

Annual Consolidated Activity Report
Independent Auditor's Report
Consolidated Financial Statements

MONBAT AD

31 December 2015

Unofficial translation of the original in Bulgarian



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Consolidated statement of financial position

as of 31 December

Assets	Note	2015 BGN '000	2014 BGN '000	2013 BGN '000
Non-current assets			restated	restated
Other intangible assets	7	905	1 606	1 054
Property, plant and equipment	8	126 517	118 371	116 484
Receivables from trade loans	13	455	455	455
Long-term financial assets	10	8	8	8
Non-current assets		127 885	120 440	118 001
Current assets				
Inventories	12	52 547	50 398	45 868
Receivables from trade loans	13	547	35	24
Trade receivables	14	40 523	39 889	39 316
Related party receivables	34	31 427	23 532	20 778
Tax receivables	15	6 325	3 702	4 958
Short-term financial assets	13	50	-	-
Other receivables	16	1 124	1 185	1 373
Cash and cash equivalents	17	15 232	20 538	7 673
Current assets		147 775	139 279	119 990
Total assets		275 660	259 719	237 991

Prepared by: Belnikolov and Partners OOD – Henry
Belnikolov Manager

Executive Director: Atanas Bobokov

Date of preparation: 27.04.2016

Audited according to the auditor's report

Desislava Dinkova
Auditor
Date:

Consolidated statement of financial position as of 31 December (continued)

Equity and liabilities	Note	2015 BGN '000	2014 BGN '000	2013 BGN '000
Equity			restated	restated
Share capital	18.1	38 989	39 000	39 000
Share premium	18.2	28 538	28 611	28 611
General reserves	18.3	64 993	64 786	51 949
Foreign currency translation reserve		(712)	138	503
Retained earnings		51 498	35 504	32 002
Equity attributable to the owners of the parent:		183 306	168 039	152 065
Non-controlling interests		(3 827)	(2 661)	(891)
Total equity		179 479	165 378	151 174
Liabilities				
Non-current liabilities				
Long-term borrowings	21.1	12 610	34 635	9 661
Finance lease liabilities	9.1	1 266	366	823
Long-term related party payables	34	7	7	7
Other liabilities		-	-	31
Long-term grants	21.2	4 999	2 386	2 848
Deferred tax liabilities, net	11	1 238	1 282	1 700
Non-current liabilities		20 120	38 676	15 070
Current liabilities				
Guarantee provisions	19	462	532	797
Pension and other employee obligations	20.2	1 286	1 093	1 086
Short-term borrowings	21.1	48 446	38 092	50 386
Finance lease liabilities	9.1	427	470	739
Trade payables	22	19 035	11 001	14 758
Short-term related party payables	34	305	15	129
Tax liabilities	23	2 141	1 658	2 030
Short-term grants	21.2	806	456	700
Other liabilities	24	3 153	2 348	1 122
Current liabilities		76 061	55 665	71 747
Total liabilities		96 181	94 341	86 817
Total equity and liabilities		275 660	259 719	237 991

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 Date:

The accompanying notes on pages from 9 to 68 form an integral part of the consolidated financial statements.
 This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian text shall prevail.

Consolidated income statement for the year ended 31 December

	Note	2015 BGN '000	2014 BGN '000 restated
Sales revenue	25	244 653	228 371
Other revenue	25	815	622
Cost of materials	26	(149 163)	(153 914)
Hired services expenses	27	(19 436)	(17 669)
Employee benefits expense	20.1	(18 314)	(16 022)
Depreciation and amortization of non-financial assets	7,8	(11 532)	(11 193)
Cost of goods sold and other current assets		(12 140)	(7 328)
Changes in finished goods and work in progress		(1 884)	10 799
Gain from sale of non-current assets	28	3	44
Other expenses	29	(7 030)	(4 625)
Operating profit		25 972	29 085
Finance costs	30	(3 047)	(3 653)
Finance income	30	1 307	1 353
Other financial items	31	(111)	(205)
Profit before tax		24 121	26 580
Tax expense	32	(3 236)	(3 041)
Profit for the year		20 885	23 539
Profit for the year, attributable to:			
Non-controlling interests		(1 166)	(1 770)
Owners of the parent		22 051	25 309
Earnings per share		BGN	BGN
Basic and diluted earnings per share	33.1	0.57	0.65

Prepared by: **Belnikolov and Partners OOD – Henry Belnikolov Manager**

Executive Director: **Atanas Bobokov**

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Consolidated statement of comprehensive income for the year ended 31 December

	2015 BGN '000	2014 BGN '000 restated
Profit for the year	20 885	23 539
Other comprehensive income		
Currency translation differences from foreign operations	(850)	(365)
Other comprehensive income for the year, net of tax	20 035	23 174
Total comprehensive income for the year	20 035	23 174
Total comprehensive income for the year attributable to:		
Non-controlling interests	(1 166)	(1 770)
Owners of the parent	21 201	24 944
	20 035	23 174

Prepared by: **Belnikolov and Partners OOD – Henry Belnikolov Manager**

Executive Director: Atanas Bobokov

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Consolidated statement of changes in equity for the year ended 31 December

All amounts are presented in BGN '000	Share capital	Share premium	General reserves	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2015	39 000	28 611	64 786	138	35 504	168 039	(2 661)	165 378
Redeemed own shares	(11)	(73)	-	-	-	(84)	-	(84)
Dividends	-	-	-	-	(5 850)	(5 850)	-	(5 850)
Transactions with owners	(11)	(73)	-	-	(5 850)	(5 934)	-	(5 934)
Profit for the year	-	-	-	-	22 051	22 051	(1 166)	20 885
Other comprehensive income:	-	-	-	-	-	-	-	-
Currency translation differences from foreign operations	-	-	-	(850)	-	(850)	-	(850)
Total comprehensive income for the year	-	-	-	(850)	22 051	21 201	(1 166)	20 035
Transfer of retained earnings to reserves	-	-	207	-	(207)	-	-	-
Balance at 31 December 2015	38 989	28 538	64 993	(712)	51 498	183 306	(3 827)	179 479

Prepared by:

Executive Director: Atanas Bobokov

/ Belnikolov and Partners OOD – Henry Belnikolov Manager/

Date of preparation : 27.04.2016

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Consolidated statement of changes in equity for the year ended 31 December (continued)

All amounts are presented in BGN '000	Share capital	Share premium	General reserves	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2014	39 000	28 611	51 949	503	32 002	152 065	(891)	151 174
Dividends	-	-	-	-	(8 970)	(8 970)	-	(8 970)
Transactions with owners	-	-	-	-	(8 970)	(8 970)	-	(8 970)
Profit for the year	-	-	-	-	25 309	25 309	(1 770)	23 539
Other comprehensive income:	-	-	-	-	-	-	-	-
Currency translation differences from foreign operations	-	-	-	(365)	-	(365)	-	(365)
Total comprehensive income for the year	-	-	-	(365)	25 309	24 944	(1 770)	23 174
Transfer of retained earnings to reserves	-	-	12 837	-	(12 837)	-	-	-
Balance at 31 December 2014	39 000	28 611	64 786	138	35 504	168 039	(2 661)	165 378

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Consolidated statement of changes in equity for the year ended 31 December (continued)

All amounts are presented in BGN '000	Share capital	Share premium	General reserves	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at 1 January 2013	36 377	14 631	50 523	(540)	15 794	116 785	(273)	116 512
Redeemed own shares	2 623	13 980	-	-	-	16 603	-	16 603
Dividends	-	-	-	-	(7 755)	(7 755)	-	(7 755)
Transactions with owners	2 623	13 980	-	-	(7 755)	8 848	-	8 848
Profit for the year	-	-	-	-	25 389	25 389	(618)	24 771
Other comprehensive income:	-	-	-	-	-	-	-	-
Currency translation differences from foreign operations	-	-	-	1 043	-	1 043	-	1 043
Total comprehensive income for the year	-	-	-	1 043	25 389	26 432	(618)	25 814
Transfer of retained earnings to reserves	-	-	1 426	-	(1 426)	-	-	-
Balance at 31 December 2013	39 000	28 611	51 949	503	32 002	152 065	(891)	151 174

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Consolidated statement of cash flows for the year ended 31 December

Prepared by: **Belnikolov and Partners OOD – Henry
Belnikolov Manager**

Executive Director: Atanas Bobokov

	Note	2015 BGN '000	2014 BGN '000
Operating activities			
Cash receipts from customers		237 310	225 465
Cash paid to suppliers		(191 320)	(189 575)
Cash paid to employees and social security institutions		(16 478)	(14 349)
Income tax for individuals paid		(1 071)	(1 111)
Tax income/(expense)		(1 161)	6 462
Other payments for operating activities		(1 240)	(1 944)
Net cash flow from operating activities		26 040	24 948
Investing activities			
Purchase of property, plant and equipment		(16 588)	(12 487)
Loans granted		(3 168)	(3 219)
Loan repayments received		193	132
Grants received		3 680	-
Other payment of investing activities		(50)	-
Net cash flow used in investing activities		(15 933)	(15 574)
Financing activities			
Received borrowings		10 632	51 825
Payments on borrowings		(16 525)	(39 553)
Payments on finance leases		(847)	(664)
Payments for redemption of shares		(84)	-
Interest paid		(1 818)	(2 010)
Dividends paid		(5 588)	(4 684)
Other payments for financial activities		(687)	(1 040)
Net cash flow from / (used in) financing activities		(14 917)	3 874
Net change in cash and cash equivalents		(4 810)	13 248
Cash and cash equivalents, beginning of year	17	20 538	7 673
Losses on foreign currency translation		(496)	(383)
Cash and cash equivalents, year end	17	15 232	20 538

Date of preparation: 27.04.2016

Audited according to the auditor's report

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Auditor
Date:

Notes of the consolidated financial statements

1. Scope of operations

The main activities of Monbat AD and its subsidiaries (“The Group”) include manufacturing, maintenance and realization of batteries; engineering and development activity; production and trade of equipment used in battery manufacturing; domestic and foreign trade and construction of commercial networks; specialized stores and representatives, recycling of lead and lead containing alloys.

The parent company Monbat AD (The Company) has the same principle activities. The Company is registered as a joint stock company under company file 4636/1999 of the Sofia City court. The parent company’s seat and management address is at 32 A ‘Cherni vrah’ buld., Sofia. The Company is registered at the Bulgarian stock exchange on 22.12.2006.

The principle place of the activity is town of Montana, 76 ‘Industrialna’ str.

The Company’s shares are registered on the Bulgarian stock exchange.

The Group is managed through single-tier management system consisting of Board of Directors.

The members of the Board of Directors are:

1. Atanas Stoilov Bobokov - chairman
2. Petar Nikolov Bozadjiev
3. Jordan Atanasov Karabinov
4. Plamen Stoilov Bobokov
5. Aleksandar Viktorov Chaushev
6. Nikolay Georgiev Trenchev
7. Stoyan Jivkov Stalev
8. Kamen Zahariev
9. Florian Huth

Executive director is Atanas Stoilov Bobokov

The ultimate owner of the group, is Prista Oil Group B.V., the Netherlands.

Information about the name, country of incorporation, percentage of share and voting power of the subsidiaries, included in the consolidation, is provided in note 5.

2. Basis for preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union (EU).

The consolidated financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the parent company. All amounts are presented in thousands of Bulgarian leva (BGN’000) (including the comparative information for 2014 and 2013) unless otherwise stated.

The consolidated financial statements are prepared on a going concern basis. At the date of the preparation of these consolidated financial statements the management estimated the ability of the Group to continue its activity as a going concern, on the basis of information available for the foreseeable future. After the review of the Group, the Board of Directors believes that the Group has sufficient financial resources in order to continue its operations in the near future and to continue to apply the going concern basis upon the preparation of the consolidated financial statements.

Initial application of new amendments to the existing Standards and Interpretations effective for the current financial period

The following new amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current financial period:

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 18, 2014 (amendments are to be applied for annual periods beginning on or after January 1, 2015),
- IFRIC 21 “Levies” adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Company’s financial statements.

Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: Bearer Plants - adopted by the EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015),

- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016).
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative – adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements - adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 15, 2015 (amendments are to be applied for annual periods beginning on or after January 1, 2016).

New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of approval of these consolidated financial statements:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 “Revenue from Contracts with Customers” and further amendments (effective for annual periods beginning on or after January 1, 2018),
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after January 1, 2016),

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Group’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and

Measurement, would not significantly impact the financial statements, if applied as at the balance sheet date.

3. Accounting policies

3.1. Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below.

The consolidated financial statements have been prepared using the measurement bases for each type of asset, liability, income and expense, according to IFRS. The measurement bases are described in details in the accounting policies to the consolidated financial statements. It should be noted that accounting estimates and assumptions are used for the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates and assumptions.

3.2. Presentation of consolidated financial statements

The consolidated financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements" (revised 2007). The Group has elected to present the consolidated statement of comprehensive income in two statements: a consolidated income statement and a consolidated statement of comprehensive income.

Two comparative periods are presented for the consolidated statement of financial position when the Group:

- (i) applies an accounting policy retrospectively,
- (ii) makes a retrospective restatement of items in its consolidated financial statements, or
- (iii) reclassifies items in the consolidated financial statements.

3.3. Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2015. Subsidiaries are all entities over which the Group has the power to control their financial and operating policies. The parent company obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting period as of 31 December.

All intragroup transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted, where necessary, to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized as of the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interest, represents a portion of equity ownership in the subsidiary's profit or loss and net assets not attributable to the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value of any investment retained in the former subsidiary at the date of loss of control is considered fair value initial recognition of financial assets in accordance with IAS 39 “Financial Instruments: Recognition and Measurement” or, where appropriate, the cost for initial recognition, investments in associates or jointly controlled entity. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The profit or loss on disposal is calculated as the difference between i) the aggregate amount of the fair value of the consideration received and the fair value of any retained interest and ii) the previous carrying amount of the assets including goodwill and liabilities of the subsidiary and any non-controlling interest.

3.4. Business combinations

Business combinations are accounted for using the purchase method. For business combinations that have occurred since 1 January 2010, the requirements of IFRS 3(revised) have been applied. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the amount of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements of the acquiree prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree that is present ownership interests and entitles their holders to a proportionate share of the entity's net assets in the event of liquidation either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred at the acquisition date, b) the recognized amount of any non-controlling interest in the acquiree and c) in business combination achieved in stages, the fair value of any existing equity interest in the acquiree, over the fair values at acquisition date of identifiable net assets. If the fair value of any identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately after the acquisition.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if the interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period which cannot exceed one year from the acquisition date or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are restated retrospectively, with corresponding adjustments against goodwill.

Prior to 1 January 2010, business combinations were accounted under the previous version of IFRS 3.

3.5. Transactions with non-controlling interests

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are treated as transactions with equity owners of the Group. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the parent company.

3.6. Foreign currency transactions

Foreign currency transactions are translated from local currency into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Functional currency of all Group entities is EUR. The functional currency of the entities in the Group has remained unchanged during the reporting period.

Presentation currency of the Group is BGN, which is pegged to EUR under the existing Currency Board in Bulgaria and the exchange rate has been fixed legislatively at BGN 1.95583 : EUR 1 on July 1, 1997.

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities have been converted from EUR functional currency to BGN presentation currency. Due to the fixed rate, no exchange differences have been recognized as a result of the conversion correspondingly.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to statement of comprehensive income (foreign currency translation reserve).

On disposal of a net investment in foreign operation the cumulative translation differences from local to functional currency recognized in foreign currency translation reserve, part of equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

3.7. Segment reporting

The management determines the operating segments on the basis of the geographical allocation of the Group's activities.

Each of these geographical segments is managed separately.

The Group operates in one business segment- production and sale of batteries and raw materials for them. It also produces lead lighting.

All transactions between the segments are made at prices corresponding to transactions between independent parties.

For segment reporting under IRFS 8 "Operating Segments" the Group applies valuation policy corresponding to the valuation policy used in the consolidated financial statements.

Information about the results of the separate segments that is regularly reviewed by the chief operating decision maker does not include isolated unrepeated events such as restructuring expenses, legal expenses and impairment due to an isolated non-recurring event.

Finance income and costs are also not included in the results of operating segments which are regularly reviewed by the chief operating decision makers.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. No asymmetrical allocations have been applied between segments.

3.8. Revenue

Revenue comprises revenue from the sale of products, goods, materials, rendering of services and other revenue. Revenue from major products, goods, materials and services are disclosed in note 25.

Revenue is measured at fair value of the consideration received or receivable, excluding value added tax, trade discounts and volume rebates allowed by the Group.

Revenue is recognized when the following conditions are met:

- the amount of the revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the costs incurred or to be incurred can be reliably measured;
- when the criteria specific for each of the Group's separate activity has been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract terms in each case as described below.

3.8.1. Sale of products, goods, and materials

Sale of products, goods, and materials include sale of batteries and equipment for batteries. Revenue is recognized when the Group has transferred to the buyer substantially all the risks and rewards of ownership of goods. It is considered that substantially all the risks and rewards are transferred to the buyer when the customer has accepted the goods without objection.

3.8.2. Rendering of services

Services rendered by the Group comprise of transportation for delivery of products. Revenue is recognized when the services are provided in accordance with the degree of completion of the contract at the date of the financial statements.

3.8.3. Interest income

Interest income is reported on an accrual basis using the effective interest method. Dividend income, is recognized at the time the right to receive payment is established.

3.9. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized.

3.10. Interest expenses

Interest expenses are reported on an accrual basis using the effective interest method.

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period in which the asset is expected to be completed and is prepared for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'Finance costs'.

3.11. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. See note 3.4 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Refer to note 3.15 for a description of impairment testing procedures.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.12. Other intangible assets

Other intangible assets include software licenses, trademarks and other intangible assets. They are accounted for using the cost model. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use, whereby capitalized costs are amortized on a straight line basis over their estimated useful lives, as these assets are considered finite. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition.

Subsequent measurement is carried at cost less accumulated depreciation and impairment losses. Allowance for impairment is recorded as an expense and are recognized in the consolidated statement of comprehensive income for the respective period.

Subsequent expenditure related to other intangible assets after initial recognition are recognized in the consolidated income statement as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives of the other intangible assets are defined by the Group at each reporting date

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

- Software 2 years
- Others 6.7 years

Amortization expenses are included in the consolidated statement of comprehensive income under the line “Amortization of non-financial assets”.

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset, and is included in the consolidated statement of comprehensive income under the line “Gain from sale of intangible assets”.

The recognition threshold adopted by the Group for other intangible assets amounts to BGN 700.

3.13. Property, plant and equipment

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

Subsequent measurement of property, plant and equipment, except for assets under construction, is carried at cost, less accumulated depreciation and later losses.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of the its originally assessed standard of performance. All other subsequent expenditure is recognized as incurred.

Residual value and useful life are estimated by management as of each reporting date.

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

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

- Buildings 25 years
- Machines 10 years
- Vehicles 6.7 years
- Fixtures 6.7 years
- Computers 2 years

- Others 6.7 years

Depreciation has been included in the consolidated income statement within 'Depreciation, amortization and impairment of non-financial assets'.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the consolidated income statement within 'Gain on sale of non-current assets'.

The recognition threshold adopted by the Group for property, plant and equipment amounts to BGN 700.

3.14. Leases

In accordance with IAS 17 "Leases" ownership of the asset is transferred to the lessee when the lessee bears substantially all the risk and rewards incidental to ownership of leased asset.

Upon conclusion of a finance lease asset is recognized in the consolidated statement of financial position of the lessee at the lower of two values- fair value of the leased asset and the present value of minimum lease payments plus incidental payments, if any. The consolidated statement of financial position reflects the corresponding finance lease obligation, whether part of the lease payments are payable in advance upon signing the lease.

Subsequently the lease payments are separated between finance expense and reduction of outstanding liability under a finance lease.

Assets acquired under the terms of finance lease are depreciated or amortized in accordance with IAS 16 "Property, Plant and Equipment" or IAS 38 "Intangible Assets".

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are recognized in profit or loss as incurred.

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects

of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist or is decreased. An impairment charge recognized in prior reporting period is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.16. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All financial assets are recognized on their transaction date.

Financial assets and financial liabilities are subsequently measured as described below.

3.16.1. Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. The category determines measurement method and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial instruments that are recognized in profit or loss, no matter how they are valued, are presented in the consolidated income statement within 'Finance costs', 'Finance income' or 'Other financial items', except for impairment of trade receivables which is presented within 'Other expenses'.

Loans and receivables

Loans and receivables originated by the Group are non-derivative financial assets with fixed payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. The Group's

cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

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Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables is reported in the consolidated income statement in "Other expenses".

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include shares.

Financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they do not have fixed date of payment. Changes in fair value are recognized in other comprehensive income and reported within the available-for-sale reserve within the consolidated statement of changes in equity, net of income taxes, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the available-for-sale financial asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income'. Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

3.16.2. Financial liabilities

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

Financial liabilities are recognized when the Group becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavourable terms.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'Finance costs' or 'Finance income'.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Bank loans are raised for support of long-term funding of the Group's operations. They are recognized in the consolidated statement of financial position of the Group, net of any costs.

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

Dividends payable to shareholders are recognized when the dividends are approved at the general meeting of the shareholders.

3.16.3. Derivative financial instruments

The derivative financial instruments of the Company comprise of interest rate swap, which are recognized initially at fair value and reported subsequently at fair value in the statement of financial position. The changes in the fair value of derivatives are recognized in profit or loss for the period.

3.16.4. Sale and repurchase agreements

Securities may be lent or sold subject to a commitment to repurchase them (a repo). Such securities are retained on the consolidated statement of financial position when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the consolidated statement of financial position when cash consideration is received.

Similarly, where the Group borrows or purchases securities subject to a commitment to resell them (a reverse repo) but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans when cash consideration is paid, and the securities are not included in the consolidated statement of financial position.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the consolidated financial statements. Securities borrowed are not recognised in the consolidated financial statements, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net operating result.

3.17. Inventory

Inventories include raw materials, work in progress, and goods. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value. The amount of the impairment of inventory up to its net realizable value is recognized as an expense for the period of the impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses and cost of completion.. When inventory have already been impaired up to the net realizable value and when in a subsequent reporting period it is clear that the circumstances that have led to the impairment no longer exist, then the new net realizable value is adopted.

The amount of the reversal may only be up to the carrying amount of the inventory before impairment The reversal of the write-down is accounted for as decrease in inventory expenses for the period in which the reversal takes place.

The Group determines the cost of inventories by using the weighted average cost.

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

3.18. Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

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

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 3.24.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3.19. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current bank accounts, deposits up to 3 months.

3.20. Equity, reserves, and dividend payments

Share capital of the Group represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from paid share capital, net of any related income tax benefits.

The revaluation reserve includes gains and losses from the revaluation of non-current assets.

General reserves include legal reserves required by the Bulgarian legislation. In compliance with the Commercial Act, the Group sets aside 10% of its generated profit up until it reaches 10% of its share capital.

Foreign currency translation reserve includes exchange rate differences from translation of foreign operations of the Group.

Retained earnings include all current and prior period retained profits and uncovered losses from prior years.

Dividend payables to shareholders are included in 'Related party payables' in the statement of financial position when the dividends have been approved at the general meeting of shareholders prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

3.21. Post-employment benefits and short-term employee benefits

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

In accordance with Labor Code requirements, in case of retirement, after the employee has gained the legal right of pension due to years of services and age, the Group is obliged to pay him/her compensation at the amount of up to six gross wages. The Group has not reported a liability by law for the payment of retirement compensation (see also Note 20.2).

In accordance with its defined benefit plans the Company owes pension remunerations to its employees.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Group contributes to several state plans and insurances for individual employees that are considered defined contribution plans. Contributions to the plans are recognized as an expense in the period that relevant employee services are received.

Short-term employee benefits, including holiday entitlement, are current liabilities included in 'pension and other employee obligations', measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

3.22. Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Contingent liabilities are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

3.23. Financing

The government grants provided by the State, are initially recognised as deferred income (financing) when there is reasonable assurance that they will be received by the Company and that the latter has complied and complies with the associated thereto terms and requirements.

The government grant that compensates the Company for expenses incurred is recognised in current profit or loss on a systematic basis in the same period in which the expenses are recognised.

The government grant that compensates investment expenses incurred to acquire an asset is recognised in current profit or loss on a systematic basis over the useful life of the asset usually at the amount of the recognised depreciation charge.

3.24. Significant management judgment in applying accounting policies

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements. Critical estimation uncertainties are described in note 3.25.

3.24.1. Leases

In applying the classification of leases in IAS 17 "Leases", management considers its leases of machines, equipment and vehicles facilities as finance lease arrangements. In some cases, the lease transaction is not always conclusive, and management uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

3.24.2. Deferred tax assets

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

3.25. Estimation uncertainty

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

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

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

3.25.1. Impairment

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 3.15).

In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

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

3.25.2. Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of goodwill.

3.25.3. Useful life of depreciable assets

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

At 31 December 2015 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analyzed in notes 7 and 8. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

3.25.4. Inventories

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to technology changes which may cause selling prices to change rapidly. Moreover, future realization of the carrying amounts of inventory assets BGN 52 547 thousand is affected by the changing prices of lead and lead components.

3.25.5. Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

3.25.6. Provisions

Provisions for guarantees are recognized amounts that the Group expects to be utilized as expenses for warranty and replacement of faults in the streamline products for the next year.

The amount recognized for warranties for which customers are covered for the cost of repairs is estimated based on management's past experience and the future expectations of defects.

3.25.7. Fair Value Measurement

The Company applies IFRS 13 "*Fair value measurements*". The standard establishes a single source of guidance for fair value measurements and disclosures without changing the requirements of other standards regarding which items should be measured or disclosed at fair value.

For financial reporting purposes IFRS 13 defines the fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market condition. Fair value under IFRS 13 is an exit price regardless of whether the price is directly observable or estimated using another valuation technique.

The scope of IFRS 13 is broad applying to both financial and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures. The Standard requires no prospective application for previous periods.

Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the financial statements.

Some of the accounting policies and disclosures of the Company require fair value measurement of financial and non-financial assets and liabilities.

When the fair value of an asset or liability is measured, the Company uses observable data, if possible. Fair value is categorized in different levels of fair value hierarchy based on inputs in the measurement technique, as follows:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted market prices that are directly (such as prices) or indirectly (derived from prices) observable for the asset or liability, either directly or indirectly
- Level 3 fair value measurements are those derived from valuations techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If inputs used for fair value measurement of an asset or liability can be categorized in different from the fair value hierarchy levels, then the fair measurement is categorized as a whole in this fair value hierarchy level which input is significant for the whole measurement.

The Company recognizes transfers between the fair value hierarchy levels to the end of the reporting period in which the change occurred.

The fair value of financial and non-financial assets and liabilities does not differ significantly from their carrying amount.

4. **Correction of Prior Period Accounting Error**

During 2015 following a revision of the costing model and the underlying assumptions with respect to valuation of the work in progress in Monbat AD (a subsidiary of the Group), the management of the Group discovered that:

1. Certain items which had the nature of finished products and raw materials were classified as work in progress. Certain items which had the nature of work-in progress were classified as finished products.

In these consolidated financial statements the correction of the misclassification is treated as a prior period accounting error under IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and consequently the earliest comparative period presented is restated.

The effect for the year ended 2014 is:

- 1) a decrease in the reported numbers for work in progress in the amount of 1,820 BGN thousand,
- 2) a decrease in the reported numbers for finished products for 410 BGN thousand and
- 3) a corresponding increase in raw materials of 2,230 BGN thousand

The effect for the year ended 2013 is:

- 1) a decrease in the reported numbers for work in progress in the amount of 325 BGN thousand,
- 2) a decrease in the reported numbers for finished products for 1,439 BGN thousand and
- 3) a corresponding increase in raw materials of 1,764 BGN thousand.

2. There was an accounting error in aggregating the inventory stock count protocols for financial years ended 31.12.2014 and 31.12.2013 which led to increase in reported quantities for work in progress items.
3. The technological norms with respect to certain items that are part of the recipes used to value work in progress and the bill of materials used for the valuation of the later have not been accurate.

In these consolidated financial statements the corrections pertaining to items 2 and 3 listed are treated as a prior period accounting error under IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and consequently the earliest comparative period presented is restated.

EFFECT OF RESTATEMENT ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

(all amounts in BGN thousands)

Assets	Note	2014		As at 31 December		2013		2013	
		BGN '000 Original	Effect of Techn norms	Error stockc ount	2014 BGN '000 Restated	2013 BGN '000 Original	Effect of Techn norms		Error stockcou nt
Non-current assets									
Intangible assets	7	1 606	-	-	1 606	1 054	-	-	1 054
Property, plant and equipment	8	118 371	-	-	118 371	116 484	-	-	116 484
Receivables from trade loans	13	455	-	-	455	455	-	-	455
Long-term financial assets	10	8	-	-	8	8	-	-	8
Non-current assets		120 440	-	-	120 440	118 001	-	-	118 001
Current assets									
Inventories	12	59 084	(8 117)	(569)	50 398	55 607	(8 361)	(1 378)	45 868
Short-term financial assets	13	35	-	-	35	24	-	-	24
Trade receivables	14	39 889	-	-	39 889	39 316	-	-	39 316
Related party receivables	34	23 532	-	-	23 532	20 778	-	-	20 778
Tax receivables	15	3 803	(24)	(77)	3 702	4 958	-	-	4 958
Other receivables	16	1 185	-	-	1 185	1 373	-	-	1 373
Cash and cash equivalents	17	20 538	-	-	20 538	7 673	-	-	7 673
Current assets		148 066	(8 141)	(646)	139 279	129 729	(8 361)	(1 378)	119 990
Total assets		268 506	(8 141)	(646)	259 719	247 730	(8 361)	(1 378)	237 991

(all amounts in BGN thousands)

Equity and liabilities

Equity

Equity and liabilities	Note	2014		As at 31 December		2013		2013	
		BGN '000 Original	Effect of Techn norms	Error stockc ount	2014 BGN '000 Restated	2013 BGN '000 Original	Effect of Techn norms		Error stockcou nt
Share capital	18.1	39 000	-	-	39 000	39 000	-	-	39 000
Share premium	18.2	28 611	-	-	28 611	28 611	-	-	28 611
General reserve	18.3	74 525	(8 361)	(1 378)	64 786	61 688	(8 361)	(1 378)	51 949
Foreign currency revaluation reserve		138	-	-	138	503	-	-	503
Retained earnings		34 556	220	728	53 504	32 002	-	-	32 002
Equity attributable to the owners of the parent		176 830	(8 141)	(650)	168 039	161 804	(8 361)	(1 378)	152 065
Non-controlling interests		(2 661)	-	-	(2 661)	(891)	-	-	(891)
Total equity		174 169	(8 141)	(650)	165 378	160 913	(8 361)	(1 378)	151 174

Liabilities

Non-current liabilities

Long-term borrowings	21.1	34 635	-	-	34 635	9 661	-	-	9 661
Finance lease liabilities	9.1	366	-	-	366	823	-	-	823
Long-term related party payables	34	7	-	-	7	7	-	-	7
Other liabilities						31			31
Long-term grants	21.2	2 386	-	-	2 386	2 848	-	-	2 848
Deferred tax liabilities, net	11	1 282	-	-	1 282	1 700	-	-	1 700
Non-current liabilities		38 676	-	-	38 676	15 070	-	-	15 070

Current liabilities

Guarantee provisions	19	532	-	-	532	797	-	-	797
Pension and other employee obligations	20.2	1 093	-	-	1 093	1 086	-	-	1 086
Short-term borrowings	21.1	38 092	-	-	38 092	50 386	-	-	50 386
Finance lease liabilities	9.1	470	-	-	470	739	-	-	739
Trade payables	22	11 001	-	-	11 001	14 758	-	-	14 758
Short-term related party payables	34	15	-	-	15	129	-	-	129
Tax liabilities	23	1 654	-	4	1 658	2 030	-	-	2 030
Short-term grants	21.2	456	-	-	456	700	-	-	700
Other liabilities	24	2 348	-	-	2 348	1 122	-	-	1 122
Current liabilities		55 661	-	4	55 665	71 747	-	-	71 747
Total liabilities		94 337	-	4	94 341	86 817	-	-	86 817
Total equity and liabilities		268 506	(8 141)	(646)	259 719	247 730	(8 361)	(1 378)	237 991

EFFECT OF RESTATEMENT ON THE CONDOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER:

	Note	2014 BGN '000 original	Effect of Techn norms	Error stockcount	2014 BGN '000 Restated
Sales revenue	25	228 371	-	-	228 371
Other revenue	25	622	-	-	622
Cost of materials	26	(154 380)	466	-	(153 914)
Hired services expenses	27	(17 669)	-	-	(17 669)
Employee benefits expenses	20.1	(16 022)	-	-	(16 022)
Amortization of non-financial assets	7,8	(11 193)	-	-	(11 193)
Changes in finished goods and work in progress		10 212	(222)	809	10 799
Cost of goods sold and other current assets		(7 328)	-	-	(7 328)
Gain on sale of non-current assets	28	44	-	-	44
Other expenses	29	(4 625)	-	-	(4 625)
Operating profit		28 032	244	809	29 085
Finance costs	28	(3 653)	-	-	(3 653)
Finance income	28	1 353	-	-	1 353
Other financial items	29	(205)	-	-	(205)
Profit before tax		25 527	244	809	26 580
Tax expense	30	(2 936)	(24)	(81)	(3 041)
Profit for the year		22 591	220	728	23 539
Profit for the year, attributable to:					
Non-controlling interests		(1 770)	-	-	(1 770)
Owners of the parent		24 361	220	728	25 309
		BGN			BGN
Earnings per share	31.1	0.62	0.01	0.02	0.65

5. Basis of consolidation

The subsidiaries included in the consolidation, as per carrying amount of the investment, are as follows:

Name of the subsidiary	Country of incorporation	Main activities	2015	share	2012	share
			BGN'000	%	BGN'000	%
Start AD Monbat DOO	Bulgaria	Production of Batteries	4 483	87.26	4 483	87.26
Serbia Monbat	Serbia	Lead recycling	25 643	100	25 643	100
Recycling Monbat Recycling	Romania	Lead recycling	29 745	100	29 745	100
EAD YU Monbat	Bulgaria	Lead recycling	35 182	100	35 182	100
Serbia Octalight	Serbia	Trade of Batteries	1 553	100	1 553	100
Bulgaria AD Monbat OOD	Bulgaria	Production of powerful LED	1 173	51	1 173	51
Romania	Romania	Trade of Batteries	196	100	196	100
			97 975	-	97 975	-

6. Segment reporting

Management currently identifies the following Group's operating segments as geographical segments as further described in note 3.7: Segment reporting. These geographical segments are monitored by the management and strategic decisions are made on the basis of adjusted segment operating results.

Geographical information for the reporting periods can be analyzed as follows:

	Bulgaria	Serbia	Romania	Total
	2015	2015	2015	2015
	BGN'000	BGN'000	BGN'000	BGN'000
Revenue:				
- from external customers	237 830	3 008	4 630	245 468
- from other segments	245 176	13 007	65 033	323 216
Segment revenues	483 006	16 015	69 663	568 684
	Bulgaria	Serbia	Romania	Total
	2014	2014	2014	2014
	BGN'000	BGN'000	BGN'000	BGN'000
Revenue:				
- from external customers	223 095	3 735	2 163	228 993
- from other segments	192 900	14 226	66 933	274 059
Segment revenues	415 995	17 961	69 096	503 052

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in its consolidated financial statements as follows:

	2015 BGN'000	2014 BGN'000
Revenues		
Total segment revenues	568 684	503 052
Elimination intersegment revenues	(323 216)	(274 059)
Group revenues	245 468	228 993
Profit		
Segment operating profit	26 408	29 709
Elimination from intersegment profits from related party transactions	(436)	(624)
Group operating profit	25 972	29 085
Finance costs	(3 047)	(3 653)
Finance income	1 307	1 353
Other financial items	(111)	(205)
Group profit before tax	24 121	26 580

	Bulgaria 2015 BGN'000	Serbia 2015 BGN'000	Romania 2015 BGN'000	Total 2015 BGN'000
Assets				
Total segment assets	386 253	31 233	46 650	464 136
Consolidation	(160 510)	(10 917)	(17 049)	(188 476)
Group assets	225 743	20 316	29 601	275 660

	Bulgaria 2015 BGN'000	Serbia 2015 BGN'000	Romania 2015 BGN'000	Total 2015 BGN'000
Liabilities				
Total segment liabilities	145 228	22 499	15 223	182 950
Consolidation	(57 724)	(22 060)	(6 985)	(86 769)
Group liabilities	87 504	439	8 238	96 181

	Bulgaria 2014 BGN'000	Serbia 2014 BGN'000	Romania 2014 BGN'000	Total 2014 BGN'000
Assets				
Total segment assets	362 130	30 655	47 242	440 027
Consolidation	(155 372)	(11 527)	(13 409)	(180 308)
Group assets	206 758	19 128	33 833	259 719

	Bulgaria 2014 BGN'000	Serbia 2014 BGN'000	Romania 2014 BGN'000	Total 2014 BGN'000
Liabilities				
Total segment liabilities	138 642	17 812	16 642	173 096
Consolidation	(54 640)	(16 372)	(7 743)	(78 755)
Group liabilities	84 002	1 440	8 899	94 341

In the periods under review, unallocated operating income and expense mainly consist of vehicle batteries and lead.

The Group's revenue may be analyzed as follows for each major product and service category:

	2015	2014
	BGN '000	BGN '000
Revenue from sale of products	227 571	216 808
Revenue from sale of other materials	5 854	7 344
Revenue from rendering of services	2 070	1 438
Revenue from sales of goods	9 158	2 781
Other revenue	815	622
Group revenue	245 468	228 993

7. Other intangible assets

The Group's other intangible assets comprise acquired software licenses, trademarks and other intangible assets. The carrying amounts for the reporting periods under review can be analyzed as follows:

For the year ended	Software	Trade	Other	R&D	Total
31 December 2015	BGN'000	marks	BGN'000	expences	BGN'000
	BGN'000	BGN'000	BGN'000	BGN'000	AB.
Carrying amount					
Balance at 1 January 2015	403	1 224	1 299	701	3 627
Additions	73	42	14	-	129
Disposals	-	-	(1 221)	-	(1 221)
Balance at 31 December 2015	476	1 266	92	701	2 535
Amortization					
Balance at 1 January 2015	(388)	(1 081)	(515)	(37)	(2 021)
Amortization	(22)	(45)	(165)	(36)	(268)
Disposals	-	-	659	-	659
Balance at 31 December 2015	(410)	(1 126)	(21)	(73)	(1 630)
Carrying amount at 31 December 2015	66	140	71	628	905

For the year ended	Software	Trade	Other	R&D	Total
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31 December 2014

	marks		expenses		
	BGN'000	BGN'000	BGN'000	BGN'000 AB.	BGN'000
Carrying amount					
Balance at 1 January 2014	389	1 184	1 203	-	2 776
Additions	14	40	96	701	851
Balance at 31 December 2014	403	1 224	1 299	701	3 627
Amortization					
Balance at 1 January 2014	(356)	(1 036)	(330)	-	(1 722)
Amortization	(32)	(45)	(185)	(37)	(299)
Balance at 31 December 2014	(388)	(1 081)	(515)	(37)	(2 021)
Carrying amount at 31 December 2014	15	143	784	664	1 606

No material contractual commitments were entered into during 2015 and 2014.

All amortization and impairment charges are included within 'Depreciation, amortization and impairment of non-financial assets'. No other intangible assets have been pledged as security for liabilities.

On October 1, 2015 the Group acquired land and buildings used by Octa Light Bulgaria AD for production facility. All improvements on them until the present moment were transferred to their cost.

8. Property, plant and equipment

Group's property, plant and equipment comprise lands, buildings, machinery, equipment, vehicles, business inventory and cost of acquisition. The carrying amount can be analyzed as follows:

	Lands	Buildings	Machinery	Equipment	Vehicles	Business inventory	Assets under construction	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount								
Balance at 1 January 2015	8 358	41 090	92 952	31 401	9 566	4 010	12 245	199 622
Additions	-	1 586	2 516	467	681	280	15 217	20 747
Disposals	(141)	(1 090)	(18)	(104)	(61)	(18)	(33)	(1 465)
Assets transfer	264	3 430	12 135	640	62	16	(16 547)	-
Balance at 31 December 2015	8 481	45 016	107 585	32 404	10 248	4 288	10 882	218 904
Depreciation								
Balance at 1 January 2015	-	(8 760)	(57 530)	(6 163)	(5 434)	(3 364)	-	(81 251)
Depreciation	-	(1 589)	(7 196)	(1 377)	(842)	(260)	-	(11 264)
Disposals	-	90	2	9	21	6	-	128
Balance at 31 December 2015	-	(10 259)	(64 724)	(7 531)	(6 255)	(3 618)	-	(92 387)
Carrying amount at 31 December 2015	8 481	34 757	42 861	24 873	3 993	670	10 882	126 517

	Lands	Buildings	Machinery	Equipment	Vehicles	Business inventory	Assets under construction	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount								
Balance at 1 January 2014	8 358	38 659	88 486	31 282	9 316	3 825	7 151	187 077
Additions	-	505	1 792	80	486	183	10 436	13 482
Disposals	-	-	-	-	(236)	-	(701)	(937)
Assets transfer	-	1 926	2 674	39	-	2	(4 641)	-
Balance at 31 December 2014	8 358	41 090	92 954	31 401	9 566	4 010	12 245	199 622
Depreciation								
Balance at 1 January 2014	-	(7 243)	(50 645)	(4 820)	(4 787)	(3 098)	-	(70 593)
Disposals	-	-	-	-	236	-	-	236
Depreciation	-	(1 517)	(6 885)	(1 343)	(883)	(266)	-	(10 894)
Balance at 31 December 2014	-	(8 760)	(57 530)	(6 163)	(5 434)	(3 364)	-	(81 251)
Carrying amount at 31 December 2014	8 358	32 330	35 422	25 238	4 132	646	12 245	118 371

During the last months of 2015 the subsidiary Monbat DOO, Serbia, a lead recycling plant, became operational again after the cease of production activities since 2013. The carrying amount of the property, plant and equipment as of December 31, 2015 is BGN 13,242 thousand (2014: BGN 13,948 thousand). Due to the above impairment indicators, the Management of the Group has assessed the recoverable amount as of December 31, 2015 of the property, plant and equipment owned by Monbat DOO, Serbia based on value in use using the discounted cash-flow model.

The value in use calculations are based on the following key assumptions:

1. Approximately 12,000 tonnes of scrap batteries per year will be recycled in 2016 and for the foreseeable future.
2. The resulting by-products of the scrap battery recycling process are sold to Monbat Recycling Bulgaria.
3. The discount rate used is in the range of 8.9% to 9.8%.
4. The recoverable amount of the assets based on value in use amounted to BGN 21,766 thousand as of December 31, 2015

The management of the Group believes that based on the impairment testing results, there is no need for recognition of impairment for the year ended December 31, 2015.

As at 31.12.2015 the costs of acquisition of non-current assets are allocated as follows:

- Project BG 161 PO 003-1.1.07 (2014 - 5 059 th. BGN)
- Production frame for lead plane and grille: 733 th. BGN(2014 r. : 745 th BGN)
- New Hi-energy voltage cabel (2014 :BGN 345 thousand)
- Assembly line for VRLA battery BGN 952 thousand (2014: BGN 847 thousand)
- New LED license and models BGN 247 thousand (2014: BGN 279 thousand)
- Project for reconstruction new pastir hall (2014:491th. BGN)
- Production Hall 2 214 thousand BGN
- Double wide Concast system negative grid making line 1 696 thousand BGN.
- Mixer Ocsmaster 447 thousand BGN.
- Other reconstructions BGN 4 593 thousand (2014 : BGN 4 479 thousand)

All depreciation charges are included within 'Depreciation and amortization of non-financial assets'.

In 2015 the Group has ordered equipment at the amount of 1 543 th. BGN and had paid in advance BGN 464 thousands. and production machine for plates with value of BGN 530 thousand, and made an advance payment in the amount of BGN 132 thousand.

In 2015 the Group has ordered equipment for the production of tin as the costs incurred as of the end of 2015 amount to BGN 1 639 thousand.

The carrying amount of the Group's property, plant and equipment pledged as security for its loans (see note 21), is presented as follows:

	Land	Buildings	Machinery	Vehicles	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000

Carrying amount at 31 December 2015	6 021	17 203	21 165	467	44 856
Carrying amount at 31 December 2014	6 021	17 920	23 517	549	48 007

9. Leases

9.1. Financial leases as lessee

The Group acquired under finance lease agreements machinery and production facilities. The net carrying amount of the assets held under finance leases amounts to BGN 2 671 thousand (2014: BGN 1 929 thousand). The assets are included in group “Machinery and equipment” and “Vehicles” from “Property, plant and equipment” (see note 8).

Finance lease liabilities are secured by the related assets held under finance lease arrangements.

Future minimum finance lease payments at the end of each reporting period are as follows:

	Minimum lease payments due			
	Within 1 year	1 to 5 years	After 5 years	Total
	BGN ‘000	BGN ‘000	BGN ‘000	BGN ‘000
31 December 2015				
Lease payments	515	1 393	-	1 908
Discounting	(88)	(127)	-	(352)
Net present values	427	1 266	-	1 693
31 December 2014				
Lease payments	507	386	-	893
Discounting	(37)	(20)	-	(57)
Net present values	470	366	-	836

The lease agreements include fixed lease payments and purchase option at the end of last year of the lease term. The agreements are non-cancellable but do not contain any further restrictions. No contingent rents were recognized as an expense and no sublease income is expected to be received as all assets are used exclusively by the Group.

The fair value of the liabilities on the finance lease is estimated at BGN 1 693 thousand (2014: BGN 836 thousand) which represents their current value and the interest rates on bank loans with collaterals and similar terms.

9.2. Operating leases as lessee

The Group's future minimum operating lease payments are as follows:

	Minimum lease payments due		
	Within 1 year BGN '000	1 to 5 years BGN '000	Total BGN '000
31 December 2015	300	322	622
31 December 2014	300	322	622

Lease payments recognized as an expense during the period amount to BGN 300 thousand (2014: BGN 300 thousand). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under operating lease agreements are used exclusively by the Group.

The Group's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contains renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

10. Long-term financial assets

The amounts, recognized in the consolidated financial statements, refer to the following categories of long-term financial assets.

	2015 BGN '000	2014 BGN '000
Available-for-sale financial assets:		
Shares in Ekobat AD	8	8
	8	8

The shares of Ekobat AD are not listed on the stock exchange and their fair value cannot be defined on quoted price basis.

For more information about credit risk, related to the long-term assets, on which the Group is exposed, see Note 38.2.

11. Deferred tax liabilities, net

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

Deferred tax liabilities (assets)	1 January 2015	Recognized in profit and loss	31 December 2015
	BGN '000	BGN '000	BGN '000
Non-current assets			
Property, plant and equipment	2 796	(47)	2 749
Impairment of receivables	(971)	-	(971)
Obligations for employee's compensated leaves	(13)	(4)	(17)
Provisions for guarantees for claims	10	7	17
Impairment of investment	(350)	-	(350)
Impairment of inventories	(50)	-	(50)
Other liabilities	(140)	-	(140)
	<u>1 282</u>	<u>(44)</u>	<u>1 238</u>
Recognized as:			
Deferred tax assets	<u>(1 524)</u>		<u>(1 575)</u>
Deferred tax liabilities	<u>2 806</u>		<u>2 813</u>
Net deferred tax liabilities	<u>1 282</u>		<u>1 238</u>

Deferred tax liabilities (assets)	1 January 2014	Recognized in profit and loss	31 December 2014
	BGN '000	BGN '000	BGN '000
Non-current assets			
Property, plant and equipment	2 759	37	2 796
Impairment of receivables	(604)	(367)	(971)
Obligations for employee's compensated leaves	(15)	2	(13)
Provisions for guarantees for claims	(17)	27	10
Impairment of investment	(233)	(117)	(350)
Impairment of inventories	(50)	-	(50)
Other liabilities	(140)	-	(140)
	<u>1 700</u>	<u>(418)</u>	<u>1 282</u>
Recognized as:			
Deferred tax assets	<u>(1 040)</u>		<u>(1 524)</u>
Deferred tax liabilities	<u>2 740</u>		<u>2 806</u>
Net deferred tax liabilities	<u>1 700</u>		<u>1 282</u>

All deferred tax assets have been recognized in the consolidated statement of financial position.

12. Inventories

Inventories, recognized in the consolidated statement of financial position can be analyzed as follows:

	2015 BGN '000	2014 BGN '000
Work in progress	12 077	15 484
Materials	28 643	22 238
Production	11 163	10 630
Goods	138	1 097
Others	526	949
Inventories	52 547	50 398

Decrease in the expenses as a result of reversal of impairments, which have been recognized in previous periods, non occurred in 2015, 2014.

A special pledge has been created on raw materials and inventories – lead, lead compounds and accumulator batteries and similar, property of Monbat AD. The pledge is a collateral for obligations under overdraft agreement, used for working capital, and for the issuance of bank guarantees, with DSK Bank , and overdraft agreement from 07.12.2004 with Eurobank EFG Bulgaria AD and agreement 23.11.2010 with Eurobank EFG Bulgaria AD.

The carrying amount of inventories, pledged as a collateral is at the amount of BGN 12 242 thousand as at 31.12.2015. For more information, see note 21.

13. Receivables from trade loans

Short term commercial loans granted are, as follows:

	2015 BGN '000	2014 BGN '000
Battery Center Europa EOOD	-	24
Mihail Jotov	10	10
Mihail Mihailov	-	1
Monbat Mozambik	537	-
Equity investment	50	-
	597	35

- Contract from 22.12.2015 with Mihail Jotov**
 Utilized principal: BGN 10 thousand.
 Contract duration: one year
 Balance of the principle as of 31.12.2015 - BGN 10 thousand
 Redemption: Single payment at the maturity date of the contract
- Contract from 01.08.2015 with Battery Center Europa**
 Utilized principal: BGN 24 thousand.
 Contract duration: one year
 Redemption: Single payment at the maturity date of the contract
 Balance of the principle as of 31.12.2015 - BGN 0 thousand
 Reclassified as long-term

- **Contract from 14.12.2015 with Monbat Mozambik**
 Utilized principal: BGN 537 thousand.
 Contract duration: 30.12.2018
 Balance of the principle as of 31.12.2015 - BGN 537 thousand
 Redemption: on 6 portions.

Long-term commercial loans granted are, as follows:

	2015 BGN '000	2014 BGN '000
“Lubriko” EOOD	455	455
	<u>455</u>	<u>455</u>

- **Contract from 28.12.2009 with Lubriko EOOD**
 Utilized principal: BGN 1 500 thousand.
 Contract duration: one year
 Balance of principal as at 31.12.2015 BGN 455 thousand.
 Contract collaterals: none
 Redemption: Single payment at the maturity date of the contract

The financial assets are carried at cost, because they are not traded on an active public market.

14. Trade receivables

	2015 BGN '000	2015 BGN '000
Trade receivables, gross	42 892	42 289
Impairment	(2 369)	(2 400)
Trade receivables	<u>40 523</u>	<u>39 889</u>

All trade receivables are short term. The carrying amount of trade receivables is considered a reasonable approximation of fair value. All trade receivables of the Group have been reviewed for indications of impairment.

Certain trade receivables were found to be impaired and the corresponding impairment at the amount of BGN 576 thousand has been recognized within ‘Other expenses’ in the consolidated income statement.

The impaired trade receivables are mostly due from trade customers experiencing financial difficulties. Part of the impaired receivables have been written-off.

The movement in impairments can be presented as follows:

	2015 BGN '000	2014 BGN '000
Balance at 1 January	(2 400)	(1 824)
Impairment loss	-	(576)
Revenues from restatement impairment	31	-
Balance at 31 December	<u>(2 369)</u>	<u>(2 400)</u>

An analysis of impaired overdue trade receivables is presented in note 38.2.

15. Tax Receivables

	2015 BGN '000	2014 BGN '000
VAT recoverable	6 072	3 498
Customs collection	249	178
Corporate tax	4	26
	<u>6 325</u>	<u>3 702</u>

Significant part of tax receivables are VAT recoverable for the period December 2015, recovered in 2016.

16. Other receivables

	2015 BGN '000	2014 BGN '000
Advance payments on expenses	259	97
Advance payments on insurance	85	71
Trade borrowings' interest receivables	1	644
Others	779	373
	<u>1 124</u>	<u>1 185</u>

17. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2015 BGN '000	2014 BGN '000
Cash at bank and in hand:		
- BGN	2 897	5 389
- EUR	10 842	12 775
- USD	446	527
- RON and dinars	929	1 845
- GBP	118	2
Cash and cash equivalents	<u>15 232</u>	<u>20 538</u>

The Group no restricted cash at 31.12.2015 , and restricted cash at 31.12.2015 – BGN 5 867 th.

18. Equity

18.1. Share capital

The registered capital of the Group consists of 39 000 000 ordinary shares with a nominal value of BGN 1 per share. All shares are equally eligible to receive dividends and liquidation proceeds and represent one vote at the shareholders' meeting of the Group.

During 2015 the Group has redeemed 10 946 shares.

During 2014 the Group has sold 120 bought back own shares.

Unicredit Bank Austria AG has been engaged as a sub-custodian by Prista Holdco Cooperatief U.A. (being a shareholder in Prista Oil Group BV which is in turn the sole shareholder of Prista Oil Holding EAD and 90% owner of Monbat Trading OOD). As of 31.12.2015 and 31.12.2014 under the custodian agreement Unicredit Bank Austria AG holds 1 376 400 shares or 3.53% of the capital of the Company with beneficial owner Monbat Trading OOD, and 4 588 121 shares or 11.76% of the capital of the Company with beneficial owner Prista Oil Holding EAD.

As at 31.12.2014 Prista Oil Holding EAD holds directly 18 616 371 shares and the same number of votes at the General Assembly of the Shareholders or 47.73% of the capital of Monbat AD and through the related party Monbat Trading Ltd. holds 2 752 800 voting shares or 7.06 % of the capital of the Company. The total number of the shares and votes hold directly and through related parties by Prista Oil Holding EAD is 21 369 171 shares or 54.79 %

On 28.10.2015 is executed transfer transaction for 1 950 000 voting shares or 5 % of the capital of Monbat AD in the Central Depository. As at 31.12.2015 as a result of the change Prista Oil Holding EAD holds directly 16 666 371 shares and the same number of votes at the General Assembly of the Shareholders or 42,73 % of the capital of Monbat AD and through the related party Monbat Trading Ltd. holds 2 752 800 voting shares or 7,06 % of the capital of the Company. The total number of the shares and votes hold directly and through related parties on the part of Prista Oil Holding EAD is 19 419 171 shares or 49,79 % of the capital of Monbat AD.

Prista Holdco Cooperatief U.A., notified Monbat AD on an executed by the company acquisition transaction for 1 950 000 voting shares or 5 % of the capital of Monbat AD with a settlement date of the transaction in the Central Depository 28.10.2015. As a result of the change Prista Holdco Cooperatief U.A. holds directly 10 053 758 shares as at 31.12.2015 or 25,78 % of the capital of Monbat AD. Prista Holdco Cooperatief U.A.exercises the right to vote directly and not through related parties at the end of October.

A call option was granted by Prista Holdco Cooperatief U.A. to the Group with respect to the transferred shares on October 28, 2015. The call option lapses on 1st of June 2016 and is exercisable at any time prior to that date.

With additional agreement at the end of October 2015 Prista Holdco Cooperatief U.A. provided the voting rights to the General meeting of the shareholders of the Company to Prista Oil Holding EAD, related to the transferred on 28.10.2015 1 950 000 shares or 5% of the share capital of Monbat AD.

As a result as at 31.12.2015 and as at the date of these consolidated financial statements Prista Oil Holding EAD continues to exercise the voting rights over 54.79% from all shares of the Company or over 21 369 171 shares.

	2015	2014
	Number of shares	Number of shares
Number of shares issued and fully paid:		
- beginning of the year	39 000 000	38 999 880
Share redemption	(10 946)	-
Sold redemption of shares	-	120
Number of shares issued and fully paid	38 989 054	39 000 000
Total number of shares authorized as at 31	38 989 054	39 000 000

December

The list of the principal shareholders' of the Company is as follows:

	31 December 2015	31 December 2015	31 December 2014	31 December 2014
	Number of shares	%	Number of shares	%
Prista Oil Holding EAD	12 078 250	30.97	14 028 250	35.97
Prista Holdco Cooperatief U.A.	10 053 758	25.78	8 103 758	20.78
Unicredit Bank Austria AG	5 964 521	15.29	5 964 521	15.29
Monbat Trading OOD	1 376 400	3.53	1 376 400	3.53
Other individuals and entities	9 527 071	24.43	9 527 071	24.43
	39 000 000	100	39 000 000	100
Shares redeemed from other entities and individuals	(10 946)	(0.03)	-	-
	38 989 054	99.97	39 000 000	100

18.2. Share premium

Share premium of the Company consists of proceeds, received in addition to nominal value of the shares issued in 2006. The proceeds are included in share premium, decreased with registration and other regulatory fees.

The excess over the nominal value of BGN 1, for each redeemed share units and the fees for the investment mediator, increase the share premium value by BGN 28 611 thousand as of 31.12.2015 (31.12.2014 – BGN 28 611 thousand).

In 2015 the Group has buyback of own shares 10 946. The excess over the nominal value of BGN 1 for each redeemed share units decrease the share premium.

18.3. General reserves

All amounts are in BGN'000	Legal reserves	Other reserves	Total
Balance at 1 January 2015	3 900	48 049	51 949
Transfer of profit	-	12 837	12 837
Balance at 31 December 2015	3 900	60 886	64 786
Transfer of profit	-	207	207
Balance at 31 December 2015	3 900	61 093	64 993

Legal reserves

Legal reserves represent 10% legal reserves set aside from current earnings as required by the Commercial law until it reaches 10% of the share capital.

Other reserves

Other reserves at 31.12.2015 amounted to BGN 61 093 thousand are formed by the retained earnings of the Group in 2006, 2008, 2009, 2010, 2012, 2013, 2014 and other changes.

Foreign currency translation reserve

The reserve from foreign currency translation includes currency translation differences, resulting from the Group's foreign activities. In 2015 translation differences at the amount of BGN 712 thousand have been generated from the recalculation of non-monetary items, measured at fair value in foreign currency and recognized using the translation rate at the date of fair value estimation.

19. Provisions

Carrying amounts can be represented as follows:

	Guarantees provisions BGN '000	
Carrying amount at 1 January 2015		532
Utilized/ (used) amounts		(70)
Carrying amount at 31 December 2015		462
	2015	2014
	BGN '000	BGN '000
Current		
Carrying amount	462	532
	462	532

Provisions for guarantees are recognized amounts, which are expected by the Group to be made as expenses for warranty service and replacement of the main products through the next one year. Recognized provision is calculated on the best estimate basis, which the Group's management can make based on previous experience and anticipated product sales.

20. Employee remuneration

20.1. Employee benefits expense

Expenses recognized for employee benefits include:

	2015	2014
	BGN '000	BGN '000
Wages, salaries	(15 216)	(13 383)
Social security contributions	(3 098)	(2 639)
Employee benefits expense	(18 314)	(16 022)

20.2. Payables to employees

The liabilities for pension, salaries and unused paid leave recognized in the consolidated statement of financial position consist of the following amounts

	2015 BGN '000	2014 BGN '000
Wages, salaries obligations	498	357
Social security obligations	540	514
Compensated leaves obligations	248	222
Employee and Insurance institutions obligations	1 286	1 093

The current portion of these liabilities represents the Group's obligations to its current employees that are expected to be settled during 2016. Other short-term employee obligations arise mainly from accrued unused paid leaves at the end of the reporting period.

In accordance with the requirements of the Labor Code when terminating employment after the employee has become entitled to retirement pension, the Group is obliged to pay compensation amounting to six gross wages. The Group has not accrued legal obligation to pay benefits to employees upon retirement in accordance with the requirements of IAS 19 'Employee Benefits', as based on previous experience such aren't expected to occur.

21. Borrowings

Borrowings include the following financial liabilities:

	Current		Non-current	
	2015 BGN '000	2014 BGN '000	2015 BGN '000	2014 BGN '000
Financial liabilities measured at amortized cost				
Other bank loans	48 446	38 092	12 610	34 635
Total carrying amounts	48 446	38 092	12 610	34 635

21.1. Borrowings at amortized cost

Details of the contracts for banking loans:

1. Eurobank Bulgaria AD

Contract № 100-532 from 16.05.2007

Maturity date: 16.05.2017

Amount borrowed: EUR 6 100 000

Type of credit: Investment loan

Interest: 3-month EURIBOR + fixed mark-up

Collateral: Mortgage on real estate: Land in Regulation XXIII 27 250 sq. m. in Montana, including the buildings on it. Pledge on movable property owned by Monbat AD – Property, plant and equipment worth EUR 2 934 860, automobiles at the amount of EUR 131 484 and equipment acquired with the loan.

Utilized amount as of 31.12.2015 at the amount of EUR 1 080 042 or BGN 2 112 379

2. Rajfaizenbank EAD

Contract dated 28.11.2013, Annex 2/14.03.2014

Maturity date: 15.12.2016 (limit A), 15.11.2018 (limit B)

Amount borrowed: EUR 5 700 000

Type of credit: Investment loan

Interest: 1-month EURIBOR + fixed mark-up

Collateral: First rank collateral of assets including Engitec line, owned by Monbat Recysling and first rank conventional mortgage of own real estate, owned by Monbat

Utilized amount as of 31.12.2015 at the amount of EUR 2 967 330 or BGN 5 803 593

3. Rajfaizenbank EAD

Contract dated 25.02.2014,

Maturity date: 15.02.2017

Amount borrowed: EUR 3 200 000

Type of credit: Revolving loan

Interest: 1-month EURIBOR + fixed mark-up

Collateral: Rank collateral of mortgage of own real estate, cadaster № 48489.5.279, cadaster № 48489.5.281, cadaster № 48489.5.396, together with bildings on it, on the territory of Montana str. Indystralna.

Utilized amount as of 31.12.2015 at the amount of EUR 3 146 454 or BGN 6 153 929

4. Eurobank Bulgaria AD

Contract № 339/07.12.2004

Maturity date: 01.09.2014

Amount borrowed: EUR 2 200 000

Type of credit: Credit line

Interest: 3-month EURIBOR + fixed mark-up

Collateral: Pledge, registered in the Special Pledge Registry

Utilized amount as of 31.12.2015 at the amount of EUR 0 or BGN 0.

There is annex from 29.07.2014 and the loan is transfered from EUR in BGN

Maturity date: 01.09.2015 r.

Amount borrowed: 9 129 401 BGN

Type of credit: Credit line

Interest: 3 M Sofibor + + fixed mark-up

Collateral: Pledge of assets and inventories owned by Monbat AD

Utilized amount as of 31.12.2015 at the amount of BGN 1 197

5. Unicredit Bulbank AD

Contract № 1099 from 14.06.2007

Maturity date: 11.06.2017

Amount borrowed: EUR 6 228 000

Type of credit: Investment loan

Interest: 1-month EURIBOR + fixed mark-up

Collateral:

First rank conventional mortgage of own real estate, cadaster № 48489.5.279, 20 640 sq.m.

First rank conventional mortgage of own real estate, cadaster № 48489.5.280, 24 800 sq.m.

Second rank conventional mortgage of own real estate, cadaster № 48489.5.281, 7 940 sq.m.

First rank asset collateral with market estimation value at the amount of EUR 2 102 200

First rank collateral of assets, acquired using funds from the loan at the amount of EUR 3 450 000.

First rank collateral of receivables of Monbat AD from Monbat DOO Serbia at the amount of EUR 3 673 000.

Utilized amount as of 31.12.2015 at the amount of EUR 0 or BGN 0

The loan is refinanced from Rajfaizenbank EAD.

6. Eurobank Bulgaria AD

Annex N 4 to Contract № 100-242/31.03.2006

Maturity date: 29.08.2015

Amount borrowed: EUR 1 000 000

Type of credit: working capital

Interest: 3-month EURIBOR + mark-up

Collateral:

Property 1:1/2 ideal part of property with identification N 48489.282 from the cadaster map of thw town of Montana, approved by Order N RD-18-19-/05.04.2006 of the executive director of AC.

Property 2:1/2 ideal part of property with identification N 48489.282 from the cadaster map of thw town of Montana, approved by Order N RD-18-19-/05.04.2006 of the executive director of AC.

Special pledge:

Pledge 1: machinery, equipment and vehicles located in the production building of Monbat AD in Montana, 72 Industrial Str.

Pledge 2: Autoscales and porter's office with build-up area of 102 sq.m. according to ownership document and inventory number 3000000003.

Pledge 3: Unloading premise with build-up area of 1 980 sq.m. according to ownership document and inventory number 3000000004.

Utilized amount as of 31.12.2015 at the amount of EUR 0 or BGN 0

There is annex from 29.07.2014 and the loan is transfered from EUR in BGN

Maturity date: 01.09.2016

Amount borrowed: 1 955 830 BGN

Type of credit: Credit line

Interest: 3 M Sofibor + fixed mark-up

Collateral: Special pledge on property and inventory ownership of Monbat AD.

Utilized amount as of 31.12.2015 is BGN 594 thousand.

7. HYPO NOE Gruppe Bank AG

Contract from 16.05.2014

Maturity date: 03.10.2016

Amount borrowed: EUR 10 000 000

Type of credit: Investment loan

Interest: 3 M EURIBOR + fixed mark-up

Collateral: Pledge agreement for all Monbat's shares of Monbat Recycling EAD

Utilized amount as of 31.12.2015 at the amount of EUR 10 000 000 or BGN 19 558 300

8. DSC Bank EAD

Contract.№1675/16.09.2015

Maturity date: 10.09.2016

Amount borrowed: EUR 2 500 000

Type of credit: For working capital

Interest: 3 M EURIBOR + fixed mark-up

Collateral: Pledge agreement for materials

Utilized amount as of 31.12.2015 at the amount of EUR 400 000 or BGN 782 332

9. DSC Bank EAD

Contract.№1674/16.09.2015

Maturity date: 10.09.2016

Amount borrowed: BGN 2 000 000

Type of credit: For working capital

Interest: 1 M EURIBOR + fixed mark-up

Collateral: Pledge agreement for materials

Utilized amount as of 31.12.2015 at the amount of BGN 0

10. Bank credit card accounts with credit limits BGN 100 000 and utilized amounts as of 31.12.2015 at the amount of BGN 2 000.

11. Cibank EAD

Contract №1138/30.07.2013

Maturity date: 20.07.2016

Amount borrowed: EUR 3 000 000

Type of credit:: working capital

Interest: 6-month EURIBOR + fixed mark-up

Collateral: Land with ident. N72624.603.300, including the buildings on it. Land with ident. N72624.603.190, including the buildings on it. Land with ident. N72624.603.191, including the buildings on it. Land with ident. N72624.603.193., including the buildings on it.

Land with ident. N72624.603.196, including the buildings on it. Non-current tangible assets at the amount of BGN 4 850 thousands.

Balance as at 31.12.2015 at the amount of EUR 2 912 057 or BGN 5 695 489

12. Credi Agricole Bank Romania S.A.

Contract N 019/21/2011

Maturity date: 05.12.2016

Amount borrowed: EUR 3 500 000

Type of credit: Credit line

Interest rate and commission: 3 M EURIBOR + fixed mark-up

Collaterals: Corporate guarantee on the name of Monbat AD, as well as reprocessing equipment for the recycling of wastage accumulator batteries – rotational furnace, boiler 5000.

Balance as at 31.12.2015 at the amount of EUR 3 500 000 or BGN 6 845 405

13. Rajfaizenbank EAD

Contract dated 15.07.2015

Maturity date: 30.09.2016

Amount borrowed: EUR 3 000 000

Type of credit: Credit line

Interest rate and commission: 1 M EURIBOR + fixed mark-up

Collaterals: First rank collateral on receivables from the bank

Third rank special pledge on Engitech equipment

First rank special pledge on inventory

Balance as at 31.12.2015 at the amount of EUR 3 000 000 or BGN 5 867 490.

14. Societe Generale Bank Serbia

Contract N 348/12-717/07.08.2012

Maturity date: 14.08.2015

Amount borrowed: 1 000 000 евро

Type of credit : working capital

Interest rate and commission: 3 M Sofibor + fixed mark-up

Repayment schedule: Currently paid depending on the available cash and cash equivalents

Collaterals: Building N 5, 7 promissory notes

Balance as at 31.12.2015 at the amount of 0 EUR or BGN 0.

15. Eurobank EFG Bulgaria AD

Factoring contract

Collateral: Trade receivables

Balance as at 31.12.2015: BGN 1 172 000

16.DSK Bank AD

Contract N 1203/21.05.2013

Maturity date: 25.05.2016

Amount borrowed: BGN 2 000 000

Type of credit : working capital

Interest rate and commission: 1 M Sofibor + fixed mark-up

Repayment schedule: Currently paid depending on the available cash and cash equivalents

Collaterals: Special pledge on technological equipment for producing of LED by Octa Light Bulgaria AD. Guarantee from Monbat Recycling EAD

Balance as at 31.12.2015 at the amount of BGN 1 999 627

17. DSK Bank AD

Contract N 1204/21.05.2013

Maturity date: 21.05.2015

Amount borrowed: BGN 2 400 000

Type of credit : Investment loan

Interest rate and commission: 1 M Sofibor + fixed mark-up

Repayment schedule: Currently paid depending on the available cash and cash equivalents

Collaterals: Special pledge on technological equipment for producing of LED by Octa Light Bulgaria AD. Guarantee from Monbat Recycling EAD

Balance as at 31.12.2015 BGN 1 152 000.

18. Investbank

Contract N FC1554/2015

Maturity date: 26.09.2022 r.

Amount borrowed: 2 000 000 EUR.

Type of credit : Investment loan

Interest rate and commission 3 M EURIBOR + fixed mark-up

Repayment schedule: On 79 monthly payments

Collaterals: Second pledge on real estate situated in Godech with area of 19 200 sq.m.. Second rank collateral of machinery and equipment owned by IBT. First rank collateral of receivables and proceeds from accounts in Investbank.

Balance as at 31.12.2015 EUR 2 000 000 or BGN 3 911 660

21.2. Grants

The short-term and long-term part of the financing as at 31.12.2015 and 31.12.2014 can be presented in the following way:

	31.12.2015		31.12.2014	
	Current	Non-current	Current	Non-current
	BGN '000	BGN '000	BGN '000	BGN '000
Carrying amount	806	4 999	456	2 386
	806	4 999	456	2 386

In 2013 Monbat AD and Start AD won Projects under Procedure BG161PO003-1.1.04 "Support for The Commercialization of Innovative Products, Processes and Provision of Innovative Services," OP "Development of Competitive Bulgarian Economy" with total amount of BGN 7 092 500. The value of the grant under the procedure for both projects is BGN 3 542 940, granted in 2015. The project is for production of two types of batteries - AGM technology - stationary batteries (telecommunication) and automobile batteries with AGM technology.

Under Operational Programme "Development of the competitiveness of the Bulgarian economy 2007–2015", Monbat AD received in 2012 a grant in the sum of 4 227 thousands Bulgarian levs under the procedure "Technology upgrade in large enterprises". The purpose of the grant is to invest in new equipment for production of grating and plates for dry-charged and lead-acid batteries.

22. Trade payables

Trade payables recognized in the consolidated statement of financial position include:

	2015	2014
	BGN '000	BGN '000
Payables to suppliers	19 035	11 001

The net book value of the trade payables is considered to be a reasonable approximate estimate of their fair value.

23. Tax liabilities

Tax liabilities include:	2015	2014
	BGN '000	BGN '000
VAT	1 234	853
Corporate tax	561	525
Income tax for individuals	184	111
Expense tax	-	79
Other taxes	162	90
	2 141	1 658

24. Other liabilities

Other liabilities can be summarized as follows:

	2015	2014
	BGN '000	BGN '000
Product fee	885	632
Deductions from staff for other liabilities	12	12
Advances from clients	1 921	1 493
Dividends payable to individuals	48	40
Other liabilities – current	287	171
	3 153	2 348

According to the Regulation on establishing the terms and conditions for payment of product fees for products whose use generates widespread waste, the Group charges product fee for batteries. The fee is not paid effectively to the Ministry of Environment and Water, as the Group has complied with the requirements of the waste management act and performs the activities required for the collection, transportation, temporary storage, pre-treatment, dismantling and disposal of the waste.

With Regulation № RD 335, dated 20.05.2015 of the Minister of Environment and Water, the accrued product fees for 2014 has been forfeited and the Group has reported revenue at the amount of BGN 633 thousand. The accrued product fees for 2015 are expected to be forfeited with a Regulation of the Minister of Environment and Water in 2016, because the Group keeps complying with the regulations per the Law of waste management.

25. Revenue from sales and other revenue

The Group's revenue can be analyzed as follows:

	2015	2014
	BGN '000	BGN '000
Sale of products	227 571	216 808
Rendering of services	2 070	1 438
Sale of goods	9 158	2 781
Financing income	815	622
Others, including written-off liabilities	5 854	7 344
	245 468	228 993

26. Cost of materials

Cost of materials includes:

	2015	2014
	BGN '000	BGN '000
Basic materials	(131 975)	(136 754)
Fuels and lubricants	(6 894)	(8 848)
Electricity	(5 021)	(3 557)
Spare parts and accessories	(2 137)	(2 228)
Packaging and other materials	(1 132)	(848)
Other costs	(2 004)	(1 679)
	(149 163)	(153 914)

27. Hired services expenses

Hired services expenses include:

	2015 BGN '000	2014 BGN '000
Distribution	(11 021)	(10 447)
Insurance	(901)	(858)
Rent	(479)	(536)
Advertisement	(394)	(437)
Fees on civic contracts	(450)	(424)
Audit fees	(62)	(101)
Other expenses	(6 129)	(4 866)
	(19 436)	(17 669)

28. Gains from sale of non-current assets

	2015 BGN '000	2014 BGN '000
Proceeds from sale of non-current assets	1 305	44
Carrying amount of non-current assets sold	(1 302)	-
Gains from sale of non-current assets	3	44

29. Other expenses

The Group's other expenses include:

	2015 BGN '000	2014 BGN '000
Donations	(292)	(218)
Impairment of receivables	(477)	(576)
Business trips	(460)	(590)
Representation expenses	(157)	(106)
Written-off inventory	(1 138)	(1 117)
Impairment of inventory	-	(634)
Written-off receivables (assets)	(212)	(17)
Penalties ,interest, sanction	(2 760)	-
Other	(1 534)	(1 367)
	(7 030)	(4 625)

30. Finance income and finance cost

Finance cost for the presented reporting periods can be analyzed as follows:

	2015 BGN'000	2015 BGN'000
Interest expenses	(2 077)	(2 437)
Other financial expenses	(970)	(1 216)
Finance costs	(3 047)	(3 653)

Finance income may be analyzed for the presented reporting

periods as follows:

	2015 BGN'000	2014 BGN'000
Interest income on cash and cash equivalents	3	6
Interest income on financial assets carried at amortized cost	1 304	1 347
Total interest income on financial assets not at fair value through profit or loss	1 304	1 347
Finance income	1 307	1 353

31. Other financial items

Other financial items consist of the following:

	2015 BGN'000	2014 BGN'000
Loss from exchange rate differences on loans and receivables	(111)	(205)
Other financial items	(111)	(205)

32. Income tax expense

The relationship between the expected tax expense based on the effective tax rate of 10 % (2014: 10 %) and the reported tax expense actually in profit or loss can be presented as follows:

	2015 BGN '000	2014 BGN '000
Profit before tax	24 121	26 580
Tax rate	10%	10%
Expected tax expense	(2 412)	(2 658)
Expenses not deductible for tax purposes, not recognized deferred tax assets and effect of difference of the applicable tax rates	(824)	(383)
Actual tax expense	(3 236)	(3 041)
Tax expenses include		
Current tax expenses		
Deferred tax expense:	(3 280)	(3 459)
Origination and reversal of temporary differences	44	418
Income tax expense	(3 236)	(3 041)
Effective tax rate	13.42 %	11.44 %

Note 11 provides information on the deferred tax assets and liabilities

33. Earnings per share and dividends

33.1. Earnings per share

Basic earnings per share have been calculated using the profit attributed to shareholders of the parent company as the numerator.

The weighted average number of outstanding shares used for basic earnings per share as well as profit attributable to shareholders is as follows:

	2015	2014
Profit attributable to the shareholders (BGN)	22 051 000	25 309 000
Weighted average number of outstanding shares	38 997 000	39 000 000
Basic earnings per share (BGN per share)	0.57	0.65

33.2. Dividends

At a General meeting of the shareholders, which took place on 25 June 2015, a decision has been made to distribute dividends at the amount of BGN 5 850 000, which is part of the income for 2014. During 2015 the Company has paid dividends at the amount of BGN 5 587 540.

At a General meeting of the shareholders, which took place on 30 June 2014, a decision has been made to distribute dividends at the amount of BGN 8 970 000, which is part of the income for 2013.

During 2014 the Company has paid dividends at the amount of BGN 4 684 485 and dividends at the amount of 4 281 764 are off-set with payables under on granted loans – payables at the amount of BGN 3 331 667 and interest of BGN 950 097 from Prista Oil Holding according to an agreement between Monbat and Prista Oil Holding EAD.

At 01.09.2014 with a Decision of the Company and in accordance with an agreement between Monbat AD and Prista oil Holding EAD the dividends due have been attributed to Prista oil Holding EAD. Those dividends are at the amount of BGN 4 281 764 and were attributed with the use of receivables on granted loans – principal at the amount of BGN 3 331 667 and interest at the amount of BGN 950 097 from Prista oil Holding AD.

33.3. Related party transactions

The Group's related parties include its shareholders, control, key management and other related parties, as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled by bank accounts.

The related parties are described below:

Related parties	Country	Type of relation
"PRISTA OIL" Group B.V	Netherlands	Parent company
Prista Holdco Cooperatief U.A.	Netherlands	Related party
"MONBAT TRADING" OOD	Bulgaria	Related party
" PRISTA OIL " EAD	Bulgaria	Parent company
" PRISTA REAL ESTATES"	Bulgaria	Related party
"PRISTA OIL TRADING"	Bulgaria	Related party
“PRISTA OIL”	Romania	Related party
“PRISTA OIL”	Ukraine - Odessa	Related party
“PRISTA OIL”	Ukraine - Kiyev	Related party
“PRISTA OIL”	Hungary	Related party
“PRISTA OIL”	Slovakia	Related party
“PRISTA OIL”	Macedonia	Related party
“PRISTA OIL”	Serbia	Related party
“PRISTA OIL”	Turkey	Related party
Monbat Holdings BV	Netherlands	Related party
Bobko OOD	Bulgaria	Plamen Bobokov
Vinarska kyshta Ruse AD	Bulgaria	Plamen Bobokov
Vuelta Evropa AD	Bulgaria	Plamen Bobokov
Prista Port AD	Bulgaria	Plamen Bobokov
Uglans OOD	Bulgaria	Plamen Bobokov
Leventa OOD	Bulgaria	Plamen Bobokov
PRR OOD	Bulgaria	Plamen Bobokov
Foundation “Bratia Bobokovi”	Bulgaria	Atanas Bobokov
Prista Oil Rally Team	Bulgaria	Atanas Bobokov
FK Dunav – Ruse	Bulgaria	Atanas Bobokov
MOL RUSE INVEST OOD	Bulgaria	Atanas Bobokov
SD of PROEKT RUSE AD	Bulgaria	Atanas Bobokov
Pomorie Vineyard AD	Bulgaria	Atanas Bobokov
Agrohold AD	Bulgaria	Aleksandar Chaushev
Ekspo Grup AD	Bulgaria	Aleksandar Chaushev
Management and advertising of sports agency EAD	Bulgaria	Aleksandar Chaushev
Sofservice OOD	Bulgaria	Aleksandar Chaushev
Bulgarian chamber of commerce – Bulgarian businesses union	Bulgaria	Atanas Bobokov
TK VVV – Pro Tennis	Bulgaria	Plamen Bobokov
Ziteks OD	Bulgaria	Atanas Bobokov
Bulgarian chamber of commerce – Bulgarian businesses union	Bulgaria	Atanas Bobokov
Belnikov, Petrov and Partners OOD	Bulgaria	Petar Petrov
Ekobat AD	Bulgaria	“Start” AD
Bulgarian Romanian Chamber of industrial commerce	Bulgaria	Plamen Bobokov
PCHMV AD	Bulgaria	Plamen Bobokov
IBT OOD	Bulgaria	Related party
Star Oil	Geneva	Atanas Bobokov

Related parties	Country	Type of relation
Plamen Stoilov Bobokov	Bulgaria	Member of the Board of Directors of Monbat AD
Aleksandar Viktorov Chaushev	Bulgaria	Member of the Board of Directors of Monbat AD
Nikolay Georgiev Trenchev	Bulgaria	Member of the Board of Directors of Monbat AD
Stoyan Stalev	Bulgaria	Member of the Board of Directors of Monbat AD
Atanas Stoilov Bobokov	Bulgaria	Member of the Board of Directors of Monbat AD
Jordan Atanasov Karabinev	Bulgaria	Member of the Board of Directors of Monbat AD
Florian Huth	Germany	Member of the Board of Directors of Monbat AD
Petar Nikolov Bozadjiev	Bulgaria	Member of the Board of Directors of Monbat AD
Kamen Zahariev	Bulgaria	Member of the Board of Directors of Monbat AD

33.4. Transactions with owners

	2015	2014
	BGN'000	BGN'000
Monbat Trading OOD		
- purchases of goods and services	1 007	538
- dividends paid	413	633
- sales of services	24	24
Prista oil EAD		
- purchase of goods	1 652	-
- purchase of other	18	-
- purchase of materials	14	7
- purchase of services	67	2
- purchase of non-current tangible assets	48	-
- sales of goods	9 011	2 591
- sales of services	53	5
- sales of other	186	-
- granted funds	-	2 900
- accrued interest	904	1 212
- dividend receivable off-set	-	4 282

33.5. Transactions with key management personnel

Key management personnel of the Group include members of the Management board and Supervisory board. Key management personnel remuneration includes the following expenses:

	2015 BGN'000	2014 BGN'000
Short-term employee benefits:		
-Salaries	3 082	2 930
-Social security contributions	204	220
-Company cars	131	135
	3 417	3 285

33.6. Transactions with other related parties

	2015 BGN'000	2014 BGN'000
PCHMV AD		
- accrued interest	66	82
- purchases of non-current tangible assets	(2)	-
- purchases of services	(6)	(2)
IBT OOD		
- purchases of non-current tangible assets	(20)	(9)
- purchases of materials	(10)	(8)
- sales of production	3	10
- sales of services	10	-
KOM EOOD		
- purchases of non-current tangible assets	(1 816)	-
- purchases of services	(31)	(22)
- purchases of materials	(105)	(98)
Agencia Apeks OOD		
- sales of production	45	-
Atanas Bobokov		
- granted funds	(235)	(350)

34. Related party balances at year-end

	2015 BGN'000	2015 BGN'000
Current receivables from:		
- Agencia Apeks OOD - trade receivables	74	-
- Atanas Bobokov - granted funds	585	350
- Prista Oil EAD - granted funds	18 140	18 140
- Prista Oil EAD - trade receivables	6 668	2645
- Prista Oil EAD - interest	1 659	755
- PCHMV JSC - granted funds	1 360	1 360
- PCHMV JSC - interest	195	129
- IBT OOD – granted funds	123	93
- IBT OOD – trade receivables	46	-
- IBT OOD – interest	14	-
- KOM EOOD	8	4
- KOM EOOD – granted funds	2 100	44
- Octa Light EOOD– interest	8	7
- Octagon International - granted funds	427	-
- Octagon International - interest	15	-
- Georgy Trenshev- granted funds	5	5
	31 427	23 532
Non-current payables to:		
- Ekobat AD – dividends	6	6
- Bat AD – dividends	1	1
	7	7
Current payables to:		
- Prista Oil EAD - trade payables	24	4
- Monbat Trading OOD - dividends	184	-
- Monbat Trading OOD - trade payables	9	-
- Octa Light EOOD - trade payables	1	-
- IBT-trade payables	4	-
- KOM EOOD - trade payables	83	7
- Prista Oil Romania	-	2
- PCHMV JSC- trade payables	-	2
	305	15

The main contracts for loans granted to related parties are presented as follows:

PCHMV

- **Contract from 2013**

Utilized principle: BGN 1 640 thousand

Credit term: 31.12.2014

Interest: 6 % annual interest rate

Balance on the principle as of 31.12.2015 - BGN 1 360 thousand

Redemption: no redemption plan

With annex from 01.06.2015 the interest rate has been changed to 4% . All the other conditions of the loan contracts are re-negotiated with the same conditions.

Prista Oil Holding EAD

- **Contract from 2013**

Deposits granted to Prista Oil Holding EAD

Deposits amount: BGN 17 594 thousand

Credit term: 22.04.2015

Interest: 6 % annual interest rate

Balance on the principle as of 31.12.2015 - BGN 11 328 thousand

Redemption: no redemption plan

- **Contract from 2014**

Deposits granted to Prista Oil Holding EAD

Deposits amount: BGN 2 900 thousand

Credit term: 07.04.2016

Interest: 6 % annual interest rate

Balance on the principle as of 31.12.2015 - BGN 2 900 thousand

Redemption: no redemption plan

With annex from 01.06.2015 the interest rate has been changed to 4%.

All the other conditions of the loan contracts are re-negotiated with the same conditions.

35. Non-cash transactions

During the presented reporting periods, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- During 2014 with a General meeting of the shareholders the dividends due have been attributed to Prista oil Holding EAD. The dividends are at the amount of BGN 4 281 764 and were attributed with the use of receivables on granted loans – principal at the amount of BGN 3 331 667 and interest at the amount of BGN 950 097.

36. Contingent assets and contingent liabilities

During the period there are no warranty or legal claims posed to the Group.

The contingent assets can be represented as follows:

	2015	2014
	BGN '000	BGN '000
Letters of credit	741	352
	741	352

The contingent liabilities can be represented as follows:

	2015	2014
	BGN '000	BGN '000
Guarantee notes	644	1 324
	644	1 324

37. Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of assets and liabilities:

Financial Assets	Note	2015	2015
		BGN'000	BGN'000
Non-current assets:			
Non-current financial assets	10	8	8
		8	8
Loans and receivables:			
- current financial assets	13	547	35
- Trade and other receivables	14,16	41 647	41 074
- Receivables from related parties	34	31 427	23 532
Cash and cash equivalents	17	15 232	20 538
		88 853	85 179
Financial liabilities	Note	2015	2014
		BGN'000	BGN'000
Financial liabilities measured at amortized cost			
Non-current liabilities:			
- Borrowings	21.1	12 610	34 635
- Financial lease	9.1	1 266	366
- Payables to related parties	34	7	7
		13 883	35 008
Current liabilities:			
- Borrowings	21.1	48 446	38 092
- Financial lease	9.1	427	470
- Payables to related parties	34	305	15
- Trade and other payables	22,24	22 188	13 349
		71 366	51 926

See note 3.16 about information related to the accounting policy for each category of financial instruments. Methods, which are used for assessment of fair value are presented in note 3.16. Description of the risk management objectives and policies of the Group, related to the financial instruments, is presented in note 39.

38. Financial instrument risk

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in note 37. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close co-operation with the managing board, and focuses on actively securing the Groups short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

38.1. Market risk analysis

38.1.1. Foreign currency risk

Most of the Group's transactions are carried out in Bulgarian Lev (BGN). Exposures to currency exchange rates arise from the Group's transactions, which are primarily denominated in US-Dollars and British Pounds.

To mitigate the Group's exposure to foreign currency risk, non-BGN cash flows are monitored. Generally, Group's risk management procedures distinguish short-term foreign currency cash flows from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no hedging activity is undertaken.

Financial assets and liabilities, denominated in foreign currency and recalculated in BGN at the end of the reporting period, are presented as follows:

	Short-term exposure USD '000
31 December 2015	
Financial assets	4 294
Financial liabilities	(5 007)
Total exposure	(713)
31 December 2014	
Financial assets	2 352
Financial liabilities	(243)
Total exposure	2 109

The following tables illustrate the sensitivity of post-tax financial result for the year and equity in regards to exchange rate differences between the Bulgarian Lev (BGN) and the following currencies:

- US Dollars (USD) +/- 10% (2014 +/- 10%)
- Pound Sterling (GBP) +/- 10% (2014 +/- 10%)

All other parameters are taken to be constant.

These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

31 December 2015	Increase of the exchange rate		Decrease of the exchange rate	
	Net financial result	Equity	Net financial result	Equity
	BGN'000	BGN'000	BGN'000	BGN'000
US Dollars (USD) (+/- 10%)	(71)	(71)	71	71

31 December 2014	Increase of the exchange rate		Decrease of the exchange rate	
	Net financial result	Equity	Net financial result	Equity
	BGN'000	BGN'000	BGN'000	BGN'000
US Dollars (USD) (+/- 10%)	211	211	(211)	(211)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

38.1.2. Interest rate risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. As at 31 December 2015, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. All other financial assets and liabilities of the Group have fixed interest rates similar to the prior year.

If the interest rate would increase with 5 % (2014: 5%) then this would have had the following impact:

	<u>Effect on the financial result for the year</u>
	'000
31 December 2015	(104)
31 December 2014	(122)

If the interest rate would decrease with 5 % (2014: 5%) then this would have had the following impact:

	<u>Effect on the financial result for the year</u>
	'000
31 December 2015	104
31 December 2014	122

38.2. Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, etc. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period, as summarized below:

Financial assets:	Note	2015	2014
		BGN'000	BGN'000
Non-current assets			
Long-term financial assets	10	8	8
		<u>8</u>	<u>8</u>
Loans and receivables:			
- Short-term financial assets	13	547	35
- Trade and other receivables	14,16	41 647	41 074
- Receivables from related parties	34	31 427	23 532
Cash and cash equivalents	17	15 232	20 538
Carrying value		<u>88 853</u>	<u>85 179</u>

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

The Group has provided its financial assets as collateral for other transactions.

Some of the unimpaired trade receivables are past due as at the reporting date. Financial assets past due but not impaired can be shown as follows:

	2015	2014
	BGN'000	BGN'000
More than 6 months but not more than 1 year	694	243
More than 1 year but not more than 2 years	-	-
More than 2 years	-	-
Total	694	243

The Group is not exposed to any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a small number of customers in single industry and geographical area. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents, money market funds, non-secured debentures and derivate financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Impairment loss has been recorded in relation to trade receivables. The carrying amounts disclosed above are the Group's maximum possible credit risk exposure in relation to these instruments.

38.3. Liquidity risk analysis

Liquidity risk is the risk arising from the Group not being able to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group maintains cash to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2015, the Group's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2015	Current	Non-current
	Within 12 months	1 to 5 years
	BGN'000	BGN'000
Payables to banks	48 446	12 610
Financial lease obligations	427	1 266
Related parties payables	305	7
Trade and other payables	22 188	-
Total	71 366	13 883

This compares to the maturity of the Group's liabilities in the previous reporting periods as follows:

31 December 2014	Current	Non-current
	Within 12 months	1 to 5 years
	BGN'000	BGN'000
Payables to banks	38 092	34 635
Financial lease obligations	470	366
Related parties payables	15	7
Trade and other payables	13 349	-
Total	51 926	35 008

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the liabilities at the reporting date.

Financial assets used for managing liquidity risk

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables do not significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

39. Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to the shareholder by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the correlation between adjusted share capital and net debt.

The Group determines the adjusted capital based on the carrying amount of equity and subordinated debt, presented in the statement of financial position.

Net debt comprises of total borrowings, loans, trade and other payables less the carrying amount of cash and cash equivalents.

The amount of the correlation for the presented accounting periods is summarized as follows:

	2015	2014
	BGN'000	BGN'000
Equity	179 479	165 368
+ Debt	64 002	73 563
- Cash and cash equivalents	(15 232)	(20 538)
Net debt	48 770	53 025
Gearing ratio (net debt/total capital)	0.27	0.32

In 2015 there is no significant change in the ratio of net debt to total capital, compared to prior periods. The Group maintains a high ratio of capital to total funding.

40. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

41. Authorization of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2015 (including comparative information for 2014) were approved by the Management board on 27.04.2016.

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