

**BULGARTEL DOOEL SKOPJE**

Financial statements for the year then  
ended as of December 31, 2016 and  
Independent Auditors' Report

Skopje, April 2017

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**INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF  
BULGARTEL DOOEL- SKOPJE**

**QUALIFIED OPINION**

We have audited the financial statements of BULGARTEL DOOEL Skopje (Hereinafter: the Company), which comprise the financial position as at December 31, 2016, and the comprehensive income statement, 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, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements are prepared, in all material respects in accordance with accepted accounting standards in the Republic of Macedonia.

**BASIS FOR QUALIFIED OPINION**

- As stated in Note 6 to the Financial Statements with position as of 31st December 2016, the balance of the current investments is 36,096 thousand Denars. Based on the conducted audit tests we established that the Company is undergoing legalization procedure for these investments as illegally built objects and it has not recorded appropriate provision, which would result in the possibility for this asset not to be recognized in accordance with IAS 16 Property, plant and equipment. Accordingly, we were not able to acquire reasonable assurance about the provision's adequacy of the investments made with position at 31st December 2016.
- As stated in Note 7 to the Financial statements with position as of 31 December 2016, the balance of the domestic trade receivables is 2,944 thousand Denars. Based on the conducted audit tests, we realized that a significant portion of these receivables in the amount of 2,667 thousand Denars are obsolete, one part undergoing litigations and there is a significant risk regarding their collection, and the Company has not recognized appropriate provisions for impairment. Accordingly, we were not able to obtain reasonable assurance regarding the adequacy of the provision for impairment of the domestic trade receivables at December 31, 2016.
- As stated in Note 7 to the Financial statements with position as of 31 December 2016, the balance of the foreign trade receivables is 2,803 thousand Denars. Based on the conducted audit tests, we realized that a significant portion of these receivables in the amount of 2,340 thousand Denars are obsolete, one part undergoing litigations and there is a significant risk regarding their collection, and the Company has not recognized appropriate provisions for impairment. Accordingly, we were not able to obtain reasonable assurance regarding the adequacy of the provision for impairment of the foreign trade receivables at December 31, 2016.

**INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF  
BULGARTEL DOOEL- SKOPJE (continued)**

- As stated in Note 7 to the Financial statements with position as of 31 December 2016, the balance of the domestic trade receivables is 2,944 thousand Denars. On the basis of the conducted procedure independent confirmation received during the audit procedures, in accordance with the confirmations received from the customers, the amount of the total receivables under the confirmations until the date of these statements is 244 thousand Denars. Based on the received independent confirmations from external sources and conducted alternative procedures, we were not in the position to obtain higher level of assurance and confirm the appropriateness and adequacy of the trade receivables in the amount of 2,700 thousand Denars.
- As stated in Note 7 to the Financial statements with position as of 31 December 2016, the balance of the foreign trade receivables is 2,803 thousand Denars. On the basis of the conducted procedure independent confirmation received during the audit procedures, in accordance with the confirmations received from the customers, the amount of the total receivables under the confirmations until the date of these statements is 463 thousand Denars. Based on the received independent confirmations from external sources and conducted alternative procedures, we were not in the position to obtain higher level of assurance and confirm the appropriateness and adequacy of the trade receivables in the amount of 2,340 thousand Denars.
- As stated in Note 11 to the Financial statements with position as of 31 December 2016, the balance of the domestic trade payables is 5,991 thousand Denars. On the basis of the conducted procedure independent confirmation received during the audit procedures, in accordance with the confirmations received from the suppliers, the amount of the total payables under the confirmations until the date of these statements is 114 thousand Denars. Based on the received independent confirmations from external sources and conducted alternative procedures, we were not in the position to obtain higher level of assurance and confirm the appropriateness and adequacy of the trade payables in the amount of 5,877 thousand Denars.

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 ethical requirements that are relevant to our audit of the financial statements The International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF  
BULGARTEL DOOEL- SKOPJE (continued)**

**EMPHASIS OF MATTER**

We draw attention to Note 2.2 to the financial statements describing that the Company's current liabilities exceed its current assets by the amount of 61,759 thousand Denars. Due to the losses incurred in prior periods, the Company's financial position deteriorated combined with the Company dependence of the loans from the parent company, indicate the existence of material uncertainty in the Company's ability to continue as a going concern without the continuing support of the parent company. The parent company has provided a non legally binding letter of support indicating that the support will be provided in order to sustain and enable the Company to continue as a going concern.

Our opinion is not modified in respect of this matter.

**RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH  
GOVERNANCE FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation of the financial statements in accordance with accepted accounting standards in the Republic of Macedonia 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**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.

**INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF  
BULGARTEL DOOEL- SKOPJE (continued)**

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.

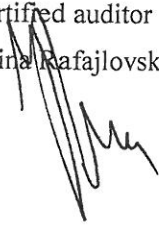
Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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.

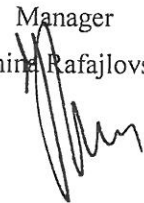
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Skopje, 03 April 2017

Certified auditor  
Jasmina Rafajlovska



Manager  
Jasmina Rafajlovska



## STATEMENT OF FINANCIAL POSITION

(Amounts in 000 MKD)

	Note	31 December 2016	31 December 2015
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	40,173	40,251
		<u>40,173</u>	<u>40,251</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	7	5,517	5,404
Cash and cash equivalents	8	1,320	1,149
		<u>6,837</u>	<u>6,553</u>
<b>TOTAL ASSETS</b>		<u><b>47,010</b></u>	<u><b>46,804</b></u>
<b>EQUITY</b>			
Owner's capital	9	308	308
Unearned capital contribution		4,075	4,075
Accumulated losses		(25,969)	(20,358)
<b>TOTAL EQUITY</b>		<u><b>(21,586)</b></u>	<u><b>(15,975)</b></u>
<b>CURRENT LIABILITIES</b>			
Interest-bearing borrowings	10	60,339	54,802
Trade and other payables	11	8,257	7,977
		<u>68,596</u>	<u>62,779</u>
<b>TOTAL LIABILITIES</b>		<u><b>68,596</b></u>	<u><b>62,779</b></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>47,010</b></u>	<u><b>46,804</b></u>

See accompanying notes to the financial statements

Nikola Vasilev  
Chief Executive Director




## STATEMENT OF COMPREHENSIVE INCOME

(Amounts in 000 MKD)

	Note	31 December 2016	31 December 2015
Revenue	12	8,716	9,327
Other revenue	13	148	3
Personnel expenses	14	(1,999)	(1,999)
Depreciation	6	(198)	(294)
Other operating expenses	15	(6,698)	(6,313)
<i>RESULTS FROM OPERATING ACTIVITIES</i>		<i>(31)</i>	<i>724</i>
Financial income	16	422	72
Finance expenses	16	(6,002)	(4,957)
<i>FINANCE EXPENSES, NET</i>		<i>(5,580)</i>	<i>(4,885)</i>
<i>PROFIT BEFORE INCOME TAX</i>			
Income tax expenses	17	-	-
<i>(LOSS) BEFORE INCOME TAX</i>		<i>(5,611)</i>	<i>(4,161)</i>
Other comprehensive income for the year			
<i>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</i>		-	-
<i>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</i>		<i>(5,611)</i>	<i>(4,161)</i>

See accompanying notes to the financial statements


  
 Nikola Vasilev
   
 Chief Executive Director

## STATEMENT OF CHANGES IN EQUITY

(Amounts in 000 MKD)

	Owner's capital	Unearned capital contribution	Accumulated losses	Total
At 1 January 2016	308	4,075	(20,358)	(15,975)
Transactions with owners:	-	-	-	-
<b>Total transactions with owners:</b>	-	-	-	-
Loss for the period	-	-	(5,611)	(5,611)
Other comprehensive income:	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	-	-	(5,611)	(5,611)
At 31 December 2016	308	4,075	(25,969)	(21,586)
At 1 January 2015	308	4,075	(16,197)	(11,814)
Transactions with owners:	-	-	-	-
<b>Total transactions with owners:</b>	-	-	-	-
Loss for the period	-	-	(4,161)	(4,161)
Other comprehensive income:	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	-	-	(4,161)	(4,161)
At 31 December 2015	308	4,075	(20,358)	(15,975)

See accompanying notes to the financial statements



## STATEMENT OF CASH FLOWS

(Amounts in 000 MKD)

	Note	31 December 2016	31 December 2015
<b>Operating</b>			
Profit/(Loss) before income tax		(5,612)	(4,161)
<u>Adjusted for:</u>			
Depreciation		198	293
Finance expense, net		5,318	3,856
Net foreign exchange gain I (loss)		251	1,029
Written-off liabilities		-	-
Operating profit before working capital changes		<u>155</u>	<u>1,017</u>
<u>Changes in Working capital:</u>			
Inventories			
Trade and other receivables		(112)	153
Trade and other payables		248	(207)
Cash flows from operating activities		<u>136</u>	<u>(54)</u>
<b>Investing</b>			
Purchase of property, plant and equipment		(120)	-
Cash flows (used in) investing activities		<u>(120)</u>	<u>-</u>
<b>Financing</b>			
Payment of borrowings, net		-	-
Cash flows (used in) financing activities		<u>-</u>	<u>-</u>
Net change in cash and cash equivalents		171	963
Cash and cash equivalents at beginning	8	<u>1,149</u>	<u>186</u>
Cash and cash equivalents at end	8	<u><u>1,320</u></u>	<u><u>1,149</u></u>

See accompanying notes to the financial statements

## **1. GENERAL**

BULGARTEL Dooel, Skopje (the "Company") is a Limited Liability Company incorporated and domiciled in the Republic of Macedonia. The address of its registered head office is as follows: str. Dimo Hadzi Dimov no. 38, Skopje, Republic of Macedonia.

The Company is a 100% owned subsidiary of Bulgartel EAD Sofia (the "Parent"). The Company is involved in providing telecommunications services.

The number of employees of the Company as of 31 December 2016 amounts to 2 employees (31 December 2015:2).

## **2. BASIS OF PREPARATION**

### **2.1 Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) if-any, at fair value through profit or loss. The measurement bases are more fully described in the accounting policies below. The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements and disclosed in Note:5: Critical accounting estimates and judgements.

The financial statements are prepared as of and for the years ended 31 December 2016 and 2015. Current and comparative data in these financial statements are expressed in Denar thousands, which is presentation and functional currency of the Company, unless otherwise stated.

### **2.2 Going concern**

As at 31 December 2016 the current liabilities of the Company exceed its current assets by the amount of 61,759 thousand denars. Due to the losses incurred in current and prior periods, the Company's financial position deteriorated which combined with the Company dependence of the loans from the parent company, indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as a going concern without the continuing support of the parent company.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year then ended 31 December 2016.



### **3.1 Changes in accounting policies**

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2016. Information on these new standards is presented below.

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

At the date of authorization of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company. Information on those expected to be relevant to the Company's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Company's financial statements.

#### **IFRS 9 'Financial Instruments' (2014)**

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Company's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

#### **IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. The Company's management have not yet assessed the impact of IFRS 15 on these financial statements.

### **3.2 Foreign currencies**

Transactions denominated in foreign currencies have been translated into Macedonian Denars at the middle exchange rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into thousands Macedonian Denars ("000 MKD") at the National Bank of the Republic of Macedonia middle exchange rate on the last day of the reporting period.

All gains and losses resulting from foreign currency translation or exchange are included in the Statement of comprehensive income as finance income or expenses in the period in which they arose. The middle exchange rates used for conversion of the Statement of financial position items denominated in foreign currencies are as follows.



	31 December 2016	31 December 2015
1 USD	58,3258	56,3744 MKD
1 EUR	61,4812	61,5947 MKD

### 3.3 Property, plant and equipment

Company's *property, plant and equipment* are stated at cost or deemed cost less accumulated depreciation and impairment provisions, if any. Historical cost includes expenditure that is directly attributable to the purchase or assets.

The cost of self-constructed assets, if any, includes the cost of raw materials, direct labor and appropriate proportion of production overheads.

Subsequent purchases are included in the assets' carrying value or recognized as a separate asset, respectively, only when there is a probability of future inflow of Company's economic benefits related with the item, and when the items' cost value may be reasonably measured.

All other maintenances and repairs are recognized as expenses in the Statement of comprehensive income during the financial period in which they occur.

No depreciation is charged on land and construction in progress. Depreciation of other property and equipment items is calculated using the straight-line method as to allocate the cost to their residual values during the estimated useful life, as follows:

Equipment	3-5 years
Office furniture and computers	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. Differences are included in the statement of comprehensive income as incurred.

### 3.4 Impairment of financial assets

*Property, plant and equipment* are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in statement of comprehensive income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

### 3.5 Financial assets

The Company classifies its *financial assets* in the following categories: at fair value through profit or loss, loans and receivables, financial assets held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets. The Company has no assets classified in this category at the date of the Statement of financial position.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of financial position date. The Company's loans and receivables at the Statement of financial position date consist of trade and other receivables, given borrowings as well as cash and cash equivalents.

*Financial assets held to maturity*

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's Management has the positive intention and ability to hold to maturity. In the position of the Company on 31 December 2014 there are no assets classified in this category at the Statement of financial position.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months as of the Statement of financial position date. The Company has no assets classified in his category on the date of the Statement of financial position.

*Recognition and measurement of financial assets*

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

All financial assets that are not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss' category are presented in the Statement of comprehensive income within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss as part of other income when the Company's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. Dividends on available-for-sale equity instruments are recognized in the Statement of comprehensive income as part of other income when the Company's right to receive payments is established.



*Impairment of financial assets*

a. Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flow (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of impairment loss decreases and that decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement of the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the Statement of comprehensive income.

b. Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the Statement of comprehensive income on equity instruments are not reversed through the Statement of comprehensive income on equity instruments are not reversed through statement of comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the Statement of comprehensive income.



### **3.6 Offsetting financial instruments**

*Financial assets and liabilities are offset* and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### **3.7 Inventories**

*Inventories* are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less applicable variable selling expenses. Cost of supplies and spare parts are determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

### **3.8 Trade receivables, given borrowings and other receivables**

*Trade receivables* are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is recognized when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Individually significant debtors are tested for impairment on an individual basis. The remaining debtors are assessed collectively in groups that share similar credit risk characteristic. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Assets with a short maturity are not discounted.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognized as current income in the statement of comprehensive income.

### **3.9 Cash and cash equivalents**

*Cash and cash equivalents* includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### **3.10 Equity**

#### *Owner's capital*

Owner's capital consists of cash contributed by the Company's founders. Owner's capital is carried at the translated Denar amount of the foreign currency nominal value received using the exchange rate at the date of transaction.



*Accumulated (losses)*

Accumulated (losses) comprise of losses from the current and past periods.

**3.11 Financial liabilities**

*Financial liabilities* are classified in accordance with the essence of the contractual arrangement. Financial liabilities at amortized cost consist of trade payables and borrowings.

*Trade liabilities*

*Trade liabilities* are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at their fair value and subsequently measured at their amortized cost by applying the effective interest rate method.

*Borrowings*

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at their amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of financial position date.

**3.12 Borrowing costs**

*General and specific borrowing costs* directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**3.13 Current and deferred tax expense.**

Current tax expenses for the reporting period represents the total of current and deferred income tax.



*Current income tax*

During the period 01 January 2009 through 31 December 2013 the current tax expense at 10% rate is paid to non-recognized expenses for tax purposes adjusted for tax credit and under declared revenue, as well as profit allocated for dividends to legal entities - non-residents and to individuals.

During 2016 new law on income tax was passed, applicable for tax periods starting 01 January 2016 according to which income taxes at the rate of 10% are based on the profit shown in the Statement of comprehensive income, adjusted for certain less declared revenue and non-recognized expenses for tax purposes, tax credit as well as other tax releases. Legal entities may use tax losses from current period for compensation of paid taxes related to certain period or for decrease or elimination of tax liabilities for following periods.

*Deferred tax*

Deferred tax expense is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in determination of deferred tax expense.

Deferred tax expense is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Company has not recognized any deferred tax assets or liabilities at 31 December 2016 and 2015, as there are no temporary differences' existing at that dates.

**3.14 Employee benefits**

*Pension obligations*

The Company has pension scheme as prescribed by the local social security legislation under which it contributes to its employees' post retirement plans. Contributions, based on salaries, are made to the first and second pension pillar responsible for the payment of pensions. There is no additional liability regarding these plans.

*Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Post-retirement obligations*

The Company in accordance with the legal regulations in the country pays the employees a minimum fee when retiring in the amount determined by the legislative. No provision has been made at the statement of financial position date in respect of this post – retirement obligations, since that amount would not have a material effect on the financial statements.



### **3.15 Value Added Tax**

Revenues, expenses and assets are recognized net of the amount of value added tax, except:

- When the value added tax from the purchase of assets or services is not reimbursable by the tax authority, in which case the value added tax is recognized as part of the expenses for the acquisition or as part of the cost where appropriate; and
- Receivables and liabilities which are presented with value added tax included.

The net amount of value added tax which is recoverable from, or payable to the tax authorities is included as part of the receivables or liabilities in the Statement of financial position.

### **3.16 Provisions**

*A provision* is recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each Statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.

### **3.17 Revenue recognition**

#### *Rendering services*

Revenue from rendering services is recognized by reference to the stage of completion when can be measured reliably. The stage of completion is determined based on surveys of work performed.

#### *Interest income and expenses*

Interest is recognized on a time proportion basis that reflects the effective yield on the assets. Interest expense comprise of interest expense on borrowing and default interest expense on late payments.

#### *Operating expenses*

Operating expenses are recognized in the profit and loss upon utilization of the service or at the date of the origin.

#### *Netting of revenues and expenses*

The Company undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The Company presents the results of such transactions, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction.

**3.18 Commitments and contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that, a liability incurred as at the Statement of financial position date and a reasonable estimate of the amount of the resulting loss can be made.

**3.19 Related party transaction**

Related parties are those where one of the parties is controlled by the other or has significant influence in making financial or business decisions of the other party.

**3.20 Events after the reporting date**

Events after the reporting date that provide additional information about a Company's position at the Statement of financial position date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

**4. FINANCIAL RISK MANAGEMENT****4.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk. The Company's risk management focuses on unpredictability of markets and seeks to minimize potential adverse effects over the Company's financial performance.

Risk management is carried out by the Company's Board of Directors based on certain pre-approved written policies and procedures that cover overall risk management, as well as specific areas, such as credit risk, liquidity risk, market risk and investing excess liquidity.

**4.2 Credit risk**

Credit risk is the risk of financial loss to the Company if the customer or counterparty to a financial investment fails to meet its contractual obligations and arises mainly from the Company's trade receivables. The Company's exposure to credit risk is principally influenced by the individual characteristics of each customer.

The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as summarized below (in 000 MKD):

Classes of financial assets – carrying amounts:	<b>2016</b>	<b>2015</b>
Trade and other receivables	5,132	4,896
Cash and cash equivalents	1,320	1,149
<i>Total</i>	<u>6,452</u>	<u>6,045</u>

**BULGARTEL DOOEL - SKOPJE**

NOTES TO THE FINANCIAL STATEMENTS AS OF 2016 and 2015 (continued)

The Company's maximum exposure to credit risk for trade and other receivables at the reporting date by geographic regions as follows:

	2016	2015
Domestic	2,944	2,851
Foreign	2,188	2,045
<i>Total</i>	5,132	4,896

**4.3 Liquidity risk**

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Company always ensures that it has sufficient cash available on demand to meet expected operational expenses including the servicing of loans and other financial obligations.

As of 31 December 2016 and 2015, the contractual maturities of financial liabilities of the Company as summarized below:

	31 December 2016		
	Current 1 to 12 months	1 to 5 years	Non-current Later than 5 years
Variable interest rate	40,739	-	-
Trade payables	7,729	-	-
Interest payables	19,600	-	-
Liabilities to employees	455	-	-
<i>Total</i>	68,523	-	-
	31 December 2015		
	Current 1 to 12 months	1 to 5 years	Non-current Later than 5 years
Variable interest rate	40,485	-	-
Trade payables	7,279	-	-
Interest payables	14,317	-	-
Liabilities to employees	461	-	-
<i>Total</i>	62,542	-	-

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

#### 4.4 Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that affect Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

##### *Foreign exchange risk*

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Company does not use any instrument to hedge the foreign exchange risk. The Company's management is responsible to maintain adequate net position in each currency and in total.

The carrying value of the monetary assets and liabilities of the Company denominated in foreign currencies is as follows:

		2016 (in 000 MKD)	2015 (in 000 MKD)
<b>Assets</b>			
Cash and cash equivalents	EUR	-	-
Trade and other receivables, net	EUR	2,188	2,045
<i>Total</i>			2,045
<b>Liabilities</b>			
Interest bearing borrowings	EUR	31,407	31,465
Trade payables	EUR	1,738	1,296
Interest liabilities	EUR	19,600	14,317
<i>Total</i>		52,745	47,078
Interest-bearing borrowings	USD	9,332	9,020
<i>Total</i>		9,332	9,020

##### *Foreign currency sensitivity analysis*

#### 31 December 2016

	Net amount	+1%	-1%
EUR			
	(50,557)	(506)	506
USD			
	(9,332)	(93)	93

#### 31 December 2015

EUR	(45,033)	(450)	450
USD	(9,020)	(90)	90

The sensitivity analysis includes only monetary items denominated in foreign currencies at year end, and a correction of their value is made for a 1% change in foreign currency rates. The positive, i.e. negative amount indicates increase/decrease in profit or other equity, which occurs when the Denar weakens/strengthens its value against foreign currencies by +/- 1%.

*Interest rate risk*

The Company takes on exposure to effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company's management is primarily responsible for daily monitoring of the net interest rate risk position and it sets limits to reduce the potential of interest rate mismatch. There is significant concentration of interest-bearing funds borrowed from the parent company at the Statement of financial position date. Fluctuations in market interest rates under which, the funds are borrowed could have adverse effect over the Company's financial performance. At the same time, the Company has no significant placements of its assets in time deposits and highly liquid securities, bearing additional interest income.

The table below summarizes the Company's exposure to interest rate risk.

	2016 (in 000 MKD)	2015 (in 000 MKD)
<b>Assets</b>		
<i>Non-interest bearing</i>		
Trade and other receivables, net	5,132	4,896
Cash and cash equivalents	-	-
		<u>4,896</u>
<i>With variable interest rate</i>		
Cash and cash equivalents	1,320	1,149
<i>Total with variable interest rate</i>	<u>1,320</u>	<u>1,149</u>
<b>Total</b>	<u><b>6,452</b></u>	<u><b>6,045</b></u>
	2016 (in 000 MKD)	2015 (in 000 MKD)
<b>Liabilities</b>		
<i>Non-interest bearing</i>		
Trade payables	7,729	7,279
Interest payables	19,600	14,317
Liabilities to employees	455	461
	<u>27,784</u>	<u>22,057</u>
<i>With variable interest rate</i>		
Interest bearing borrowings	<u>40,739</u>	<u>40,485</u>
	<u>68,523</u>	<u>62,542</u>
<b>Interest sensitivity gap</b>	<u><b>(62,071)</b></u>	<u><b>(56,497)</b></u>

*Interest rate sensitivity analysis:*

	31 December 2016		
	Net amount	+1%	-1%
<i>With variable interest rate</i>	(39,419)	(394)	394
	31 December 2015		
	Net amount	+1%	-1%
<i>With variable interest rate</i>	(40,485)	(405)	405

The positive, i.e. negative amount indicates increase/decrease in profit or other equity, which occurs when interest rates are higher/lower by 1%.

**4.5 Capital risk management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of the dividends paid to owners, return capital to owners, increase its capital with new contributions from the owners or sell assets to reduce debt.

*Debt indicator*

The structure of the Company's equity comprises of liabilities, which include loans, cash and cash equivalents and equity, which comprises of paid in capital, revaluation reserves, other reserves and retained earnings. The Management reviews the capital structure on annual basis as a relation between the net loan liabilities and the total capital.

The net loan liabilities are calculated as total liabilities for borrowings less the amount for cash and cash equivalents.

The gearing ratio at 31 December 2016 and 2015 is as follows (in 000 MKD):

	2016	2015
	(in 000 MKD)	(in 000 MKD)
Interest bearing borrowings	40,739	40,485
Cash and cash equivalents	(1,320)	(1,149)
<i>Net liabilities</i>	<u>39,419</u>	<u>39,336</u>
Equity	<u>(21,586)</u>	<u>(15,975)</u>
<i>Debt indicator</i>	<u>-</u>	<u>-</u>

**4.6 Fair value assessment**

Fair value represents the amount at which an asset could be replaced or a liability settled on an arm's length basis. Fair values have been based on management assumptions according to the profile of the asset and liability base.

#### 4.6.1 Financial instruments presented at fair value

Financial assets measured according to their fair value in the statement of financial position to be presented in accordance with the hierarchy of the fair value are shown in the next table. This hierarchy groups the financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets. Fair value hierarchy is as follows:

- **Level 1:** quoted prices (not adjusted) on the active markets for identical assets or liabilities;
- **Level 2:** other incoming data, aside from the quoted prices, included in Level 1 which are available for asset or liability observing, directly (i.e. as prices), or indirectly (i.e. made of prices) and
- **Level 3:** incoming data on the asset or liability that are not based on data available for market observing.

The financial assets that are registered according to their fair values in the Statement of financial position are grouped according to the hierarchy level of the fair value.

#### 4.6.2 Financial instruments not presented at fair value

The following table summarizes the carrying amounts and fair values to those financial assets and liabilities that are not presented in the Statement of financial position at their fair value:

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Assets</b>				
Trade and other receivables, net	5,132	4,896	5,132	4,896
Cash and cash equivalents	1,320	1,149	1,320	1,149
<b>Total assets</b>	<b>6,452</b>	<b>6,045</b>	<b>6,452</b>	<b>6,045</b>
<b>Liabilities</b>				
Interest bearing borrowings	40,739	40,485	40,739	40,485
Trade payables	7,729	7,279	7,729	7,279
Interest payables	19,600	14,317	19,600	14,317
Liabilities to employees	455	461	455	461
<b>Total liabilities</b>	<b>68,523</b>	<b>62,542</b>	<b>68,523</b>	<b>62,542</b>

#### *Loan and receivables*

Loans and receivables are carried at amortized cost, less the provisions for impairment. Their fair value corresponds to their carrying value.

*Other financial assets*

Fair value of monetary assets that include cash and cash equivalents is considered to approximate their carrying value due to their maturity of less than 3 months.

*Trade payables and borrowings*

Carrying value of trade payables approximates their fair value, due to their maturity less than 3 months.

Carrying value of trade and loan payables approximate their carrying value.

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

In the application of the Company's accounting policies, which are described in Note 2 of these financial statements, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from their sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Uncertainty in judgements*

*Impairment of non-financial assets*

Impairment losses are recognized in the amount for which the carrying value of the asset or the cash generating unit exceeds the recoverable amount. When determining the recoverable amount, the Management evaluates expected prices and cash flows from each cash generating unit and determines an appropriate interest rate when calculating the present value of such cash flows.

*Impairment of financial assets*

*Impairment of trade receivables and other receivables*

Company calculates impairment of trade and other receivables based on estimated losses resulting from the inability of customers to settle their obligations. The estimation is based on the aging of balance of the account of trade receivables, given borrowings and other receivables and historical write-off experience, customer credit-worthiness and changes in customer payment terms. These involve assumptions about future customer behavior and the resulting future cash proceeds. If the financial condition of customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

*Useful life of depreciated assets*

Management regularly reviews the useful lives of depreciated assets as at 31 December 2016. Management estimates that the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analyzed in Note 5. However, the factual results may differ due to the technological obsolescence.



## 6. PROPERTY, PLANT AND EQUIPMENT

	Equipment, Office furniture & computers	Assets under construction	Total
<b>At 01 January 2016</b>			
Balance on 01 January 2016	5,966	36,096	42,062
New purchases in the year	120	-	120
<b>Balance on 31 December 2016</b>	<b>6,086</b>	<b>36,096</b>	
<b>Correction of value</b>			
Balance on 1 January 2016	1,811	-	1,811
Depreciation charge for the year	198	-	240
<b>Balance on 31 December 2016</b>	<b>2,009</b>	<b>-</b>	
<b>Net accounting value on 31 December 2016</b>	<b>4,077</b>	<b>36,096</b>	<b>40,173</b>
<b>Net accounting value on 1 January 2016</b>	<b>4,155</b>	<b>36,096</b>	<b>40,251</b>
<b>At 01 January 2015</b>			
Balance on 01 January 2015	5,966	36,096	42,062
New purchases in the year	-	-	-
<b>Balance on 31 December 2015</b>	<b>5,966</b>	<b>36,096</b>	<b>42,062</b>
<b>Correction of value</b>			
Balance on 01 January 2015	1,517	-	1,517
Depreciation charge for the year	294	-	294
<b>Balance on 31 December 2015</b>	<b>1,811</b>	<b>-</b>	<b>1,811</b>
<b>Net accounting value on 31 December 2015</b>	<b>4,155</b>	<b>36,096</b>	<b>40,251</b>
<b>Net accounting value on 1 January 2015</b>	<b>4,448</b>	<b>36,096</b>	<b>40,544</b>

*Assets under construction*

As at 31 December 2016, assets under construction represent an investment in an optical trace from the Bulgarian- Macedonian border to Skopje. There are proceedings led for determining the legal status of these assets as illegally constructed buildings (See Note 19)

*Property, plant and equipment pledged*

As at 31 December 2016, the Company does not have any property pledged as collateral.

Following table provides for the movement of impairment provision account for the period ended 31 December 2016 and 2015:

	31 December 2016	31 December 2015
At 01 January	615	615
At 31 December	615	615

#### 8. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Bank balances	1,320	1,149
At 30 June	1,320	1,149

#### 9. EQUITY

##### *Owner's capital*

Bulgartel EAD Sofia is the sole owner of the Company. Owner's capital in the amount of Denar 308 thousand is fully paid. The owner is entitled to receive distributions of profit as declared from time to time. All shares rank equally with regard to the Company's residual assets.

##### *Unearned capital contribution*

The unearned capital contribution results from the low-interest loan provided from the Parent. The difference between the cost and fair value of the loan calculated as the present value of the expected future cash flows discounted using a market related rate, has been recognized in equity as an unearned capital contribution. In future periods it will be unwinded over the expected life of the related instrument using the effective interest method.

#### 10. INTEREST-BEARING BORROWINGS

	30 December 2016	31 December 2015
Unsecured loans from related parties (currency: EUR 508,208; basic interest rate on Bulgar NationalBank + 1%)	31,407	31,465
Unsecured loans from related parties (currency: USD 160,000; interest rate 9.5% p.a.)	9,332	9,020
Interest liabilities	40,739	40,485
Total:	19,600	14,317
	60,339	54,802

The borrowings repayments schedule is as follows:

	31 December 2016	31 December 2015
Due within 12 months	40,739	40,485
Due within 1-2 years	-	-
Due within 2-5 years	-	-
	<b>40,739</b>	<b>40,485</b>

#### 11. TRADE AND OTHER PAYABLES

	31 December 2016	31 December 2015
<b>Trade creditors</b>		
Domestic trade payables	5,991	5,983
Foreign trade payables	1,738	1,296
	<b>7,729</b>	<b>7,279</b>
<b>Other current liabilities</b>		
Liabilities to employees	455	461
Tax liabilities	73	89
Other payables	-	148
	<b>528</b>	<b>698</b>
	<b>8,257</b>	<b>7,977</b>

#### 12. REVENUE

	31 December 2016	31 December 2015
Revenues from services - local market	2,562	2,682
Revenues from services - foreign markets	6,154	6,645
	<b>8,716</b>	<b>9,327</b>

#### 13. OTHER REVENUE

	31 December 2016	31 December 2015
Other revenue	-	-
Liabilities write-off	148	3
	<b>148</b>	<b>3</b>

## 14. PERSONNEL EXPENSES

	31 December 2016	31 December 2015
Wages and salaries	1,999	1,999
	<u>1,999</u>	<u>1,999</u>

## 15. OTHER OPERATING EXPENSES

	31 December 2016	31 December 2015
Expenses for data transfer	2,622	3,148
Intellectual services	675	890
Rent for telecommunication equipment	745	480
Rent for business premises	317	317
Maintenance	-	24
Bank charges	19	26
Other	2,320	1,428
	<u>6,698</u>	<u>6,313</u>

## 16. FINANCE EXPENSES, NET

	31 December 2016	31 December 2015
<b>Finance income</b>		
Interest income	-	-
Foreign exchange gains	422	72
	<u>422</u>	<u>72</u>
<b>Finance (expenses)</b>		
Interest (expense)	(5,329)	(3,856)
Foreign exchange (losses)	(673)	(1,101)
	<u>(6,002)</u>	<u>(4,957)</u>
<b>Finance expenses, net</b>	<u>(5,580)</u>	<u>(4,885)</u>

## 17. INCOME TAX EXPENSE

	31 December 2016	31 December 2015
Current tax expense	-	-
Deferred tax expense	-	-
	<u>-</u>	<u>-</u>

**18. RELATED PARTY TRANSACTIONS**

The ultimate parent of the Company is Bulgarian Energy Holding, a shareholding company 100% owned by the Bulgarian Government. Parent of the Company is Bulgartel EAD Sofia.

The table below provides for the volume and balances from the related party transactions as of and for the period ended 31 December 2016 and 2015:

31 December 2016	Loans	Receivables	Payables	Income	Expenses
Bulgartel EAD Sofia	40,739	463	21,315	6,154	7,044
Key management remuneration	-	-	-	-	-
	<b>40,739</b>	<b>463</b>	<b>21,315</b>	<b>6,154</b>	<b>7,044</b>
31 December 2015	Loans	Receivables	Payables	Income	Expenses
Bulgartel EAD Sofia	40,485	333	15,591	6,645	5,024
Key management remuneration	-	-	-	-	-
	<b>40,485</b>	<b>333</b>	<b>15,591</b>	<b>6,645</b>	<b>5,024</b>

**19. COMMITMENTS AND CONTINGENCIES**

**Litigation**

The Company is involved in regular court proceedings from operations. According to the management of the company the final result of these proceedings will not affect Company's operations.

As at 30 June 2016, legal proceedings raised against the Company are in the amount of Denar 996 thousand. As of the Statement of financial position date of these interim financial statements, there are no provisions from potential losses recorded, regarding legal proceedings. The Company's Management regularly analyses potential risks resulting from losses regarding current legal proceedings. Although the outcome of these matters cannot always be ascertained with precision, the management of the Company believes that no material liabilities are likely to result.

The Company is the claimant in a lawsuit against ITV DOOEL Skopje and EURONET KONTROL DOOEL Skopje in the total amount of 211.000 EUR for compensation of damage. The Company has pressed charges against EURONET CONTROL DOOEL – Skopje for separation of goods from bankruptcy estate and determination of ownership in the amount of 60.000 thousand denars. The Company is also a claimant in a lawsuit against the Ministry of transport and communications for legalization of optical trace.

**20. TAX RISK**

Financial statements and the accounting records of the Company are subject to tax control by the tax authorities in the period of 5 years after the submission of the tax report for the financial year and they can cause additional tax liabilities. According the evaluation of the Management of the Company, at the date of these statements no additional terms and conditions exist that may cause contingent liabilities of material significance on such basis.

**21. EVENTS AFTER THE REPORTING DATE**

After 31 December - the reporting date until the approval of this financial statements, there are no adjusting events reflected in the financial information or events that are materially significant for disclosure in financial statements.

