CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	31.12.2017	31.12.2016 *
ASSETS		**BGN'000**	**BGN'000**
NON-CURRENT ASSETS			
Plant and equipment	3	34,468	33,818
Goodwill and other intangible assets	4	22,438	22,938
Deferred tax assets	5	265	201
Other long-term receivables	8	213	208
		57,384	**57,165**
CURRENT ASSETS			
Inventories	6	417	613
Trade receivables	7	19,716	19,789
Other receivables and prepayments	8	3,538	2,922
Cash and cash equivalents	9	12,663	11,067
		36,334	**34,391**
TOTAL ASSETS		**93,718**	**91,556**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	10.1	5,378	5,336
Reserves	10.2	19,341	19,738
Retained earnings	10.3	20,796	19,655
		45,515	**44,729**
Non-controlling interests		**-**	**-**
TOTAL EQUITY		**45,515**	**44,729**
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term interest payables	11	13,652	15,823
Deferred tax liabilities	5	963	1,060
Government grants	12	439	671
Retirement benefit obligations	13	157	101
		15,211	**17,655**
CURRENT LIABILITIES			
Current portion of long-term interest payables	11	8,557	7,563
Trade payables	14	9,014	10,951
Payables to personnel and for social security	15	4,221	3,472
Tax payables	16	1,664	1,365
Government grants	12	320	305
Other current liabilities	17	9,216	5,516
		32,992	**29,172**
TOTAL LIABILITIES		**48,203**	**46,827**
TOTAL EQUITY AND LIABILITIES		**93,718**	**91,556**

The accompanying notes on pages 5 to 72 form an integral part of consolidated financial statements.

The consolidated financial statements on pages 1 to 72 were approved for issue by the Board of Directors of Speedy AD and signed on 30 april 2018 by :

Executive Director: Valeri Mektouptchiyan

Chief Accountant: Stefka Levidjova

** reclassification / regrouping (Notes № 2.4)*

AUDITED BY АФА
30/04/2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 BGN'000	2016 BGN'000
Revenue	18	151,605	140,980
Other operating income/(losses), net	19	6,829	6,983
Raw materials and consumables used	20	(7,109)	(7,173)
Hired services expense	21	(95,941)	(92,142)
Employee benefits expense	22	(32,133)	(28,214)
Depreciation and amortisation expense	3, 4	(10,676)	(9,344)
Other expenses	23	(3,874)	(2,539)
Profit from operations		**8,701**	**8,551**
Finance income		-	2
Finance costs		(575)	(850)
Finance income / (costs), net	24	**(575)**	**(848)**
Profit before income tax		**8,126**	**7,703**
Income tax expense	25	(955)	(752)
Net profit for the year		**7,171**	**6,951**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:	13	**4**	**(13)**
Remeasurements of defined benefit pension plans		4	(13)
Items that may be reclassified to profit or loss:		**(401)**	**(246)**
Exchange differences on translating foreign operations		(401)	(246)
Other comprehensive income for the year, net of tax		**(397)**	**(259)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,774**	**6,692**
Net profit for the year attributable to:			
Equity holders of the parent		7,171	6,951
Non-controlling interests		-	-
Total comprehensive income for the year attributable to:			
Equity holders of the parent		6,774	6,692
Non-controlling interests		-	-
Earnings per share BGN	26	**1.34**	**1.30**

The accompanying notes on pages 5 to 72 form an integral part of the consolidated financial statements.

Executive Director: Valeri Mektouptchiyan

Chief Accountant: Stefka Levidjova

AUDITED BY AFA
30/04/2018

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	31.12.2017	31.12.2016	
		BGN'000	BGN'000	
Cash flows from operating activities				
Cash receipts from customers		175,874	175,931	
Cash paid to suppliers		(118,191)	(118,354)	*
Cash paid to employees and for social security		(30,647)	(26,957)	
Taxes paid (except income taxes)		(9,469)	(8,425)	
Income taxes paid		(784)	(870)	
Other proceeds/(payments), net		3,764	692	
Net cash flows from operating activities		**20,547**	**22,017**	
Cash flows from investing activities				
Purchases of plant and equipment		(6,554)	(10,246)	
Proceeds from sales of plant and equipment		314	681	
Purchases of intangible assets		(309)	(505)	*
Net cash flows used in investing activities		**(6,549)**	**(10,070)**	
Cash flows from financing activities				
Proceeds from securities issued		42	-	
Payments of finance lease liabilities		(5,874)	(5,110)	
Proceeds from long-term bank loans		2,503	4,366	
Repayment of long-term bank loans		(2,456)	(1,583)	
Interest and charges paid under bank loans		(209)	(408)	
Dividends paid		(6,030)	(6,019)	
Net cash flows used in financing activities		**(12,024)**	**(8,754)**	
Net increase in cash and cash equivalents		**1,974**	**3,193**	
Net effect of changes in foreign exchange rates		(378)	(102)	
Cash and cash equivalents at 1 January		11,067	7,976	
Cash and cash equivalents at 31 December	9	**12,663**	**11,067**	

The accompanying notes on pages 5 to 72 form an integral part of the consolidates financial statements

Executive Director: Valeri Mektouptchiyan

Chief Accountant: Stefka Levidjova

* reclassification / regrouping (Notes № 2.4)

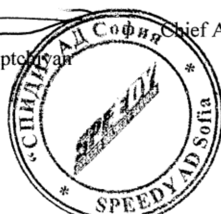
AUDITED BY AFA
30/04/2018

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

	Attributable to equity holders of the parent					
	Share capital BGN'000	**Statutory reserves BGN'000**	**Premium reserves BGN'000**	**Translation reserves BGN'000**	**Retained earnings BGN'000**	**Total BGN'000**
Balance at 1 January 2016	**5,336**	**545**	**19,565**	**(115)**	**18,769**	**44,100**
Changes in equity for 2016						
Distribution of profit for:	-	-	-	-	(6,029)	**(6,029)**
** dividends*	-	-	-	-	*(6,029)*	*(6,029)*
Total comprehensive income for the year, including:	-	-	-	*(246)*	*6,938*	***6,692***
Net profit for the year	-	-	-	-	*6,951*	***6,951***
Other comprehensive income, net of taxes	-	-	-	*(246)*	*(13)*	***(259)***
Other changes	-	(11)	-	-	(23)	**(34)**
Balance at 31 December 2016	**5,336**	**534**	**19,565**	**(361)**	**19,655**	**44,729**
Changes in equity for 2017						
Share issued	42	-	-	-	-	**42**
Distribution of profit for:	-	4	-	-	(6,034)	**(6,030)**
Dividend	-	-	-	-	*(6,030)*	*(6,030)*
Reserves	-	*4*	-	-	*(4)*	-
Total comprehensive income for the year, including:	-	-	-	*(401)*	*7,175*	***6,774***
Net profit for the year	-	-	-	-	*7,171*	***7,171***
Other comprehensive income, net of taxes	-	-	-	*(401)*	*4*	***(397)***
Balance at 31 December 2017	**5,378**	**538**	**19,565**	**(762)**	**20,796**	**45,515**

The accompanying notes on pages 5 to 72 form an integral part of the consolidated financial statements.

Executive Director: Valeri Mektouptchiyan



Chief Accountant: Stefka Levidjova

AUDITED BY AFA 30/04/2018

1. CORPORATE INFORMATION FOR THE GROUP

Speedy Group include Speedy AD (the Parent Company) and its three (31.12.2016: three) subsidiaries.

The Parent Company

SPEEDY AD (the "Parent Company") is a joint stock company registered under file № 1455/2005 with the Sofia City Court in accordance with the Commercial Act of the Republic of Bulgaria with UIC 131371780.

The seat and registered office of the Parent Company is in Sofia, 2L Samokovsko Shosse Str., Trade Center Boila.

Subsidiaries

As of 31.12.2017 the Group subsidiaries are:

- SPEEDY EOOD – a company registered in Bulgaria, with UIC 115260535, and with seat and registered office in Bulgaria, Plovdiv Region, Maritsa Municipality, village of Trud, 42, Karlovo Shosse Str.
- Geopost Bulgaria EOOD – a company registered in Bulgaria, with UIC 131330260, and with seat and registered office in Bulgaria, Sofia Region, Metropolitan Municipality, Sofia, 2L Samokovsko Shosse Str., Trade Center Boila.
- Dynamic Parcel Distribution S.A., Romania – a company registered in Romania with unified registration code (URC) 9566918 and with seat and registered office in Romania, Ilfov County, Buftea, 20, Tamas Str., halls 4A and 4B.

1.1. Ownership and management of the Parent Company

The Parent Company is a publicly traded company and was listed on the Bulgarian Stock Exchange on 11.12.2012.

The shareholders structure of the company’s registered capital is announced in Note 10

The ultimate owner /44.59 %/ of the Parent Company is Valery Harutyun Mektouptchiyan.

The Parent Company has a one-tier management system – with five-member Board of Directors.

As of 31.12. 2016 and 31.12. 2017, members of the Board of Directors are:
1. Valery Harutyun Mektouptchiyan
2. George Ivanov Glogov
3. Danail Vasilev Danailov
4. Avak Stepan Terziyan
5. Cedric Favre-Lorraine

The Parent Company is represented by the CEO Valery Harutyun Mektouptchiyan.

The audit committee support the Board of Directors and has responsibilities as general management that monitors and supervises the internal control system, risk management and financial reporting.

The members of the audit committee are:
1. Emil Vasilev

2.Hristo Grozdanov
3.Teodora Kantutis

As of 31.12.2017 the total payroll of the Group is 1,489 employees (31.12.2016: 1,428).

1.2. Structure of the Group and scope of activity

1.2.1. The structure of the Group includes Speedy AD as a Parent Company and the following subsidiaries:

Subsidiaries	**31.12.2017**	**31.12.2016**	***Date***
Subsidiaries in Bulgaria	***Share %***	***Share %***	***of acquisition***
Speedy EOOD	100	100	13.06.2011
Geopost Bulgaria EOOD	100	100	21.11.2014
Subsidiaries in foreign countries			
DPD S.A., Romania	100	100	21.11.2014

Speedy EOOD is a direct subsidiary since inception.

Geopost Bulgaria EOOD and DPD S.A., Romania are direct subsidiaries since their acquisition in business combination in 2014.

The Group has two branches: in 2016 Geopost Bulgaria EOOD opens a branch in Greece and in 2015 DPD S.A., Romania opens one in Varna, Bulgaria

1.2.2. Scope of activity of the Companies in the Group are as follows:

The Parent Company

- Speedy AD - the core activity of the Parent Company consists mainly in providing courier services, for which the Communications Regulation Commission has issued Certificate № 0062/03.11.2009, as well as shipping, handling, storage and distribution of documents and goods, domestic and international transportation and any other activities not prohibited by law.

Subsidiaries

- Speedy EOOD - import-export, forwarding services, production and marketing of all kinds of goods in Bulgaria and abroad, mediation, distribution of all kinds of goods and any other activity not prohibited by law.
- Geopost Bulgaria EOOD - providing courier services, forwarding services, handling, storage and distribution of documents and goods, domestic and international transport, import and export of goods, commercial representation and agency of Bulgarian and foreign natural and legal persons, acting as insurance agent and any other activity not prohibited by law.
- DPD S.A., Romania - forwarding and courier services.

The subsidiaries have no changes in the core activity after their acquisition.

The companies perform their activity on the territory of Bulgaria, Romania and Greece.

1.3. Main economic indicators.

The main economic indicators in Bulgaria, which influence the activity of the Group for the period 2015 – 2017 are provided in the table below

Indicator	2015	2016	2017
GDP BGN mln	88,571	94,130	99,080 *
GDP growth	3.6 %	3.9%	3.8%*
Inflation at the end of the year	-0.9%	-0.5%	1.8%
USD/BGN average for the year	1.76	1.77	1.72
USD/BGN at the end of the year	1.80	1.86	1.63
RON/BGN average for the year	0.44	0.44	0.43
RON/BGN at the end of the year	0.43	0.43	0.42
Base interest rate at the end of the year	0.01	0.00	0.00
Unemployment (at the end of the year)	10.0%	8.0%	7.1%

**Estimate of BNB for 2017, source: BNB.*

2. Main accounting policies of the group

2.1. Basis for the preparation of the consolidated financial statements

The consolidated financial statements of Speedy JSC have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2017 and have been accepted by the Commission of the European Union.

IFRSs adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

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

The new and/or amended standards and interpretations include:

- *IAS 12 (amended) "Income Taxes" (in force for annual periods beginning on or after 1 January 2017 – adopted by EC) – recognition of deferred tax assets for unrealised losses.* This amendment clarifies deferred tax assets in cases where an asset is measured at fair value and that fair value is below the tax base. The amendment clarifies that: (a) temporary differences arise regardless of whether the carrying amount of the asset is lower than its tax base; (b) the respective entity should assess, when estimating its future taxable profits, whether it could deduct an amount higher than the carrying amount of the asset or not; (c) if, according to the tax legislation, there are restrictions on the use of taxable profits against which particular deferred tax assets can be recovered, the review and assessment of deferred tax assets recoverability should be made in combination with the remaining deferred tax assets of the same type; and (d) the deductions for tax purposes resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets;

- *IAS 7 (amended) "Statement of Cash Flows" – regarding disclosure initiative (in force for annual periods beginning on or after 1 January 2017 – adopted by EC).* This amendment is an important clarification of the standard itself with a focus on the information provided to the users of financial statements in order to improve their understanding of the liquidity and the financing activities of the entity. The amendment requires that additional disclosures and clarifications be prepared in regards to the changes of liabilities of the entity from: (a) changes arising from financing activities as a result of transactions leading to changes in cash flows; or (b) changes resulting from non-cash transactions such as acquisitions and disposals, interest accrual, foreign currency exchange gains and losses, changes in fair values and other similar. Changes in the financial assets should be included in this disclosure if the resulting cash flows are presented under financing activities (e.g. in certain hedge transactions). It is allowable to include also changes in other items as part of the disclosure if they are presented separately;

At the issue date of these financial statements, there are several new standards and interpretations as well as amended standards and interpretations, issued but not yet in force for annual periods beginning on or after 1 January 2017, which have not been adopted for early application. The management of the Group has concluded that the following amendments are likely to have a potential impact in the future for changes in the accounting policies and the classification and values of reporting items in the financial statements of the Group for subsequent periods, namely:

- *Changes in the conceptual framework for financial reporting (in force for annual periods beginning on or after 1 January 2020 – not endorsed by EC).* These changes include written over definitions for “asset” and “liability”, as well as new approaches for their valuation, writing off, presentation and discloser.

- *IFRS 9 "Financial Instruments" (in force for annual periods beginning on or after 1 January 2018 - adopted by EC).* This is a new standard for financial instruments. It is ultimately intended to replace IAS 39 in its entirety. The replacement project has passed through three phases: Phase 1: Classification and measurement of financial assets and financial liabilities; Phase 2: Hedge accounting; and Phase 3: Impairment methodology. At present, IFRS 9 has been issued four times: in November 2009, October 2010, November 2013 and finally in July 2014. Phase 1: Classification and measurement of financial assets and financial liabilities – by the first issues it replaces those parts of IAS 39 that refer to the classification and measurement of financial instruments. It sets out new principles, rules and criteria for classification, measurement and derecognition of financial assets and liabilities, including hybrid contracts. IFRS 9 introduces a requirement that financial assets are to be classified based on entity's business model for their management and on the contractual cash flow

characteristics of the respective assets. It establishes two primary measurement categories for financial assets: amortised cost and fair value. The new rules will lead to changes mainly in the accounting for financial assets as debt instruments and financial liabilities designated at fair value through current profit or loss (for credit risk). A specific feature of the classification and measurement model for financial assets at fair value is the addition of a new category – fair value through other comprehensive income (for certain debt and capital instruments). Phase 2: Hedge accounting – a new chapter to IFRS 9 has been added for this purpose whereby a new hedge accounting model is introduced that permits consistent and complete reflection of all financial and non-financial risk exposures, subject to hedge transactions, and also, better presentation of risk management activities in the financial statements and especially, their relation to hedge transactions, and the scope and type of documentation to be used. In addition, the requirements to the structure, contents and presentation approach for hedge disclosures have been improved. Furthermore, an option is introduced fair value changes of own debts, measured at fair value through profit or loss, in the part thereof due to changes in the company's own credit quality, to be presented in other comprehensive income rather than in profit or loss. Phase 3: Impairment methodology – the amendment introduces the application of the 'expected loss' model. Under this model all expected credit losses of an amortisable financial instrument (asset) shall be recognised in three stages, depending on its credit quality change, and not only if a trigger event has occurred as per the current model under IAS 39. The three stages are: upon the initial recognition of the financial asset – impairment for the 12- month period or for the full lifetime of the asset; and respectively – upon the occurrence of the actual impairment. They also set out how to measure impairment losses and respectively the application of the effective interest rate. Revaluation of financial instruments, measured at fair value through other comprehensive income, is defined and measured applying the same methodology as for financial assets under amortized cost. The results from analyses and preliminary recalculations and reclassifications are disclosed in Note 30.

- IFRS 7 (amended) Financial Instruments: Disclosures – regarding relief for recalculating comparable periods and respective disclosures when applying IFRS 9 (*in force for annual periods beginning on or after 1 January 2018 – adopted by EC)*. The changes are related with introduction of relief regarding necessity for recalculating comparable financial reports and possibility for presenting modified disclosures in translation from IFRS 39 to IFRS 9 as of date of adoption of the standard by company and if it chooses to recalculate previous periods. The management decided to use modified retrospective application of IFRS 9 and to not recalculate comparable data (Note 30).

- *IFRS 15 "Revenue from Contracts with Customers" (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).* This is an entirely new standard. It introduces a single complex of principles, rules and approaches for recognition, accounting for and disclosure of information about the nature, amount, timing and uncertainties related to revenue and cash flows arising from contracts with customers. It will supersede all current standards related to revenue recognition, mainly IAS 18 and IAS 11 and related interpretations. The main principle of the new standard is to provide a stepwise model whereby revenue amount and timing reflect the obligation characteristics and performance of each of the parties to the transaction. The key components include: (a) contracts with customers that are commercial in their substance and assessment of the probability for collecting contractual amounts by the entity in line with the terms and conditions of the particular contract; (b) identification of the separate performance obligations under the contract for providing of a good or service, that is distinct from the other assumed contractual commitments/promises, from which the customer would obtain benefits; (c) determination of transaction price –

the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer – special attention is paid to the variable component of price, the financing component, as well as the non-cash consideration; (d) allocation of the transaction price to separate performance obligations under the contract – usually on a stand-alone (individual) sale price of each component; and (e) the point of time or the period of revenue recognition – when an entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur at a point in time or over time. Clarifications are made (a) for identification of obligations for execution based on certain promises for delivery of goods or services, (b) for identification if the company is a principle or an agent in delivery of goods or services, (c) transfer of licenses. The introduction of the standard could bring changes (a) in complex contracts with bundled sales of goods and services a clear distinction will be required between the goods and services of each component and provision of the contract; (b) probability for a change in the time of sale recognition; (c) expanding of disclosures; and (d) introduction of additional rules for recognising the revenue from a particular type of contracts – licences; consignment; one-time collection of preliminary fees; guarantees and other similar. The standard allows a full retrospective approach or a modified retrospective approach from the beginning of the current reporting period with particular disclosures for prior periods. The results from analyses and preliminary recalculations and reclassifications are disclosed in Note 30. The management decided to use modified retrospective application of IFRS 15 and to not recalculate comparable data.

- *IFRS 16 "Leases" (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).* This standard has an entirely new concept. It establishes new principles for the recognition, measurement and presentation of a lease by introducing a new model with the objective to ensure a more faithful and adequate representation of such transactions both for lessee and lessor. The standard will supersede the effective so far standard related to leases – IAS 17. (a) The main principle of the new standard is the introduction of a single lessee accounting model – an asset will be recognised for all contracts with duration of more than 12 months in the form of a 'right-of-use', which will be subsequently depreciated over the duration of the contract, and respectively, a financial liability will be stated for the lease liability under the contracts. This is the significant change compared to the current accounting practice. The standard allows an exception and retaining the old practice for leases of low-value assets and short-term leases; (b) There will not be any significant changes for the lessors and they will continue to account for leases as per the old standard IAS 17 – operating and finance. As far as the new standard introduces a more thorough concept, a more detailed analysis of contractual terms should be carried out on their part as well and it is possible that gives ground for reclassification of particular lease transactions may occur for them (lessors), too. The new standard requires more extensive disclosures. The results from analyses and preliminary recalculations and reclassifications are disclosed in Note 30. The management decided to use modified retrospective application of IFRS 16 and to not recalculate comparable data.

- *Annual Improvements to IFRS 2014-2016 Cycle (December 2016) – improvements to IFRS 12 (in force for annual periods beginning on or after 1 January 2017 – not adopted by EC), IFRS 1 and IAS 28 (in force for annual periods beginning on or after 1 January 2018 – not adopted by EC).* These improvements introduce partial amendments to and editions of the respective standards primarily with a view to remove the existing inconsistency or ambiguities in the application of the rules and requirements of individual standards as well as to set out more precise terminology. These amendments are basically focused on the following items or transactions: (a) the scope and requirements to the disclosures in IFRS 12 shall apply also to entities that are

classified under IFRS as available-for- sale, as under classification or as discontinued operations, excluding summary financial data; (b) removal of certain exemptions in the application of IFRS 1 regarding IFRS 7, IFRS 19 and IFRS 10; and (c) the choice by venture capital funds or other similar enterprises to measure their investments in associates or joint ventures at fair value through profit or loss should be made on an investment-by-investment basis upon initial recognition (IAS 28);

- *IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (in force for annual periods beginning on or after 1 January 2018 – adopted by EC).* This interpretation applies to the accounting for a foreign currency transaction or part of it on receipt of advance payments before the entity recognises the related asset, expense or income. In these cases, the entities shall first recognise a non-monetary asset for the advance consideration (advance payments for delivery of assets or services) or a non-monetary liability for deferred income (advance payments from clients on sales). Upon receipt of such advance consideration in a foreign currency, the transaction date shall be used to determine the exchange rate while in case of multiple payments the entity shall determine a date of the transaction for each individual payment. After that the guidance clarify that in initial recognition of respective asset, expense or income as a result of advance paid / received or series of transactions paid / received in foreign currency, the date of transaction is the date of initial recognition of non-monetary assets or liability (in a single payment / receipt) or is the date of each payment / receipt. This interpretation could be applied retrospectively or prospectively with two options: a) from the beginning of the reporting period in which is applied for a first time; or b) from the beginning of the previous period, proceeding the period in which is applied for a first time.

- *IFRIC 23 "Uncertainties in treating income taxes" (in force for annual periods beginning on or after 1 January 2019 – adopted by EC).* This interpretation provides guidelines for accounting for income taxes under IAS 12 when some uncertainties are presented regarding tax treatment. It does not apply for taxes and other public levies and fees outside the scope of IAS 12, nor includes special requirements regarding interest or other penalties related to tax uncertainties. The guidelines cover: a) if enterprise appraise separately tax treatment uncertainties; b) assumptions that enterprise makes to check and assess the tax treatment by tax authorities; c) how enterprise calculate taxable profit and loss, taxable base, unused tax loss, tax rate and unused tax credits; d) how enterprise appraises and treats changes in facts and circumstances; e) enterprise to determine how to appraise the individual tax treatment uncertainties – separately or in combination with others.

- *IFRS 9 "Financial Instruments" – regarding negative compensation in case of pre-mature redemption or modification of financial liabilities (in force for annual periods beginning on or after 1 January 2019 - adopted by EC).* This change covers two issues: a) amends the existing requirements of IFRS 9 by allowing for classification of certain financial assets at amortized costs and passing the "contractual cash flow characteristics" test, despite the existing conditions for prepayment with negative compensation. Negative compensation exists when the terms of the contract allow the debtor to make a redemption of the instrument prior to its maturity, and the amount redeemed may differ from the outstanding principal and interest, but this negative compensation should be reasonable and relevant to the early termination of the contract. Early redemption itself is not a sufficient assessment indicator, i.e. it is important to be appraised considering currently prevailing interest rate and relative to it the amount prepaid could be in favour of the initiating party. It is important the calculation of compensation to apply consistent approach both in case of repayment penalty and repayment gain. Moreover, respective asset should be classified as "held to collect contractual cash flows" according to the entity's business model; b) it confirms that when a financial liability measured at amortised cost is modified but not written off, the effect of the modification should be

recognised through the profit or loss. The effect is measured as the difference between the initial contractual cash flows and those after modification, discounted at initial effective interest rate.

- *IFRS 10 (amended) – "Consolidated Financial Statements" and IAS 28 (amended) – "Investments in Associates and Joint Ventures"* – regarding the sale or contribution in kind of assets between an investor and its associates or joint ventures (with postponed effective date of enforcement). These amendments address the accounting treatment of the sale or contribution in kind of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets subject to sale or contributed non-monetary assets constitute a business unit or not as defined in IFRS 3. If these assets as an aggregate do not meet the definition of a business, then the investor shall recognise gain or loss only to the share corresponding to the share of other unrelated investor's in the associate or joint venture. In cases of sale or contribution in kind of non-monetary assets, which as an aggregate constitute a business, the investor shall recognise the full gain or loss from transaction. The amendments will be applied on a prospective basis. IABS postponed the initial date of application of these amendments for an indefinite period.

- *Annual improvements to IFRSs 2015-2017 Cycle (December 2017) – improvements to IAS 23, IAS 12 and IFRS 3 in relation to IFRS 11 (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).* These improvements introduce partial amendments to and editions of the respective standards primarily with a view to remove the existing inconsistency or ambiguities in the application of the rules and requirements of individual standards as well as to set out more precise definitions. These amendments are basically focused on the following items and transactions: (a) they clarify that when an entity acquires control over a business which is a joint venture, it should restate (revaluate) its existing share in the business under IFRS 3. It is further clarified that when an entity acquires a joint control over a business which constitutes a joint venture, it should not restate its previous holding in the business following IFRS 11; (b) they clarify that all tax consequences from taxes on dividend income (i.e. upon profit distribution) shall be recognized in profit or loss irrespective of how they occurred – upon the application of IFRS 12; and (c) they clarify that in case of special-purpose loans concluded to finance a specific asset, is not fully repaid after the asset is ready for its intended use or disposal, these loans become part of general-purpose financing, and capitalisation rate is calculated under IAS 23.

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

- *IFRS 2 (amended) "Payments based on shares" – clarifications and measurement of share-based payment (in force for annual periods beginning on or after 1 January 2018 – not endorsed by EC).* The clarification interpret three main issues: (a) regulate the conditions and effects related with acquiring unconditional rights in the course of evaluation and accounting for transactions with payment based on shares, settled with cash equivalents; (b) approach for classification of agreements for payment based on shares that involve settlement on net basis for purpose of withholding a personal income tax for persons from the company itself (through equity instruments) – introducing of exemptions from the general rule in order to facilitate the classification of these transactions as they would have been accounted without the option for settlement on a net basis; and (c) new rule for accounting for modifications of transaction terms for payment

based on shares, settled with cash equivalents to shares, settled through issuance of equity instruments.

- *IFRS 4 (amended) "Insurance Contracts" (in force for annual periods beginning on or after 1 January 2018 – adopted by EC).* Not applicable for company's activity.

- I*AS 40 (amended) "Investment Property" – regarding transfers of investment property (in force for annual periods beginning on or after 1 July 2018 – adopted by EC).* The amendment refers to an additional clarification regarding the terms and criteria that allow transfers of property, including work in progress and/or under reconstruction and alternation, to or from, the category 'investment property'. Such transfers are only eligible when the property meets, or respectively, ceases to meet, the criteria and definition of investment property – when evidence exists for a change in its use. A change in the intents and plans of the management are not regarded as evidence for a change in use. The amendment may be applied prospectively or retrospectively, subject to compliance with the rules set thereby.

- *IAS 28 (amended) "Investments in Associates and Joint Ventures" – regarding long term interests in associates and joint ventures (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).* The amendment clarifies that an entity applies IFRS 9 including its impairment requirements regarding investments in associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. A change in the intents and plans of the management are not regarded as evidence for a change in use.

Base for evaluation
The consolidated financial statements have been prepared on a historical cost basis.

Utilizing estimations

The presentation of the consolidated financial statements in accordance with IFRS requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, revenue and expenses and the disclosure of contingent assets and liabilities as of reporting date. These estimates, accruals and assumptions are based on the information, which is available at the date of the consolidated financial statements, and therefore, the future actual results might differ from them. The items presuming a higher level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the consolidated financial statements, are disclosed in Note 2.25.

2.2 Functional currency and reporting currency

The mother company and its Bulgarian subsidiaries keep their accounting records in Bulgarian Lev (BGN), which is adopted as their functional and reporting currency. The Bulgarian Lev is pegged to the euro under the Law on BNB at a rate BGN 1.95583 to EUR 1. The foreign subsidiary organises their bookkeeping and reporting in compliance with the requirements of the Romanian legislation. The functional currency of the Romanian subsidiary (DPD SA) is Romania Lei.

The reporting currency of the Group is Bulgarian lev. The data in the consolidated financial statements and the notes thereto are presented in thousand Bulgarian Levs (BGN'000), unless explicitly stated otherwise. The financial statements of the foreign subsidiary are translated from the local currency (RON) to Bulgarian Levs for the purposes of the consolidated financial statements according to the policy of the Company.

2.3 Definitions and consolidation principles

Parent company

This is a company that has control over one or more other companies, in which it has invested. Having control means that the investor is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

The parent company is Speedy JSC, Bulgaria (Note 1).

Subsidiary company

A subsidiary is a company, or another entity, that is controlled directly or indirectly by the parent company.

The subsidiary companies are presented in Note 1.2.

Consolidation principles

The consolidated financial statements include the financial statements of the parent company and the subsidiaries prepared as at 31 December, which is the end date of the Group's financial year. The 'economic entity' assumption has been applied in the consolidation whereas for the measurement of non-controlling interest in business combinations and other forms of acquisition of subsidiaries for which the 'proportionate share of net assets' method has been chosen.

For the purposes of consolidation, the financial statements of the subsidiaries have been prepared for the same reporting period as the parent company using uniform accounting policies.

Minority interest

It represents the share of the owners – third parties, outside the share of the parent company. They are reported separately in the consolidated statement of financial standing, consolidated statement of comprehensive income and consolidated statement of change in equity.

In the group there is no minority interest, as far as it owns 100% of its subsidiaries. Therefore, it does not report compiled financial information about its subsidiaries with non-controlling interest.

For the purposes of consolidation, the financial statements of the subsidiaries have been prepared for the same reporting period as the parent company using uniform accounting policies.

Consolidation of subsidiaries

The subsidiaries are consolidated as of the date at which the Group gained the control effectively and the consolidation is seized as of the date when it is considered that the control is lost and transferred outside the Group (ultimate beneficent ownership is not in the parent company).

In the consolidated financial statements, the financial statements of the included subsidiaries are consolidated under the 'full consolidation' method, line-by-line, by applying accounting policies that are uniform with regard to the significant reporting items. The investments of the parent company are eliminated against its share in the equity of the subsidiaries at the date of acquisition. Intra-group transactions and balances, including unrealised intra-group gains and losses, are eliminated in full. The effect of deferred taxes has been taken into account in these eliminating consolidation entries.

Acquisition of subsidiaries

The acquisition (purchase) method of accounting is used on the acquisition of a subsidiary (entity) by the Group in business combinations. The consideration transferred includes the fair value at the date of exchange of the assets transferred, the incurred or assumed liabilities and the equity instruments issued by the acquirer in exchange for the control over the target company. It includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related direct costs

are recognised as current expenses when incurred except for the issue costs of debt or equity instruments, which are recognised as equity components.

All identifiable assets acquired, liabilities and contingent (crystallised) liabilities assumed in the business combination are measured initially at their fair values at the date of exchange. Any excess of the aggregated consideration transferred (measured at fair value), amount of non-controlling interest in the target company and, in case of acquisition on stages, fair value of already owned equity participation in the target company, over acquired identifiable assets (incl. recognized of the business combination intangible assets), liabilities and contingent (crystallised) liabilities is considered and recognised as goodwill. If acquirer's share in the fair value of acquired net identifiable assets exceeds the cost of acquisition in the business combination, this excess is recognised immediately in the consolidated statement of comprehensive income of the Group in the item 'gains/ (losses) on acquisition/ (disposal) of subsidiaries'. Any non-controlling interest in a business combination is measured based on the method of the 'proportionate share in the net assets' of the target company. Up to now, in acquiring subsidiaries, the Group has not recognized minority interest, as far as all subsidiaries are 100% owned.

When a business combination for the acquisition of a subsidiary is achieved in stages, all previous investments held by the acquirer at the acquisition date are revalued to fair value and the effects of this revaluation are recognised in the current profit or loss of the Group, respectively in 'finance income' and 'finance costs' and all previously recorded effects in other comprehensive income are recycled.

Disposal of subsidiaries

On sale or other form of loss (transfer) of control over a subsidiary:

- The carrying amounts of the assets and liabilities (including any attributable goodwill) of the subsidiary are derecognised at the date when control is lost;
- The non-controlling interest in the subsidiary is derecognised at carrying amount in the consolidated statement of financial position at the loss of control date, including all components of other comprehensive income related thereto;
- The fair value of the consideration received from the transaction, event or operation that resulted in the loss of control is recognised;
- All components of equity, representing unrealised gains or losses in accordance with the respective IFRS under the provisions of which these components fall, are reclassified to 'profit or loss for the year' or are transferred directly to retained earnings;
- Any resulting difference as a 'gain or loss from a disposal (sale) of a subsidiary' attributable to the parent is recognised in the consolidated statement of comprehensive income.
- The remaining shares held that form investments in associates, joint ventures or available-for-sale investments are initially measured at fair value at the date of sale and subsequently – following the accounting policy adopted by the Group.

2.4 Comparable data

In these consolidated financial statements, the Group presents comparative information for one prior year. Where necessary, comparative data is reclassified (and restated) in order to achieve comparability in view of the current year presentation changes.

In 2017 the management of the parent company made changes in the form of financial statement in order to achieve better representation and disclosure of some indicators and its specifics. Hence, comparative data for 2017 are reclassified (where necessary restated) in line with the new format with the main including:

In the consolidate report of financial position:

- Presenting the advances paid for acquiring equipment and intangible assets, respectively in equipment and intangible assets instead of “Trade receivables”;
- Presenting the related parties transaction in the balance item reflecting their economic characteristic instead of separate item;
- Presenting payables to trustees as “Other current liabilities” instead of “Trade payables”;
- Presenting staff-related payables as a separate item instead of “Other current liabilities”;
- Combining bank loans and lease obligations in a single item “Interest-bearing liabilities”.

In the cash flow statement:

- Reclassifying payments for acquiring intangible assets.

2.5 Functional currency and recognition of exchange differences

The functional currency of the Group companies in Bulgaria being also presentation currency for the Group is the Bulgarian Lev. The Bulgarian Lev is fixed to the Euro, under the BNB Act, at the ratio BGN 1.95583: EUR 1.

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

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

Foreign exchange gains or losses arising on the settlement or recording of foreign currency commercial transactions at rates different from those at which they were converted on initial recognition, are recognised in the consolidated statement of comprehensive income (in annual profit or loss) in the period in which they arise and are presented net under 'other operating income/ (losses)' (in annual profit or loss).

The functional currency of DPD Romania is Romanian Lei and of the Geopost Bulgaria’s branch in Greece - euro. For the purposes of the consolidated financial statements, the financial statements of the subsidiaries abroad are restated from the functional currency of the respective subsidiary to the presentation currency (BGN) accepted for the consolidated financial statements, whereas:

a. all assets and liabilities are restated to the currency of the Group by applying the closing exchange rate of the local currency thereto as of reporting date of statement of financial standing;
b. all income and expenses are restated to the currency of the Group at average rate of the local currency thereto for the reporting period of statement of comprehensive income;
c. all exchange differences resulting from the restatements are recognised and presented as a separate component of equity in the consolidated statement of financial position – ‘foreign translation reserve' as well as an item in statement of comprehensive income, and

d. the exchange differences resulting from the restatement of the net investment in the companies abroad together with the loans and other currency instruments, accepted as hedge of these investments, are presented directly in equity.

On disposal (sale) of a foreign operation (company), the cumulative amount of exchange differences that have been directly stated as a separate component of equity, are recognised as part of the profit or loss in the consolidated statement of comprehensive income on the line 'gains/(losses) on acquisition and disposal of subsidiaries, net', obtained on disposal (sale).

Goodwill and adjustments to fair value arising on acquisition of a company abroad are treated analogously to the assets and liabilities of this company and are restated to the presentation currency at closing exchange rate.

2.6. Plant and equipment

The tangible assets are initially accounted for at their acquisition cost, which includes the purchase price, including customs duties and irrecoverable taxes, as well as all direct costs that are necessary for the rendering of the asset to its current state and location.

Property, plant and equipment of acquired subsidiaries are measured at fair value at the transaction (business combination) date which is accepted as acquisition price for consolidation purposes.

After their initial recognition, the FTA are accounted for at the acquisition cost, reduced by the accrued amortization and the potential impairment losses.

The Group has set a value threshold of BGN 700, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the time of their acquisition.

Subsequent costs

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

Depreciation and useful life

Depreciation of an asset begins when it is available for use. The amortization of the assets accrues by the straight-line method with a view to distribute the difference between the book value and the residual value over the useful life of the assets The useful life of the groups of assets is dependent on their physical wear and tear, the characteristics of the equipment, the future intentions for use and the expected obsolescence, as follows:

- machinery and equipment – 5-10 years;
- computers and mobile devices – 3-5 years;
- vehicles – 5-7 years;
- furniture and fixtures – 6, 7 years.

The useful life, set for any tangible fixed asset, is reviewed by the management of each company within the Group at the end of each reporting period and in case of any material deviation from the future expectations of their period of use, the latter is adjusted prospectively.

Impairment of assets

The carrying amounts of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might permanently differ from their recoverable amount. If any indications exist that the estimated recoverable amount of an asset is lower than its

carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of long-term assets is the higher of fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognised in the consolidated statement of comprehensive income (within profit or loss for the year).

Gains and losses on disposal (sale)

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

2.7. Intangible assets

Goodwill

Goodwill represents, residual value, the excess of the cost of an acquisition (the consideration given) over the fair value of Group's share in the net identifiable assets (incl. recognized intangible assets from business combination) of the acquired company at the date of acquisition (the business combination). Goodwill is initially measured in the consolidated financial statements at acquisition cost (cost) and subsequently – at cost less accumulated impairment losses. Goodwill is not amortised.

Goodwill arising on the acquisition of a subsidiary is presented in the consolidated statement of financial position in the group of 'intangible assets'.

The individually recognised goodwill on the acquisition of subsidiaries (entities) is mandatory tested for impairment at least once in a year. Impairment losses on goodwill are not subsequently reversed. Gains or losses on the sale (disposal) of a particular subsidiary (entity) of the Group include the carrying amount of the goodwill relating to the entity sold (disposed of).

On the realisation of a particular business combination, each recognised goodwill is allocated to a particular cash generating unit (subsidiary) and this unit is used for impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment losses on goodwill are presented in the consolidated statement of comprehensive income (within profit or loss for the year) in the item “depreciation costs”.

Other intangible assets

Intangible assets are stated in the consolidated financial statements at acquisition cost (historical value) less accumulated amortisation and any impairment losses in value. They are depreciated under straight-line method for a period between 5-16 years. The intangible assets include directly acquired and acquired through business combinations from acquisition of subsidiaries.

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

Intangible assets are derecognised from the consolidated statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net

under 'other operating income/ (losses), net' on the face of the consolidated statement of comprehensive income (in profit or loss for the year).

2.8. Inventories

The cost of the inventories includes their purchase or production costs, processing and other direct costs, associated with their delivery. At the end of every reporting period the inventories are accounted for at the lower of the acquisition cost and their net realizable value. The amount of every impairment is recognized as expense for the impairment's period.

The net realizable value is the evaluation of the sales price upon normal carrying out of the activity, reduced by the costs for finishing and sale.

The inventories are expensed using the "average weighted" method.

Upon the sale of inventories, their carrying value is recognized in cost of sales for the same period in which the respective revenue is recognized in the consolidated statement of comprehensive income. (in profit or loss for the year).

2.9. Trade and other receivables

Trade receivables are recognised in the consolidated financial statements and carried at fair value based on the original invoice amount (cost) less any allowance for uncollectable debts. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the receivables are initially valued at their fair value and subsequently – at amortised cost, after deducting the interest incorporated in their nominal value and determined following the effective interest method.

An estimate allowance for doubtful and bad debts is made when significant uncertainty exists as to the collectability of the full amount or a part of it. Bad debts are written-off when the legal grounds for this are available. Impairment of trade receivables is being accrued through a respective corresponding allowance account for each type of receivable in the item 'other expenses' on the face of the consolidated statement of comprehensive income (within profit or loss for the year).

The indicators of the presence of grounds for impairment are the following: substantial financial difficulties of a client, declaring of insolvency, delay in the payment or non-payment. The amount of impairment is the difference between the book and the recoverable value. The latter is the present value of the cash flows, discounted by the effective interest rate. The amount of the provision for impairment is recognized in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event that occurred after the impairment was recognized, the previously recognized impairment loss is recovered to the extent that the book value of the asset does not exceed its amortized cost at the date of recovery. The recovery of impairment loss is recognized in the consolidated statement of comprehensive income. (in profit or loss for the year).

2.10. Cash and cash equivalents

The cash and cash equivalents consist of money on bank accounts and other highly liquid short-term investments with an initial due date of 3 months or less

For the purposes of the cash flows statement:

- cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- interest on investment purpose loans received is reported as payments for financing activities while the interest on short-term loans financing operating activities is included in the operating activities;

- negative overdraft balances (financing working capital) are deducted (net) from Cash and cash equivalents
- VAT paid on fixed assets purchased from foreign suppliers is presented on the line 'taxes paid' while that paid on assets purchased from local suppliers is presented as 'cash paid to suppliers' in the cash flows from operating activities as far as it represents a part of the operating flows of the Group companies and is recovered therewith in the respective period (month);

2.11. Share capital and reserves

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

According to the requirements of the Commercial Act and the Articles of Association, the parent company is obliged to set aside a Reserve Fund (statutory reserve) by using the following sources:

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

The amounts in the Fund can only be used to cover

- Annual loss
- Losses from previous years
- When the statutory reserves exceed 1/10 of the registered capital, the excess could be used for capital increase.

Premium reserves include premiums received on the issuance of equity. Any transaction costs associated with the issuing of shares are deducted from the capital, net of taxes.

Retained earnings include the current financial result and the accumulated profit and the uncovered loss from previous years.

Distribution of dividends is recognized as liability in the financial statements, for the period in which it was approved by the owners.

The foreign translation gain / loss reserves from consolidation of foreign operations includes the conversion of the financial statements of the foreign companies from local currency to the reporting currency. This reserves are presented as a separate item of the equity in the consolidated statement of financial position and is recognized as part of the gain / loss in the consolidated statements of the comprehensive income in case of divestment of foreign operation (company).

2.12. Net earnings or losses per share

Net earnings or losses per share is calculated by dividing net profit or loss attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the period.
The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. This factor represents

the number of days that the shares are outstanding as a proportion of the total number of days in the period.
In case of a capitalisation, bonus issue or splitting, the number of the outstanding ordinary shares as at the date of such event, is adjusted as to reflect the proportional change in the number of outstanding ordinary shares as if the event has occurred in the beginning of the earliest presented period.
Diluted net earnings or losses per share are not calculated because no dilutive potential ordinary shares have been issued.

2.13. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or the normal business cycle is longer), otherwise they are presented as non-current liabilities.

Trade and other current amounts payable are booked at original invoice amount (acquisition cost), which is the fair value of the consideration to be paid in the future for goods and services received. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value and subsequently – at amortised cost, after deducting the interest incorporated in their nominal value and determined applying the effective interest method.

2.14. Interest-bearing loans and other financial resources received

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

Interest-bearing loans and other borrowings are classified as current ones unless (and for the relevant portion thereof) the company has unconditionally the right to settle its obligation within a term of more than 12 months after the end of the reporting period.

2.15. Leases

Finance lease
Lessee
Finance leases, which transfer to the Company a substantial part of all risks and rewards derived from ownership of the asset under finance lease, are recognised as assets in the consolidated statement of financial position of the lessee and are presented as plant and equipment at their immediate sale price or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between the financial expenses (interest) and the portion attributable of the lease liability (principal repayment) so as to achieve a constant interest rate on the remaining outstanding balance of the lease liability. Interest expense is included in the consolidated statement of comprehensive income (within profit or loss for the year) as financial costs (interest) based on the effective interest rate.
Assets acquired under finance lease are depreciated on the basis of their useful economic life.

Lessor

Finance lease, where a substantial portion of all risks and rewards derived from the ownership of the leased asset is transferred outside the company, is written out of the assets of the lessor and is presented in the consolidated statement of financial position as a receivable at an amount equal to the net investment in the lease. The net investment in the lease agreement represents the difference between the total amount of minimum lease payments under the finance lease agreement and the non-guaranteed residual value, accrued for the lessor and the unearned financial income. The difference between the carrying amount of the leased asset and the immediate (fair selling) value is recognised in the consolidated statement of comprehensive income (within profit or loss for the year) in the beginning of the lease term (when the asset is delivered) as income.
The recognition of the earned financial income as current interest income is based on the application of the effective interest rate method.

Operating lease
Lessee
Leases where the lessor keeps a substantial part of all risks and economic benefits derived from the ownership of the specific asset are classified as operating leases. Therefore, the asset is not included in the consolidated statement of financial position of the lessee.
Operating lease payments are recognised as expenses in the consolidated statement of comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term.

Lessor
Lessor continues to hold a significant part of all risks and rewards of ownership over the said asset. Therefore, the asset is still included in the composition of long-term assets while its depreciation for the period is included in the current expenses of the lessor.
Rental income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.16. Government grants
Government grants represent various forms of providing gratuitous resources by a government (local and central authorities and institutions) and/or intergovernmental agreements and organisations.

Government grants (from municipal, government and international institutions, including under the procedure of using the European funds and programmes) are initially recognised as deferred income (financing) when there is reasonable assurance that they will be received by the Group and that the latter has complied and complies with the associated thereto requirements.

A 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.

A 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 proportionately to the amount of the recognised depreciation charge.

2.17. Employees compensations

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

The employment and social security relations with workers and employees of the Group are based on the Labour Code and the provisions of the effective social security legislation for the companies operating in Bulgaria, on labour legislation for the company in Romania.

Short-term benefits

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

Long-term retirement benefits

Defined contribution plans
For Bulgaria
The major duty of the companies - employers in Bulgaria is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund, the Employee Receivables Guarantee Fund and for health insurance. The rates of the social security and health insurance contributions are defined annually in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC).

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

For company in Romania
The rates of the social security contributions in Romania are approved by the Social Security Budget, Tax Code (Law 227/2015). The social security contributions are being apportioned between an employer and employees at ratios regulated by the relevant local laws. As of 01.01.2018 with the fiscal reform, the split of social security payments is changed and the payments for social and pension fund totalling 35% are entirely due from employees. Liability for employer remains the payment of labour insurance in amount of 2.25%

There is no established and functioning private voluntary social security scheme within the Group.

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

Defined benefit plans
In accordance with the requirements of the Labour Code, the employers in Bulgaria is obliged to pay to its personnel upon retirement an indemnity, which depending on the length of service with the entity varies between two and six gross monthly salaries as at the termination date of the employment.

According to the Social Security Budget and Tax Code (Law 227/2015), in Romania the employer has no obligations to pay indemnity to the employee upon retirement.
In their nature these are unfunded defined benefit schemes.

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they are presented in the consolidated statement of financial position, and respectively, the change in their value – in the consolidated statement of comprehensive income as follows: (a) current and past service costs, interest costs and the gains/losses on a curtailment and settlements are recognised immediately when incurred and are presented in current profit or loss under 'employee benefits expense'; and (b) effects from re-measurement of obligations that in substance represent actuarial gains and losses are recognised immediately when occurred and are presented to other comprehensive income in the item 're-measurements of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

At the date of each consolidated financial statements, are assigned certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation, and using the interest rates of long-term government bonds of similar term, quoted in the respective country where the company itself operates.

Other long-term compensations

According to the Remuneration policy, approved with decision of the General meeting of shareholders from September 2013, the members of the Board of Directors of parent company have a right for variable performance based remuneration, based on financial and non-financial indicators, defined by Board of Directors. The maximum amount of the variable remuneration is voted by General meeting of shareholders while decision about fulfilment of the criteria is carried out: annually, based on audited annual financial statement of parent company (for financial indicators) and on the base of the achieved results on approved criteria (for non-financial indicators).

The distribution of variable remuneration, that members of the Board of Directors have right to, is carried out based on audited annual financial statement of parent company, where 40% of the amount is paid in arrears for 3 years period, starting from the date of the decision for distribution between members of the Board of Directors (proportionally on equal monthly instalments).

For the part of the remuneration that is scheduled for more than 12 months is measured at present value as pf reporting date and is presented in non-current liabilities in the statements of financial position, item “Long-term liabilities to the employees”

Termination benefits
In accordance with the local provisions of the employment and social security regulations of the Group companies, the employer is obliged, upon termination of the employment contracts prior to retirement, to pay certain types of indemnities.
The Group recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on a publicly announced plan, including for restructuring, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the consolidated statement of financial position at their present value.

2.18. Income tax

Current income taxes of the Bulgarian companies of the Group are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate in Bulgaria for 2017 is 10 % (2016: 10%).
The foreign subsidiary is taxed in accordance with the requirements of the respective local tax regulations in Romania at tax rate of 16% (31.12.2016: 16%).

Deferred income taxes are determined using the liability method on all temporary differences of each consolidated company existing at the consolidated financial statements date, between the carrying amounts of the assets and liabilities and their tax bases. To determine the deferred taxes are used the tax rates that are expected to be effective in their future realization.

The deferred tax liabilities are recognized for all temporary differences subject to taxation, unless it arises from initial recognition of an asset or liability in a transaction that at the time of execution does not affect neither accounting nor taxable profit or loss, except in case of business combination.

The deferred tax assets are recognized for all temporary differences that are deductible to the extent that there are probable future taxable profits against which the assets will be realized.

The book value of all deferred tax assets is reviewed at every reporting date and are reduced to the extent it is probable to reverse and to generate sufficiently large taxable income or recognized in the same period temporary differences, with which they can be deducted or set off.

Deferred tax assets of one company from the Group are presented net against deferred tax liabilities of the same company when the latter is the due debtor in the respective jurisdiction, then and only then, when the company has a legal right to pay and receive net payment of current tax liabilities and receivable regarding income tax.

As of 31.12.2017 the deferred income taxes of the companies in the group are calculated using a tax rate applicable for 2018, that is 10% for Bulgarian entities and for subsidiary in Romania it is 16%.

2.19. Provisions

Provisions are accounted for, where there occurs a present judicial, constructive or legal liability for the Group as a result of past events, when it is expected to incur outgoing cash flows for covering of the liabilities and when the amount of the liability can be estimated with reasonable accuracy. No provisions for future operating losses are recognized.

When there are several such liabilities, the likelihood of incurring outgoing cash flows for their payment is evaluated taking into account the whole class of liabilities.

The provisions are estimated at the present value of the costs, which are expected to be necessary for covering of the liabilities, using a discount factor before taxes, which reflects the current market level of the risks associated with the liability.

2.20. Financial instruments

Financial assets

The Group classifies its financial assets in the following categories: 'loans (credits) and receivables'. The classification depends on the nature and purpose (designation) of the financial assets at the date of their acquisition. The management of the parent company together with the management of the respective subsidiary determine the classification of the financial assets for the purposes of the Group at the date of their initial recognition in the statement of financial position.

The Group companies usually recognise their financial assets in the statement of financial position on the trade date - the date when they commit to purchase the respective financial assets. All financial assets are initially measured at their fair value plus the directly attributable transaction costs.
Financial assets are unrecognised from the company consolidated statement of financial position when the rights to receive cash from these assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity (person). If the Group retains substantially all risks and rewards associated with the ownership of a particular transferred financial asset, it continues to recognise the transferred asset in its consolidated statement of financial position but also recognises a collateralized liability (loan) for the consideration received.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are valued in the consolidated statement of financial position at their amortised cost using the effective interest method less any allowance for impairment. These assets are included in the group of current assets when having maturity up to 12 months or within a common operating cycle of the respective Group company while the remaining ones - as non-current assets.

This group of financial assets includes: trade receivables, other receivables from counterparts and third parties, cash and cash equivalents from the consolidated statement of financial position. Interest income on loans and receivables is recognised applying effective interest rate except for short-term receivables (due in less than three months) where the recognition of such interest would be unjustifiable as immaterial and in line with the common credit terms. It is presented in the consolidated statement of comprehensive income (within profit or loss for the year) under the item 'finance income'.

At the end of each reporting period, the company assess whether events and circumstances have occurred that indicate the existence of objective evidence necessitating loans and receivables to be impaired

Financial liabilities and equity instruments
The Group classifies debt and equity instruments either as financial liabilities or as equity depending on the substance and the conditions of the contractual arrangements with the respective counterpart regarding these instruments

Financial liabilities
The financial liabilities include loans, account payables and other counterparts. They are initially recognised in the consolidated statement of financial position at fair value net of the directly attributable transaction costs and subsequently, at amortised cost using the effective interest method.

2.21. Revenues
Revenue in the Group is recognised on accrual basis and to the extent it is feasible the economic benefits to flow to the Group and the amount of revenue can be reliably estimated.

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

Before recognizing revenue, the following specific recognition criteria also shall be satisfied:

Sale of materials and goods
Upon sale of goods, revenue is recognised when all significant risks and rewards of ownership have passed to the buyer that is commonly the time of launching the delivery.

Rendering services

Upon rendering of services, revenue is recognised based on stage of completion of the transaction as of the reporting data. In case the benefits of the transaction cannot be reliably measured, the revenue is recognized to the extend costs incurred are recoverable.

Financial income
Financial income is presented separately on the face of the consolidated statement of comprehensive income (in the annual income or loss) and comprises of: interest income on term deposits. Interest income is recognized at the time of the accrual of the interest (using effective interest rate method), i.e. the interest rate at which the expected future cash flows over the lifetime of the instrument are discounted to the book value of financial asset).

2.22. Expenses
Expenses are recognised in the Group when they are incurred based on the accrual and matching concepts and to the extent that this would not lead to recognition of an asset or liability not satisfying the definitions for assets and liabilities in the Framework and IFRS themselves.

Prepaid expenses
Prepaid expenses are deferred to be recognized as a current cost in the period when the contracts, whereto they refer, are performed.

Financial expenses
Financial expenses are presented separately on the face of the consolidated statement of comprehensive income (in the annual income or loss) and comprises of: interest expenses under loans received, bank fees and charges on loans and guarantees, net foreign exchange loss from revaluation of loans in foreign cu.

2.23. Fair value measurement

IFRS 13 is applied when another IFRS requires or allows fair price estimate or dissemination of fair price measurement of financial instruments as well as non-financial items. The Standard is not applicable to shares related payments under the scope of IFRS 2 “Payments based on shares”, lease operations under the scope of IFRS 17 “Leases”, as well as regarding valuations that share some similarities with fair value measurement but are not such – like valuation based on net realizable value in IAS 2 “Inventories” or useful value in IAS #^ “Impairment of assets”.

IFRS 13 define fair value as an asset sale price or a transfer of liability in the normal course of business between market participants on core (or most favourable) market and under prevailing market conditions at valuation date. The fair value according to IFRS 13 is the announced price notwithstanding whether this price is immediately accessible for observation or is an approximate estimate using other valuation technic.

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

In measuring the fair value of non-financial assets the starting point is always the assumption what would be the best and most efficient use of the particular asset for the market participants.
The Group applies various valuation techniques that would be relevant to the specific features of the respective conditions and for which it has sufficient available inputs while trying to use the publicly available information, and respectively, to minimize the use of unobservable information. It uses the three acceptable approaches – the market approach, the income approach and the cost approach -

whereas consider the relevance of applying each of the methods, and respectively, valuation technic and model, depending on characteristics of the transaction and valuation target.

Centralized, in the parent company are organized and executed all procedures for fair value measurement of various assets and liabilities. Purposely, the group has a specially designated person that organized the whole valuation process with a position “Head of financial sector “Analyses and management reporting”

2.24. Segment reporting

Reporting segment represents identifiable part of the group, that undertake business activities out of which is able to generate proceeds and to incur expenses (including proceeds and payments related to activities with other parts of the group), whose operating results are regularly monitored from the management, responsible for key operating decisions, decision making regarding resources that are subject to distribution to the segment and evaluating the operating results and for which is available separate financial information

The group has identified only one reporting segment – courier services, because of homogeneous characteristics of its activity as well as internal interconnection of the activities of each subsidiary united and operating within the group. Additionally, certain KPIs on regional base are monitored.

2.25. Important assumptions in applying the company accounting policy. Key approximate estimates and assumptions of high uncertainty.

Valuation and capitalization of intangible assets

The group currently develops new modules and makes changes in the support of existing functionalities of its IT system. The upgrading process itself includes performing a number of specific tasks from IT professionals. The process of accounting judgment which and what part of costs for IT system incurred fulfil the requirements for “upgrade” and shall be capitalized and which virtually are “support” and shall be expensed on a current basis, is based on management judgment. There participate IT and accounting specialists that perform assessment on a regular base regarding the type, scope, substance, aims, time horizon of utilization and benefits of the end product, etc. These assessments are based on professional analysis of the complied information for invested workhours and the characteristics of the work, assumptions regarding attribution of the separate activities and modules.

Lease

According to criteria of IAS 17 Lease, the management of respective companies in the Group have classified the leasing contracts of machines, equipment and vehicles as finance lease. In some cases, the lease transaction is complex and the management evaluate the priority criteria and the substance of the deal in order to define whether the contract is a finance lease where all substantial risks and benefits derived from the ownership of the assets are transferred to the lease.

Impairment of goodwill

The Group's management has made the necessary procedures to perform an impairment test of the recognized goodwill of the acquisition of the subsidiaries Geopost Bulgaria EOOD and Dynamic Parcel Distribution S.A., Romania. For this purpose, it is assumed that each individual company is a "cash-flow generating unit". The basis for estimation of the cash flows (before taxes) are the financial budgets developed by the respective company management and the Group as a whole, covering a period of three to five years, and other medium and long-term plans and intentions for the development and

restructuring of the activities within the Group The key assumptions used in the calculations are set specifically for each company, principal of the goodwill, treated as a separate entity generating cash flows, and according to its specific operations, business environment and risks The tests and assumptions of the management of the Group for recognized goodwill impairment are made through the prism of its forecasts and intentions about future economic benefits that the Group expects to receive from the subsidiaries, incl. by using their internally-established brands, commercial and business experience and the generated and expected revenues, securing positions on the Bulgarian and foreign markets (development and retention), expectations for future sales and restructuring activities, etc. The recoverable amount of each cash flow generating unit is determined on the basis of "value in use".

As a result of the calculations, as of 31.12.2017 г. the need for recognition of impairment of goodwill recognized for Geopost Bulgaria EOOD and Dynamic Parcel Distribution S.A., Romania, has not been identified.

Impairment of receivables

The approximate estimate of losses from doubtful and non-collectable receivables is made as of each reporting date. Receivables where has been encountered difficulties with their collection are subject to review to determine the amount that is feasible collectable and the remaining part up to the book value of the particular receivable is recognized in the consolidated report of comprehensive income as a write down.

Payment in arrears in excess of 90 days is considered as an indication for impairment. Accounts payables consist of large number of small amounts. The Group has adopted the following policy to determine the approximate estimate of losses from doubtful receivables: delay above 80 days – 25% write down; over 180 days – 50% and over 365 days – 100%

Actuarial calculations

In calculating the present value of long-term retirement liabilities to the employees are used calculations of certified actuaries based on assumptions regarding mortality, staff turnover, expected remuneration level and discount factors.

3. PLANT AND EQUIPMENT

	Plant and equipment	Vehicles	Computers	Facilities and other assets	Investments in rented assets	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
31 December 2016						
Book value, beginning of the period	**1,250**	**18,689**	**2,081**	**1,726**	**2,285**	**26,031**
FX revaluation	(23)	(237)	(4)	(3)	(8)	(275)
Acquired	4,216	6,010	953	3,943	1,247	16,369
Written-off	(158)	(2,837)	(69)	(443)	-	(3,507)
Depreciation	(638)	(5,659)	(753)	(395)	(565)	(8,010)
FX revaluation on depreciation	7	235	4	-	-	246
Written-off depreciation	158	2,290	69	443	4	2,964
Book value, end of the period	**4,812**	**18,491**	**2,281**	**5,271**	**2,963**	**33,818**
31 December 2016						
Initial value	**8,219**	**37,181**	**8,653**	**6,591**	**5,264**	**65,908**
Accumulated depreciation	(3,407)	(18,690)	(6,372)	(1,320)	(2,301)	(32,090)
Book value	**4,812**	**18,491**	**2,281**	**5,271**	**2,963**	**33,818**
31 December 2017						
Book value, beginning of period	**4,812**	**18,491**	**2,281**	**5,271**	**2,963**	**33,818**
FX revaluation	(77)	(81)	(68)	(28)	(35)	(289)
Acquired	410	5,418	1,004	2,547	866	10,245
Transfer	(608)	-	820	(212)	-	-
Written-off	(198)	(2,216)	(2,282)	(9)	-	(4,705)
Depreciation	(1,024)	(6,107)	(875)	(520)	(677)	(9,203)
Transfer depreciation	695	-	(638)	(57)	-	-
Written-off depreciation	198	1,998	2,278	5	-	4,479
FX revaluation of depreciation	29	40	49	1	4	123
Book value, end of the period	**4,237**	**17,543**	**2,569**	**6,998**	**3,121**	**34,468**
31 December 2017						
Initial value	**7,746**	**40, 302**	**8,127**	**8,889**	**6,095**	**71,159**
Accumulated depreciation	(3,509)	(22,759)	(5,558)	(1,891)	(2,974)	(36,691)
Book value	**4,237**	**17,543**	**2,569**	**6,998**	**3,121**	**34,468**

Facilities and other assets:	**31.12.2017** BGN'000	**31.12.2016** BGN'000
Automatic post stations	1,713	641
Facilities and other long-term assets	2,264	2,384
Assets under construction, incl.	3,021	2,246
Automatic post stations	*2,370*	*1,866*
Advances paid	*301*	*69*
Equipment	*249*	*7*
Computers and technical equipment	*101*	*304*
Total	**6,998**	**5,271**

As of 31 December the value of plant and equipment includes:

- technical equipment with book value amounting BGN 364 thousand (31.12.2016: BGN 556 thousand), bought under contract for financing under Operating Programme "Development of the Competitiveness of the Bulgarian Economy" 2007-2013. (Note 12);
- equipment with book value amounting BGN 109 thousand (31.12.2016: none), bought under contract for financing under Operating Programme "Human Resources Development" 2014-2020. (Note 12);

Finance lease
As of 31.12.2017 assets with book value BGN 13 666 thousand were acquired under financial lease contracts (31.12.2016: BGN 16 779 thousand) and consist of:

	31.12.2017	31.12.2016
	BGN’000	BGN’000
Vehicles	12,346	14,401
Equipment	1,320	2,378
	13,666	**16,779**

Other data
The initial value of long-term assets that are in operation and fully depreciated as of 31.12.2017 are in amount BGN 11 210 thousand (31.12.2016: BGN 10,971 thousand).
As of 31.12.2017 a pledge of equipment with book value BGN 877 thousand (31.12.2016 г.: 2,232 thousand) was established in relation to obtained bank loans (Note 11).

4. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill and rights from business combinations	Software	Cost of acquired assets	Total
	BGN’000	BGN’000	BGN’000	BGN’000
31 December 2016				
Book value at the beginning of the year	19,734	3,454	720	23,908
FX revaluation	(306)	(4)	-	(310)
Acquired	-	394	373	767
Transfer	-	178	(178)	-
Written-off	-	(109)	-	(109)
Depreciation	(539)	(795)	-	(1,334)
FX revaluations of depreciation	13	3	-	16
Book value at the end of the year	**18,902**	**3,121**	**915**	**22,938**
31 December 2016				
Initial value	20,020	7,911	915	28,846
Accumulated depreciation	(1,118)	(4,790)	-	(5,908)
Book value	**18,902**	**3,121**	**915**	**22,938**
31 December 2017				
Book value at the beginning of the year	**18,902**	**3,121**	**915**	**22,938**
FX revaluation	(328)	(70)	-	(398)
Acquired	-	1,015	296	1,311
Transfer	-	289	(289)	-
Depreciation	(534)	(939)		(1,473)
FX revaluations of depreciation	28	32	-	60

Book value at the end of the year	**18,068**	**3,448**	**922**	**22,438**
31 December 2017				
Initial value	19,692	9,145	922	29,759
Accumulated depreciation	(1,624)	(5,697)	-	(7,321)
Book value	**18,068**	**3,448**	**922**	**22,438**

As of 31 December the value of intangible assets includes software with book value in amount of BGN 979 thousand (31.12.2016: BGN 1 396 thousand) bought under contract for financing under Operating Programme "Development of the Competitiveness of the Bulgarian Economy" 2007-2013 (Note 12).

The intangible assets in a process of acquisition as of 31 December include advances paid for development of new online module customer service and BI management system in amount of 626 thousand (31.12.2016: 626 thousand), expenses for implementation of operating software for management of courier activities in Romanian subsidiary. In amount of 218 thousand (31.12.2016: none) and costs for developing of additional applications and modules to the software for management of the courier activity in amount of BGN 78 thousand (31.12.2016: BGN 289 thousand).

The initial value of intangible assets in operation that are fully depreciated as of 31.12.2017 are in amount of BGN 3,104 thousand (31.12.2016: BGN 3 003 thousand).

Goodwill recognized in the statement of financial position as of 31.12.2017 in the amount of BGN 11,267 thousand (31.12.2016: BGN 11 440 thousand) represents the residual value of the cost of acquisition (the reward) over the fair value of the Group's share in net identifiable assets of Geopost Bulgaria EOOD (BGN 4,466 thousand) and Dynamic Parcel Distribution S.A., Romania (BGN 6,801 thousand (31.12.2016 г.: respectively 4,466 thousand and 6,974 thousand) (including additionally recognized intangible assets from business combinations) at the date of their acquisition (Note 2.3). The fair value of the differentiable assets and liabilities from business combinations made from the Group are defined internally by the Management including the identification and valuation of newly recognized intangible assets from the respective business combination. They are defined as “acquired rights” and include acquired with the business combination exclusive contracts with third parties, licenses and distribution network. Their book value as of 31.12.2017 is BGN 6 801 thousand (BGN 7,462 thousand as of 31.12.2016).

As of December 31 the Group has reviewed its goodwill and intangible assets, including one from business combinations, where it was found no events or changes in circumstances on the basis of which it is assumed that their carrying amount may exceed their recoverable value (Note 2.25).

5. DEFERRED TAX ASSETS AND LIABILITIES

Deferred income taxes on profit are attributable to the following balance sheet items

	Temporary difference	*Tax*	*Temporary difference*	*Tax*
	31.12.2017	*31.12.2017*	*31.12.2016*	*31.12.2016*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Deferred tax liabilities				
Intangible assets related to business combinations	(6,801)	(963)	(7,462)	(1,060)
Deferred tax liabilities	**(6,801)**	**(963)**	**(7,462)**	**(1,060)**
Equipment	(34)	(3)	(66)	(6)
Deferred income of natural persons, incl. unused days off	1,803	180	1,104	110
Write down of receivables	815	82	930	93

Long-term payables to employees for retirement	63	6	43	4
Deferred tax assets	**2,647**	**265**	**2,011**	**201**
Deferred tax liabilities and assets, net	**(4,154)**	**(698)**	**(5,451)**	**(859)**

Changes in deferred tax assets and liabilities is presented below

	As of 1 January 2017	*Recognized in current profit*	*Foreign translation*	*As of 31 December 2017 г.*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Intangible assets related to business combinations	(1,060)	77	20	(963)
Deferred tax liabilities	**(1,060)**	**77**	**20**	**(963)**
Equipment	(6)	3	-	(3)
Deferred income of natural persons, incl. unused days off	110	70	-	180
Write down of receivables	93	(11)	-	82
Long-term payables to employees for retirement	4	2	-	6
Deferred tax assets	**201**	**64**	**-**	**265**
Deferred tax liabilities and assets, net	**(859)**	**141**	**20**	**(698)**

	As of 1 January 2016	*Recognized in current profit*	*Foreign translation*	*As of 31 December 2016*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Intangible assets related to business combinations	(1,244)	163	21	(1,060)
Deferred tax liabilities	**(1,244)**	**163**	**21**	**(1,060)**
Equipment	10	(16)	-	(6)
Deferred income of natural persons, incl. unused days off	100	10	-	110
Write down of receivables	82	11	-	93
Long-term payables to employees for retirement	-	4	-	4
Deferred tax assets	**192**	**9**	**-**	**201**
Deferred tax liabilities and assets, net	**(1,052)**	**172**	**21**	**(859)**

In recognizing deferred tax assets is taken into account the probability each item to reverse in future and the ability of the companies in the group to generated sufficient profit.

6. INVENTORIES

	31.12.2017	**31.12.2016**
	BGN'000	**BGN'000**
Materials	264	422
Fuel	108	159
Goods	45	32
Total	**417**	**613**

7. TRADE RECEIVABLES

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Receivables from customers	21,265	21,240
Write-down	(1,549)	(1,451)
Receivables from customers, net	**19,716**	**19,789**
Incl. from related parties	***371***	***330***

The receivables from customers include accrued amount of BGN 7 181 thousand (31.12.2015: BGN 6,601 thousand) representing receivables for services rendered in December, invoiced in January the following year.

Usually, the Group companies agree with the customers a certain term for sale-related payments within 7 to 40 days.

The Group has determined credit period of 90 days, during which it does not accrue interests on the customers. Delay after this period is adopted as indicator for write-down.

The managements of the Group companies judge the collectability by analysing the receivables' days in arrears and make a decision about its impairment.

The term structure of performing trade receivables is as follows:

	31.12.2017	31.12.2016
	BGN'000	BGN'000
up to 30 days	11,740	9,289
from 31 up to 60 days	1,982	4,710
Total	**13,722**	**13,999**

The term structure of past due but not impaired trade receivables is as follows:

	31.12.2017	31.12.2016
	BGN'000	BGN'000
up to 30 days	3,177	3,518
from 31 up to 90 days	1,822	1,356
from 90 up to 180 days	535	300
from 181 up to 365 days	88	122
over 365 days	163	212
Total	**5,785**	**5,508**

The receivables of the company are written-down according to the impairment policy above described. Unwritten-down receivables with arrears over 365 days represent receivables from long-term partners of the company with long-lasting regular business relations.

The term structure of impaired past due trade receivables is as follows:

	31.12.2017	31.12.2016
	BGN'000	BGN'000
from 90 up to 180 days	136	163
from 181 up to 365 days	295	290
over 365 days	1,327	1,280
Write-downs	(1,549)	(1,451)
Total	**209**	**282**

The change in impairment reserves is as follows:	2017	2016
	BGN'000	BGN'000
Beginning of the year	**1,451**	**1,184**
Impairment booked	468	1,051
Reversed impairment	(167)	(557)
Revaluation of foreign activity	(18)	(11)
Written off impairment	(185)	(216)
End of the year	**1,549**	**1,451**

8. OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses includes:

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Long-term receivables	213	208
Short-term receivables and prepaid expenses	3,538	2,922
Total	**3,751**	**3,130**

As "Long-term receivables" as of 31.12.2017 are presented deposits paid under long-term agreement (operating leases) for rent of real estates.

Short-term receivables and prepaid expenses includes:

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Prepaid expenses	1,376	950
Deposits made	770	914
Incl. related parties (Note 27)	*17*	-
From trustees	601	60
Under agreed financing	298	-
Tax receivables	284	489
Payments on behalf of third parties	159	-
Advances paid	19	438
Incl. related parties (Note 27)	-	*69*
Other receivables	31	71
Total	**3,538**	**2,922**

Prepaid expenses include payments for insurances on property and parcels in amount of BGN 957k (31.12.2016 г.: BGN 950k), maintenance subscription in amount of BGN 360k (31.12.2016 г.: none) and other BGN 59k (31.12.2016 г.: none).

Deposits made as of 31 December are under contracts for rent of offices and premises.

Receivables from trustees as of 31 December include BGN 353k collected from subcontractors cash-on-delivery related with international services (31.12.2016: none) and BGN 248k receivables arising from wire payments from clients with bank cards (31.12.2016: 60k).

Receivables of financing from government are under contract for non-refundable financial grant under Operating Programme "Human Resources Development" 2014-2020, procedure “Good and safe work conditions”. The project is completed in November 2017 and the grant is received in March 2018 (Note 12)

Refundable taxes include:

	31.12.2017	31.12.2016
	BGN’000	BGN’000
VAT	259	420
Corporate tax	25	69
Total	**284**	**489**

9. CASH AND CASH EQUIVALENTS

	31.12.2017	31.12.2016
	BGN’000	BGN’000
Cash in bank accounts	7,929	8,178
Cash in safety vault	4,571	2,645
Cash in hand	163	238
Food vouchers	-	6
Total	**12,663**	**11,067**

The cash is denominated in:

	31.12.2017	31.12.2016
	BGN’000	BGN’000
BGN	8,538	6,982
RON	2,369	3,017
EUR	1,072	1,005
HUF	625	-
USD	59	63
Total	**12,663**	**11,067**

As a collateral on bank loan from mother company (Note 11) is pledged under Law on Financial Pledges Contracts all existing and future receivables of mother company and its subsidiaries – co-debtors, on all their accounts in the bank-creditor. As of 31 December 2017 cash in respective accounts is in amount of BGN 3 374 thousand

10. EQUITY

10.1 REGISTERED CAPITAL

As of 31.12.2017 the registered capital of the parent Company consists of 5 377 619 ordinary shares with par value of BGN 1. All shares give right of dividend, liquidation share, as well as a voting right at the General meeting of shareholders of the Company.

	2017	2016
	# shares	**# shares**
Number of issued and fully paid shares:		
Beginning of the year	5,335,919	5,335,919
Number of issued and fully paid shares	41,700	-
Total number of shares outstanding	**5,377,619**	**5,335,919**

The list of main shareholders is as follows:

	31.12.2017		31.12.2016	
	Number of shares	**%**	**Number of shares**	**%**
Speedy Group AD	3,500,367	65.09%	3,544,367	66.42%
GeoPost SA, France	1,333,979	24.81%	1,333,979	25.00%
Other individuals and legal entities	543,273	10.10%	457,573	8.58%
Total	**5,377,619**	**100.00%**	**5,335,919**	**100.00%**

On 03.07.2017 is registered increase of the share capital of the parent company from BGN 5 335 919 to 5 377 619 by issuance of 41 700 new ordinary, personal, dematerialized shares each with one voting right, par value of BGN 1 and issue price BGN 1. The capital increase is under art. 112 (3) of LPOS. The decision for the capital increase is voted on General Meeting of Shareholders of parent company on 14.12.2016, with subscription right only person that as of the date of the decision are members of the BoD (only non-executive members, that receive remuneration for its engagement) and /or employees of the parent company, covering certain cumulative criteria, incl. position within top three level in organization structure, at least 3 years experience in the company and participation in a key projects of the company.

10.2 RESERVES

	31.12.2017	31.12.2016
	BGN'000	**BGN'000**
Premium reserves	19,565	19,565
Statutory reserves	538	534
Foreign translation reserves	(762)	(361)
Total	**19,341**	**19,738**

The share premium of the Group comes up to BGN 19,565 thousand. It is accumulated by the proceeds, obtained in addition to the par value of the shares issued in 2014 with issue value per share to the amount of BGN 23

The statutory reserves are formed from setting aside of 10% of the net profit in accordance with the requirements of the Commercial Act and decision of the General Meeting of the shareholders of the Parent Company. According to the legal requirements, statutory reserves shall reach at least 10% of the registered capital. These reserves are not distributable.

Foreign translation reserves from currency revaluation of foreign activities in amount of BGN 762 (negative value) (31.12.2016: BGN 361k – negative value) are formed from exchange rates differences as a result of translation of financial reports of foreign subsidiaries from local reporting currency to Group's reporting currency (Note 2.2).

10.3 RETAINED EARNINGS

Changes in retained earnings are as follows:	*2016*	*2015*
	BGN '000	*BGN '000*
As of 1st January	**19,655**	**18,769**
Net profit for the year	7,171	6,951
Dividends distributed	(6,030)	(6,029)
Actuary losses from revaluations, net of taxes	4	(13)
Profit distributed to the reserves	(4)	-
Other change	-	(23)
As of 31 December	**20,796**	**19,655**
Retained earning	***13,625***	***12,704***
Current profit	***7,171***	***6,951***

11. INTEREST BEARING LIABILITIES

As of 31 December interest bearing liabilities include:

	31.12.2017	**31.12.2016**
	BGN'000	**BGN'000**
Financial leases	13,277	14,503
Long-term bank loans	8,932	8,883
Total	**22,209**	**23,386**
Non-current part	***13,652***	***15,823***
Current part	***8,557***	***7,563***

11.1 FINANCIAL LEASES

Under a financial lease agreement, the Group has acquired machines, computers, vehicles and equipment.

As of 31 December 2017, the payables of the Group under financial lease agreements are following:

	31.12.2017	**31.12.2016**
	BGN'000	**BGN'000**
Payables under financial lease agreements		

• Long-term part		7,732	8,861
• Short-term part		5,545	5,642
	Total	**13,277**	**14,503**

The lease agreements consist of fixed lease payments and purchase option at the end of the lease term.

11. BANKS LOANS

As of 31 December 2017 bank loans are as follows

		31.12.2017	**31.12.2016**
		BGN'000	**BGN'000**
Long-term part		5,920	6,985
Short-term part:		3,012	1,898
- *Principal*		*3,004*	*1,891*
- *Interest*		*8*	*7*
	Total	**8,932**	**8,883**

The loan terms are as follows

Investment loan 1, date of contract 27.11.2014
- initial principle – BGN 705k;
- maturity 27.02.2018;
- collateral: pledge on fixed assets (Note 3), receivables from the contract for financing with Ministry of Economy (Note 11) and pledge under LFCP.
- Amount outstanding as of 31.12.2017: BGN 39 k principle
- Amount outstanding as of 31.12.2016: BGN 274 k principle

Investment loan 2 date of contract 21.11.2014
- initial principle, tranche I – BGN 5,000 k;
- maturity 21.11.2019;
- initial principle, tranche II – BGN 5,867 k;
- maturity 21.11.2020
- collateral: pledge on commercial enterprises – Geopost Bulgaria EOOD (Note 1), DPD Romania SA (Note 1), pledge on future receivables from loan from Speedy JSC and DPD Romania and pledge under LFCP (Note 9)
- Amount outstanding as of 31.12.2017: BGN 5,167k: principle BGN 5,164k, and BGN 3 k interest
- Amount outstanding as of 31.12.2016: BGN 7,065k: principle BGN 7,060, and BGN 5 k interest

Investment loan 3 date of contract 24.03.2016
- initial principle – BGN 1,623k (EUR 830 k);
- maturity 24.09.2021;
- collateral: pledge on fixed assets (sorting line) (Note 1), pledge on existing and future receivables from existing and future current bank accounts of parent company (Note 9)
- Amount outstanding as of 31.12.2017: BGN 1,220 k: principle BGN 1,218 and BGN 2k interest (EUR 623 k principle and 1 k interest)
- Amount outstanding as of 31.12.2016: BGN 1,544 k BGN 1,542 k principle and BGN 2k interest (EUR 789 k principle and 1 k interest)

Investment loan 4 date of contract 08.06.2017
- initial principle – BGN 2 503k (EUR 1 280 k);

- maturity 08.06.2022;
- collateral: pledge on commercial enterprises – Geopost Bulgaria EOOD (Note 1), DPD Romania SA (Note 1), pledge on future receivables from loan from Speedy JSC and DPD Romania (Note 29) and pledge under LFCP (Note 9)
- Amount outstanding as of 31.12.2017: BGN 2 506 k: principle BGN 2 503 and BGN 3k interest (EUR 1 281 k principle and 1 k interest)
- Amount outstanding as of 31.12.2016: none

To manage its liquidity needs are contracted bank overdrafts under which as of 31 December there are no outstanding balances:
Overdraft 1 date of contract 18.12.2008
- initial principle - BGN 2 000 k,
- maturity 30.01.2019;
- collateral: pledge under LFCP

Overdraft 2 date of contract 08.06.2017
- initial principle - BGN 300 k,
- maturity 30.10.2018;
- collateral: pledge under LFCP

The negotiated interest rates on borrowings are between 1M-EURIBOR+1,60% to 3M SOFIBOR + 2,9%.
Co-debtor of investment credit 1 is parent company, and of investment credits 2, 4 and overdraft 2 – two of the subsidiaries.

12. GOVERNMENT GRANTS

The parent company made a contract on 03.12.2013 with the Ministry of Economy for financing of project “Introducing innovative process for organization and management of logistic services and delivery of technological infrastructure and terminals for allowing access to the platform by employees, partners and client of Speedy JSC” from Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007-2013. The project is completed on 21.06.2015. The project includes purchase of hardware, software, engineering technical consultancy services in total amount of BGN 4,084 k. The financing received is 50% of total investment, or BGN 2,042 k (Note 3 and 4).

The parent company signed a contract on 05.06.2017 with Ministry of Labour and Social Policy for financing under operating program “Human resources development 2014-2020”. The project finances the current expenses and purchase of machines and equipment for providing better and safer labour environment and improvement the quality of working places with total amount of BGN 373 thousand. The financing covers 80% of total project costs – BGN 299 thousand. The project is completed 05.11.2017. The final verification of expenses by government body is in March 2018 (Note 3)

As of 31 December financing received are as follows:

	31.12.2017	31.12.2016
	BGN’000	BGN’000
Long-term part	439	671
Short-term part	320	305
Total	**759**	**976**

The short-term part of financing will be recognized as income within the 12 months of the date of individual statement of financial position and is presented as current liabilities.

13. LONG-TERM LIABILITIES TO EMPOYEES

As of 31 December the long-term liabilities to employees include:

	31.12.2017	31.12.2016
	BGN'000	BGN'000
BoD remuneration, due after over 12 months (Note 28)	85	45
Payables to employees upon retirement	72	56
Total	**157**	**101**

Liabilities to employees for retirement include present value of group's liabilities for payment of indemnity to retiring employees as of 31.12.2017.

According to the Bulgarian Labour Code, each employee has indemnity rights in amount of two gross salaries when retire and if he has worked for the same employer for the last 10 years, the indemnity amounts to six gross salaries when retire. It is defined benefits plan.

In order to identify its long-term liabilities to the employees, the parent company has made actuarial assessment using the services of certified actuary

The change in the present value of liabilities to the employees is as follows.

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Present value of liabilities, 01 January	**56**	**-**
Costs of current employment	20	18
Interest expenses	1	1
Cost of employments for past periods	-	26
Payments for the year	(1)	(2)
Effects from subsequent estimates for the year, incl.	(4)	13
Actuarial loss from changes in financial assumptions	*4*	*2*
Actuarial loss from changes due to past experience	*(8)*	*11*
Present value of liabilities, 31 December	**72**	**56**

The accrued amount of long-term employees' income for retirement in the statement of comprehensive income includes:

	2017	2016
	BGN'000	BGN'000
Costs of current employment	20	18
Interest expenses	1	1
Cost of employments for past periods	-	26
Costs of define benefit plans recognized in profit and loss (Note 22)	**21**	**45**

2017	2016
BGN'000	BGN'000

Effects from subsequent estimates of liabilities to the employees for retirement, incl.:	**-4**	**13**
Actuarial loss from changes in financial assumptions	*4*	*2*
Actuarial loss from changes due to past experience	*(8)*	*11*
Costs of define benefit plans recognized in other components of comprehensive income	**(4)**	**13**
Total	**17**	**58**

In estimating the present value as of 31.12.2017 are made the following actuarial assumptions:

- mortality – from mortality table of NSI for overall mortality of the population of Bulgaria for 2014 – 2016;
- turnover level of the employee – the probability of resignation or layoffs with normal distribution NORMDIST (period to retirement; 13; 5; 1). This probability is applied to the existing payroll structure based on distribution of the employees by gender and age at the time of estimate;
- discount factor – applied factor is based on effective annual interest rate i=2% (2016: i=2.5%). It is based on the yield of long-term government bonds (10-year maturity)
- the assumption about expected future employees compensations is based on information provided from the company management and is 5% annual growth from 2017 to 2018 - 5% thereafter (2016: 5%)

This defined benefit plan expose of the company to the following risks: investment, interest, longevity related risk and risk from rising compensation costs. The company's management assess them as follows:

- investment risk – as long as it is unfunded plan, the parent company shall monitor and regularly to balance future payments with providing sufficient financial resources. The past experience, as well as the liability structure, show that the expected annual payments are insignificant relative to regular level of liquidity funds.
- interest rate risk – the decrease of the government bonds yield with similar maturity result in increase of the pension plan liability;
- longevity related risk - the present value of the liability to employees for retirement is calculated based on best estimate and current information about mortality of the plan participants. Increased longevity will result in potentially higher liabilities. In the last years, this indicator is relatively stable; and
- risk from rising compensation costs - the present value of the liability to employees for retirement is calculated the best estimate for expected growth of compensation costs of the plan participants. Such increase will result in potentially higher liabilities.

Sensitivity analysis of base actuarial assumptions are based on potential changes in each assumption at the end of reporting period with other assumptions being equal.

Effects of change (up and down) with 1% of compensation costs, discount factor and employees turnover on liabilities related with defined benefits for retirement as of 31.12.2017 is as follow:

	Increase	***Decrease***
	BGN '000	*BGN '000*
Change in compensation costs	5	(5)
Change in discount factor	(8)	9
Change in employees turnover	(10)	11

The average term of the long term liability to employees for the defined benefit plan is 32.86 years (2016: 33,6 years)

Expected indemnity payments for retirement for the defined benefit plan for the next 5 years is BGN 16k, incl. for 2018 no payments are expected (2016: BGN 6 k, incl. in 2017 – BGN 1k)

14. ACCOUNT PAYABLES

As of 31 December the account payables are as follows:

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Trade payables to third parties	8,490	10,085
Incl. payables to couriers, SPS partners and agents	*285*	*249*
Trade payables to related parties	524	866
Total	**9,014**	**10,951**

Trade payables are currents from services received. The payables to suppliers are in BGN, RON and EUR.

15. PAYABLES TO EMPLOYEES AND SOCIAL SECURITY

	31.12.2017	31.12.2016
	BGN '000	BGN '000
Payables to employees, incl.:	3,205	2,504
Current portion	*1,903*	*1,651*
Accruals for unused paid leave	*1,154*	*803*
Variable remuneration of BoD (Note 27)	*148*	*50*
Payables to social security, incl.:	1,016	968
Current portion	*712*	*823*
Accruals for unused paid leave	*304*	*145*
Total	**4,221**	**3,472**

16. TAX PAYABLES

Tax payable consist of:

	31.12.2017	31.12.2016
	BGN '000	BGN '000
Value added tax	1,069	1,027
Personal income tax	307	294
Income tax	217	30
Taxes on non-deductible expenses	71	14

Total	**1,664**	**1,365**

As of the date of publishing the present consolidated financial statement of the Group the following inspections and audits have been performed:

Parent Company

- VAT – until 31.03.2013;
- full tax audit– until 31.12.2012;
- National social security agency – until 31.03.2012;

Subsidiaries

Speedy EOOD

- VAT – until 30.11.2012;
- full tax audit– until 31.12.2011;
- National social security agency – until 31.10.2012;

Geopost Bulgaria – no audit has been performed

DPD Romania – no audit has been performed

Tax audit is performed for the subsidiaries in Bulgaria within 5 years following the year when the tax statement for the respective liability have been filed. The audit verifies the final tax liability for the respective company – taxable entity except for the cases explicitly stated in the legislation.

17. OTHER SHORT-TERM LIABILITIES

	31.12.2017	31.12.2016
	BGN '000	BGN '000
Payables to trustees	8,954	5,273
Deposits from the members of BoD (Note 27)	110	110
Interest due on loans from related parties (Note 27)	15	15
Dividends due	5	5
Other payables	132	113
Total	**9,216**	**5,516**

Collected cash-on-delivery are from cash collected from parcels recipients on behalf of the sender and from money transfers.

18. REVENUES

The revenues of the Group include:

	2017	2016
	BGN'000	BGN'000
Revenues from courier services	148,605	139,310
- *revenues from Bulgaria*	99,590	90,629
- *revenues from Romania*	48,765	48,681
- *revenues from Greece*	250	-
Revenues from universal postal services	2,224	1,150
- *revenues from Bulgaria*	2,224	1,150
- *revenues from Romania*	-	-

Fee on postal money transfers	776	520
- *revenues from Bulgaria*	776	520
- *revenues from Romania*	-	-
Total	**151,605**	**140,980**

19. OTHER OPERATING GAIN AND LOSSES, NET

	2017 BGN'000	2016 BGN'000
Revenues from rent of vehicles and other	4,953	4,743
Income from indemnifications and penalties	823	499
Subsidies	515	341
Sales of long-term assets	*233*	*1,920*
Book value of long-term assets sold	*(190)*	*(1,689)*
Income from long-term assets sold	43	231
Fuel sold	*492*	*781*
Book value of fuel sold	*(438)*	*(738)*
Income from fuel sold	54	43
FX revaluation of payables, receivables and current accounts	(508)	(512)
Other	949	1,638
Total	**6,829**	**6,983**

20. COSTS OF MATERIALS AND CONSUMABLES

The costs of materials and consumables include:

	2017 BGN'000	2016 BGN'000
Fuels	3,425	3,305
Base materials	1,638	2,212
IT consumables	755	652
Uniforms	257	251
Office materials and consumables	820	241
Assets below significance level	172	227
Other costs	42	285
Total	**7,109**	**7,173**

21. COSTS OF EXTERNAL SERVICES

The costs of external services consist of:	2017 BGN'000	2016 BGN'000
Subcontractors	76,144	75,016
Rents	5,753	5,018
Audit, consultant and other services	3,407	2,001

Vehicle maintenance	2,954	2,380
Communications and utility services	2,315	2,343
Insurance	1,590	1,361
Office/warehouse maintenance	915	611
Marketing	878	940
Bank charges	554	395
Staff training	264	365
Other	1,167	1,712
Total	**95,941**	**92,142**

The costs for audit of the individual financial statement of the companies in the group and the consolidated annual financial statement are in amount of BGN 92 thousand (2015: BGN 86 thousand), In 2017 and 2016 the auditors has not rendered tax advisory and other services, not related to the audit.

22. COMPENSATION COSTS

	2017 BGN'000	2016 BGN'000
Remunerations	23,911	21,427
Social security	6,119	4,630
Welfare benefits	962	1,200
Accrued amounts regarding unused paid leave	938	767
Accrued amounts for social security on paid leave	182	145
Accrued amounts for long-term liabilities for pension benefits (Note 13)	21	45
Total	**32,133**	**28,214**

23. OTHER OPERATING EXPENSES

	2017 BGN'000	2016 BGN'000
Indemnities for parcels	2,085	1,590
Representation costs	618	149
Business trips	374	109
Accrued/(reversed) write-downs of receivables, net, incl.	301	494
Accrued write-downs of trade receivables, incl. from related parties	*468*	*1,051*
Reversed write-downs of receivables, incl. from related parties	*(167)*	*(557)*
Write-offs	54	34
Other costs	442	163
Total	**3,874**	**2,539**

24. FINANCIAL EXPENSES (INCOME), NET

The financial expenses (revenues) of the Group are as follows:

	2017 BGN'000	2016 BGN'000
Interest income	-	(2)
Financial income	**-**	***(2)***

Interest on financial leases	391	535
Interest on bank loans	154	220
Fees on bank loans	30	94
Net FX loss on loan	-	1
Financial expenses	***575***	***850***
Total	**575**	**848**

26. INCOME TAX EXPENSES

Consolidated financial statement of the comprehensive income (profit or loss for the year)	**2017** **BGN'000**	**2016** **BGN'000**
Taxable income for the year of the companies in the Group	10,140	8,603
Current income tax expense for the year – 10% for Bulgaria/ 16% for Romania (2016: 10 %/ 16% for Romania)	1,096	925
Rebate	-	(1)
Deferred taxes:	(141)	(172)
Nascence and reversals of time differences	*(144)*	*(89)*
Effect from the temporary differences from previous years	*3*	*(83)*
Total income tax expense, reported in the consolidated financial statement of the comprehensive income (in the P & L for the year)	**955**	**752**

Consolidated financial statement of the comprehensive income (profit or loss for the year)	**2017** **BGN'000**	**2016** **BGN'000**
Reconciliation between accounting and taxable income		
Accounting profit for the year	8,126	7,703
Income tax applicable to the accounting profit – 10% for Bulgaria/ 16% for Romania (2016: 10 %/ 16% for Romania)	894	745
Rebate	-	(1)
Unrecognized expenses under tax declaration	61	91
Reversals of temporary differences from previous years	-	(83)
Total income tax expense reported in the consolidated financial statement of comprehensive income (P & L for the year)	**955**	**752**

26. EARNINGS PER SHARE AND DIVIDENDS

26.1 Earnings per share

Weighted average number of shares used for calculating EPS as well as distributable net income are as follows:

	31.12.2017	**31.12.2016**
Distributable net income /BGN'000./	7,171	6,951

Weighted average number of shares	5,356,712	5,335,919
Earnings per share /BGN per share/	**1.34**	**1.30**

26.2 Dividends

On 14.06.2017 the General Meeting of Shareholders of the Parent Company took a decision for the distribution of the profit for 2016 in the amount of BGN 12,033 thousand as follows:

- The amount of BGN 6,030 thousand to be allocated for payment of dividends to shareholders one lev and thirteen stotinki per share before tax;
- The amount of BGN 4k, equal to 10% of the capital increase, voted on the GMS on 14.12.2016, allocated to Fund "Reserved" (to reach 1/10 of registered capital, as is required by the Commercial Code)
- The remaining profit in amount of BGN 1 699 thousand to be allocated to retained earnings.

27. RELATED PARTIES TRANSACTIONS

The companies that are related to the Group and the type of their relations are as follows:

Related party	Type of relation
Speedy Group AD	Main shareholder with 65.09% (2016: 66.42%) of the capital of the Parent company (ultimate parent-company)
Geopost SA, France	Shareholder with significant influence
Winery Estate Dragomir OOD	Company under control of the ultimate owner
Transbalkan Group OOD	Company under control of the ultimate owner
Transbalkan Group Romania	Company under control of the ultimate owner
Omnicar BG EOOD	Company under control of the ultimate owner
Omnicar Auto OOD	Company under control of the ultimate owner
Omnicar C EOOD	Company under control of the ultimate owner
Omnicar Oil EOOD	Company under control of the ultimate owner
Omnicar Rent EOOD	Company under control of the ultimate owner
Bulrom Gas 2006 OOD	Company under control of the ultimate owner
Sofia City Logistic Park EOOD	Company under control of the ultimate owner
Omnicar Plus OOD	Company under control of the ultimate owner
Omnicar Varna OOD	Company under control of the ultimate owner
Insurance broker Omnicar and Partners	Company related through key management
Sandriny Flo EOOD	Company related through key management
Star Performing OOD	Company related through key management

The beneficiary owner is Valery Harutyun Mektouptchiyan.

Commercial relations

Receivables from related parties	31.12.2017	31.12.2016
	BGN'000	BGN'000

The receivables from related parties consist of:

Trade receivables from companies under common control	*175*	*277*
Trade receivables from shareholders with significant influence	*212*	*105*
Impairment	*(16)*	*(52)*
Receivables from related parties, net (Note 7)	**371**	**330**

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Other receivables		
Deposits in companies under common control	*17*	*-*
Advances to companies under common control	*-*	*69*
Other receivables from related parties (Note 8)	**17**	**69**
Total	**388**	**399**

Liabilities to related parties

The liabilities to related parties include:

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Trade payables to companies under common control	524	866
Trade payables to companies under common control	**524**	**866**
Interest payable to ultimate owner on loan obtained	15	15
Deposits members of BoD	110	110
Other current liabilities	**125**	**125**
Total	**649**	**991**

The liabilities for deposits from the members of the Board of Directors is in amount of BGN 110 thousand (31.12.2016: BGN 110 thousand) represent deposited amounts according to the requirements of Art. 240 para (1) of the Commercial Act.

Transactions with related parties

The Group has realized sales to related parties as follows:

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Sale of services to:	**3,522**	**3,590**
Companies under common control	2,942	3,067
Shareholders with significant influence	573	508
Companies related through key management	7	15
Sales of materials to:	**212**	**-**
Companies under common control	212	-
Sales of fixed assets to:	***56***	***6***
Companies under common control	56	6

Total	**3,790**	**3,596**

The company has purchased goods, materials and services from related parties, as follows:

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Delivery of services from:	**11,738**	**9,567**
Companies under common control	11,549	9,381
Companies related through key management	189	186
Delivery of materials from:	**950**	**707**
Companies under common control	950	707
Other deliveries from:	**176**	**144**
Companies under common control	176	141
Companies related through key management	-	3
Total	**12,864**	**10,418**

During the period the company paid insurance premiums in amount of BGN 1 209k under insurance contracts for Group's property to company related through key management.
The key management is disclosed in Note 1.

The remunerations of key management of the Group, accrued during the reporting period by parent company and the subsidiaries is BGN 779k (2016: BGN 643k) and include:

- Fixed remunerations – BGN 470k (2016: BGN 470k);
- Variable remunerations – BGN 285k (2016: BGN 150k);
- Social security at the expense of the employer - BGN 24k (2016: BGN 23k)

The variable remunerations due as of 31.12.2017 are BGN 233k, incl. with maturity up to 3 years BGN 85k (2016: BGN 94k, incl. non-current BGN 45k) (Notes 13 and 15).

In 2017 non-executive members of the BoD that are received remuneration for its activity, acquired 3 600 shares with issue price of BGN 1.

28. CONTINGENT LIABILITIES AND COMMITMENTS

Operating lease
The Group has no irrevocable operating leases.
Significant revocable contracts for renting out / renting of assets are as follows:

The Group as Lessor

The Group has signed contracts for renting out of vehicles under common control for three years maturing in June 2019 with extension option for another 3 years.
As of 31 December 2017, the receivables from future minimum rental payments under rent agreements are as follows:

	31.12.2017	31.12.2016

	BGN'000	BGN'000
Within one year	3,164	2,060
Between one and five years	1,846	3,262

The Group as Lessee

The Group has concluded contracts for renting of offices, commercial and warehouse premises, vehicles and parking spots.

As of 31.12.2017 the future minimum lease payments for main revocable long-term operating leases are as follows:

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Within one year	1,918	2,184
Between one and five years	7,227	7,032
Over five years	28,716	30,642

29. FINANCIAL RISK MANAGEMENT

The Group can be exposed to a variety of financial risks, that derive from the use of financial instruments. In this Appendix the Group has described its goals, policies and risk management processes, along with their assessment methods.
The most important risk types are:

- Credit risk
- Currency risk
- Liquidity risk

The structure of financial assets and liabilities is as follows:

Financial assets

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Loans and receivables:		
Trade receivables	19,716	19,789
Incl. from related parties	*371*	*330*
Other receivables	1,281	-
Cash and cash equivalents	12,663	11,067
	33,660	**30,856**

Financial liabilities

	31.12.2017	31.12.2016
	BGN'000	BGN'000
Financial liabilities at amortized cost		
Liabilities under financial lease	13,277	14,503
Liabilities under bank loans	8,932	8,883
Trade liabilities	9,014	10,951
Incl. to related parties	*524*	*866*

Payables to trustees	8,954	5,273
Other payables to related parties	15	15
	40,192	**39,625**

The main goal of the financial instruments the Group operates with, is to finance its current trade activities.

The Group's management bears the entire responsibility to define the group's goals and policies for risk management and, by keeping the ultimate responsibility, can delegate its rights for definition and management of processes that prove the effectiveness of the goals policies' fulfilment of the group. The Management receives monthly reports and reviews the process' effectiveness on site and the effectiveness of the goals and risk management policies it sets.

The common goal of the Management is to set policies that seek risk mitigation, as much as possible, by keeping intact the group's competitiveness and flexibility. Additional detailed information regarding those policies has been described below:

Credit risk

Credit risk is the risk of financial loss for the group, as a result of any of the Group's clients or counterparties fails to discharge in full and within the normally envisaged contractual terms and obligations. The latter is presented by the group's exposure to credit risk by credit sales.

The financial assets of the Group are stemming from: cash in bank accounts and petty cash and trade and other receivables, incl. from related parties.

The Management has set up credit policy based on which each new customer's accountability is analysed before the standard payment of the group's companies. Collection and concentration of receivables is monitored daily from sales and financial department according the established credit policy of the Group. Weekly, the Financial Department review the opened position of the clients, as well as payments received. Amounts outstanding and clients' condition are analysed – reasons, intentions and appropriate measures are taken for collecting receivables – phone calls to clients, requiring payment in cash, renegotiating repayment terms (orally or in writing), etc. In case of three invoiced unpaid and ceased credit under monthly payment contract, the respective clients are included in incorrect clients list and more restrictive measures are taken, incl. forced collection. The management assess collectability by analysing clients' exposure, repayment ability and takes decision for impairment. (Note 2.25).

The management on a regular base monitor and regulates the concentration of receivables by clients, incl. related parties. According to the credit policy, the share of credit exposure to a single client shall not exceed 10% of total receivables. Taking into account the wide client base, the receivables and revenues are widely diversified and there is no dependence from a client or a group of clients. As of 31 December 2017, there are no client exposure exceeding 10%.

Available cash and payments are concentrated in a several 1st class commercial banks with prominent reputation and stable liquidity that limits the risk regarding cash and cash equivalents.

Exchange rate risk

Exchange rate risk is the risk from negative impact from changes in prevailing currency exchange rates that on financial standing and cash flows of the Group. Since the Bulgarian lev pegged to the Euro, and the Group presents its financial statements in Bulgarian lev, the currency risk is only related to currencies other than the Euro.

The below table summarize the group's currency risk as of 31st December. It includes assets and liabilities at book value, categorized in currencies.

31.12.2017	**BGN**	**EUR**	**RON**	**USD**	**HUF**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Trade receivables	10,742	1,288	7,668	18	-	19,716
Incl. form related parties	*371*	-	-	-	-	*371*
Loan extended	-	-	-	-	-	-
Other receivables	1,068	-	213	-	-	1,281
Cash and cash equivalents	8,537	1,074	2,368	59	625	12,663
Total assets	**20,347**	**2,362**	**10,249**	**77**	**625**	**33,660**
Financial leases	13,100	177	-	-	-	13,277
Bank loans	8,932	-	-	-	-	8,932
Trade and other payables	9,153	1,296	7,533	1	-	17,983
Incl. to related parties	*524*	*15*	-	-	-	*539*
Total liabilities	**31,185**	**1,473**	**7,533**	**1**	**-**	**40,192**

31.12.2016	**BGN**	**EUR**	**RON**	**USD**	**HUF**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Trade receivables	9,514	1,101	9,138	36	-	19,789
Incl. form related parties	330	-	-	-	-	*330*
Loan extended	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Cash and cash equivalents	6,982	1,005	3,017	63	-	11,067
Total assets	**16,496**	**2,106**	**12,155**	**99**	**-**	**30,856**
Financial leases	14,392	111	-	-	-	14,503
Bank loans	7,339	1,544	-	-	-	8,883
Trade and other payables	7,135	1,336	7,755	13	-	16,239
Incl. to related parties	*881*	-	-	-	-	*881*
Total liabilities	**28,866**	**2,991**	**7,755**	**13**	**-**	**39,625**

Analysis of FX sensitivity

In the table below we present FX sensitivity at 10% increase / decrease of currently prevailing exchange rates of BGN against currencies, different from BGN and EUR based on the structure of assets and liabilities in foreign currency as of 31 December assuming other things being equal. The effect is measured and presented as impact on earnings before tax and on equity.

		RON		**USD**		**HUF**	
		2017	**2016**	**2017**	**2016**	**2017**	**2016**
		BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
10% increase in foreign exchange							
Financial result (profit or loss)	+	272	440	8	9	63	-

Equity – accumulated earning	+	272	440	8	9	63	-
10% decrease in foreign exchange							
Financial result (profit or loss)	-	(272)	(440)	(8)	(9)	(63)	-
Equity – accumulated earning	-	(272)	(440)	(8)	(9)	(63)	-

Liquidity risk

Liquidity risk stems from the working capital management, financial expenses and the principle repayments of debt instruments. This is the risk of difficulties that the management may encounters in in servicing the obligations in a due manner.

The management policy is to ensure that there will be sufficient liquidity available to meet its obligations when due. To achieve this goal, it constantly seeks means to maintain cash in accounts (or accorded funds), to meet the requirements expected. Also, the Management seeks ways to mitigate liquidity risk by fixing interest rates (and therefore cash flows) on borrowed funds.

The Management gets regularly updated information regarding cash accounts.

The table below analyse liabilities of the Group as of 31st December, grouped by maturity based on non-discounted cash flows. Amounts include principles and interest.

31.12.2017	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Financial leases	1,608	4,207	7,931	13,746
Bank loans	814	2,322	6,140	9,276
Trade payables	17,983	-	-	17,983
Incl. related parties	*524*	-	-	*524*
Total	**20,405**	**6,529**	**14,071**	**41,005**

31.12.2016	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Financial leases	1,549	4,499	9,307	15,355
Bank loans	496	1,560	7,192	9,248
Trade payables	16,239	-	-	16,239
Incl. related parties	*866*	-	-	*866*
Total	**18,284**	**6,059**	**16,499**	**40,842**

Fair value of assets and liabilities

The fair value is defined as the price at which a certain asset could be exchanged, or a liability settled between informed and wiling parties in a fair deal.

The fair value concept presumes realization of the financial instruments through sales, based on position, assumptions and assessments of independent market players on a main or most favourable market for a particular asset or liability. The Group assumes as main market for its assets and liabilities in Bulgaria – Bulgarian Stock Exchange, larger commercial banks – dealers and regarding specific

instruments – direct deals between parties. However, in most cases especially in regard of trade receivables and payables as well as loans and deposits with banks, the Group expects to realize these financial assets also through their total refund or respectively, settlement over time. Therefore, they are presented at amortized cost.

In addition, a large portion of the financial assets and liabilities are short-term in their nature (trade receivables and payables, short-term loans) and therefore, their fair value is almost equal to their book value. In cases of fixed interest rate loans, the method applied to its calculation uses as a standpoint current group observations regarding market interest rate levels.

As far as there is no liquid market for the different financial instruments, with sufficient stability, volume and liquidity in regards to purchases and sales of certain financial assets and liabilities, still no adequate and reliable quotes of market prices are available thereof, therefore alternative valuation methods and technics are applied.

The management of the parent company is of the opinion that the estimates of the financial assets and liabilities presented in the statement of financial position are as reliable, adequate and trustworthy as possible for financial reporting purposes and the fair value of the financial instrument in the consolidated report do not diverge substantially from their book value.

Risk from interest-bearing items

Interest-bearing assets, presented in the structure of Group's assets include: cash, bank deposits and loans granted, which are with floating interest rate. The attracted funds are also with floating interest rates. This circumstance makes the cash lows of the Group partially dependent on interest risk. This risk is addressed in two ways:

a) optimization of resources and structure of credit resources for achieving relatively lower price of attracted funds; and
(b) combined structure of interest rates on loans comprising two components – a fixed one and a variable one, the correlation between them, as well as their absolute value, are maintained in a proportion favourable for the companies in the group. The fixed component has a relatively low absolute value and sufficiently high relative share in the total interest rate. This circumstance eliminates the probability of a significant change in interest rate levels in case of changes in variable component. Thus the probability for an unfavourable change of cash flows is reduced to a minimum.

The managing bodies of the Group companies together with the management of the parent currently monitor and analyse the exposure of the respective company to the changes in interest levels.

31 December 2017	**No interest**	**Floating interest, %**	**Fixed interest, %**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Loans and receivables	20,997	-	-	20,997
Cash and cash equivalents	4,734	-	7,929	12,663
Total financial assets	**25,731**	**-**	**7,929**	**33,660**
Bank loans and financial leases	-	22,209	-	22,209
Other loans and liabilities	17,983	-	-	17,983
Total financial liabilities	**17,983**	**22,209**	**-**	**40,192**

31 December 2016	**No interest**	**Floating interest, %**	**Fixed interest, %**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*

Loans and receivables	19,789	-	-	19,789
Cash and cash equivalents	2,889	-	8,178	11,067
Total financial assets	**22,678**	**-**	**8,178**	**30,856**
Bank loans and financial leases	-	23,386	-	23,386
Other loans and liabilities	16,239	-	-	16,239
Total financial liabilities	**16,239**	**23,386**	**-**	**39,625**

Capital management

The capital management objectives of the Group are to build and maintain capabilities to maintain stable credit rating and adequate capital ratios to sustain its business and to maximize its value, incl. to continue to operate as a going concern and to generate return on investments to the owners, economic benefits to other stakeholders and its business participants, as well as to maintain optimal capital structure in order to reduce the cost of capital.

The Group manages its capital structure and reacts accordingly to changes in economic environment.

The Group monitors its capital using the indebtedness ratio calculated as ned debt divided by total equity plus net debt. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing as is in the statements of financial position less cash and cash equivalents. Total capital is sum of total equity and net debt.

The company policy is to maintain optimal capital level in order to secure resources needed, short- and long-term, for its future development.

In the table below are presented leverage ratios based on the capital structure as of 31 December.

	31.12.2017	**31.12.2016**
	BGN'000	**BGN'000**
Loans and leases	22,209	23,386
Less cash	(12,663)	(11,067)
Net debt	9,546	12,319
Equity	45,515	44,729
Total net debt and equity	55,059	57,048
Leverage	**17,33%**	**21,59%**

30. POTENTIAL EFFECTS FROM IMPLEMENTATION OF NEW IFRS

The new standards IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments* and IFRS 16 *Leases*, issued and applicable as of 1 January 2018, but not adopted for earlier application by the Company.

30.1. IFRS 9 Financial instruments

The Company's assessment of the effect of these new standards is presented below.

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

Impact:

Classification

IRFS 9 (2014) introduces 3 principal categories of financial assets: classified at amortised cost, classified at fair value through other comprehensive income, or classified at fair value through profit or loss.

The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

Financial assets of the company include trade receivables, incl. from related parties and cash and cash equivalents with total book value as of 31.12.2017 – BGN 32 677k. These financial assets that are currently classified as credits and receivables and are valued at amortized costs, covers the requirements for classifying at amortized costs according to IFRS 9. Therefore, the Company does not expect the guidance of the new IFRS 9 to affect the classification and measurement of its financial assets.

The Company does not expect any changes and impact on the accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement,* and have not been changed.

Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers,* lease receivables, loan commitments and certain financial guarantee contracts.

The Company has reviewed and analysed the credit risk impact on its financial instruments, respectively whether and for which instruments there is a substantial increase after their initial recognition, as well as initial measurement of the expected credit losses. Upon preparing the model, the Company considered the effect of the change on the risk of default for the remaining period of the respective financial instrument. A substantial increase in the credit risk following the initial recognition would be determined by the Company to constitute a credit risk increase resulting from the aggravation of certain financial and economic conditions and their impact on the financial instrument. Therefore, it has included in the model a set of quantitative and qualitative indicators.

Moreover, the Company is at the final stage of developing a provision matrix for its commercial and other short-term receivables. It includes: a) grouping the Company's customers and counterparts on a geographic principle and based on similar business and other features, and credit risk; b) a provision matrix based on historically observed default percentages and delayed payments based on time frames of past dues, adjusted with additional assumptions and estimates regarding possible changes in these percentages based on macroeconomic or sector-specific factors. With regards to these receivables, the Company's assessment shows that the financing component is insignificant.

Based on the preliminary evaluation performed so far, the Company not expect a significant increase in the allowance for trade and other receivables.

The Company has carried out detailed review and analysis of the possible impact of credit risk on cash and cash equivalents and if there is significant increase after initial recognition as well as the amount of expected losses. Based on the analyses performed, the Company estimates that adopted policy for using and managing the cash with financial institutions with outstanding reputation and high investment grade, the effect of implementation of IFRS 9 would be insignificant (if ever exist).

Disclosures
The new standard also introduces extended disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments, particularly in the year of the adoption of the new standard – 2018.

Date of adoption by Company

IFRS 9 is mandatory for financial years commencing on 1 January 2018. The Company intends to adopt the standard using modified retrospective approach, as of 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

30.2. IFRS 15 Revenue from Contracts with Customers

Nature of change

IFRS 15 Revenue from Contracts with Customers is the new standard for the recognition of revenue. It will replace IAS 18 Revenue, which covers goods and services contracts, and IAS 11 Construction Contracts, which covers construction contracts, and the respective SIC and IFRIC.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

Impact

The Company has assessed the effects of applying the new standard and has identified the areas that will possibly be affected.

Service revenue
The services rendered by the Group include delivery of parcels between settlements, universal postal service and money transfers. The sale prices are based on single tariff of the companies in the Group and/or negotiated contractual prices with client. According to the currently adopted accounting policy, the revenue from the services rendered based on stage of completion as of end of reporting period. According to requirements of the new standard for revenue

execution of these services satisfy the criteria for revenue recognition "in a period of time" base as client receives and consumes the benefits simultaneously with the delivery of the service from the companies in the Group, i.e. current approach and method for service revenue recognition will be preserved. The Group still has contemplated the most appropriate method for measuring progress according to IFRS 15. Irrespective of chosen method for measuring progress according to IFRS 15, considering the short-term characteristics of the services (within several days), the management of the Group expects the impact of possible change in currently applied method for measuring progress would be insignificant.

Revenue from combined contracts

The Company sells its services both independently and in combination with the sale of additional services, such as delivery note, announced value, collecting and transferring of cash-on-delivery, etc. The management of the Group has reviewed IFRS 15 requirement and expects the impact of possible change would be insignificant as long as the services sold as a bundle are not distinct itself and/or in the context of the contract.

In the adaptation of its accounting policy to the application of IFRS 15, the Company has analysed and considered the accounting treatment of:

- *Different forms of variable consideration* – variable consideration is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant adjustment to the amount of recognised cumulative revenue. The Group has no established policy of offering price discounts, turnover bonuses and similar. The forms of variable consideration applicable for the companies of the Group, the management defined payment of penalties such as indemnities for damaged and/or lost parcels, late deliveries, etc. According to current accounting policy such penalties are accounted for as expense when occur and are not at the expense of third party and/or insurance company. IFRS 15 requires to be included in the price of the deal and shall be reported as deduction of revenue at the time of recognition based on stage of completion. The Group has made approximate assessment and concludes the impact of possible change would be insignificant (if existing) as long as the amount of total penalties paid are insignificant (around 0.01% of sales).

- *Presentation of contractual assets and contractual liabilities in the balance sheet* – under IFRS 15, trade receivables constitute unconditional receivables, whereas the payment of consideration is only dependent on the expiry of a specific time period. If only one of the parties has fulfilled its contractual obligations, the Company recognises a contractual asset or a contractual liability, depending on the execution and the payments received from the customer. IFRS 15 requires assets and liabilities from contracts with customers to be presented separately from the trade receivables and payables in the statement of financial position. This will in turn result in reclassification as at 1 January 2018 with regards to recognized trade receivables from services rendered invoiced in the subsequent reporting period (Note 7). The management of the Group is still in a process of examining if these recognitions cover the definition for trade receivables according to IFRS 15 or are contractual asset.

Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements that are to a certain extent different and more detailed than those under current IFRS. Some of the new requirements will be entirely new for the Company and involve information that has not been currently disclosed.

The Company considers such information to include: a) accounting estimations and assumptions related to: the main components of customer policies and arrangements; determining stand-alone selling prices; splitting the transaction price between the separate performance obligations; the probabilities in assessment of variable consideration measurement in the form of bonuses and discounts; significant financial component; warranties; b) regrouping and presentation of the types of revenue in categories that shall represent how content, amount, timing and period, and the uncertainties related to each revenue and cash flows, are influenced by various economic factors.

The Company will continue testing the respective systems, internal controls, policies and procedures needed to collect and maintain the information needed for the purpose of disclosures under IFRS 15.

Date of adoption by Company

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Company intends to adopt the standard using the modified retrospective approach, as of 1 January 2018. Comparatives for 2017 will not be restated.

30.3. IFRS 16 Leases

Nature of change

IFRS 16 Leases is the new standard on leases. It will replace IAS 17 Leases, and the respective SIC and IFRIC.
IFRS 16 establishes principles and rules for the recognition, measurement, presentation and disclosure of a lease.

Accounting for by lessees

IFRS 16 establishes a uniform model of lease accounting for by lessees that introduces their recognition in the balance sheet, similar to finance lease accounting under IAS 17. Under the new standard, a contract contains a lease if the contract transfers the right to control the use of an identified asset. At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability at the present value of the lease payments that are not paid at that date. The only exceptions are short-term leases and/or leases for which the underlying asset is of low value. Lessees will recognise interest expense for the lease liability and respectively a depreciation expense for the right-of-use asset. Moreover, lessees will have to recognise revaluation of the lease liability upon the occurrence of certain events (for instance, changes in the terms of the lease contract, changes to future lease payments due to changes in certain values (index, percentage, etc.) used in the calculation of lease payments). In these cases, lessees recognise changes as an adjustment of the lease liability and the right-of-use asset.

If a lessee elects to apply the standard's exemptions regarding either short-term leases or leases for which the underlying asset is of low value, the lessee shall recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis similar to operating lease accounting under IAS 17.

Accounting for by lessors

	IFRS 16 does not substantially change accounting for leases by lessors. They will continue to classify each lease as either finance or operating, in fact applying the material rules of the old standard IAS 17, which remain unchanged in the new IFRS 16.
Impact	IFRS 16 will affect primarily the accounting of operating leases in which the Company is a lessee. As of the reporting date, the Company has significant cancellable operating lease commitments disclosed in Note 28. The Company is still continuing its analyses, assessments and verify potential impact of change in reporting lease contracts as a lease, incl. because of the change in the definition of the lease term and the different treatment of variable lease payments and of options for extension and termination. Therefore, it is not possible yet to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised upon initial adoption of the new standard and how this may affect the Company's profit or loss and classification of future cash flows.
Date of adoption by Company	IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. The Company has decided not to adopt the standard before its effective date. It has selected to apply the modified retrospective transition approach, as of 1 January 2019. Comparative amounts for the year prior to first adoption (2018) will not be restated.

31. EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the date the financial statement was prepared, that could affect the consolidated financial statements of the Group as of 31st December 2017.