

Company Name:

ENERGIYNA KOMPANIA BONEV OOD

General Manager:

Adnan Ek

Chief Accountant:

Vladimir Koteski

Address of Management:

Gen. Ivan Kolev Str. 31, Sofia, Bulgaria

Lawyers:

Shambala Consult EOOD

Bankers:

**UBB AD
Unicredit Bulbank AD**

Auditors:

AFA OOD

INDEPENDENT AUDITOR'S REPORT

**TO
THE OWNERS
OF ENERGIYNA KOMPANIA BONEV OOD**

Opinion

We have audited the financial statements of ENERGIYNA KOMPANIA BONEV OOD (the Company), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion

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

Other matters

The financial statements of ENERGIYNA KOMPANIA BONEV OOD as at 31 December 2017 are not subject to a statutory financial audit under Art. 37, paragraph 1 and paragraph 3 of the Accountancy Act and the Company is not required to prepare a management report in accordance with Art. 42, paragraph 1 of the same law. Therefore, our independent financial audit is voluntary within the meaning of Art. 6 of IFAA and does not involve procedures to form an opinion on a management report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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


AFA OOD

Audit Firm


Renny Georgieva Iordanova

General Manager

Legal representative


Valia Iordanova Iordanova

Registered auditor in charge of the audit

28 February 2018
38, Oborishte Street
1504-Sofia, Bulgaria

This is a translation from Bulgarian of the Independent Auditor's Report on the Financial Statements of ENERGIYNA KOMPANIA BONEV OOD for the year ended 31 December 2017.

ENERGIYNA KOMPANIA BONEV OOD

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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ENERGIYNA KOMPANIA BONEY OOD
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Notes	2017 BGN'000	2016 BGN'000
Revenue	3	870	870
Other operating income/(losses), net	4	1	1
Raw materials and consumables used		(1)	(1)
Hired services expense	5	(195)	(210)
Employee benefits expense	6	(14)	(12)
Depreciation and amortisation expense	9	(244)	(246)
Other operating expenses		(17)	(17)
Profit from operations		400	385
Finance costs	7	(288)	(304)
Profit before income tax		112	81
Income tax expense	8	(13)	(10)
Net profit for the year		99	71
Other comprehensive income:		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		99	71

The accompanying notes on pages 5 to 32 form an integral part of these financial statements.

General Manager:

Adnan Ek

Chief Accountant (preparer):

Vladimir Koteski

AUDITED BY AEA
28/02/2018

ENERGIYNA KOMPANIA BONEV OOD**STATEMENT OF FINANCIAL POSITION**

as at 31 December 2017

	Notes	31 December 2017 BGN'000	31 December 2016 BGN'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	4,733	4,977
		<u>4,733</u>	<u>4,977</u>
Current assets			
Trade receivables		1	-
Other receivables and prepayments		9	10
Cash and cash equivalents	10	376	296
		<u>386</u>	<u>306</u>
TOTAL ASSETS		<u>5,119</u>	<u>5,283</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		94	94
Retained earnings		409	310
TOTAL EQUITY	11	<u>503</u>	<u>404</u>
LIABILITIES			
Non-current liabilities			
Bank loans	12	2,146	2,340
Payables to related parties	13	2,242	-
		<u>4,388</u>	<u>2,340</u>
Current liabilities			
Current portion of long-term bank loans	12	198	205
Payables to related parties	13	7	2,311
Trade payables		12	12
Other current liabilities		11	11
		<u>228</u>	<u>2,539</u>
TOTAL LIABILITIES		<u>4,616</u>	<u>4,879</u>
TOTAL EQUITY AND LIABILITIES		<u>5,119</u>	<u>5,283</u>

The accompanying notes on pages 5 to 32 form an integral part of these financial statements.

The financial statements on pages 1 to 32 were approved for issue by the General Manager on 28 February 2018

General Manager:

Adnan Ek

Chief Accountant (preparer):

Vladimir Kotoski



AUDITED BY AEA
28/02/2018

ENERGIYNA KOMPANIA BONEV OOD**STATEMENT OF CASH FLOWS**

for the year ended 31 December 2017

	Notes	2017 BGN'000	2016 BGN'000
Cash flows from operating activities			
Cash receipts from customers		1,025	1,016
Cash paid to suppliers		(208)	(211)
Cash paid to employees and for social security		(13)	(13)
Income taxes paid		(13)	(3)
Taxes paid (except income taxes)		(161)	(162)
Other proceeds/(payments), net		1	-
Net cash flows from operating activities		631	627
Cash flows from financing activities			
Repayment of long-term bank loans		(202)	(204)
Interest and charges paid under long-term bank loans		(118)	(130)
Repayment of loans from related parties		(78)	(38)
Interest paid under related party loans		(153)	(782)
Net cash flows used in financing activities		(551)	(1,154)
Net increase/ (decrease) in cash and cash equivalents		80	(527)
Cash and cash equivalents at 1 January		296	823
Cash and cash equivalents at 31 December	10	376	296

The accompanying notes on pages 5 to 32 form an integral part of these financial statements.

General Manager:

Adnan Ek

Chief Accountant (preparer):

Vladimir Koteski



AUDITED BY AEA
28/02/2018

ENERGIYNA KOMPANIA BONEV OOD

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Notes	Share capital BGN'000	Retained earnings BGN'000	Total equity BGN'000
Balance at 1 January 2016		<u>94</u>	<u>239</u>	<u>333</u>
Changes in equity for 2016				
Total comprehensive income for the year, including:		-	71	71
* net profit for the year			71	71
Balance at 31 December 2016		<u>94</u>	<u>310</u>	<u>404</u>
Changes in equity for 2017				
Total comprehensive income for the year, including:		-	99	99
* net profit for the year			99	99
Balance at 31 December 2017	11	<u>94</u>	<u>409</u>	<u>503</u>
		-	-	-

The accompanying notes on pages 5 to 32 form an integral part of these financial statements.

General Manager:

Adnan Ilik

Chief Accountant (preparer):

Vladimir Koteski



AUDITED BY AEA
23/02/2018

1. BACKGROUND CORPORATE INFORMATION

ENERGIYNA KOMPANIA BONEV OOD is a company established in 2009. The seat and the registered address of the Company is: 1407 Sofia, Krastova Vada Distr., 31 Gen.Ivan Kolev Str., app. 5. The Company was entered in the Commercial Registry with UIC 200775181. The latest amendments in Company's Articles of Association (concerning change in the ownership) were entered in the Commercial Companies Registry by Decision dated 2012, and the changes in the managing bodies – by a Certificate of the Registry Agency to the Ministry of Justice dated 11 April 2014, with which Evren Evcit was removed from the register as a General Manager and Adnan Ek was entered as the new General Manager of the Company, on 22.01.2018 a new management address of the Company was entered.

1.1. Ownership and management

Share capital structure as at 31 December 2017 is as follows:

- Anel Elektrik Proje Taahhut ve Ticaret Anonim Sirketi, Turkey – 50%;
- Behzat Aksaray – 25%;
- Ahmet Behzat Aksaray – 25%.

The Company is represented and managed by the General Manager Adnan Ek.

The Company is part of Anel Elektrik Group, Turkey.

As at 31 December 2017, the personnel included only the General Manager (31 December 2016: only the General Manager).

1.2. Principal activities

Company's principal activities include production of electric energy from renewable sources.

In 2012, the Company constructed a photovoltaic park, located in Chirpan. The operation of the photovoltaic park was started up in the middle of 2012.

1.3. Main indicators of the economic environment

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

Indicator	2015	2016	2017
GDP in million levs	88,571	94,130	99,708 *
GDP increase *	3.6%	3.9%	4.0%*
Year-end inflation (ICP)	-0.9%	-0.5%	1.8%
Average exchange rate of USD for the year	1.76	1.77	1.73
Exchange rate of the USD at the year-end	1.80	1.86	1.63
Basic interest rate at the year-end	10.0%	8.0%	7.1%
Unemployment rate at the year-end (National Employment Agency)	88,571	94,130	99,708 *

* preliminary data for 2017, source BNB, NSI

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for the preparation of the financial statements

The financial statements of ENERGIYNA KOMPANIA BONEV OOD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise of 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.

For the current financial year the Company has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities.

The adoption of these standards and/or interpretations, effective for annual periods beginning on 1 January 2017, has not caused changes in Company's accounting policies, except for the expansion of those already adopted, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

The changes are resultant from the application of the following standards and interpretations:

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

At the date when these financial statements have been approved for issue, there are 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 by the Company for early application. The management has done research and has concluded that these amendments would not affect materially the accounting policies, and the value and classification of Company's assets, liabilities, transactions and performance.

- IFRS 9 "Financial Instruments" (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC). The effects of the analyses made by the management are disclosed in Note 17.
- IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the relief from the requirement to restate comparatives and the related thereto disclosures when applying IFRS 9 (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).
- IFRS 15 "Revenue from Contracts with Customers" (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC). The effects of the analyses made by the management are disclosed in Note 17.
- IFRS 16 "Leases" (in force for annual periods beginning on or after 1 January 2019 – endorsed by EC). The effects of the analyses made by the management are disclosed in Note 17.
- IFRS 17 "Insurance Contracts" (in force for annual periods beginning on or after 1 January 2021 – not endorsed by EC).
- IFRS 2 (amended) "Share-based Payment" – Classification and measurement of share-based payment transactions (in force for annual periods beginning on or after 1 January 2018 – not endorsed by EC).
- IFRS 4 (amended) "Insurance Contracts" in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).
- Annual Improvements to IFRSs 2014-2016 Cycle (December 2016) – improvements to IFRS 12 (in force for annual periods beginning on or after 1 January 2017 – not endorsed by EC), IFRS 1 and IAS 28 (in force for annual periods beginning on or after 1

ENERGIYNA KOMPANIA BONEV OOD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

January 2018 – not endorsed by EC).

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

The financial statements have been prepared on a historical cost basis.

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

The presentation of financial statements in accordance with International Financial Reporting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, the amounts of income and expenses and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them.

2.2. Comparatives

The accompanying financial statements of the Company include comparative information for one prior year (period).

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

2.3. Functional currency and recognition of exchange differences

The functional and presentation currency of the Company is the Bulgarian Lev. The Bulgarian Lev is fixed to the Euro by the BNB Act at the ratio EUR 1:BGN 1.95583.

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

The non-monetary items in the 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 transactions at rates different from those at which they were converted on initial recognition, are recognised in the statement of comprehensive income (within profit or loss for the year) in the period in which they arise and are presented net under 'other operating income' except for those from loans received that are presented under 'finance income/(costs), net'.

2.4. Revenue

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

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

The electric energy produced and transmitted to the electricity distribution network is recorded and invoiced on a monthly basis.

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

The net foreign exchange gains or losses related to cash, trade receivables and payables, denominated in foreign currency, are recognised in the income statement in the period, in which they arise and are presented net under 'other operating income'. The presentation of interest on bank deposits and trade receivables is analogous.

Finance income is presented separately on the face of the statement of comprehensive income (within profit or loss for the year) and includes interest income on granted loans.

2.5. Expenses

Expenses are recognised as they are incurred, following the accrual and matching concepts.

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

Finance costs are included in the statement of comprehensive income (within profit or loss for the year) when incurred and are comprised of interest expense, including bank charges and other direct expenses on loans and bank guarantees, exchange differences on loans denominated in foreign currency (net).

2.6. Property, plant and equipment

Property, plant and equipment (tangible fixed assets) are presented in the financial statements at historical cost of acquisition (cost) less the accumulated depreciation and any impairment losses in value.

Initial measurement

Upon their initial acquisition, property, plant and equipment are valued at *acquisition cost (cost)*, which comprises the purchase price, including customs duties and any directly attributable costs of bringing the asset to working condition for its intended use. The directly attributable costs include the cost of site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes etc.

The Company has set a value threshold of BGN 700, below which the acquired assets, regardless of having the features of property, plant and equipment, are treated as current expense at the moment of their acquisition.

Subsequent measurement

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

Depreciation methods

The Company applies the straight-line depreciation method for property, plant and equipment. Depreciation of an asset begins when it is available for use. Land is not depreciated. The useful

life per group of assets has been determined considering: their physical wear, the characteristic features of the equipment, the intentions for future use and the expected obsolescence and is as follows:

- photovoltaic park – 25 years;
- other non-current assets – from 6 to 10 years.

The useful life, set for any tangible fixed asset, is reviewed 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.

Subsequent costs

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

Impairment of assets

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

2.7. Inventories

Inventories are valued at the lower of acquisition cost and the net realisable value.

Expenses incurred for the production of electric energy are included in the cost as follows: cost of direct materials and labour and the attributable portion of the manufacturing overheads, based on normal operating capacity of production facilities, but excluding administrative expenses, exchange rate gains and losses on borrowed funds.

The net realisable value represents the estimated selling price of a particular asset in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to

make the sale.

2.8. Trade and other current assets

Trade receivables are recognised 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 rate method, unless the deferral has an element of funding.

An estimate of allowances for doubtful and bad debts is made when significant uncertainty exists as to the collection of the full amount or a part of it. Bad debts are written-off when the legal grounds for this are available.

2.9. Cash and cash equivalents

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

For the purposes of the statement of cash flows:

- Cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- Purchases of property, plant and equipment are shown net of VAT while the VAT payment is presented in operating activities on the line 'Cash paid to suppliers'.

2.10. Payables to suppliers and other current liabilities

Payables to suppliers and other current amounts payable are carried at original invoice amount (cost), being 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 liabilities 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 rate method, unless the deferral has an element of funding.

2.11. Interest-bearing loans and other borrowings

All loans and other borrowings are initially recognised at cost (nominal amount), being the fair value of the consideration received on the transaction, netted of the direct costs related to these loans and borrowings. After the initial recognition, the interest-bearing loans and other

borrowings are subsequently measured at amortised cost by applying the effective interest rate method. The amortised cost is calculated by taking into consideration all types of charges, commissions and other costs, including any discount or premium on settlement associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income or costs throughout the amortisation period, or when the liabilities are derecognised or reduced.

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

The employment and social security relations with the workers and employees of ENERGIYNA KOMPANIA BONEV OOD are based on the provisions of the Labour Code and the effective in Bulgaria social security legislation.

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

Short-term benefits

Short-term employee benefits in the form of remuneration, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or has met the required terms and requirements) are recognised as an expense in the statement of comprehensive income (within profit or loss for the year) in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The Company's obligations for social security and health insurance are recognised as a current expense and liability at their undiscounted amount together with the relevant benefits and within the period of the respective income to which they are related.

At the end of the reporting period, the Company measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses on the employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

2.13. Share capital and reserves

ENERGIYNA KOMPANIA BONEV OOD belongs to the category of capital companies that are obliged to register a specified minimum amount of share capital in the Commercial Register. Company's owners are liable for the obligations of the Company up to the amount of the share of the capital held by each of them and may claim returning of this share only in liquidation or bankruptcy proceedings.

The Company reports its share capital at the nominal value of the shares registered in the Commercial Register.

The Commercial Act and the Memorandum of Association do not provide for a legal or statutory obligation for the Company to set aside a Reserve Fund.

2.14. Financial instruments

2.14.1. Financial assets

The Company classifies its financial assets in the category 'loans and receivables', including cash and cash equivalents. The classification depends on the substance and purpose (designation) of the financial assets of the Company at the date of their initial recognition in the statement of financial position.

The Company usually recognises its financial assets in the statement of financial position on the trade date, being the date on which the Company commits to acquire the respective financial assets. All financial assets are initially measured at their fair value plus the directly attributable transaction costs.

Financial assets are derecognised from the Company's statement of financial position when the rights to receive cash (flows) from these assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership of the asset to another entity (person). If the Company retains substantially all risks and rewards associated with the ownership of a particular transferred financial asset, it continues to recognise the transferred asset in its statement of financial position but also recognises a secured liability (a loan) for the consideration received.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured in the statement of financial position at their amortised cost using the effective interest method less any allowance for impairment. These assets are included in the group of current assets when having maturity within 12 months or within a common operating cycle of the Company while the remaining ones are carried as non-current assets. This group of financial assets includes: trade receivables, other receivables from counterparts and third parties, cash and cash equivalents from the statement of financial position. The interest income on receivables is recognised on effective interest basis except for short-term receivables (less than three months) where the recognition of such interest is immaterial and within the common credit terms. It is presented in the statement of comprehensive income (within profit or loss for the year) under 'other operating income' (Note 2.8).

2.14.2. Financial liabilities

The Company classifies debt and equity instruments either as financial liabilities or as equity in accordance with the substance of the contractual arrangements with the respective counterparty regarding these instruments.

Financial liabilities

The financial liabilities of the Company include loans and payables to suppliers and other counterparts. They are initially recognised in the statement of financial position at fair value net of the directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method (Notes 2.10 and 2.11).

2.15. Income taxes***Current income taxes***

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

Deferred income taxes

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

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

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

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

Deferred taxes, related to items that are credited or charged directly to equity or other item in the statement of financial position, are also charged or credited directly to the respective component of comprehensive income or equity item of the statement of financial position.

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

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

2.16. Fair value measurement

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

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

Fair value is measured from the perspective of using the assumptions 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.

3. REVENUE

The revenue of BGN 870 thousand were earned from sale of electric energy in the country (2016: BGN 870 thousand).

4. OTHER OPERATING INCOME AND LOSSES

Other operating income at the amount of BGN 1 thousand represents a paid bonus by insurance company (2016: BGN 1 thousand).

5. HIRED SERVICES EXPENSE

Hired services expense includes:

	2017 BGN '000	2016 BGN '000
Management and maintenance of FVP	73	73
Fee for fund Security of the Energy System	43	42
Security	29	28
Distribution network access fee	14	15
Balance energy	13	25
Electric energy	8	6
Insurance	7	8
Audit fees	3	4
Construction and installation works	2	3
Bank fees and commissions	2	3
Other	1	3
	<u>195</u>	<u>210</u>

6. EMPLOYEE BENEFITS EXPENSE

Personnel costs include:

	2017 BGN '000	2016 BGN '000
Current wages and salaries	12	11
Social security/health insurance contributions	2	1
	<u>14</u>	<u>12</u>

7. FINANCE COSTS

	2017 BGN '000	2016 BGN '000
<i>Finance costs</i>		
Interest under loans received from related parties (Note 13)	170	174
Interest under bank loans (Note 12)	118	130
	<u>288</u>	<u>304</u>

8. TAXATION

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

	2017 BGN '000	2016 BGN '000
Tax profit for the year as per the tax return	130	100
Current income tax expense for the year	13	10
Deferred income tax related to origination and reversal of temporary differences	-	-
Total income tax expense carried to the statement of comprehensive income	<u>13</u>	<u>10</u>

	2017 BGN 000	2016 BGN 000
<i>Reconciliation of income tax expense applicable to the accounting profit or loss</i>		
Accounting profit for the year	112	81
Income taxes - 10%	11	8
<i>Unrecognised amounts under tax return</i>		
Related to increases	2	2
Total	<u>2</u>	<u>2</u>
Total	<u>13</u>	<u>10</u>

9. PROPERTY, PLANT AND EQUIPMENT

	<i>Land</i>		<i>Facilities</i>		<i>Other</i>		<i>Total</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
<i>Book value</i>								
Balance at 1 January	15	15	6,056	6,056	11	11	6,082	6,082
Additions	-	-	-	-	-	-	-	-
Balance at 31 December	15	15	6,056	6,056	11	11	6,082	6,082
<i>Accumulated depreciation</i>								
Balance at 1 January	-	-	1,097	853	8	6	1,105	859
Depreciation charge for the year	-	-	243	244	1	2	244	246
Balance at 31 December	-	-	1,340	1,097	9	8	1,349	1,105
Carrying amount at 31 December	15	15	4,716	4,959	2	3	4,733	4,977
Carrying amount at 1 January	15	15	4,959	5,203	3	5	4,977	5,223

10. CASH AND CASH EQUIVALENTS

The cash available as at 31 December 2017 was at Company's current accounts with UniCredit Bulbank AD and UBB AD.

Cash structure is as follows:

- in BGN - BGN 242 thousand (31 December 2016: 223 thousand);
- in foreign currency (EUR) - BGN 134 thousand (31 December 2016: 73 thousand).

11. SHARE CAPITAL AND RESERVES*Share capital*

Company's registered share capital as at 31 December 2017 amounted to BGN 94 thousand and was distributed in 1,880 equal shares of nominal value BGN 50 each.

12. BANK LOANS

The Company used a long-term bank loan from United Bulgarian Bank AD under the following terms and conditions:

Contracted loan amount:	EUR 1,650 thousand
Purpose of the loan:	For partial re-financing of existing loans for construction and start-up of a photovoltaic electric power plant
Maturity:	30 June 2028
Interest rate:	3 month EURIBOR + 5.1%
Collateral:	First ranking pledge on the trade entity, corporate shares, receivables under a contract for sale of electric energy, cash funds
Balance at 31.12.2017:	principal: BGN 2,344 thousand (EUR 1,198 thousand), including BGN 198 thousand current portion
Balance at 31.12.2016:	principal: BGN 2,545 thousand (EUR 1,301 thousand), including BGN 205 thousand current portion

Reconciliation of the changes of liabilities resulting from financing activities:

The table below shows the changes in liabilities resulting from financing activities from both cash and non-cash transactions. The liabilities resulting from financing activities are those whose cash-flows are, or future cash-flows will be, classified in the Statement of cash flows as cash flows from financing activities.

	1/01/2017 r.	Changes in cash-flows from financing activities (*)	Non-cash transactions	Other changes (**)	31/12/2017 r.
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Bank loans (Note 12)	2,545	(202)	-	1	2,344
Loans from related parties (Note 13)	2,305	(78)	-	15	2,242
Total	4,850	(280)	-	16	4,586
* The changes in cash flows from financing activities represent the net amount of cash receipts and repayments of loans in the statement of cash flows.					
** "Other changes" include the net amount of accruals and payments of interest.					

	1/01/2016 r.	Changes in cash-flows from financing activities (*)	Non-cash transactions	Other changes (**)	31/12/2016 r.
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Bank loans (Note 12)	2,749	(204)	-	-	2,545
Loans from related parties (Note 13)	2,951	(38)	-	(608)	2,305
Total	5,700	(242)	-	(608)	4,850
* The changes in cash flows from financing activities represent the net amount of cash receipts and repayments of loans in the statement of cash flows.					
** "Other changes" include the net amount of accruals and payments of interest.					

13. PAYABLES TO RELATED PARTIES

	31.12.2017 BGN '000	31.12.2016 BGN '000
Non-current liabilities, incl.:	2,242	-
Long-term loans received	2,200	-
Interest under loans received	42	-
Current liabilities, incl.:	7	2,311
Trade payables	7	6
Short-term loans received	-	2,280
Interest under loans received	-	25
Total	2,249	2,311

The Company uses loans granted under the following terms and conditions:

Lender:	Anel Elektrik Proje Taahut Tikaret Anonim Sirketi
Contracted amount:	EUR 1,600 thousand
Purpose of the loan:	For the construction of a solar park
Maturity:	31 December 2019 (renegotiated in 2017)
Interest rate:	7.5%
Balance at 31 December 2017:	Principal – BGN 1,119 thousand (EUR 572 thousand) and interest – BGN 22 thousand (EUR 11 thousand), long-term liabilities

Balance at 31 December 2016: Principal – BGN 1,160 thousand (EUR 592 thousand) and interest – BGN 10 thousand (EUR 5 thousand), current liabilities

Lender: **Ahmet Behzat Aksaray**

Contracted amount: EUR 1,000 thousand

Purpose of the loan: For the construction of a solar park

Maturity: 31 December 2019 (renegotiated in 2017)

Interest rate: 7.5% (in effect from 1.04.2015)

Balance at 31 December 2017: Principal – BGN 541 thousand (EUR 277 thousand) and interest – BGN 10 thousand (EUR 5 thousand), long-term liabilities

Balance at 31 December 2016: Principal – BGN 560 thousand (EUR 286 thousand) and interest – BGN 7 thousand (EUR 4 thousand), current liabilities

Lender: **Behzat Aksaray**

Contracted amount: EUR 1,000 thousand

Purpose of the loan: For the construction of a solar park

Maturity: 31 December 2019 (renegotiated in 2017)

Interest rate: 7.5% (in effect from 1.04.2015)

Balance at 31 December 2017: Principal – BGN 540 thousand (EUR 276 thousand) and interest – BGN 10 thousand (EUR 5 thousand), long-term liabilities

Balance at 31 December 2016: Principal – BGN 560 thousand (EUR 286 thousand) and interest – BGN 8 thousand (EUR 4 thousand), current liabilities

Trade payables are regular, entirely denominated in EUR and are to the company Anel BG EOOD.

14. CONTINGENT LIABILITIES AND COMMITMENTS

The Company provides the following collateral under agreement for investment-purpose loan concluded with OBB AD in June 2013:

- pledge on a trade enterprise;
- pledge on corporate shares;
- pledge on receivables under a contract for electricity sales;
- pledge on cash,

15. FINANCIAL RISK MANAGEMENT

Structure of financial assets and liabilities as at 31 December by category:

	<i>31.12.2017</i>	<i>31.12.2016</i>
	<i>BGN '000</i>	<i>BGN '000</i>
<i>Financial assets</i>		
Loans and receivables		
Trade receivables	1	-
Cash and cash equivalents	376	296
Total	<u>377</u>	<u>296</u>
<i>Financial liabilities</i>		
Other financial liabilities		
Trade payables	12	12
Bank loans	2,344	2,545
Payables to related parties	2,249	2,311
Total	<u>4,605</u>	<u>4,868</u>

In the ordinary course of business, the Company can be exposed to a variety of financial risks the most important of which are market risk (including currency risk, risk of a change in the fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows. The general risk management is focused on the difficulty to forecast the financial markets and to achieve minimizing the potential negative effects that might affect the financial results and position of the Company. The financial risks are currently identified, measured and monitored through various control mechanisms in order to establish adequate prices for the Company's products, to adequately assess the forms for maintenance of free liquid funds through preventing undue risk concentrations.

Risk management is currently performed under the direct guidance of the General Manager and the finance experts of the Group to which the Company belongs, including management of individual specific risks as currency, price, interest, credit and liquidity and the risk of the use of (generally) non-derivative instruments.

Described below are the various types of risks to which the Company is exposed upon performing its commercial transactions as well as the adopted approach for managing these risks.

Market risk**A. Currency risk**

The Company is not exposed to currency risk because all of its operations and deals are denominated in BGN and/or in EUR.

Currency analysis

31 December 2017	<i>in EUR</i> <i>BGN '000</i>	<i>in BGN</i> <i>BGN '000</i>	<i>Total</i> <i>BGN '000</i>
Financial assets	134	243	377
Financial liabilities	4,593	12	4,605
31 December 2016	<i>in EUR</i> <i>BGN '000</i>	<i>in BGN</i> <i>BGN '000</i>	<i>Total</i> <i>BGN '000</i>
Financial assets	73	223	296
Financial liabilities	4,850	18	4,868

B. Price risk

The Company is exposed to a specific price risk related to the price of the produced thereby electric energy as far as the latter is an exceptionally specific product and is being sold to particular companies set by law and its selling price is subject to control and regulation by the energy and water regulatory commission. The company sells its production to one customer and the price is fixed for a long-term period of 20 years.

The Company does not hold shares and securities, subject to trading, neither has the practice of trading in financial instruments – respectively, it is not exposed to risk of adverse changes in exchange markets.

C. Credit risk

Credit risk is mainly the risk that any of the Company's clients will fail to discharge in full and within the normally envisaged terms the amounts due.

Company's financial assets are concentrated in cash (in hand and at bank accounts). The Company does not have a significant concentration of credit risk with regard to receivables because they are under a contract for the purchase of electric energy and are regularly serviced.

Cash transactions are limited to only highly reputable banks with stable liquidity.

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Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally its obligations within their maturity. The maturity and the timely payments are currently monitored by the accounting department through maintaining daily information on the available cash and the forthcoming payments.

Maturity analysis

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

31 December 2017	<i>up to 1 month</i>	<i>2 to 3 months</i>	<i>4 months to 1 year</i>	<i>over 1 year</i>	<i>Total</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Trade receivables	1	-	-	-	-
Cash and cash equivalents	376	-	-	-	376
	<u>377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>377</u>
Trade payables	12	-	-	-	12
Payables to related parties	7	-	-	2,242	2,256
Bank loans	9	68	228	2,674	2,979
	<u>28</u>	<u>68</u>	<u>228</u>	<u>4,916</u>	<u>5,230</u>

31 December 2016	<i>up to 1 month</i>	<i>2 to 3 months</i>	<i>4 months to 1 year</i>	<i>over 1 year</i>	<i>Total</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Cash and cash equivalents	296	-	-	-	296
	<u>296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296</u>
Trade payables	12	-	-	-	12
Payables to related parties	6	-	2,305	-	2,311
Bank loans	10	72	242	3,009	3,333
	<u>28</u>	<u>72</u>	<u>2,547</u>	<u>2,009</u>	<u>5,656</u>

Risk of interest-bearing cash flows

Interest-bearing assets are presented in the structure of Company's assets by cash.

The Company has a significant portion of interest-bearing liabilities representing loans granted by the owners and banks.

The Company is exposed to interest risk of its long-term bank loans. They are with a floating interest rate which is entirely based on EURIBOR. The floating interest rate makes Company's cash outflows dependent on interest rate risk.

The Company is exposed to interest risk with regard to its current liabilities to related parties under loans, which are with a fixed interest rate. The Company controls this risk as long as the loans are exceptionally within the circle of related parties, which allows a timely and adequate change in interest policies when granting and receiving new loans or the renewal of already contracted ones.

Interest analysis

31 December 2017	<i>with floating interest % BGN '000</i>	<i>with fixed interest % BGN '000</i>	<i>interest- free BGN '000</i>	<i>Total BGN '000</i>
Financial assets	-	375	2	377
Financial liabilities	2,344	2,200	61	4,605
31 December 2016	<i>with floating interest % BGN '000</i>	<i>with fixed interest % BGN '000</i>	<i>interest- free BGN '000</i>	<i>Total BGN '000</i>
Financial assets	-	295	1	296
Financial liabilities	2,545	2,279	44	4,868

Capital risk management

The capital management objectives of the Company are to build and sustain capabilities to continue its operation as a going concern in order to provide return on owner's investments as well as to maintain an optimal capital structure to reduce the cost of capital.

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

position less cash and cash equivalents. Total employed capital is calculated as the sum of equity and net debt.

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

	<i>2017</i>	<i>2016</i>
	<i>BGN'000</i>	<i>BGN'000</i>
Total borrowings, including:	4,544	4,825
<i>loans granted by the parent company</i>	2,200	2,280
<i>Bank loans</i>	2,344	2,545
Less: Cash and cash equivalents	(376)	(296)
Net debt	4,168	4,529
Total equity	503	404
Total capital	4,671	4,933
Gearing ratio	0.89	0.92

Fair values

The fair value concept presumes realisation of financial instruments through a sale based on the position, assumptions and judgments of independent market participants in a principal or most advantageous market for a particular asset or liability. The Company assumes as a principal market for its financial assets and liabilities the financial market in Bulgaria – the Bulgarian Stock Exchange, the large commercial banks - dealers. However, in cases especially in regard of trade receivables and payables, loans and deposits, the Company expects to realise these financial assets and liabilities through their total refund or respectively, settlement over time. Therefore, they are presented at their amortised cost.

In addition, a large part of the financial assets and liabilities are either short-term in their nature (trade receivables and payables) or are presented in the statement of financial position at market value and therefore, their fair value is almost equal to their carrying amount.

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

16. RELATED PARTY TRANSACTIONS

The Company's parent is Anel Elektrik Proje Taahhut ve Ticaret Anonim Sirketi, Turkey, in which the main owner is Rıdvan Çelikel, citizen of Turkey.

Transactions

During the year, the Company has executed transactions *with the following related parties:*

	Relation type
Anel Elektrik Proje Taahhut ve Ticaret Anonim Sirketi	Parent company
Behzat Aksaray	Shareholder
Ahmet Behzat Aksaray	Shareholder
Anel BG EOOD	Company under a common control

The data on related party transactions are presented below:

	2017 BGN '000	2016 BGN '000
Companies under common control		
Purchase of services	73	73
Parent company		
Interest on loans received	86	87
Paid interest on loans received	76	-
Shareholders (physical persons)		
Interest on loans received	84	87
Paid interest on loans received	77	782

Outstanding balances

The accounts and balances with related parties are presented in Note 13.

Remuneration of key managing personnel

The remuneration of key managing personnel include salaries, social security/health insurance contributions and bonuses, which in year 2017 amounted to BGN 13 thousand (2016: BGN 13 thousand).

47. 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

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

Title of standard	IFRS 9 <i>Financial Instruments</i>
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 <i>Financial Instruments: Recognition and Measurement</i> in its entirety.
Impact	<p>Classification</p> <p>IFRS 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.</p> <p>The Company has reviewed its financial assets and liabilities and no impact is expected from the implementation of the new IFRS 9 on the classification and measurement of its financial assets. The trade and other receivables, which are currently classified as loans and receivables and measured at amortised cost, meet the conditions for classification at amortised cost under IFRS 9. Their carrying amount is BGN 10 thousand.</p> <p>The Company does not expect any changes and impact on the accounting of its financial liabilities, as the new requirements only affect the accounting of 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 <i>Financial Instruments: Recognition and Measurement</i>, and have not been changed.</p> <p>Impairment</p> <p>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 <i>Revenue from Contracts with Customers</i>, lease receivables, loan commitments and certain financial guarantee contracts.</p> <p>The Company has reviewed and analysed the credit risk impact on its financial instruments, respectively whether and for which instruments there is a substantial increase following their</p>

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

Title of standard	IFRS 15 Revenue from Contracts with Customers
Nature of change	<p>IFRS 15 <i>Revenue from Contracts with Customers</i> is the new standard for the recognition of revenue. It will replace IAS 18 <i>Revenue</i>, which covers goods and services contracts, and IAS 11 <i>Construction Contracts</i>, which covers construction contracts, and the respective SIC and IFRIC.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p>
Impact	The Company has assessed the effects of applying the new standard and has identified the areas that will possibly be affected.

	<p>Revenue from the sale of products and goods</p> <p>The Company sells mostly electric energy, produced by own photovoltaic park.</p> <p>The Company has determined that the revenue from the sale of its production will be recognised following the “point in time” method under IFRS 15, when control over the production is transferred to the customers. This usually happens at the same moment the electricity is produced. The applied approach for recognition of the revenue from the sale of its production will remain unchanged.</p> <p>Presentation and disclosure requirements</p> <p>IFRS 15 provides presentation and disclosure requirements that are to a certain extent different and more detailed than those under current IFRS</p>
Date of adoption by Company	IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Company intends to adopt the standard using the modified retrospective approach, as of 1 January 2018. Comparatives for 2017 will not be restated.

Title of standard	IFRS 16 Leases
Nature of change	<p>IFRS 16 <i>Leases</i> is the new standard on leases. It will replace IAS 17 <i>Leases</i>, and the respective SIC and IFRIC.</p> <p>IFRS 16 establishes principles and rules for the recognition, measurement and presentation of a lease.</p> <p>Accounting for by lessees</p> <p>IFRS 16 establishes a uniform model of lease accounting for by lessees that introduces their recognition in the balance sheet, similar to finance lease accounting under IAS 17. Under the new standard, a contract contains a lease if the contract conveys the right to control the use of an identified asset. At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability at the present value of the lease payments that are not paid at that date. The only exceptions are short-term leases and/or leases for which the underlying asset is of low value. Lessees will recognise interest expense for the lease liability and respectively a depreciation expense for the right-of-use asset. Moreover, lessees will have to recognise revaluation of the lease</p>

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	<p>liability upon the occurrence of certain events (for instance, changes in the conditions of the lease contract, changes to future lease payments due to changes in certain values (index, percentage, etc.) used in the calculation of lease payments). In these cases, lessees recognise changes as an adjustment of the lease liability and the right-of-use asset.</p> <p>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.</p> <p>Accounting for by lessors</p> <p>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.</p>
Impact	IFRS 16 will not affect the reporting of the Company, as it does not have lease operations neither as lessee nor as lessor.
Date of adoption by the 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.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.