or pay solely and only the net amount. If both conditions are not simultaneously available, it is assumed that the rights and obligations of the Company with regard to these counter balances (financial instruments) are not limited in all circumstances solely and only to the receipt or payment of the net amount. The policy of offsetting is related also with the assessment, presentation and management of the actual credit and liquidity risk, related with these counter balances.

The criteria applied to confirm the existence of "current and legally enforceable right to set off" include:

- to be unconditional of a future event, i.e. to be not applicable only on the occurrence of a future event;
- to be legally enforceable and justifiable (cumulatively):

  - in the ordinary course of business,
  - in case of default / delinquency, and
  - in case of insolvency or bankruptcy.

The applicability of the criteria is assessed against the requirements of the Bulgarian legislation and the established arrangements between the parties. The condition of "legally enforceable right to set off" is always and mandatory assessed jointly with the second condition for "intent to settle financial assets and financial liabilities on a net basis".

2.19. Key estimates and assumptions of high uncertainty. Critical accounting judgments on applying the Company's accounting policies.

2.19.1. Retirement benefit obligations

Actuarial calculations have been used when determining present value of long-term payables to personnel upon retirement on the basis of assumptions for mortality rate, staff turnover rate, future salaries level and discount factor (Note 22).

2.19.2. Impairment of inventories

At the end of each reporting period, a commission of Company's specialists reviews the existing inventories as follows:

- Review of the book value of inventories and comparison with their net realisable value in order to make a judgment whether it is necessary impairment loss to be recognised in the financial statements;
- Review of inventories in view of their obsolescence and suitability for use in the production or for sale. Where non-moving inventories are identified that are not expected to be used in the production, they are scrapped or impaired.

As a result of the review for 2017, an impairment of materials, goods and finished products is recognised at the amount of BGN 85 thousand (2016: BGN 275 thousand).

2.19.3. Impairment of receivables

The statement of comprehensive income (within profit or loss for the year) for 2017 includes impairment of trade receivables for which the management has judged as follows:

- from 20% to 50% impairment of receivables with a common trade period of payment past due by more than 1 year, except for the cases where clear evidence exists that the payable is uncollectable – with the respective part to 100%;
- 100% impairment of receivables past due by more than two years compared to the common trade period of payment since the historical experience of the Company shows that they are uncollectable;

- impairment of court and awarded receivables – based on individual analysis made jointly with Company's lawyers.

The recognised amount of losses and impairment of uncollectable trade receivables for 2017 was BGN 9 thousand, while for 2016 it was BGN 17 thousand.

2.19.4. Expenses on production below normal capacity

The management has set the normal production capacity by individual type of production (plastic buckets, 1-loop big bags, 4-loop big bags and slims) on a monthly basis.

In the cases where the particular production has been suspended entirely or for a definite period of time and the set volume has not been achieved within the month, the Company accepts the expenses incurred as expenses on production below normal capacity. The deductible portion of the fixed production overheads for the respective month is recognised directly in the statement of comprehensive income (within profit or loss for the year) as expenses on production below normal capacity, it is not included in the cost of the finished products but is accepted as a component of the cost of sales (Note 4).

2.20. Fair value measurement

Some of Company's assets and liabilities are measured and presented and/or just disclosed at fair value for financial reporting purposes on a recurring basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. Fair value is an exit price and is based on the assumption that the sale transaction will take place either in the principal market for this asset or liability or in the absence of a principal market – in the most advantageous market for the asset or liability. Both the designated as a principal market and the most advantageous market are markets to which the Company must have an access.

Fair value is measured from the perspective of using the assumptions that potential market participants would use when pricing the respective asset or liability assuming that market participants act in their economic best interest.

The Company applies various valuation techniques that would be relevant to the specific features of the respective conditions and for which it has sufficient available inputs while trying to use at a maximum the publicly observable information, and respectively, to minimize the use of unobservable information.

The Company determines fair value for disclosure purposes mainly with regard to received bank loans and loans from related parties.

All assets and liabilities that are measured and/or disclosed in the financial statements at fair value, are categorised within the following fair value hierarchy, namely:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques that use inputs other than directly quoted prices but are observable, either directly or indirectly, including where the quoted prices are subject to significant adjustments; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In accordance with the accounting policy, at the end of each reporting period the Company performs a general analysis of collected in advance information about the movement in the values of assets and liabilities that are subject to valuation and/or to a disclosure at fair value, the type of available data and the possible factors for the observed changes, and the Finance Director, in his capacity of a person responsible for the application of the adopted valuation technique, approves the approach for measuring the fair value of the respective assets and liabilities at that date.

3. REVENUE

	2017	*2016*
	BGN '000	*BGN '000*
Export	27,411	24,808
Domestic market	19,772	18,039
Total:	**47,183**	**42,847**

Export

Sales of finished products:

	2017	*2016*
	BGN '000	*BGN '000*
Big bags and slims	14,222	12,450
Plastic buckets – injection	10,244	9,172
Plastic buckets – thermoforming	1,869	1,564
Beer crates	184	106
Garden furniture	111	74
Crates for non-alcoholic beverages	51	379
Meat crates	41	7
Stadium seats	12	30
Crates for agricultural produce	8	42
Keg caps	-	2
Total:	**26,742**	**23,826**

Sales of goods:

	2017 BGN '000	2016 BGN '000
Plastic buckets – thermoforming	452	401
Plastic buckets – injection	209	573
Nets and fabrics for agriculture	8	8
Total:	**669**	**982**
Total export:	**27,411**	**24,808**

Domestic market

Sale of finished products

	2017 BGN '000	2016 BGN '000
Plastic buckets – injection	13,116	11,693
Plastic buckets – thermoforming	2,756	1,156
Crates for bakery and agricultural produce	204	144
Crates for non-alcoholic beverages	168	1,149
Big bags and slims	136	119
Beer crates	92	-
Meat crates	70	54
Stadium seats	32	23
Keg caps	15	16
Garden furniture	3	2
Boxes for medicines	-	60
Total:	**16,592**	**14,416**

Sale of goods

	2017 BGN ‘000	2016 BGN ‘000
Plastic buckets – injection	1,811	2,452
Plastic buckets – thermoforming	1,152	940
Nets and fabrics for agriculture	217	231
Total:	**3,180**	**3,623**
Total domestic market:	**19,772**	**18,039**

4. COST OF SALES

	2017	***2016***
	BGN '000	***BGN '000***
Materials	29,664	25,595
Salaries, social security and health insurance contributions, additional allowances	3,715	3,013
Depreciation and amortisation	2,336	1,946
Hired services	705	675
Other	39	42
Expenses on production below normal capacity	287	469
Cost of finished products sold	*36,746*	*31,740*
Purchase price of sold goods	3,287	3,910
Total:	**40,033**	**35,650**

The expenses on materials include mainly expenses on basic materials – BGN 26,105 thousand (big bags cloth, polyethylene, polypropylene, colourants, inks, etc.) (2016: BGN 22,603 thousand), auxiliary materials – BGN 1,281 thousand (2016: BGN 1,056 thousand), and electric energy – BGN 1,313 thousand (2016: BGN 1,260 thousand).

The expenses on hired services include mainly insurance costs – BGN 100 thousand (2016: BGN 155 thousand), maintenance of machinery and equipment – BGN 159 thousand (2016: BGN 133 thousand), rentals – BGN 178 thousand (2016: BGN 155 thousand), and moulds licence fees – BGN 91 thousand (2016: BGN 80 thousand).

The cost of sales includes the portion of fixed production overheads for the periods when the Company has had production below normal capacity.

The *expenses on production below normal capacity* include:

	2017	*2016*
	BGN '000	*BGN '000*
Salaries and social security/health insurance contributions	118	311
Materials	42	93
Depreciation and amortisation	35	6
Services	92	59
Total:	**287**	**469**

The expenses on production below normal capacity are primarily formed from the activity 'Production of big bags and slims' in months with limited volume of production for both years (Note 2.19.4).

5. WRITE-DOWN OF INVENTORIES

	2017	*2016*
	BGN '000	*BGN '000*
Materials	65	213
Goods	18	16
Finished products	2	46
Total:	**85**	**275**

6. OTHER OPERATING INCOME / (LOSSES)

	2017	*2016*
	BGN '000	*BGN '000*
Grant income	146	184
Service revenue – transports, clichés, etc.	53	6
Waste sales revenue	24	29
Liabilities written-off	14	56
Rentals	2	-
Gain on FA sales	1	-
Interest revenue	1	1
Reversed impairment of receivables	-	6
Sales of inventories	*317*	*209*
Carrying amount of inventories sold	*(364)*	*(207)*
(Loss)/Gain on sale of materials	(47)	2
Surpluses / (deficiencies), net	(22)	-
Foreign currency exchange gains/(losses), net	(1)	(2)
Total:	**171**	**282**

Grant income has arisen in relation to the Ordinance for reducing the burden of expenses on energy from renewable sources. In 2016 and 2017 the Company applied for financing to recover a part of incurred thereby expenses on electric energy in relation to the so-called green energy. The Company applied for reducing the burden from these expenses for three pricing periods: 01.08.2015 – 30.06.2016, 01.07.2016 – 30.06.2017 and 01.07.2017 – 30.06.2018. It obtained approval from the Ministry of Energy for all three pricing periods, issued respectively of 7 November 2016, 23 January 2017 and 13 June 2017. The Company was approved for all three pricing periods, respectively under orders issued by the Ministry of Energy, dated 7.11.2016, 23.01.2017 and 13.06.2017.

Grant income for 2017 comprises:

- BGN 94 thousand for the period 01.01-30.06.2017 of the second pricing period;
- BGN 52 thousand for the period 01.07-31.12.2017 of the third pricing period.

Grant income for 2016 comprises:

- BGN 116 thousand for the first pricing period;
- BGN 68 thousand for the period 01.07-31.12.2016 of the second pricing period.

7. DISTRIBUTION AND SELLING COSTS

	2017	*2016*
	BGN '000	***BGN '000***
Salaries, social security and health insurance contributions, additional allowances	528	389
Transportation	311	143
Depreciation and amortisation	167	150
Insurance	94	125
Warehouse rent	83	79
Materials, fuel and water	56	41
Repair and maintenance	46	16
Vehicle rental	41	44
Analysis of materials	31	36
Business trip costs	24	16
Exhibitions and fairs	23	13
Communication services	22	17
Customs intermediary	17	16
Advertisement	15	13
Impairment and losses from uncollected trade receivables	9	17
Commissions	7	-
Cliches	4	66
Other	29	22
Total:	**1,507**	**1,203**

8. ADMINISTRATIVE EXPENSES

	2017 *BGN '000*	*2016* *BGN '000*
Salaries and social security/health insurance contributions	1,251	1,295
Consulting services	760	550
Software rent and services on subscription	92	84
VAT on samples and scrap	77	60
Motor vehicles rent	73	43
Materials, fuel and water	63	34
Local taxes and charges	62	61
Security	62	61
Bank charges on transfers	50	48
Business trip costs	39	48
Entertainment allowances	38	34
Insurance	32	24
Repair and maintenance expenses	28	6
Taxes on expenses	25	24
Depreciation and amortisation	19	17
Communication services	12	12
Transportation	8	55
Equipment maintenance on subscription	7	-
Apartment rentals	5	-
Other	15	12
Total:	**2,718**	**2,476**

Minimum future lease payments on irrevocable liabilities of the Company under vehicle operating lease and real estate rental are as follows:

	31.12.2017 *BGN '000*
Up to 1 year	348
Between 2 and 5 years	392
Total:	**740**

9. EMPLOYEE BENEFITS EXPENSE

	2017	*2016*
	BGN '000	*BGN '000*
Current wages and salaries	4,464	4,031
Social security/health insurance contributions	734	662
Accruals for unused paid leaves	90	77
Social security/health insurance contributions on leaves	14	13
Accruals for long-term retirement benefit obligations to personnel (Note 22)	31	25
Total remuneration and social security contributions	***5,333***	***4,808***
Social benefits	457	382
Total:	**5,790**	**5,190**

The expenses on social benefits and payments include mainly transport costs, food vouchers and shopping coupons given to the workers and employees for the 8th March, clothing, training.

10. OTHER OPERATING EXPENSES

	2017	*2016*
	BGN '000	*BGN '000*
Scrapping of inventories	259	350
Expenses on increasing productivity from bags production	63	-
Receivables written-off	6	3
Total:	**328**	**353**

11. FINANCE COSTS

	2017	*2016*
	BGN '000	*BGN '000*
Interest on loans	150	145
Bank charges on loans and bank guarantees	16	14
Total:	**166**	**159**

12. INCOME TAX EXPENSE

The main components of the income tax expense for the years ended 31 December are:

	2017 BGN '000	*2016* BGN '000
Statement of comprehensive income (profit for the year)		
Taxable profit for the year under tax return	1,775	3,120
Current income tax expense for the year	178	312
Deferred income taxes related to origination and reversal of temporary differences	119	56
Total income tax expense carried to the statement of comprehensive income:	**297**	**368**
Reconciliation of tax expense determined against the accounting profit or loss		
Accounting profit for the year	2,517	3,013
Income tax – 10%	252	301
Non-deductible amounts as per tax return related to:		
Increases – BGN 453 thousand (2016: BGN 665 thousand)	45	67
Total income tax expense carried to the statement of comprehensive income:	**297**	**368**

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		*Plant and equipment*		*Motor vehicles*		*Other*		*PPE in progress*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*	*2017*	*2016*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Book value												
Balance at 1 January	8,150	8,030	28,076	23,934	293	266	705	508	3,484	3,650	40,708	36,388
Additions	-	-	-	-	-	-	-	-	4,521	4,619	4,521	4,619
Transfer between accounts	29	120	5,797	4,439	27	27	61	199	(5,914)	(4,785)	-	-
Disposals	-	-	(101)	(297)	(41)	-	(10)	(2)	-	-	(152)	(299)
Balance at 31 December	**8,179**	**8,150**	**33,772**	**28,076**	**279**	**293**	**756**	**705**	**2,091**	**3,484**	**45,077**	**40,708**
Accumulated depreciation												
Balance at 1 January	2,088	1,867	15,946	14,326	257	247	250	181	-	-	18,541	16,621
Depreciation charge for the year	222	221	2,308	1,916	20	10	85	71	-	-	2,635	2,218
Depreciation written-off	-	-	(101)	(296)	(41)	-	(10)	(2)	-	-	(152)	(298)
Balance at 31 December	**2,310**	**2,088**	**18,153**	**15,946**	**236**	**257**	**325**	**250**	**-**	**-**	**21,024**	**18,541**
Carrying amount at 31 December	**5,869**	**6,062**	**15,619**	**12,130**	**43**	**36**	**431**	**455**	**2,091**	**3,484**	**24,053**	**22,167**
Carrying amount at 1 January	**6,062**	**6,163**	**12,130**	**9,608**	**36**	**19**	**455**	**327**	**3,484**	**3,650**	**22,167**	**19,767**

As at 31 December 2017, Company's tangible fixed assets include: land amounting to BGN 480 thousand (31 December 2016: BGN 480 thousand) and buildings of carrying amount BGN 5,389 thousand (31 December 2016: BGN 5,582 thousand).

Review for impairment

The value of tangible fixed assets was reviewed as at 31 December 2017 by a commission of Company's technical specialists in order to determine whether conditions for impairment have occurred in the meaning of the requirements and rules of IAS 36 "Impairment of Assets". Based on this review, the management decided that no indications and conditions for impairment of assets were present as at 31 December 2017 (31 December 2016: none).

Other data

At 31 December 2017, the tangible fixed assets in progress primarily included expenses incurred in relation to the acquisition of machinery and equipment.

The book value of fully depreciated tangible fixed assets still in use in Company's activities was BGN 6,883 thousand as at 31 December 2017 (31 December 2016: BGN 6,497 thousand) and by group of assets are as follows:

- Machinery and equipment – BGN 6,535 thousand (31 December 2016: BGN 6,164 thousand);
- Motor vehicles – BGN 190 thousand; (31 December 2016: BGN 228 thousand);
- Furniture and fixtures – BGN 108 thousand (31 December 2016: BGN 105 thousand).

As at 31 December 2017, the carrying amount of machines on which a special pledge has been established in favour of banks for used bank loans is BGN 14,294 thousand (31 December 2016: BGN 9,561 thousand).

As at 31 December 2017 the Company undertook the following commitments related to fixed assets:

- Purchase of machines for plastic production – BGN 2,464 thousand.
- Building reconstruction – BGN 224 thousand.

14. INTANGIBLE ASSETS

	Software		*IA in progress*		*Total*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Book value						
Balance at 1 January	143	50	122	-	265	50
Additions	3	96	-	122	3	218
Disposals	-	(3)		-	-	(3)
Balance at 31 December	**146**	**143**	**122**	**122**	**268**	**265**
Accumulated amortisation						
Balance at 1 January	54	42	-	-	54	42
Amortisation charge for the year	21	15	-	-	21	15
Amortisation written-off	-	(3)	-	-	-	(3)
Balance at 31 December	**75**	**54**	**-**	**-**	**75**	**54**
Carrying amount at 31 December	**71**	**89**	**122**	**122**	**193**	**211**
Carrying amount at 1 January	**89**	**8**	**122**	**-**	**211**	**8**

The intangible assets in progress as at 31 December 2017 and as at 31 December 2016 represent amounts paid in relation to the implementation of information and management system SAP.

The book value of fully amortised intangible assets still in use in Company's activities was BGN 20 thousand as at 31 December 2017 (31 December 2016: BGN 20 thousand) and includes software.

15. INVENTORIES

	31.12.2017	*31.12.2016*
	BGN '000	***BGN '000***
Materials	6,466	4,763
Finished products	4,609	3,732
Goods	961	1,113
Work in progress	54	90
Total:	**12,090**	**9,698**

Materials include:

	31.12.2017	*31.12.2016*
	BGN '000	***BGN '000***
Basic materials	5,107	3,448
Auxiliary and other materials	923	937
Spare parts	365	295
Materials for re-processing	71	83
Total:	**6,466**	**4,763**

The basic materials include mainly polypropylene – BGN 2,152 thousand (31 December 2016: BGN 1,267 thousand), polyethylene – BGN 92 thousand (31 December 2016: BGN 101 thousand) and cloth for big bags – BGN 1,729 thousand (31 December 2016: BGN 1,234 thousand).

The ***finished products*** include:

	31.12.2017	*31.12.2016*
	BGN '000	***BGN '000***
Plastic buckets – injection	3,671	2,906
Plastic buckets – thermoforming	566	529
Big Bags and slims	284	201
Crates for bakery and agricultural produce	45	54
Crates for meat	28	28
Stadium seats	7	7
Beer crates	1	1
Other	7	6
Total:	**4,609**	**3,732**

Goods represent mainly single-use plastic buckets – BGN 807 thousand (31 December 2016: BGN 996 thousand) and nets and fabrics for agriculture – BGN 154 thousand (31 December 2016: BGN 117 thousand).

As at 31 December 2017, the carrying amount of inventories on which a special pledge had been established in favour of banks under used bank loans, was BGN 1,709 thousand (31 December 2016: BGN 1,220 thousand).

16. TRADE RECEIVABLES

	31.12.2017 BGN '000	***31.12.2016 BGN '000***
Receivables from clients	3,508	3,048
Allowance for impairment	(74)	(72)
Total:	**3,434**	**2,976**

The Company works with its major clients under the terms of immediate and deferred payment, varying between 15 and 90 days. This term is accepted as a normal credit period for Thrace Plastics Group, to which the Company belongs, as well as for the business segment where it operates. The Company does not have agreed payments exceeding this period and respectively, does not recognise deferred payment interest.

The table below presents receivables past due by more than 30 days against the common credit period, which are not impaired:

Period past due	***31.12.2017 BGN'000***	***31.12.2016 BGN'000***
from 31 to 60 days	106	172
from 61 to 90 days	39	44
from 91 to 120 days	51	3
over 120 days	18	23
Total:	**214**	**242**

Part of the past due receivables presented in the above table, amounting to BGN 122 thousand, has been collected after the end of the reporting period by the date of approval of these financial statements. The remaining receivables are from clients whose business is seasonal in its nature and the receivables will be collected from them on the commencement of the active season.

Receivables past due compared to the common credit period, which have been impaired:

	31.12.2017	***31.12.2016***
	BGN'000	***BGN'000***
over 120 days	82	79
Accumulated impairment	*(74)*	*(72)*
Total:	***8***	***7***

Movements of Company's cumulative impairment during the year are as follows:

	2017	**2016**
	Individually impaired	*Individually impaired*
	BGN'000	***BGN'000***
Balance at the beginning of the year	72	83
Impairment losses recognised during the year	9	17
Amounts written-off as uncollectable during the year	(7)	(22)
Impairment reversed during the year	-	(6)
Balance at the end of the year	**74**	**72**

As at 31 December 2017, the receivables from clients are classified by currency type as follows:

- in BGN: BGN 2,805 thousand (31 December 2016: BGN 2,337 thousand);
- in EUR: BGN 629 thousand (31 December 2016: BGN 639 thousand).

As at 31 December 2017, the carrying amount of receivables on which a special pledge had been established in favour of banks under used bank loans, is BGN 1,291 thousand (31 December 2016: BGN 2,151 thousand).

17. OTHER RECEIVABLES AND PREPAYMENTS

	31.12.2017	*31.12.2016*
	BGN '000	*BGN '000*
Taxes refundable	210	-
Financing (Note 6)	75	184
Guarantees granted	93	90
Prepayments	48	61
Advances of accountable persons	8	1
Court and awarded receivables	3	6
Other	3	-
Total:	**440**	**342**

Taxes refundable as at 31 December include:

	31.12.2017	*31.12.2016*
	BGN '000	*BGN '000*
Value added tax	158	-
Income tax	52	-
Total:	**210**	**-**

The ***guarantees granted*** as at 31 December include:

	31.12.2017	*31.12.2016*
	BGN '000	*BGN '000*
Deposit for rent of a building in Ihtiman	54	54
Deposit CEZ Distribution Bulgaria	24	24
Other deposits	15	12
Total:	**93**	**90**

The ***prepayments*** at 31 December include:

	31.12.2017	*31.12.2016*
	BGN '000	*BGN '000*
Insurance	19	47
Software rental	15	13
Cliche costs	12	-
Other	2	1
Total:	**48**	**61**

18. CASH AND CASH EQUIVALENTS

	31.12.2017	*31.12.2016*
	BGN '000	*BGN '000*
Current accounts	952	814
Bank deposits	149	120
Cash in hand	4	3
Total:	**1,105**	**937**

The cash available as at 31 December 2017 are at Company's accounts with the following banks: Bank Piraeus Bulgaria AD, UBB, Raiffeisenbank AD, Societe Generale Expressbank AD, Cibank EAD.

The currency structure of the cash available as at 31 December 2017 was as follows:

- in BGN: BGN 752 thousand (31 December 2016: BGN 708 thousand);
- in EUR: BGN 353 thousand (31 December 2016: BGN 229 thousand).

As at 31 December 2017 and 1 December 2016, the bank deposits represent overnight deposits in BGN and in EUR, negotiated at interest levels of 0.04% (31 December 2016: 3%).
As at 31 December 2017, the carrying amount of the cash on which a special pledge had been established in favour of banks under used bank loans, was BGN 165 thousand (31 December 2016: BGN 178 thousand).

19. EQUITY

Share capital

As at 31 December 2017, the registered share capital of Thrace-Ipoma AD amounted to BGN 3,226 thousand (31 December 2016: BGN 3,226 thousand), distributed in 3,225,646 ordinary registered voting shares with nominal value BGN 1 per share. The Company's registered capital has been paid-in in full.

Reserves

As at 31 December 207, the Company's reserves are appropriated from distribution of profit in accordance with the requirements of the Commercial Act and the Company's Statutes – setting aside a Reserve Fund at 10% of the registered share capital (Note 2.16).

Retained earnings

Retained earnings include the accumulated profits, the recorded effects from the transition of the Company to IFRS in 2005, and the effects of remeasurements of defined benefit pension plans.

On 31 May 2017, the General Meeting of Shareholders took a decision for distribution of dividend at the amount of BGN 774 thousand out of the net profit for 2016, i.e. BGN 0.24 earnings per share. In 2017, the Company paid dividends at the amount of BGN 773 thousand and there is a remaining liability of BGN 2 thousand under a distributed dividend from the profit for 2014, 2015 and 2016 to natural persons.

20. DEFERRED TAX LIABILITIES

	temporary difference	*tax*	*temporary difference*	*tax*
	31.12.2017	***31.12.2017***	***31.12.2016***	***31.12.2016***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Non-current assets	10,001	(1,000)	8,840	(884)
Deferred tax liabilities	**10,001**	**(1,000)**	**8,840**	**(884)**
Impairment of receivables	(74)	7	(72)	7
Accruals for unused paid leaves	(104)	11	(90)	9
Accruals for indemnities upon retirement	(149)	15	(130)	13
Benefits accrued but not paid	(133)	13	(200)	20
Deferred tax assets	**(460)**	**46**	**(492)**	**49**
Deferred tax assets/(liabilities), net	**9,541**	**(954)**	**8,348**	**(835)**

The movements within deferred tax (liabilities)/assets are presented below:

Deferred tax (liabilities)/ assets	*Balance at 1 January 2017*	*Recognised in profit or loss for the year*	*Balance at 31 December 2017*
	BGN '000	*BGN '000*	*BGN '000*
Non-current assets	(884)	(116)	(1,000)
Impairment of receivables	7	-	7
Accruals for unused paid leaves	9	2	11
Accruals for indemnities upon retirement	13	2	15
Benefits accrued but not paid	20	(7)	13
Total	**(835)**	**(119)**	**(954)**

Deferred tax (liabilities)/ assets	*Balance at 1 January 2016*	*Recognised in profit or loss for the year*	*Balance at 31 December 2016*
	BGN '000	*BGN '000*	*BGN '000*
Non-current assets	(810)	(74)	(884)
Impairment of receivables	10	(3)	7
Accruals for unused paid leaves	9	-	9
Accruals for indemnities upon retirement	12	1	13
Benefits accrued but not paid	-	20	20
Total	**(779)**	**(56)**	**(835)**

The probability for reversal of individual differences and the ability of the Company to generate sufficient taxable profit in the future were taken into account when recognising deferred tax assets.

Deferred tax assets for the following temporary differences have not been recognised:

	temporary difference	*tax*	*temporary difference*	*tax*
	31.12.2017	***31.12.2017***	***31.12.2016***	***31.12.2016***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Impairment of inventories	(232)	23	(266)	27
Deferred tax assets	**(232)**	**23**	**(266)**	**27**

21. LONG-TERM BANK LOANS

As at 31 December of both periods, the Company used borrowed financial resources under bank loans as follows:

Loan	Currency	Contracted loan amount in original currency	Maturity	Interest rate	Non-current portion as at 31.12.2016	Current portion as at 31.12.2016	Total	Non-current portion as at 31.12.2015	Current portion as at 31.12.2015	Total
		'000			BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
1	EUR	480	25/10/2018	1m Eurib +4.4%	-	51	**51**	51	235	**286**
2	EUR	1,300	30/04/2018	3m Eurib +2,5%	-	423	**423**	339	1,012	**1,351**
3	EUR	900	30/06/2019	3m Eurib +1,7%	410	703	**1,113**	400	705	**1,105**
4	EUR	2,500	20/01/2021	1m Eurib +1.65%	2,200	1,466	**3,666**			
			Total		**2,610**	**2,643**	**5,253**	**790**	**1,952**	**2,742**

The following collateral was established under the loans in favour of the creditor banks:

- Special pledges on:

  - machinery and equipment – BGN 10,800 thousand (31 December 2016: BGN 7,191 thousand) (Note 13);

  - current and future receivables – BGN 323 thousand (31 December 2016: BGN 352 thousand);

  - inventories – BGN 1,220 thousand (31 December 2016: BGN 1,220 thousand);

  - cash with banks – BGN 165 thousand (31 December 2016: BGN 178 thousand).

- Corporate guarantee from Thrace Plastics Pack S.A., Greece;

The change in long-term bank loans over the year is due to changes in cash flows. There were no non-cash changes.

22. RETIREMENT BENEFIT OBLIGATIONS

The long-term retirement benefit obligations to personnel include the present value of Company's liability at the date of the statement of financial position to pay indemnities to individuals of its employees upon coming of age for retirement. In accordance with the Labour Code in Bulgaria, every employee is entitled to an indemnity on retirement at the amount of two gross monthly salaries, and if he or she has worked for the same employer during the last 10 years of their service the indemnity amounts to six gross monthly salaries at the time of retirement. This is a defined benefits plan (Note 2.15).

For the purpose of establishing the amount of the long-term payables to personnel, the Company has assigned an actuarial valuation by using the services of a certified actuary.

Movements in the present value of retirement benefit obligations to personnel are as follows:

	31.12.2017 *BGN '000*	*31.12.2016* *BGN '000*
Present value of the obligations at 1 January	**156**	**141**
Interest cost for the year	4	4
Current service cost for the year	23	20
Payments made in the year	(12)	(17)
Actuarial loss recognised for the period	4	1
Remeasurement gains or losses for the year, including:	21	7
Actuarial (gains) arising from changes in demographic assumptions	-	*(1)*
Actuarial losses arising from experience adjustments	*2*	*3*
Actuarial losses arising from changes in financial assumptions	*19*	*5*
Present value of the obligations at 31 December	**196**	**156**

The amounts of long-term retirement benefits of personnel accrued in the statement of comprehensive income are as follows:

	2017 *BGN '000*	*2016* *BGN '000*
Current service cost	23	20
Interest cost	4	4
Actuarial loss recognised for the period	4	1
Components of defined benefit plan costs recognised in profit or loss	**31**	**25**
Remeasurement gains or losses on the retirement benefit obligations:		
Actuarial losses arising from changes in financial assumptions	19	5
Actuarial losses arising from experience adjustments	2	3
Actuarial (gains) arising from changes in demographic assumptions	-	(1)
Components of defined benefit plan costs recognised in other comprehensive income	**21**	**7**
Total:	**52**	**32**

The following actuarial assumptions were used in calculating the present value of the liabilities as at 31 December 2017:

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2017.

- The discount factor is calculated by using 1.4% annual interest rate as basis (2016: 2.5%). The assumption is based on yield data for long-term government securities with 10-year maturity;
- The assumption for the future level of the salaries is based on the information provided by Company's management and amounts to 5% annual growth compared to the prior reporting period (2016: 5%);
- Mortality rate – in accordance with the table issued by the National Statistics Institute for the total mortality rate of the population in Bulgaria for the period 2014-2016 (2016: 2013-2015);
- Staff turnover rate – from 1% to 15% for the four age groups formed (2016: 0% – 15%).

This defined benefit plan exposes the Company to the following risks: investment risk, interest risk, longevity risk and salary growth related risk: The Company's management defines them as follows:

- investment risk – as far as this is unfunded plan, the Company should monitor and balance currently the forthcoming payments under it with the ensuring of sufficient cash resources. The historical experience and the liability structure show that the annual resource required is not material compared to the commonly maintained liquid funds;
- interest risk – any increase in the yield of government securities with similar term will increase the plan liability;
- longevity risk – the present value of the retirement benefit liability is calculated by reference to the best estimate and updated information about the mortality of plan participants. An increase in life expectancy would result in a possible increase in the liability. A relative stability of this indicator has been observed in the recent years; and
- salary growth related risk – the present value of the retirement benefit liability is calculated by reference to the best estimate of the future increase in plan participants' salaries. Such an increase would increase the plan liability.

The sensitivity analysis of the main actuarial assumptions is based on the reasonably possible changes of these assumptions at the end of the reporting period, assuming that all other assumptions are held constant:

The effect of a change (increase or decrease) by 1% in salary growth, interest (discount rate) and staff turnover rate on the total amount of current service cost and interest cost is as follows:

	2017		2016	
	Increase	*Decrease*	*Increase*	*Decrease*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Change in salary growth	4	(4)	3	(3)
Change in discount rate	(2)	2	(1)	2
Change in staff turnover rate	(4)	5	(3)	4

The effect of a change (increase or decrease) by 1% in salary growth, interest (discount rate) and staff turnover rate on the present value of the obligation for payment of defined benefits on retirement is as follows:

	2017		2016	
	Increase	*Decrease*	*Increase*	*Decrease*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Change in salary growth	23	(20)	19	(16)
Change in discount rate	(20)	24	(16)	20
Change in staff turnover rate	(22)	26	(18)	21

The average duration of the long-term payable to personnel under the defined benefit plan is 11.5 years (31 December 2016: 12.0 years).

The expected payments as indemnities upon retirement under the defined benefit plan for the next 5 years amount to BGN 50 thousand, including BGN 26 thousand for 2018.

23. TRADE PAYABLES

	31.12.2017	*31.12.2016*
	BGN '000	*BGN '000*
Local suppliers – in BGN	4,380	2,049
Foreign suppliers – in EUR	2,298	1,832
Advances from customers	266	280
Total:	**6,944**	**4,161**

The company works with its major suppliers under the terms of immediate and deferred payment, varying between 15 and 90 days. The adopted common period when negotiating deferred payments with suppliers is up to 90 days. This term is accepted as a normal credit period for Thrace Plastics Group, to which the Company belongs, as well as for the business segment where it operates. The Company does not have agreed payments exceeding this period and respectively, does not recognise deferred payment interest.

The Company does not allow lasting delinquencies and does not accrue interest for delay.

All trade and other payables are interest-free.

24. SHORT-TERM BANK LOANS

In 2015 the Company used financial resources from short-term bank loans in the form of overdraft and business credit card under the following terms and conditions:

					Balance at	
Loan	***Currency***	***Contracted amount in original currency***	***Maturity***	***Contracted interest***	***31/12/2017***	***31/12/2016***
		'000			***BGN'000***	***BGN'000***
1	*EUR*	***1,000***	*02/10/2018*	*1M Euribor +2.4%*	*1,380*	*975*
2	*EUR*	***1,000***	*16/09/2018*	*3M EURIBOR +2.2%*	*1,156*	*1,921*
3	*BGN*	***10***		*15,75%*	*1*	*-*
		Total			***2,537***	***2,896***

The due amounts under short-term loans as at 31 December 2017 (line 3 in the table) include a payable of BGN 818 thousand under a credit card of the Executive Director (31 December 2016: BGN 113 thousand).

The following collateral was established under the loans in favour of the creditor banks:

- Special pledges on:

  - machinery and equipment – BGN 4,273 thousand (31 December 2016: BGN 2,370 thousand) (Note 13);

  - current and future receivables – BGN 1,291 thousand (31 December 2016: BGN 2,151 thousand);

  - pledge on inventories – BGN 489 thousand (31 December 2016: none).

- Letter of Commitment under the Greek law, issued by Thrace Plastic Co S.A., Greece.

The change in short-term bank loans over the year is due to changes in cash flows. There were no non-cash changes.

25. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

	31.12.2017	*31.12.2016*
	BGN '000	*BGN '000*
Payables to personnel	404	423
Social security payables	135	116
Total	**539**	**539**

Payables to personnel include:

- unpaid benefits – BGN 314 thousand (31 December 2016: BGN 346 thousand);
- accruals at the amount of BGN 90 thousand representing amounts due on unused paid leave entitlement of personnel (31 December 2016: BGN 77 thousand);

Social security payables include:

- unpaid social security contributions – BGN 120 thousand (31 December 2016: BGN 103 thousand);
- social security contributions accrued on the amounts of unused by personnel paid leaves at the amount of BGN 15 thousand (31 December 2016: BGN 13 thousand).

26. TAX PAYABLES

	31.12.2017	*31.12.2016*
	BGN '000	*BGN '000*
Individual income taxes	32	29
Tax on expenses	25	24
Withholding tax	19	13
Value added tax	1	13
Income tax	-	47
Total	**77**	**126**

The Company's tax payables are settled on a regular basis.

By the date of the preparation of the financial statements the following inspections and audits have been performed:

- under VAT Act – covering the period until 30 November 2006 inclusive;
- full-scope tax audit – covering the period until 31 December 2003 inclusive.

Tax audit of the companies in Bulgaria is performed within a 5-year period after the end of the year when the tax return for the respective liability has been submitted. The tax audit confirms ultimately the tax liability of the respective company — tax liable person except in the cases explicitly stated by law.

27. OTHER CURRENT LIABILITIES

Other current liabilities include:

- Deductions – BGN 4 thousand (31 December 2016: BGN 4 thousand);
- Dividends payable – BGN 2 thousand (31 December 2016: BGN 2 thousand);
- Finance lease liabilities – none (31 December 2016: BGN 2 thousand);
- Insurance payable – BGN 5 thousand (31 December 2016: none).

28. RELATED PARTIES

28.1. Data on related parties that control directly Thrace-Ipoma AD at 31 December is presented below:

Company	***Relation***
Trierina Trading Limited, Cyprus	parent company of Thrace-Ipoma AD
Thrace Plastics Pack Co SA, Greece	parent company of Trierina Trading Limited, Cyprus ***(intermediary parent company)***
Thrace Plastics Pack Co SA, Greece	parent company of Thrace Plastics Pack Co SA, Greece ***(ultimate parent company)***

This is a translation from Bulgarian of the financial statements of Thrace-Ipoma AD for year 2017.

28.2. In 2016 and 2017, the Company executed *transactions with the following related parties:*

Company	***Relation***
Thrace Plastics Co SA, Greece	parent company of Thrace Plastics Pack Co SA, Greece
Thrace Nonwovens & Geosynthetics, Greece	under the control of Thrace Plastics Co SA
Thrace Plastics Pack Co SA, Greece	under the control of Thrace Plastics Co SA
Thrace Polyfilms Co SA, Greece	under the control of Thrace Plastics Co SA
Thrace Greenhouses SA, Greece	under the control of Thrace Plastics Co SA
Trierina Trading, Cyprus	under the control of Thrace Plastics Pack Co SA
Thrace Greiner Packaging, Romania	under the control of Thrace Plastics Pack Co SA
Thrace Plastics Packaging DOO, Serbia	under the control of Thrace Plastics Pack Co SA
Thrace Polybulk AB, Sweden	under the control of Synthetic Holdings Ltd
Thrace Polybulk AS, Norway	under the control of Synthetic Holdings Ltd
Thrace Synthetic Packaging, Ireland	under the control of Synthetic Holdings Ltd

In relation to the separation of the production and sales of plastic packaging from Thrace Plastics Co SA and their transfer to Thrace Polyfilms Co SA as of 1 July 2017, all transactions between Thrace-Ipoma AD and Thrace Plastics Co after this date, as well as all unsettled accounts as at 31 December 2017 with regards to the plastic packaging business are stated as transactions, respectively accounts, with Thrace Polyfilms SA in these financial statements (Note 28.3 and Note 28.4).

28.3. The ***outstanding balances*** (accounts) with related parties as at 31 December are as follows:

Receivables from related parties:

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Receivables from companies under common control	3,507	2,857
Receivables from intermediary parent company	921	-
Total:	**4,428**	**2,857**

The receivables are primarily related to sale of finished products and goods (Note 28.4).

Payables to related parties:

	31.12.2017	*31.12.2016*
	BGN '000	*BGN '000*
Payables to companies under common control	1,818	422
Payables to ultimate parent company	-	1,238
Payables to intermediary parent company	3	79
Total:	**1,821**	**1,739**

The payables are primarily related to supply of inventories and services (Note 28.4).

The accounts and balances with related parties are entirely denominated in EUR.

At 31 December, the Company performed offsetting of the outstanding counter balances for the companies of Thrace Plastics Group at the end of the reporting period and presented the net amount to the receivables from related parties and respectively, to the payables to related parties. This is due to the adopted Group policy to set off trade receivables and trade payables between the companies within the Group, which results in the establishment of a regular and consistent practice of net reporting (Note 2.18.3) as follows:

	31.12.2017	*31.12.2016*
	BGN '000	*BGN '000*
Receivables from related parties (gross amount)	6,159	3,950
Offsetting trade receivables with trade payables	*296*	*22*
Offsetting trade payables with trade receivables	*1,435*	*1,071*
Offsetting	1,731	1,093
Receivables from related parties (net amount)	**4,428**	**2,857**

	31.12.2017	*31.12.2016*
	BGN '000	*BGN '000*
Payables to related parties (gross amount)	3,552	2,832
Offsetting trade receivables with trade payables	*296*	*22*
Offsetting trade payables with trade receivables	*1,435*	*1,071*
Offsetting	1,731	1,093
Payables to related parties (net amount)	**1,821**	**1,739**

The contractual deferred payment period for trade receivables and payables within Thrace Plastics Group is up to 90 days. When Trace-Ipoma AD performs at the same time supplies from and sales to a related party, the receivables and payables are being periodically set-off. Payments to other Group companies are made within the timeframe of 90 days deferred payment.

The table below presents receivables past due by more than 30 days against the common credit period, which are not impaired:

Period past due	***31.12.2017 BGN'000***	***31.12.2016 BGN'000***
from 31 to 60 days	43	26
over 120 days	5	-
Total	**48**	**26**

Part of the presented in the above table overdue receivables at the amount of BGN 39 thousand (31 December 2016: BGN 26 thousand) have been collected after the end of the reporting period and before the date of approval of these financial statements.

28.4. The data below presents information on Company's related party ***transactions*** executed during the year:

Supplies from related parties

	2017 BGN '000	***2016 BGN '000***
Supplies of inventories from:		
Companies under common control	4,138	3,091
Ultimate parent company	2,666	4,087
Intermediary parent company	2,322	4,043
	9,126	**11,221**
Supplies of services from:		
Ultimate parent company	683	498
Intermediary parent company	117	81
	800	**579**

***Supplies of fixed tangible and intangible assets from*:**	**-**	141
Ultimate parent company	**-**	**141**
***Other supplies*:**		
Intermediary parent company	5	-
	5	**-**
Total	**9,931**	**11,941**

Sales to related parties

	2017	*2016*
	BGN '000	*BGN '000*
Sales of finished products to:		
Companies under common control	17,230	15,165
Intermediary parent company	4,777	5,011
	22,007	**20,176**
Re-invoiced expenses to:		
Companies under common control	1,063	909
Intermediary parent company	38	31
	1,101	**940**
Sales of goods and materials:		
Companies under common control	72	39
Intermediary parent company	99	59
	171	**98**
Other sales to:		
Companies under common control	2	2
Intermediary parent company	2	-
	4	**2**
Total	**23,283**	**21,216**

The related party transactions do not differ from the usual commercial transactions: purchase-and-sale of finished products, rent of moulds, providing technical services, production of big bags.

In relation to the obtained bank loans from Thrace-Ipoma AD as at 31 December of both reporting periods, there are issued:

- Corporate guarantee from Thrace Plastics Co S.A., Greece;
- Letter of Commitment under the Greek law, issued by Thrace Plastic Co S.A., Greece.

As at 31 December 2017, there is an established special pledge on receivables with a carrying amount of BGN 323 thousand in favour of banks under used bank loans (31 December 2016: BGN 352 thousand).

28.5. In 2017, in line with a decision of the General Meeting of Shareholders, the Company distributed dividend at the amount of BGN 774 thousand, paid in full to Trierina Trading Limited.

28.6. The ***key management personnel*** is as follows:

Dimitar Ditchev	Member of the Board of Directors and Executive Director
Konstantinos Chalioris	Chairman of the Board of Directors
Dimitrios Malamos	Member of the Board of Directors
Georgios Braimis	Member of the Board of Directors
Desislava Neicheva	Member of the Board of Directors and Operating Manager
Dobri Dobrev	Finance Manager
Antonia Doneva	Director Plastics Production
Alexandar Pavlov	Technical Director
Petar Alexiev	Director Thermoforming Production
Elena Krekmanska	Head of Procurement Department

The remuneration of key management personnel include only salaries, other short-term benefits and social security/health insurance contributions, which in year 2017 amounted to BGN 741 thousand (2016: BGN 665 thousand).

29. FINANCIAL INSTRUMENTS

The ***structure of Company's financial assets and liabilities*** as at 31 December is presented below. It includes all financial assets in one group 'loans and receivables' and all financial liabilities in one group 'other financial liabilities'.

Financial assets	***Loans and receivables***	***Loans and receivables***
	31.12.2017	***31.12.2016***
	BGN'000	***BGN'000***
Receivables from related parties	4,428	2,857
Trade receivables	3,434	2,976
Other current assets	96	96
Cash and cash equivalents	1,105	937
	9,063	**6,866**

Financial liabilities	***Other financial liabilities***	***Other financial liabilities***
	31.12.2017	***31.12.2016***
	BGN'000	***BGN'000***
Bank loans	7,790	5,638
Trade payables to related parties	1,821	1,739
Trade and other payables	6,685	3,889
	16,296	**11,266**

Financial risk management

In the ordinary course of business, the Company is exposed to a variety of financial risks the most important of which are market risk (including currency risk, risk of fair value changes and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows.

General risk management is focused on the difficulty to forecast the financial markets and to achieve mitigation of the potential negative effects that might affect the financial results and position of the Company. Financial risks are currently identified, measured and monitored through various control mechanisms in order to establish adequate prices for Company's finished products and services and the borrowed thereby capital, as well as to assess adequately the market circumstance of its investments and the forms for maintenance of free liquid funds through preventing undue risk concentration.

Risk management in the Company is exercised currently by the Finance and Accounting Department and by the Sales Department.

Market risk

a. Foreign currency risk

The Company is not exposed to currency risk because its major operations and deals are denominated in BGN and/or in EUR, and the latter has a fixed rate towards the Bulgarian Lev under law.

b. Price risk

The Company is exposed to price risk of adverse changes in the prices of materials and goods, because the prices of the basic materials – polyethylene, polypropylene and polystyrene – are traded on commodity exchange at prices in Euro and are related to the movement of the indexes Ki and ICIS LOR. In order to bring to minimum price risk the following two approaches have been adopted when negotiating the selling prices of finished products:

- The prices for clients of branded crates are recalculated in line with the index Ki;
- The prices of packaging are reviewed on monthly basis and again revised against the ICIS LOR index and the purchase prices of materials.

Credit risk

The main financial assets of the Company are cash in hand and at bank (current and deposit) accounts, trade and other short-term receivables.

Credit risk is the risk that any of Company's clients will fail to discharge in full and within the normally envisaged terms the amounts due thereby under trade and other receivables. The latter are presented in the statement of financial position at net value after deducting the impairment related to doubtful and bad debts. Such impairment is made where and when events have existed identifying loss due to uncollectability as per previous experience.

Thrace-Ipoma AD sells under deferred settlement terms with credit period of up to 90 days only to clients having long account of business and trade relations with the Company, good financial position and no history of credit terms violations. The Company trades with 90 days credit period also with related parties, the balances with which are characterised with a high concentration, but they are managed and controlled by the Group as a whole. The sales to the other clients are made under immediate payment terms.

Collectability of receivables is controlled currently and strictly by the Executive Director, Finance Director and Commercial Director in accordance with the established credit policy of the Company. For this purpose, open exposures by customer and the individual amounts thereto as well as the proceeds received are subject to review on daily basis whereas making reconciliation and analysis. In addition, besides the current management of the collectability of receivables in case of delay supplementary actions are undertaken for their securing and collection. In order to limit the existence of a credit risk, the Company insures most of its receivables from clients outside the group against the risk of uncollectability.

The Company has concentration of receivables (trade receivables and receivables from related parties) as follows:

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Client 1	56,32%	48,98%
Client 2	7,10%	4,69%

Cash, including payment transactions, are limited to highly reputable banks with liquid stability.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally all of its obligations within their maturity. The liquidity management policy of the Company's is conservative maintaining a constant optimal liquid reserve of cash and a capability for funding its business activities, including by securing and maintenance of adequate credit resources and facilities, continuous control monitoring of the actual and forecasted cash flows by periods ahead and matching maturity profiles of assets and liabilities.

Maturity analysis

The table below presents the financial non-derivative liabilities of the Company at the reporting date, grouped by remaining term to maturity, determined against the contractual maturity and cash flows. The table is prepared on the basis of undiscounted cash flows and the earliest date on which the payable becomes due for payment. The amounts include principal and interest.

31 December 2017	**up to 1 month**	**from 1 to 3 months**	**3 months to 1 year**	**over 1 year**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Bank loans	2,845	594	1,919	2,728	8,086
Trade payables to related parties	1,114	707	-	-	1,821
Trade and other payables	5,119	1,566	-	-	6,685
Financial liabilities	**9,078**	**2,867**	**1,919**	**2,728**	**16,592**

31 December 2016	**up to 1 month**	**from 1 to 3 months**	**3 months to 1 year**	**over 1 year**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Bank loans	3,074	347	1,538	798	5,757
Trade payables to related parties	834	905	-	-	1,739
Trade payables	3,301	587	1	-	3,889
Financial liabilities	**7,209**	**1,839**	**1,539**	**798**	**11,385**

Overdrafts are presented in column 1 “up to 1 month”.

Risk of interest-bearing cash flows

In general, the Company does not have interest-bearing assets except for the existing cash with banks, on which interest is charged at fixed interest rate. Therefore, revenue and cash flows from operations are largely independent from the changes in market interest rates.

At the same time, the Company is exposed to interest risk because it uses short-term loans for funding its business activities and long-term loans for its investing activities contracted at floating interest rates. Therefore, the changes in interest rates are currently monitored and in case of adverse trends steps are taken for re-negotiating the terms and conditions.

Interest analysis

31 December 2017	Interest-free BGN '000	with floating interest % BGN '000	with fixed interest % BGN '000	Total BGN '000
Receivables from related parties	4,428	-	-	**4,428**
Trade receivables	3,434	-	-	**3,434**
Other receivables	96	-	-	**96**
Cash and cash equivalents	956	-	149	**1,105**
Total financial assets	**8,914**	**-**	**149**	**9,063**
Bank loans	-	7,790	-	**7,790**
Trade payables to related parties	6,678	**-**	**-**	**6,678**
Trade and other payables	1,828	**-**	**-**	**1,828**
Total financial liabilities	**8,506**	**7,790**	**-**	**16,296**

31 December 2016	interest-free BGN '000	with floating interest % BGN '000	with fixed interest % BGN '000	Total BGN '000
Receivables from related parties	2,857	-	-	**2,857**
Trade receivables	2,976	-	-	**2,976**
Other receivables	96	-	-	**96**
Cash and cash equivalents	3	-	934	**937**
Total financial assets	**5,932**	**-**	**934**	**6,866**
Bank loans	-	5,638	-	**5,638**
Trade payables to related parties	1,739	**-**	**-**	**1,739**
Trade and other payables	3,889			**3,889**
Total financial liabilities	**5,628**	**5,638**	**-**	**11,266**

The achieved average interest rates on interest-bearing assets and liabilities are as follows:

- Cash at deposit accounts – 0.04%;
- Bank loans – 1.4% - 4.4%.

The Company's management currently monitors and analyses its exposure to changes in interest rates. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging instruments. Based on these scenarios, the impact of a defined interest rate shift, expressed in points, on the financial result and equity is calculated. For each simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

The Company's sensitivity to possible changes in interest rates based on the structure of assets and liabilities as at 31 December 2017, and with the assumption that the influence of all other variables is ignored. The effect of interest rate shift by 50 points, measured and presented as impact on the post-tax financial result for the following reporting period amounts to BGN 35 thousand (31 December 2016: BGN 25 thousand).

Capital risk management

The capital management objectives of the Company are to build and maintain capabilities to continue its operation as a going concern and to provide return on the investments of shareholder and economic benefits to other stakeholders and participants in its business as well as to maintain an optimal capital structure to reduce the cost of capital.

The Company currently monitors capital availability and structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by the total amount of (employed) capital. Net debt is calculated as total borrowings (current and non-current ones) as presented in the statement of financial position less cash and cash equivalents. Total employed capital is calculated as the sum of equity and net debt.

The strategy of the Company's management is to maintain the ratio within the range of 5% – 30%.

The table below shows the gearing ratios based on capital structure as at 31 December:

	31.12.2017	***31.12.2016***
	BGN'000	***BGN'000***
Total borrowings	7,790	5,638
Less: Cash and cash equivalents	(1,105)	(937)
Net debt	6,685	4,701
Total equity	27,411	25,986
Total capital	34,096	30,687
Gearing ratio	***20%***	***15%***

Fair values

The fair value concept presumes realisation of financial assets through a sale based on the position, assumptions and judgments of independent market participants in a principal or most advantageous market for a particular asset or liability.

The Company acknowledges as a principal market for its financial assets and liabilities the financial market in Bulgaria – the Bulgarian Stock Exchange, the large commercial banks – dealers, and for some specific instruments – direct transactions between the parties. However, in most cases especially in regard of trade receivables and payables, as well as loans and bank deposits, the Company expects to realise these financial assets and liabilities either through their total refund or respectively, their settlement over time. Therefore, they are presented at amortised cost.

In addition, a large part of Company's financial assets and liabilities are short-term in their nature (trade receivables and payables, short-term loans) and for this reason, their fair value is almost equal to their carrying amount.

In respect of long-term borrowings, the Company uses an estimate of their fair value determined through discounting of their future cash flows based on average market interest rate at the end of the reporting period. These loans are usually with floating interest rate that reflects market levels.

The Company's management is of the opinion that the estimates of the financial assets and liabilities presented in the statement of financial position are as reliable, adequate and trustworthy as possible for financial reporting purposes under the existing circumstances.

30. POTENTIAL IMPACT OF THE APPLICATION OF NEW IFRS

Title of standard	**IFRS 9** ***Financial Instruments***
Nature of change	IFRS 9 (2014) addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. It replaces IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety.

Impact	***Classification*** IRFS 9 (2014) introduces 3 principal categories of financial assets: classified at amortised cost, classified at fair value through other comprehensive income, or classified at fair value through profit or loss. The Company has reviewed its financial assets and liabilities and does not expect the requirements of the new IFRS 9 to impact the classification and measurement of its financial assets. Trade and other receivables that are currently measured at amortised cost will satisfy the conditions for classifications at amortised cost under IFRS 9. Their carrying amount is BGN 7,958 thousand. The Company does not expect any changes and impact on the accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have such liabilities. The derecognition rules have been transferred from *IAS 39 Financial Instruments: Recognition and Measurement*, and have not been changed. ***Impairment*** The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers,* lease receivables, loan commitments and certain financial guarantee contracts. The Company has reviewed and analysed the credit risk impact on its financial instruments, respectively whether and for which instruments there is a substantial increase following their initial recognition, as well as initial measurement of the expected credit losses. Based on the preliminary evaluation performed so far, The Company does not expect a

	significant increase in the loss allowance for trade and other receivables. The Company has adopted a practice of keeping and managing ***cash*** at financial institutions in Bulgaria with good reputation and high credit ratings. Regarding these financial assets, the Company has developed a model to measure 12-month expected credit losses based on the external credit ratings of contractor banks, which also corresponds to the cash maturity. Based on the preliminary evaluation performed so far, the Company expects to set aside an insignificant amount for loss allowance for cash. ***Disclosures*** The new standard also introduces expanded disclosure requirements and changes in presentation. These are not expected to change the nature and extent of the Company's disclosures about its financial instruments, particularly in the year of the adoption of the new standard – 2018.
Date of adoption by Company	IFRS 9 is mandatory for financial years commencing on or after 1 January 2018. The Company intends to adopt the standard using modified retrospective approach, as of 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

Title of standard	**IFRS 15 *Revenue from Contracts with Customers***
Nature of change	IFRS 15 Revenue from Contracts with Customers is the new standard for the recognition of revenue. It will replace IAS 18 Revenue, which covers goods and services contracts, and IAS 11 Construction Contracts, which covers construction contracts, and the respective SIC and IFRIC. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Impact	The Company has assessed the effects of applying the new standard and has identified the areas that will possibly be affected. **Revenue from the sale of products and goods** The Company sells primarily plastic packaging and industrial sacks. The Company has determined that the revenue from the sale of its products (goods) will be recognised following the "point in time" method under IFRS 15, when control over the products (goods) is transferred to the customers. This usually happens as goods are handed over to the customer or carrier at an agreed location. The Company has determined that there are no sales of products and goods with regards to which control is transferred over time. In the adaptation of its accounting policy to the application of IFRS 15, the Company has analysed and considered the accounting treatment of *different forms of variable consideration*. variable consideration is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant adjustment to the amount of recognised cumulative revenue. The forms of variable consideration applicable for the Company only include *volume discounts*. Under IFRS 15, expected volume discounts, determined based on the accumulated experience, will be recognised within adjustment of the transaction price and only if it is very probable that this will not result in a significant revenue reversal in the future. Upon measuring the expected volume discounts, the Company uses the most likely amount method. The policy applied so far for recognising discounts when certain turnover targets are met does not differ from the requirements of IFRS 15. **Advances from clients** The Company usually receives short-term advance payments from clients, which do not have a significant financing component. Upon the adoption of IRFS 15, the presentation of these advance payments in the statement of financial position will be changed from

	deferred income/trade payables to liabilities under contracts with customers. **Presentation and disclosure requirements** IFRS 15 provides presentation and disclosure requirements that are to a certain extent different and more detailed than those under current IFRS. Some of the new requirements will be entirely new for the Company and involve information that has not been currently disclosed. The Company considers such information to include: a) accounting estimations and assumptions related to: the main components of customer policies and arrangements; determining stand-alone selling prices; splitting the transaction price between the separate performance obligations; the probable variable consideration measurement in the form of volume discounts b) regrouping and presentation of the types of revenue in categories showing how the content, amount, timing and period, and the uncertainties related to each revenue and cash flows, are influenced by various economic factors. The Company will continue testing the respective systems, internal controls, policies and procedures needed to collect and maintain the information needed for the purpose of disclosures under IFRS 15.
Date of adoption by Company	IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Company intends to adopt the standard using the modified retrospective approach, as of 1 January 2018. Comparatives for 2017 will not be restated.

Title of standard	**IFRS 16 *Leases***
Nature of change	IFRS 16 *Leases* is the new standard on leases. It will replace IAS 17 *Leases*, and the respective SIC and IFRIC. IFRS 16 establishes principles and rules for the recognition, measurement and presentation of a lease. **Accounting for by lessees** IFRS 16 establishes a uniform model of lease accounting for by lessees that introduces their recognition in the balance sheet, similar to finance lease accounting under IAS 17.

	Under the new standard, a contract contains a lease if the contract conveys the right to control the use of an identified asset. At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability at the present value of the lease payments that are not paid at that date. The only exceptions are short-term leases and/or leases for which the underlying asset is of low value. Lessees will recognise interest expense for the lease liability and respectively a depreciation expense for the right-of-use asset. Moreover, lessees will have to recognise revaluation of the lease liability upon the occurrence of certain events (for instance, changes in the conditions of the lease contract, changes to future lease payments due to changes in certain values (index, percentage, etc.) used in the calculation of lease payments). In these cases, lessees recognise changes as an adjustment of the lease liability and the right-of-use asset. If a lessee elects to apply the standard's exemptions regarding either short-term leases or leases for which the underlying asset is of low value, the lessee shall recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis similar to operating lease accounting under IAS 17. **Accounting for by lessors** IFRS 16 does not substantially change accounting for leases by lessors. They will continue to classify each lease as either finance or operating, in fact applying the material rules of the old standard IAS 17, which remain unchanged in the new IFRS 16.
Impact	IFRS 16 will affect primarily the accounting of operating leases in which the Company is a lessee. As at the reporting date, the Company has non-cancellable operating lease commitments of BGN 740 thousand (Note 8). The Company is still assessing what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of the extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Company's profit or loss and classification of cash flows going forward

Date of adoption by Company	IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. The Company has decided not to adopt the standard before its effective date. It has selected to apply the modified retrospective transition approach, as of 1 January 2019. Comparative amounts for the year prior to first adoption (2018) will not be restated.