SPEEDY AD
SOFIA

CONSOLIDATED FINANCIAL STATEMENT

30 JUNE 2016

CONTENTS **PAGE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2016

	Notes	30.06.2016 BGN'000	31.12.2015 BGN'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	32,758	26,627
Intangible assets	4	10,391	11,076
Goodwill	4	10,360	10,360
Deferred tax assets	21	192	192
Total non-current assets		**53,701**	**48,255**
Current assets			
Inventories	6	1,214	568
Trade and other receivables	7	20,630	25,170
Cash and cash equivalents	8	15,124	9,092
Other current assets		683	747
Total current assets		**37,651**	**35,577**
TOTAL assets		**91,352**	**83,832**

Continued

	Notes	30.06.2016	31.12.2015
		BGN'000	BGN'000
LIABILITIES			
Equity			
Share capital	9.1	5,336	5,336
Statutory reserves	9.2	544	545
Premium reserves	9.3	19,565	19,565
Other reserves	9.4	(115)	(115)
Retained earnings		12,742	9,494
Current profit		3,125	9,275
Total equity		**41,197**	**44,100**
Non-current liabilities			
Obligations under financial lease agreements	10	10,602	9,424
Loans obtained from banks	11	6,871	3,663
Total non-current liabilities		**17,473**	**13,087**
Current liabilities			
Obligations under financial lease agreements	10	5,489	4,667
Loans obtained from banks	11	1,892	3,532
Trade and other payables	12	17,850	16,568
Tax payables	21	583	585
Other current liabilities - dividends		6,030	-
Total current liabilities		**31,844**	**25,352**
Subsidies		**838**	1,293
TOTAL EQUITY AND LIABILITIES		**91,352**	**83,832**

The enclosed explanatory notes on pages 1 to 23 are an integral part of the financial statement.

Executive Director: Valery Mektupchiyan

Chief Accountant: Stefka Levidzhova

Date:

SPEEDY AD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 June2016

	Notes	**30.06.2016** BGN'000	**30.06.2015** BGN'000
Revenues			
Core revenues	13	63,683	54,410
Other revenues	14	4,607	2,307
Total revenues		**68,290**	**56,717**
Costs of materials	15	(3,397)	(3,413)
Costs of external services	16	(40,198)	(31,693)
Compensation costs	17	(12,824)	(10,757)
Depreciation and amortization	3, 4	(5,526)	(4,229)
Other operating expenses	18	(2,012)	(588)
Total operating expenses		**(63,957)**	**(50,680)**
Operating profit		**4,333**	**6,037**
Financial revenues	19	268	301
Financial costs	20	(1,033)	(813)
Profit before taxes		3,568	5,525
Income taxes	21	(443)	(664)
Profit after taxes		**3,125**	**4,861**
Other comprehensive income for the year, net of taxes		-	-
Total comprehensive income for the year		**3,125**	**4,861**

The enclosed explanatory notes on pages 1 to 23 are an integral part of the financial statement.

Executive Director: Valery Mektupchiyan

Chief Accountant: Stefka Levidzhova

Date:

CONSOLIDATED CASH FLOW STATEMENT
30 June 2016

	30.06.2016	30.06.2015
	BGN'000	**BGN'000**
Cash flows from operating activity		
Proceeds from customers	80,538	66,603
Payments to suppliers	(51,943)	(44,357)
Payments related to remunerations	(12,520)	(11,125)
Tax payment	(4,634)	(5,082)
Other cash flows from operating activity	23	85
Net cash flow from operating activity	**11,464**	**6,124**
Cash flows from investing activity		
Proceeds from sale of plant and equipment	284	104
Payments for purchase of plant and equipment	(3,433)	(1,914)
Other proceeds from investing activities	-	1,128
Net cash flow from investing activity	**(3,149)**	**(682)**
Cash flows from financing activity		
Payments under financial lease agreements	(2,629)	(2,285)
	-	-
Loans obtained	3,403	1,623
Repayment loans	(2,029)	(4,002)
Dividend payment	-	(2,471)
Other cash flows from financing activity	(993)	(797)
Net cash flow from financing activity	**(2,248)**	**(7,932)**
Change in cash and cash equivalents	**(6,067)**	**(2,490)**
Net effect of changes in exchange rates	(57)	(21)
Cash and cash equivalents at the beginning of the period	9,114	10,986
Cash and cash equivalents at the end of the period	15,124	8,475

The enclosed explanatory notes on pages 1 to 23 are an integral part of the financial statement.

Executive Director: Valery Mektupchiyan

Chief Accountant: Stefka Levidzhova

Date:

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

30 June 2016

	Share capital	Statutory reserves	Premium reserves	Other reserves	Financial result	Total
	BGN '000	BGN '000	BGN '000		BGN '000	BGN '000
Balance as of 1 January 2015	**5,336**	**448**	**19,565**	**-**	**15,182**	**40,531**
Distribution of profits, incl.	**-**	-	**-**	**-**	**(5,688)**	**(5,688)**
- Dividends	-	-	-	-	*(5,602)*	-
• *Reserves*	-	*86*	-	-	*(86)*	***86***
Other changes	-	11	-	-	-	**11**
Other comprehensive income	-	-	-	(115)	-	**(115)**
Profit for the year	**-**	-	**-**	**-**	9,275	**9,275**
Balance as of 31 December 2015	**5,336**	**545**	**19,565**	**(115)**	**18,769**	**44,100**
Balance as of 1 January 2016	**5,336**	**545**	**19,565**	**(115)**	**18,769**	**44,100**
Profit distribution, incl.	**-**	-	**-**	**-**	**(6,030)**	**(6,030)**
- dividend	-	-	-	-	*(6,030)*	*(6,030)*
Other changes	-	(1)	-	-	3	**2**
Other comprehensive income	-	-	-	-	-	**-**
Profit for the year	**-**	-	**-**	**-**	3,125	**3,125**
Balance as of 30 June 2016	**5,336**	**544**	**19,565**	**(115)**	**15,867**	**41,197**

The enclosed explanatory notes on pages 1 to 23 are an integral part of the financial statement.

Executive Director: Valery Mektupchiyan

Chief Accountant: Stefka Levidzhova

Date:

1. Corporate information

1.1 Parent Company

“Speedy” AD (“the Parent Company”) is a joint-stock company, registered under file No 1455/2005 with the Sofia City Court in accordance with the Commercial Act of the Republic of Bulgaria.

The seat and the registered address of the Parent Company are in the city of Sofia, 2L Samokovsko shose Street, Boila Trade Center.

The principal activity of the Parent Company mainly consists in the provision of courier services, for which the Communications Regulation Commission has issued Certificate No 0062 of 3.11.2009, as well as forwarding, processing, warehousing and distribution of documents, goods and cargo, domestic and international transport and any other activities that are not prohibited by the law.

The Parent Company was listed at the Bulgarian Stock Exchange on 12 November 2012.

The Parent Company is managed through a one-tier management system – Board of Directors.

As of 31 December 2014, the members of the Board of Directors were:

1. Valery Harutyun Mektupchiyan
2. Georgi Ivanov Glogov
3. Danail Vasilev Danailov

As of 23 February 2015, the members of the Board of Directors are:

1. Valery Harutyun Mektupchiyan
2. Georgi Ivanov Glogov
3. Danail Vasilev Danailov
4. Nedelcho Asparuhov Bonev
5. Cedric Favne-Lorraine

As of 11 December 2015, the members of the Board of Directors are:

1. Valery Harutyun Mektupchiyan
2. Georgi Ivanov Glogov
3. Danail Vasilev Danailov
4. Avak Stepan Terzian
5. Cedric Favne-Lorraine

The Parent Company is represented by the Executive Director Valery Harutyun Mektupchiyan.

The ultimate owner of the Parent Company is Valery Harutyun Mektupchiyan.

1.2 Subsidiary companies

As at 30 June 2016, the subsidiary companies in the Group are:

SPEEDY EOOD – commercial company, registered in Bulgaria, with UIC 115260535 and with seat and registered address: Bulgaria, Plovdiv Region, Maritsa Municipality, village of Trud, 42 “Karlovsko shose”.

The object of the company consists in import and export, forwarding services, production of and trade in all types of goods in the country and abroad, intermediation, distribution of all types of goods and any other activity that is not prohibited by the law. The fixed capital of the company comes up to BGN 982,200.

Geopost Bulgaria EOOD – commercial company, registered in Bulgaria, with UIC 131330260 and with seat and registered address: Bulgaria, Sofia Region, Sofia Municipality, city of Sofia, 2L "Samokovsko shose" Street, Boila Trade Center.
The object of the company consists in the provision of courier services, forwarding, processing, warehousing and distribution of documents, goods and cargo, domestic and international transport, import and export of goods, commercial representation and intermediation of Bulgarian and non-resident natural persons and legal entities, activity as an insurance agent and any other activity that is not prohibited by the law. The fixed capital of the company comes up to BGN 80 thousand.

Dynamic Parcel Distribution S.A., Romania – commercial company, registered in Romania with single registration code (SRC) 9566918 and with seat and registered address: Romania, Ilfov Region, city of Buftea, 20 "Tamash" Street, hall 4A and 4B. The object of the company consists in forwarding and courier services. The share capital of the company comes up to RON 90 thousand.

2. Accounting policy

2.1 Basis for preparation of the financial statement

General provisions

The annual consolidated financial statement is drawn up for the period 1 January 2015 – 31 December 2015 in accordance with the International Financial Reporting Standards (IFRS), which are applicable in the Republic of Bulgaria. The International Financial Reporting Standards include the International Financial Reporting Standards and the interpretations of the IFRS Interpretations Committee (IFRIC), approved by the International Accounting Standards Board, and the International Accounting Standards (IAS) and the interpretations of the Standing Interpretations Committee (SIC), approved by the International Accounting Standards Board (IASB), adopted by the Commission of the European Union.

The annual consolidated financial statement is drawn up in Bulgarian levs, which is the functional currency of the Group. All sums are presented in thousand BGN ('000 BGN) (including the comparative information for 2014), unless otherwise specified. The statements of the non-resident company are recalculated from the local currency into BGN for the purposes of each consolidated financial statement in accordance with the policy of the Group.

The consolidated financial statement is drawn up in adherence to the going-concern principle.

As at the date of preparation of this financial statement, the management made an evaluation of the Group's ability to continue its activity on a going-concern basis. For the purposes of such evaluation the management took into account all the available information of the foreseeable future, which is at least, but not limited to twelve months as of the end of the reporting period.

Basis for consolidation

Subsidiary company: company, in which SPEEDY AD, whether directly or indirectly, holds more than 50 % of the votes or is entitled to appoint more than half of the members of the managing body and hence has the power to manage the financial and operating policy of the company.

The subsidiary companies are consolidated as of the date, on which the effective control is transferred to the Group, and are deconsolidated as of the date, on which such control is discontinued. The financial statements of the companies in the Group are fully consolidated, being united line by line.
The consolidated financial statement includes the financial statements of SPEEDY AD and of the following subsidiary companies:

	Ownership	
Subsidiary company	**2016**	**2015**
SPEEDY EOOD	100%	100%
Geopost Bulgaria EOOD	100%	100%
Dynamic Parcel Distribution S.A., Romania	100%	100%

The subsidiary companies Geopost Bulgaria EOOD and Dynamic Parcel Distribution S.A. were acquired by the Parent Company SPEEDY AD in November 2014.

For the purposes of preparation of the consolidated financial statement, the financial statements of the Parent Company and of the subsidiary companies were united on a "line by line" basis through summing up of similar items of the assets, liabilities, equity, revenues and costs. The intragroup operations and estimates are completely eliminated, including the unrealized intragroup profit or loss.

The financial statements of the subsidiary companies are consolidated in the annual consolidated financial statement using the "full consolidation" method. The method applies as of the moment, from which the control is deemed to be transferred to the Parent Company.

Implementing new and revised IFRS

New standards, amendments and interpretations effective as of 1 January 2015

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:
Annual improvements 2011 – 2013 (issued on 12 December 2013), effective since July 1st 2014, endorsed by the EU on 18th December 2014, published in Official Journal on 19 December 2014; effective in EU since 1st January 2015;

The amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IFRS financial statements.

The amendment to IFRS 3 Business Combinations clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

The amendment of IFRS 13 Fair Value Measurement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

The amendment of IAS 40 Investment Property clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business

Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

- IFRIC 21 Levies (issued on 20 May 2013) effective 1 January 2014, endorsed by the EU on 13 June 2014, published in the Official Journal on 14 June 2014, effective since 17 June 2014.

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The Interpretation covers the accounting for outflows imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. However, it does not include income taxes (see IAS 12 Income Taxes), fines and other penalties, liabilities arising from emissions trading schemes and outflows within the scope of other Standards. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that “economic compulsion” and the going concern principle do not create or imply that an obligating event has occurred.

The adoption of these amendments to the existing standards has not led to any changes in the Company’s accounting policies.

Standards, interpretations and amendments in standards that are issued by IASB and endorsed by EU but not yet effective

- Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions (issued on 21 November 2013), effective 1 July 2014, endorsed by the EU on 17 December 2014, published in the Official Journal on 9 January 2015, effective in EU since 1 February 2015.

The amendment clarifies paragraph 93 of IAS 19 Employee Benefits which refers to the accounting for employee contributions set out in the formal terms of a defined benefit plan by providing guidance on the accounting of employee contributions in respect of service.

- Annual Improvements 2010 - 2012 of (issued on 12 December 2013), effective 1 July 2014, adopted by the EU on December 17th 2014, published in the Official Journal on 9 January 2015, effective in the EU since February 1st 2015.

The amendment to IFRS 2 Share-based payment amends the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition” (which were previously part of the definition of “vesting condition”).

The amendments to IFRS 3 Business combinations are with regard to: Accounting for contingent consideration in a business combination - clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date; Aggregation of operating segments - requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments.

The amendment to IFRS 8 Operating segments clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

The amendment to IFRS 13 Fair Value Measurement clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

The amendment to IAS 16 Property, Plant and Equipment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The amendment to IAS 24 Related Party Disclosures clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

The amendment to IAS 38 Intangible Assets clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- Ammendments of IAS 16 and IAS 41: Agricultural bearer plants (issued on 30th June 2014), effective since 1st January 2016, endorsed by the EU on 23th November 2015, published in Official Journal on 24th November 2015.

The ammendments suggested that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*

Ammendments of IFRS 11 for Acquisitions of Interests in Joint Operations (issued on May 6th 2014), effective since 1st January 2016, endorsed by the EU on 24th November 2015, published in the Officeial Journal on 25ht November 2015..

The amendments provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

- Ammendments of IAS 16 and IAS 38: clarifications on aceptable amortization methods (issued on May 12th 2014), efective since January 1st 2016, endorsed by the EU on December 2nd 2015, published in the Oficial Journal on December 3rd 2015.

The amendments clarify that a revenue-based method is not considered to be an appropriate manifestation of consumption.

- Annual improvements to IFRS 2012 – 2014 (issued on 25September 2014), effective from January 1st 2016, endorsed by the EU on December 15th 2015, published in Official Journal on December 16th 2015.

IFRS 5 ammendments: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations outlines
Specific cases of guidance upon their application, in which the company reclassifies an asset held for sale in an asset held for distribution or viceversa and in cases when discontinues the reporting of assets held for distribution.

The amendment of IFRS 7 Financial Instruments: Disclosures adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. The consequential amendment to IFRS 1 clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

The amendment of IAS 19 Employee benefits clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendment of IAS 34 Interim Financial Reporting clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

- Amendments to IAS 1: Disclosure Initiative (issued on 18 December 2014), effective 1 January 2016, endorsed by the EU on December 18th 2015, published in Official Journal on 19th December 2015.

The amendments aim to clarify IAS 1 and are guided to impediments faced by the preparators upon the judgement in the presentation of the financial statements.

- Ammendments of IAS 27: the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (issued on 12th August 2014), effective since 1st January 2016, endorsed by the EU on December 18th 2015, published in Official Journal on 23 December, 2015.

The amendments recover the equity method as an option for accoutning of an investment in subsidiaries, mutual undertakings or associated companies in the individual financial statements of the company.

Documents issued by the IASB / IFRIC not yet endorsed by the EU

These new or revised standards, new interpretations and amendments to existing standards that at the reporting date are already issued by the International Accounting Standards Board have not yet been endorsed by the EU and therefore are not taken into account by the Company in preparing these financial statements.

- IFRS 9 Financial Instruments (issued on 24 July 2014), eective from 1 January 2018

The final version of IFRS 9 Financial instruments combines all phases of the IASB project to replace IAS 39 – Financial instruments: Recognition and measurement, depreciation and hedging acknowledgement. This final vesrion of IFRS 9 has added a new model of expected loss in depreciation, has changed the financnial assests classification model, via an addition of a new category: – fair value measured other comprehensive income applicabe for some debt instruments, and gives guidance for the regarding the application of the business model testing and the characteristics of the contract cashflows. This final version also adds limited changes to the classification and valuation of financial assets. This standard shall replace all previous versions of IFRS 9.

IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014), effective 1 January 2016

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsquent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required.

- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014), effective 1 January 2018, including IFRS 15 amendments: Efective date of IFRS 15 (issued on 11 September 2015), effective since January 1st 2018.

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, prinnciples based five-step model to be applied to all contracts with customers.

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014), the effective date has been currently canceled.

The amendments address a conflict between the requirements of IAS 28 Investments in Associates and Joint Ventures and IFRS 10 Consolidated Financial Statements and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the Consolidation Exception (issued on 18 December 2014).

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

Some of the Standards and the interpretations mentioned above are not applicable to the Group and therefore will not affect the financial statements. For the rest of them, at the date of compliance of the present financial statement, the Group has not yet assessed the potential impact of these changes on the financial statements.

2.2 Changes in the accounting policy and disclosures

The assumed accounting policies are consistent with those applied during the previous reporting period.

Accounting judgments and assumptions were used for the preparation of the presented financial statement. Although they are based on information that was available to the management as at the date of preparation of the financial statement, the real results may differ from the judgments and assumptions made.

Judgments

When applying the assumed accounting policies, the Group management made the following judgments, besides those that include estimates, which have the most significant effect on the sums recognized in the financial statement:

Estimates and assumptions

The main assumptions that are associated with future and other major sources of uncertainties in the estimates as at the date of the balance sheet and for which there exists a considerable risk of resulting in material corrections of the carrying amounts of the assets and liabilities during the next reporting period, are specified herein below.

Leases

Pursuant to IAS 17 “Leases” the management classifies the lease agreements for plant, equipment and vehicles as financial lease. In certain cases the lease transaction is not straightforward and the management judges whether the agreement is for financial lease, where substantially all the risks and rewards of ownership over the asset are transferred to the lessee.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which they could be utilized. The determination of the sum of the deferred tax assets, which shall be recognized, requires the management to make a substantial judgment, based on the expected time of occurring and level of the future taxable profits, as well as of the future Group's tax planning strategies.

Impairment of non-financial assets

As at each reporting date, the Group judges whether there are any signs of impairment for all non-financial assets. The intangible assets with unspecified useful life are checked for impairment on an annual basis and at any other time, if there are such signs. Other non-financial assets are checked for impairment, when there are signs that their carrying amount may not be recoverable.

Useful life of assets subject to amortization

The management reassesses the useful life of assets subject to amortization as at the end of each reporting period. The actual useful life may differ from the judgment due to their technical wear and tear and obsolescence, mainly plant and equipment, vehicles, computers and software.

Provisions

Provisions are accounted for, where there occurs a current judicial, constructive or legal obligation for the Group, resulting from past events, if cash outflows are expected to occur so as to cover the obligation and the sum of the obligation may be determined with sufficient precision. The provisions are reassessed by the management as at the end of each reporting period and their value is corrected, so as to reflect the best estimate.

Impairment of receivables

When preparing this financial statement, the management, based on its past experience, made an estimate of the impairment of the trade receivables.

Impairment of inventories

In the end of each financial year, the Group companies carry out a review of the condition, the shelf-life and the usability of the available inventories. If there are found inventories, which may potentially not be realized at their current carrying amount in the subsequent reporting periods, the Group companies impair the inventories to their net realizable value.

Actuarial calculations

In determining the present value of the long-term payables to the staff upon retirement, each year there are used calculations of certified actuaries, based on the assumptions of death rate, staff turnover rate, future level of salaries and discount rate.

Business combinations

Upon their initial recognition, the assets and the liabilities of the acquired business are included in the consolidated statement of financial position at their fair value. For the calculation of the fair value, the management uses judgments of the future cash flows and discount rates, which however may differ from the actual results. All changes in the judgment after the initial recognition would affect the value of the goodwill.

2.3 Summary of the significant accounting policies

Transactions in foreign currency

Functional currency and currency of presentation

The individual components of the financial statements of the Group are measured in the currency of the main economic environment, wherein the company is pursuing its activity ("functional currency").

The annual financial statement is presented in thousand BGN, which is the functional currency and the currency of presentation. BGN is fixed to the euro (EUR) through the currency board mechanism, introduced in the Republic of Bulgaria on 1 January 1999.

For the purposes of each consolidated financial statement, the financial statements of the non-resident subsidiary companies are recalculated from the functional currency of the relevant non-resident subsidiary company to the presentation currency (BGN) used in the consolidated financial statement, where:

a) all assets and liabilities are recalculated to the Group currency at the closing exchange rate of the local currency to it as at 31 December;

b) all revenue and cost items are recalculated to the Group currency at the average exchange rate of the local currency to it for the period of the statement.

The goodwill and the adjustments to the fair values, occurring upon the acquisition of a non-resident (foreign) company, are treated by analogy to the assets and liabilities of such company and are recalculated to the presentation currency at the closing exchange rate.

Transactions and balances

The transactions in foreign currency are transformed into the functional currency, applying the official exchange rate for the relevant day. The profits and losses from changes in the exchange rates, resulting from payments under transactions in foreign currency, as well as from revaluation of the assets and liabilities that are denominated in a foreign currency at the closing exchange rate, are recognized in the income statement.

The monetary assets and liabilities in foreign currency are accounted for at the closing exchange rate of BNB as at the date of the balance sheet.

Property, plant and equipment

The items of property, plant and equipment are initially accounted for at acquisition cost, including the purchase price, customs duties and unrecoverable taxes, as well as all direct costs needed to bring the asset to its current condition and location.

The subsequent valuation of property, plant and equipment is carried out at acquisition cost, reduced by the accrued amortizations and the potential impairment losses.

The assets are amortized as of the date of acquisition or commissioning. The amortization accrues using the straight-line method over the estimated useful life of the assets, so as to distribute the difference between the carrying amount and the residual value over the useful life of the assets, as follows:

- Plant and equipment 3.3 years
- Computers 2 years

- Vehicles 5 years
- Fittings and fixtures 6.7 years

The residual value and the useful life of the assets are subject to a review and, if necessary, there are made the relevant adjustments as at each date of preparation of the financial statements.

When the carrying amount is higher than the recoverable amount, the fixed tangible asset is accounted for at its recoverable amount.

The profits and losses resulting from derecognizing of assets are determined by comparing the proceeds and the carrying amount and are accounted for in the statement of comprehensive income.

Intangible assets

Software

The software is accounted for at historic cost. It is amortized using the straight-line method for a term of 2 years.

Impairment of non-financial assets

Assets with unspecified useful life are not amortized, but are checked for signs of impairment on annual basis. The assets which are subject to amortization are reviewed for signs of impairment, when there occur events or there is a change in the circumstances, suggesting that the carrying amount of the assets is not recoverable. Impairment loss is recognized to the amount, by which the carrying amount exceeds the recoverable amount.

The recoverable amount is the higher of the net sales value and the value in use. For the purposes of determining the value in use, the assets are grouped into the smallest possible identifiable cash-generating units. The non-financial assets, other than positive goodwill, which are subject to impairment, are reviewed for signs of the need of impairment as at each reporting date.

As at each balance sheet date, the impaired non-financial assets during the past periods, other than positive goodwill, are subject to a review for potential reintegration of the impairment losses.

For the purposes of the impairment test, the assets are grouped at the lowest levels, for which a cash-generating unit can be identified.

Inventories

The inventories consist of materials and goods. The cost of inventories includes the direct costs for their purchasing or production, the processing and other direct costs, related to their delivery. As at the end of each reporting period, the inventories are measured at the lower of their cost and their net realizable value. The amount of the impairment of inventories to their net realizable value is recognized as cost for the period of the impairment.

The net realizable value is the expected sales price of the inventories, reduced by the expected costs for completion and sale.

The method of the weighted average price (cost) is used in case of use (sale) of materials and goods.

In case of sale of inventories, their carrying amount is recognized as cost during the period, when the relevant revenue is recognized.

Goodwill

The goodwill constitutes the future economic benefits resulting from other assets, acquired in a business combination, which are not individually identified and separately recognized.

The goodwill is recognized after determination of all identifiable intangible assets. It is the difference between the acquisition cost (provided remuneration) and the fair value of the Group share in the net identifiable assets of the acquired company as at the date of acquisition (the business combination). In the consolidated financial statement, it is originally measured at acquisition cost (cost) and, subsequently, at acquisition cost less accrued impairment losses. The goodwill is not amortized.

The goodwill that occurs upon the acquisition of a subsidiary company is presented in the consolidated statement of financial position in the "intangible assets" group.

For the purposes of the impairment test, the goodwill is attributed to each cash-generating unit of the Group (or group of cash-generating units), expected to reap the benefits of the business combination, regardless of whether other assets and liabilities of the acquired company are attributed to these units.

The losses, resulting from impairment of goodwill, are presented in the consolidated statement of comprehensive income (in the profit or loss for the year), line "costs for amortization".

Business combinations

The acquisition method (purchase and sale) is used in case of acquisition of a subsidiary company (entity) by the Group in business combinations. The transferred remuneration includes the fair value as at the date of exchange of the provided assets, the occurring or assumed obligations and of the equity instruments issued by the acquiring company against gaining the control over the company being acquired. It also includes the fair value of each asset or liability, resulting from a contingent consideration agreement. The direct costs associated with the acquisition are recognized as current costs for the period, when incurred, except for the costs for issuing of debt or equity instruments, which are recognized as a component of the equity.

All acquired identifiable assets, assumed liabilities and the contingent (crystallized) obligations within the business combination are initially measured at their fair value as at the date of the exchange. In case the sum of the transferred remuneration (measured at fair value), the sum of the non-controlling interest in the company being acquired and, in case of acquisition in stages, the fair value at the date of acquisition of the earlier held capital interest in the company being acquired, exceed the sum of the acquired identifiable assets and assumed liabilities of the acquiring company, the relevant sum is treated and recognized as goodwill. If the interest of the acquiring company in the fair value of the net acquired identifiable assets exceeds the acquisition cost of the business combination, the excess is immediately recognized in the consolidated income statement of the Group under the heading "profits/(losses) from acquisition/(disposal) of subsidiaries".

Financial assets

The credits and receivables are non-derivative financial assets with fixed or identifiable payments, which are not quoted at an active market. In the consolidated statement of financial position, they are measured at their amortization base using the effective interest rate method, reduced by the impairment made. These assets are included in the current assets group, if their maturity is within 12 months or in the usual operational cycle of the relevant Group company, and the others – as non-current.

Trade receivables

The trade receivables are initially recognized at fair value and subsequently at amortized cost (using the effective interest rate method), reduced by the potential provision for impairment, based on a review of the balances carried out by the management in the end of each month.

Provision for impairment is made in case there is an objective proof that the Group will not be able to collect all due sums in accordance with the initial conditions with reference to the relevant estimate.

The following indicate the presence of grounds for impairment: significant financial difficulties of a customer, declaring of insolvency, delay in the payment or non-payment. The amount of the impairment is the difference between the carrying and the recoverable amount. The latter is the present value of the cash flows, discounted by the effective interest rate. The amount of the provision for impairment is recognized in the income statement. Receivables that are overdue for more than 360 days are impaired to their whole amount.

If during the next period the sum of the impairment loss decreases and this decrease may objectively be associated with an event, occurring after the recognition of the impairment, the previously recognized impairment losses are reversed to the extent the carrying amount of the asset does not exceed its amortized cost as at the date of reversal. The reversal of the impairment loss is recognized in the profit or loss.

Interest-bearing loans and other provided financial resources

All loans and other provided financial resources are initially presented at cost (nominal sum), which is assumed as the fair value of what is provided under the transaction, net of direct costs, related to these loans and provided resources. After their initial recognition, the interest-bearing loans and other provided resources are subsequently measured and presented in the consolidated financial statement at amortization base, determined using the effective interest rate method. The amortization base is calculated taking into account of all kinds of charges, commission and other sums associated with these loans. The profits and losses are recognized in the consolidated statement of comprehensive income (in the profit or loss for the year) as financial revenues (interests) or costs for the period of amortization or when the receivables are extinguished, written off or reduced.

Cash and cash equivalents

Cash and cash equivalents consist in cash at hand and on bank accounts, other highly liquid short-term investments with initial maturity of 3 months or less.

Financial liabilities and equity instruments

The Group classifies the debt and equity instruments either as financial payables or as equity, depending on the nature and the conditions of the contract with the relevant contracting party in respect of such instruments.

Equity, reserves and dividends

The issued ordinary shares are classified as share capital, which is presented at par value in accordance with the court decision for registration of the Parent Company.

SPEEDY AD is a joint-stock company and it is obliged to register with the Commercial Register a certain amount of share capital, to serve as a security for the creditors of the Parent Company as to the recovery of their claims against the company.

The Parent Company accounts for its share capital at par value of the registered shares.

In accordance with the requirements of the Commercial Act and the adopted By-laws, the Parent Company created a Reserve fund raising funds from the following sources:
- Part of the profit, specified by the single owner of the capital, however, not less than 1/10, until the money in the fund reach 1/10 of the capital;
- The obtained funds above the par value of the shares and bonds upon their issuing;
- Other sources, upon decision of the single owner of the capital.

The funds in the Reserve fund may be used only for:
- Covering of the loss for the year;
- Covering of losses from previous years;
- When the funds in the Reserve fund exceed 1/10 of the capital, the excess may be used to increase the capital.

The share premium reserves consist of premiums, obtained upon the issuance of equity. All costs for transactions, related to the issuance of shares are deducted from the paid-in capital, net of tax reliefs.

The retained earnings consist of the current financial result and the accumulated profits from previous years and losses not covered from previous years.

The distribution of dividends is recognized as payable in the financial statements for the period, when approved by the owners.

Financial liabilities

The financial liabilities of the Group consist of bank loans, trade and other payables and payables under lease agreements.

The financial liabilities are recognized, where there is a contractual obligation for payment of cash or another financial asset to another entity or contractual obligation to exchange financial instruments with another entity under potentially unfavorable conditions.

Subsequently, the financial liabilities are measured at amortized cost, using the effective interest rate method.

Trade payables

The trade payables constitute obligations for payment of goods or services obtained from suppliers in the ordinary course of business. The trade payables are qualified as current liabilities, if the payment is due within one year or less (or the normal business cycle is longer). Otherwise, they are presented as non-current liabilities.

Initially, the trade payables are recognized at fair value, while subsequently – at amortized cost using the effective interest rate method.

Interest-bearing loans and other attracted financial resources

In the consolidated financial statement, all loans and other attracted financial resources are initially presented at cost (nominal sum), which is assumed as the fair value of what is received under the transaction, net of the direct costs associated with these loans and attracted resources. After their initial recognition, the interest-bearing loans and other attracted financial resources are subsequently measured and presented in the consolidated financial statement at the amortization base, determined using the effective interest rate method. The amortization base is calculated taking into account all kinds of charges, commissions and other costs, including discount or premium, associated with these loans. The profits and losses are recognized in the consolidated statement of comprehensive income (in the profit or loss for the year) as financial revenues or costs (interests) during the period of amortization or when the payables are written off or reduced.

Lease

Financial lease

The Group as a lessee

The financial lease, where substantially all the risks and economic rewards of the ownership over the asset under financial lease are transferred to the Group, is capitalized in the statement of financial position of the lessee, being presented as property, plant and equipment under lease at the immediate sales price or, if lower, at the present value of the minimum lease payments. The lease payments consist of a specified ratio between the financial cost (interest) and the respective part of the lease obligation (principal), so as to achieve a fixed interest rate for the remaining unpaid part of the principal under the lease obligation. The interest costs are included in the consolidated statement of comprehensive income (in the profit or loss for the year) as “financial costs” – interest on the basis of the effective interest rate.

The assets acquired under financial lease are amortized on the basis of the useful life of the asset and within the period of the lease.

Operating lease

The Group as a lessee

Lease, where the lessor still owns substantially all the risks and economic rewards of the ownership over the given asset, is classified as operating lease. Therefore, the asset is not included in the statement of financial position of the lessee.

The payments in relation to the operating lease are recognized as costs in the consolidated statement of comprehensive income (in the profit or loss for the year) on the basis of the straight-line method for the period of the lease.

The Group as a lessor

The lessor still owns substantially all the risks and economic rewards of the ownership over the given asset. Therefore, this asset is still included in its property, plant and equipment and its amortization for the period is included in the current costs of the lessor.

The revenues from rents under operating lease are recognized on the basis of the straight-line method for the duration of the term of the relevant lease. The initially incurred direct costs in relation to the negotiating and settlement of the operating lease are added to the carrying amount of the assets rented out and are recognized on the basis of the straight-line method for the duration of the term of the lease.

Taxes

The payable taxes are calculated in accordance with the Bulgarian legislation, taking into account the effect of the current taxes and of the deferred taxes. The nominal tax rate is 10%.

The current income taxes are calculated on the basis of the taxable profit for tax purposes, provided that for that purpose the financial result is recalculated in accordance with the Bulgarian tax legislation.

The tax effect associated with transactions and events, which are accounted for as revenues or costs, is also reported in the statement of comprehensive income. The tax effect associated with transactions and events, which are accounted for directly in the equity, is also directly referred to the equity.

Deferred taxes are calculated for all temporary differences between the tax base of the assets and liabilities and their carrying amount as at the date of the financial statement, using the balance sheet method. The deferred taxes are calculated using the tax rates, which are expected to be applicable upon their future utilization.

Deferred tax liabilities are accounted for in respect of all temporary differences, which are subject to taxation, unless in the cases, when they result from the initial recognition of an asset or liability within a transaction, which at the moment it is concluded does not affect either the accounting, or the tax profit or loss.

Deferred tax assets are accounted for in respect of all temporary differences, which are subject to deduction, to the extent it is likely in the future to obtain taxable profit against which the assets could be utilized.

Income of employees

Short-term income

The short-term income of the staff in the form of remunerations, bonuses and social benefits and allowances (claimable within 12 months as of the end of the period, when the staff earned them or met the necessary conditions) are recognized as costs in the statement of comprehensive income (in the profit or loss for the year), unless a given IFRS requires this sum to be capitalized in the cost of a given asset for the period, in which they are earned or the conditions entitling to them are complied with, and as current payables (after deduction of all already paid sums and relevant deductions) to their undiscounted amount.

As at the date of each consolidated financial statement, the Group companies make an evaluation of the sum of the expected costs related to the accumulating paid leaves, which is expected to be paid as a result of the unused right to the accumulated leave. The evaluation includes an estimate of the sums for the remuneration itself and of the contributions for the compulsory social securities and health insurance, which the employer shall pay on these sums.

Income in retirement (defined benefit plans)

Pursuant to the Labor Code, upon termination of the employment relationship after the worker or employee had acquired an old-age pension entitlement, the Group has to pay to him or her compensation to the double amount of the gross monthly remuneration as at the date of termination of the employment relationship. If the worker or employee has worked at the Group during the last 10 years, the amount of the compensation comes up to his or her six-month gross remuneration.

The defined benefit obligation is calculated on an annual basis by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the expected future cash outflows by the interest rates of high-quality government securities with maturity close to the one of the relevant obligation and in a currency, in which the payments are denominated.

The actuarial profits and losses, resulting from practical corrections and changes in the actuarial assumptions, are recognized in the other comprehensive income on the basis of the remaining average period of service of the relevant employees. The costs for past service are recognized in the income statement at the moment of their occurrence, unless in the cases, when the retirement plan is created with a condition that the employees shall remain at the Group for a specified period of time. In such a case the costs for past service are amortized using the straight-line method for the “period of obtaining”.

Provisions

Provisions are accounted for in case of a present judicial, constructive or legal obligation for the Group as a result of past events, when cash outflows are expected so as to cover the obligation and when the amount of the obligation may be determined with sufficient precision. Provisions for future operating losses are not recognized.

When there are a number of obligations of this kind, the probability of cash outflows so as to cover them is measured taking into account the whole class of obligations.

Provisions are recognized even in the cases of low probability of cash outflows for a given obligation of the class.

The provisions are measured at the present value of the costs, which are expected to be necessary so as to cover the obligations, using a discount rate before taxes, which reflects the current market valuation of the risks associated with the obligations.

Government funding

Grants from public institutions (municipal, governmental and international institutions, including the European funds and programs) are initially recognized as deferred revenues (funding), where there is reasonable certainty that it will be received by the Group and that the latter has complied and still complies with the conditions and requirements for the donation.

Governmental funding, associated with compensation of incurred costs, is recognized systematically in the current profits and losses for the same period, for which the costs are recognized.

Governmental funding, associated with compensation of investment costs for the acquisition of an asset, is recognized systematically in the current profits and losses for the whole useful life of the asset, usually proportionate to the amount of the amortization, which is recognized in the costs.

Earnings per share

The main earnings per share are calculated by dividing the net profit or loss for the period, which shall be distributed among the shareholders in the Parent Company, holding ordinary shares, by the weighted-average number of the held ordinary shares for the period.

The weighted-average number of shares is the number of the held ordinary shares in the beginning of the period, corrected by the number of the redeemed ordinary shares and the newly issued shares during the period, multiplied by the average time factor. This factor represents the ratio between the number of days, during which the specific shares were held, and the total number of days during the period.

In case of capitalization, additional issuance or dividing, the number of ordinary shares that are outstanding by the date of such event is corrected so as to reflect the proportionate change in the number of ordinary outstanding shares as if the event happened in the beginning of the earliest period presented.

Earnings per share with reduced value are not calculated, since there are no issued potential shares with reduced value in the Group.

Recognition of revenues

The revenues are recognized to the extent it is likely for the Group to obtain economic benefits and the amount of the revenue can be measured reliably. The revenues are measured by the fair value of the received remuneration, excluding any discounts, rebates and other sales taxes or customs duties. Before recognizing the revenue, the following specific recognition criteria shall also be complied with:

Materials and goods sold

The revenues from the sale of goods are recognized, when the substantial risks and rewards of the ownership over the goods are transferred to the buyer, which is usually the moment of their dispatch.

Services rendered

The revenues from the provision of services are recognized on the basis of the degree of completion of the transaction as at the balance-sheet date. When the result of the transaction (contract) cannot be reliably measured, the revenue is recognized only insofar as the costs incurred are subject to recovery.

Interest sincome

The revenues from interests are recognized upon the accrual of the interests (using the effective interest rate method, i.e. the interest rate, which exactly discounts the expected future cash flows for the period of the expected life of the financial instrument to the carrying amount of the financial asset).

Proceeds from dividends

The Parent Company recognized dividends from a subsidiary company in the profit or loss of its separate financial statements, when the entitlement to the dividend is established.

Fair value definitions

The Group uses observable data as far as possible to define the fair value of any asset or liability. The fair values are classified in different levels in fair values hierarchy depending on input data in the valuation methods as follow:

- Level 1: market prices (without adjustments) of comparable assets or liabilities from active markets;
- Level 2: inputs apart from market prices under Level 1 that directly (as prices) or indirectly (derived from prices) are accessible for the respective asset or liability;
- Level 3: inputs for the respective asset or liability, not based on accessible market data (non-observable inputs)

If the inputs for defining the fair value of the respective asset or liability could be classified in different level of fair values hierarchy, than the estimate of the fair value is classified entirely in that level, whose input data is the most meaningful for the entire estimation.

Transfers between different levels of fair values hierarchy are recognized at the end of the period in which the change occurred.

3. PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Group consist of buildings, machines, equipment, vehicles and other assets, whose carrying amount for the presented periods may be analysed as follows:

	Buildings	Plant and equipment	Vehicles	Other	Total
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Book value					
As at 1 January 2015	168	3,320	29,966	12,496	**45,950**
Acquired	4	939	6,997	3,071	**11,011**
Written-off	-	(63)	(2,776)	(134)	**(2,973)**
As of 31 December 2015	172	4,196	34,187	15,433	**53,988**
Depreciation					
As of 1 January 2015	142	2,563	13,257	6,338	**22,300**
Depreciation for the year	25	446	4,781	2,513	**7,765**
Written-off depreciation	-	(63)	(2,542)	(99)	**(2,704)**
As of 31 December 2015	167	2,946	15,496	8,752	**27,361**
Book value					
As of 1 January 2015	**26**	**757**	**16,709**	**6,158**	**23,650**
As of 31 December 2015	**5**	**1,250**	**18,691**	**6,681**	**26,627**
Book value					
As of 1 January 2016	172	4,196	34,187	15,433	**53,988**
Acquired	571	2,868	4,430	2,908	**10,777**
Written-off	(105)	-	(1,745)	-	**(1,850)**
As of 30 June 2016	638	7,064	36,872	18,341	**62,915**
Depreciation					
As of 1 January 2016	167	2,946	15,496	8,752	**27,361**
Depreciation for the year	1	341	2,759	1,391	**4,492**
Written-off depreciation	(105)	-	(1,580)	(11)	**(1,696)**
As of 30 June 2016	63	3,287	16,675	10,132	**30,157**
Book value					
As of 1 January 2016	**5**	**1,250**	**18,691**	**6,681**	**26,627**
As of 30 June 2016	**575**	**3,777**	**20,197**	**8,209**	**32,758**

As at 30.06.2016 the Group doesn't have non-operating assets.

On 21.12.2013, the Parent Company signed a grant agreement with the Ministry of Economy and Energy under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007-2013, regarding the introduction of innovative process of the organization and management of logistics services and delivery of technological infrastructure and terminals to provide access to the platform to the employees, partners and customers of the company. The value of the project is 4,084 thousand Levs and duration of 18 months. As at 31.12.2015 the project is completed, as all the assets are acquired and the grand has been received. The accrued depreciation for 2015 are 680 thousand Levs.

In 2013, the Group signed a grant contract for the project "Improving the conditions and ensuring safe working environment in SPEEDY EOOD" with beneficiary SPEEDY EOOD with priority area - improving the working conditions at the workplace, and priority axis - increasing the efficiency and adaptability of the employees. As of 31.12.2015 the Group has acquired assets worth 17 thousand Levs and has accrued depreciation of EUR 4 thousand Levs.

As of 30 June 2016, the Parent Company has entered into a contract for special pledge on assets purchased with proceeds of the investment credit obtained from UniCredit Bulbank AD on 27 November 2014 /note 11/.

As at 30 June 2016, the Group reviewed its buildings, plant and equipment, as a result of which it estimated that there are no basis for impairment.

4. INTANGIBLE ASSETS

The intangible assets of the Group consist of goodwill, software and other intangible assets, whose book value for the presented periods can be analysed as follows:

	Goodwill	**Software**	**Other intangible assets**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Book value				
As of 1 January 2015	10,360	4,515	8,722	**23,597**
Acquired individually	-	2,534	-	**2,534**
Written-off	-	-	-	**-**
As of 31 December 2015	10,360	7,049	8,722	**26,131**
Depreciation				
As of 1 January 2015	-	2,971	46	**3,017**
Depreciation for the year	-	1,132	546	**1,678**
Written-off	-	-	-	**-**
As of 31 December 2015	**-**	4,103	592	**4,695**
Book value				
As of 1 January 2015	**10,360**	**1,544**	**8,676**	**20,580**
As of 31 December 2015	**10,360**	**2,946**	**8,130**	**21,436**
Book value				
As of 1 January 2016	10,360	7,049	8,722	**26,131**
Acquired	-	349	-	**349**
Written-off	-	-	-	**-**
As of 30 June 2016	10,360	7,398	8,722	**26,480**

Depreciation				
As of 1 January 2015	**-**	4,103	592	**4,695**
Depreciation for the year	-	761	273	**1,034**
Written-off	-	-	-	**-**
As of 30 June 2016	**-**	4,864	865	**5,729**
Book value				
As of 1 January 2015	**10,360**	**2,946**	**8,130**	**21,436**
As of 30 June 2016	**10,360**	**2,534**	**7,857**	**20,751**

The goodwill recognized as of 30 June 2016 in the statement of financial position, which comes up to BGN 10,360 thousand, represents the amount, by which the acquisition cost (provided remuneration) exceeds the fair value of the Group share in the net identifiable assets of Geopost Bulgaria EOOD /BGN 4,214 thousand/ and Dynamic Parcel Distribution S.A., Romania /BGN 6,146 thousand/ as at the date of their acquisition.

The Group management has carried out the necessary procedures so as to perform the impairment test as regards the recognized goodwill associated with the acquisition of the subsidiary companies Geopost Bulgaria EOOD and Dynamic Parcel Distribution S.A., Romania. For this purpose, it is assumed that each single company is considered as a cash-generating unit. The basis for the forecasts of the cash flows (before taxes) were the financial budgets, designed by the management of the individual companies and of the Group as a whole, covering from three to five year period, as well as other medium-term and long-term plans and intentions about the development and restructuring of the activities within the Group. The recoverable amount of each cash-generating unit is determined on the “value in use” basis. The key assumptions, used for the calculations, are specifically set out for each company with goodwill, treated as an individual cash-generating unit, and in accordance with its activity specificity, the business environment and the risks.

The tests and the judgments of the Group management as to the impairment of the recognized goodwill are made through the prism of its forecasts and intentions concerning the future economic benefits, which the Group expects to obtain from the subsidiary companies, including through the use of their internally created trademarks, trade and industrial experience and their generated and expected in the future volumes of revenues, ensuring of positions on Bulgarian and foreign markets (development and preservation), expectations of future sales and restructuring of the activity, etc.

Based on the calculations made as of 30 June 2016, there was no ground to recognize impairment of goodwill for Geopost Bulgaria EOOD and Dynamic Parcel Distribution S.A., Romania.

The other intangible assets include exclusive contracts with contracting parties, licenses and distribution network, acquired through business combinations, which come up to BGN 8,722 thousand, distributed as follows:

	BGN’000
Commercial contract	7,486
Existing contracts (apart from customers)	992
Built-up management capacity	244
Total	**8,722**

As at 30 June 2016, the Group has reviewed its software and other intangible assets and established that there are no events or changes in the circumstances, on grounds of which to assume that their carrying amount might exceed their recoverable amount.

5. ACQUISITION OF SUBSIDIARY COMPANIES

In 2014, the Group acquired the control over the company Geopost Bulgaria EOOD, having its seat in the city of Sofia, Bulgaria, through the purchasing of shares in the company, as a result of which it now holds 100 % of its capital.

The acquisition price for the Group amounts to BGN 8,164 thousand, and the assignment of the purchase price to the acquired assets and liabilities of company Geopost Bulgaria EOOD is carried out in the end of 2014. The value of each group of acquired assets, liabilities and contingent liabilities, which are recognized as at the date of acquisition, is the following:

	Recognized amount at the date of acquisition
	BGN'000
Total remuneration	**8,164**
Net assets	1,424
Goodwill	4,214
Intangible assets, incl.	2,526
Commercial contract	*2,526*

Geopost Bulgaria EOOD is registered with the Commercial Register kept by the Registry Agency on 1 July 2008, UIC 131330260, having its seat and registered address in Bulgaria, Sofia Region, Sofia Municipality, city of Sofia, 2L "Samokovsko shose" Street, Boila Trade Center. The object of the company consists in provision of courier services, forwarding, processing, warehousing and distribution of documents, goods and cargo, domestic and international transport, import and export of goods, commercial representation and intermediation of Bulgarian and non-resident natural persons and legal entities, activity as an insurance agent and any other activity that is not prohibited by the law. The amount of the fixed capital of the company is BGN 80 thousand.

In 2014, the Group acquired the control over the company Dynamic Parcel Distribution S.A., Romania, Infov Region, city of Buftea, through the purchase of shares in the company, as a result of which it now holds 100 % of its capital.

The acquisition price for the Group amounts to BGN 17,297 thousand, and the assignment of the purchase price to the acquired assets and liabilities of company Dynamic Parcel Distribution S.A., Romania is carried out in the end of 2014. The value of each group of acquired assets, liabilities and contingent liabilities, recognized as at the date of acquisition, is the following:

	Recognized amount as at the date of acquisition
	BGN'000
Total amount	17,297
Net assets	4,955
Goodwill	6,146
Intangible assets, incl.:	6,196
Commercial contract	*4,960*
Existing contracts (apart from customers)	*992*
Built-up management capacity	*244*

Dynamic Parcel Distribution S.A. is registered with the National Commercial Register to the Ministry of Justice of Romania with sole registration code (SRC) 9566918, having its seat and registered address in the Region of Infolv, city of Buftea, 20 “Tamash” Street, hall 4A and 4B. The object of the company consists in forwarding and courier services. The share capital of the company comes up to RON 90 thousand.

6. INVENTORIES

As of 30 June 2016, the value of the inventories includes:

	30.06.2016	31.12.2015
	BGN’000	BGN’000
Materials	431	333
Fuel	155	235
Goods	628	
Total	**1,214**	**568**

As at 30 June 2016, the Group made a review of its inventories, as a result of which it estimated that there are no basis for impairment.

7. TRADE AND OTHER RECEIVABLES

	30.06.2016	31.12.2015
	BGN’000	BGN’000
Receivables from customers and suppliers – gross amount	18,721	20,726
Less impairment	(1,331)	(1,249)
Receivables from customers and suppliers – net amount	17,390	19,477
Advance payments to suppliers	998	3,696
Receivables from related parties /note 23/	740	791
Tax receivables	614	702
Other receivables	888	504
Total	**20,630**	**25,170**

The receivables from customers are interest-free.

Usually, the Group companies agree with the customers a certain term for sale-related payments within 60 days, unless there are specific maturity conditions for certain customers or in the cases, where new markets are being developed and new contracting parties are being attracted.

The Group has determined credit period, during which it does not accrue interests on the customers. The impairment indicator adopted by the Group is delay over one year. The managements of the Group companies judge the collectability by analyzing the exposure of the specific customer, the possibilities to repay (of the customer and through the security) and make a decision as to the amount, recognition and accrual of the relevant impairment.

As of 30 June 2016, the net carrying amount of the trade receivables is assumed as the reasonable estimate of their fair value. All trade and other receivables of the Group are subject to a review for signs of impairment.

As of 30.06.2016 г. change in impairments are:

	30.06.2016	31.12.2015
	BGN'000	BGN'000
Beginning of the period	1,249	956
Impairments booked	102	828
Impairments recovered	(20)	(535)
End of the period	**1,331**	**1,249**

8. CASH AND CASH EQUIVALENTS

The cash and cash equivalents include the following elements:

	30.06.2016	31.12.2015
	BGN'000	BGN'000
Cash at hand	464	370
Cash on bank accounts	8,476	3,937
Cash in transit	6,184	4,785
Total	**15,124**	**9,092**

Money en route in the amount of 6,184 thousand levs /2015 – 4 785 thousands levs/ represents amount collected from clients on delivery.

According to the loan contract with UniCredit Bulbank from 21.11.2014 and 27.11.2014, the Group has established as a collateral pledge on all current and future receivables of SPEEDY AD on all bank accounts in local and foreign currency in UniCredit Bulbank AD. /Note 11/.

9. EQUITY

9.1 SHARE CAPITAL

As of 30 June 2016, the registered capital of the Parent Company consists of 5,335,919 ordinary shares with par value of BGN 1 per share. All shares entitle to a dividend and to a liquidation share and represent one vote at the General Meeting of the Shareholders of the Company.

	30.06.2016	31.12.2015
	Number of shares	Number of shares
Number of issued and fully paid-in shares:		
At the beginning of the year	5,335,919	5,335,919
Number of issued and fully paid-in shares	-	-
Total number of shares outstanding, end of the period	5,335,919	5,335,919

The list of the main shareholders of the Parent Company is the following:

	30.06.2016		31.12.2015	
	# of shares	**%**	**# of shares**	**%**
Speedy Group AD	3,544,367	66.42%	3,544,367	66.42%
GeoPost SA, France	1,333,979	25.00%	1,333,979	25.00%
Other natural and legal entities	457,573	8.58%	457,573	8.58%
Total	**5,335,919**	**100.00%**	**5,335,919**	**100.00%**

9.2 STATUTORY RESERVES

	30.06.2016 BGN’000	31.12.2015 BGN’000
Statutory reserves	545	545
Total	**545**	**545**

The statutory reserves are formed from setting aside of 10% of the net profit in accordance with the requirements of the Commercial Act and decision of the General Meeting of the shareholders of the Parent Company, as well as statutory reserves formed in the subsidiaries.

9.3 PREMIUM RESERVES

	30.06.2016 BGN’000	31.12.2015 BGN’000
Premium Reserves	19,565	19,565
Total	**19,565**	**19,565**

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

9.4 OTHER RESERVES

	30.06.2016 BGN’000	31.12.2015 BGN’000
Other reserves	(32)	(115)
Общо	**(32)**	**(115)**

Other reserves are formed as a result of foreign translation differences in consolidation of subsidiaries whose book records are in foreign currency.

10. PAYABLES UNDER FINANCIAL LEASE AGREEMENTS

Under a financial lease agreement, the Group has acquired plant, computers, vehicles and equipment. The payables under the financial lease agreement are secured by the respective assets.

As of 30 June 2016, the payables of the Group under financial lease agreements are the following:

	30.06.2016	31.12.2015
	BGN'000	BGN'000
Payables under financial lease agreements	16,091	14,091
- Long-term part	10,602	9,424
- Short-term part	5,489	4,667
Total	**16,091**	**14,091**

The lease agreements consist of fixed lease payments and purchase option during the last year of the term of the lease.

11. BANKS LOANS

On 21.11.2014 the Parent Company concluded an investment loan agreement with UniCredit Bulbank AD, amounting to 10,867,490 Levs, divided in two tranches with the following limits: tranche 1 - up to 5,000,000 Levs and tranche 2 - up to 5,867,490 Levs with maturity of tranche 1 - by 21.12.2019, and of tranche 2 - by 21.11.2020. The funds from tranche 1 will be used for the financing of 19,60% of the acquisition value of the shares in Dynamic Parcel Distribution, Romania and Geopost Bulgaria, the funds from tranche 2 will be used for financing of investments in support of the growth of Dynamic Parcel Distribution, Romania, including purchase of vehicles and equipment. Co-debtors of the loan are Geopost Bulgaria EOOD and Dynamic Parcel Distribution S.A. Romania. As collateral for the loan the company has made a special pledge on its subsidiaries Geopost Bulgaria EOOD and Dynamic Parcel Distribution S.A., Romania and first rank pledge of the receivables under the loan agreement between SPEEDY AD and Dynamic Parcel Distribution, Romania, special pledge on all current and future claims of SPEEDY on all accounts in national and foreign currency in UniCredit Bulbank AD.

On 27.11.2014, the Company made an agreement for an investment loan with UniCredit Bulbank AD amounting to 705,000 Levs with maturity 27.02.2018. The funds received will be used to finance up to 50% of the purchase cost of equipment under a financial grant agreement. Co-debtor in the loan received is SPEEDY Group AD. As collateral for the loan received the company established a special pledge on fixed assets purchased with proceeds from the loan, pledge on receivables related to the financial grant agreement and special pledge on all current and future claims of SPEEDY AD on all accounts in local and foreign currency with UniCredit Bulbank AD.

On 24.03.2016 Speedy Jsc agreed an investment loan with DSK bank for financing of up to 100% of the payment, VAT excluded, for the purchase of manual parcel sorting line for its logistic hub SOMAT, according to the purchase agreement between the borrower and Amsort Sp. Z 0.0., Poland. The principle amount of the loan is € 830k. The loan is utilized on 17.06.2016.

As of 30 June 2016, the payables under these loans are the following:

	30.06.2016	31.12.2015
	BGN'000	BGN'000
Payables under received loans from banks, incl.:	8,763	7,195

- short-term part, incl.:	*1,892*	*3,532*
- Principal	1,892	3,527
- interest	-	5
- long-term part, incl.:	*6,871*	*3,663*
- principal	6,871	3,663
Total	**8,763**	**7,195**

12. TRADE AND OTHER PAYABLES

As of 30 June 2016, the trade and other payables include:

	30.06.2016 BGN'000	31.12.2015 BGN'000
Trade payables	7,692	8,489
Payables to related parties (note 23)	944	586
Payables to the staff	2,353	2,220
Payables for social security	832	867
Other payables – COD	6,029	4,406
Total	**17,850**	**16,568**

13. REVENUES

The Group revenues from sales include:

	30.06.2016 BGN'000	30.06.2015 BGN'000
Revenues from courier services	63,683	54,410
Total	**63,683**	**54,410**

14. OTHER REVENUES

The Group other revenues include:

	30.06.2016 BGN'000	30.06.2015 BGN'000
Revenues from renting out of motor vehicles	1,476	1,076
Other revenues	3,131	1,231
Total	**4,607**	**2,307**

15. COSTS OF MATERIALS

The costs of materials and consumables include:

	30.06.2016 BGN'000	30.06.2015 BGN'000
Fuels	1,576	1,718
Delivery-related materials	758	792

Spare parts	166	386
Office materials and consumables	402	358
Uniforms	92	73
IT consumables	161	29
Other costs	242	57
Total	**3,397**	**3,413**

16. COSTS OF HIRED SERVICES

The costs for external services include:

	30.06.2016 BGN'000	30.06.2015 BGN'000
Subcontractors	32,662	26,233
Rents	2,270	1,531
Communications and utility services	1,235	1,053
Vehicle maintenance	912	662
Insurances	558	477
Office/warehouse maintenance	187	177
Staff training	209	178
Marketing	446	421
Audit, consultant and other services	457	327
Other costs	1,262	634
Total	**40,198**	**31,693**

17. COMPENSATION COSTS

The costs for the staff consist of:

	30.06.2016 BGN'000	30.06.2015 BGN'000
Salaries and wages	10,317	8,327
Social security contributions	2,507	2,430
Total	**12,824**	**10,757**

18. OTHER OPERATING COSTS

The other operating costs of the Group include:

	30.06.2016 BGN'000	30.06.2015 BGN'000
Cost of fuel sold	883	-
Insurance of parcels	188	83
Indemnities for parcels	372	208
Representation costs	97	64
Other costs	472	233
Total	**2,012**	**588**

19. FINANCIAL INCOME

The financial revenues of the Group include:

	30.06.2016 BGN'000	30.06.2015 BGN'000
Interests income	151	165
FX exchange gain	117	136
Total	**268**	**301**

20. FINANCIAL EXPENSES

Financial expenses include:

	30.06.2016 BGN'000	30.06.2015 BGN'000
Interest expenses	526	460
Fees	208	200
FX exchange loss	299	153
Total	**1,033**	**813**

21. TAXES

The main components of the income taxes, as well as the relation between the tax costs and the accounting profit are explained as follows:

	30.06.2016 BGN'000	30.06.2015 BGN'000
Accounting profit before taxes	3,568	5,525
Income tax	(443)	(664)
Tax rate /10%; 14.8%/		
Deferred taxes	-	-
Tax rate /10%; 14.8%/		
Net profit	**3,125**	**4,861**

22. DIVIDENDS

On 14.06.2016, the General Meeting of Shareholders took a decision for the distribution of the profit for 2015 in the amount of 12,033 thousand Levs as follows:

- The amount of 6,030 thousand for payment of dividend to shareholders one lev and thirteen stotinka per share before tax;
- The remaining profit to be allocated to retained earnings.

23. RELATED PARTIES TRANSACTIONS

If not expressed explicitly, the transactions with related parties are not carried out under special conditions and no guarantees were either granted or received. The recorded amounts are paid by wire.

Related party	**Type of relationship**
Speedy Group AD	Parent Company
Dragomir Winery Estate OOD	Company under common control
Transbankan group OOD	Company under common control
Transabalkan group Romania	Company under common control
Omnicar BG EOOD	Company under common control
Omnicar Auto OOD	Company under common control
Omnicar C EOOD	Company under common control
Omnicar oil OOD	Company under common control
Omnicar rent OOD	Company under common control
Bulrom gas 2006 OOD	Company under common control

Commercial transactions

The Group has receivables from related parties as follows:

		30.06.2016	**31.12.2015**
		BGN'000	**BGN'000**
Transbalkan group OOD	Services	357	230
Omnicar Auto OOD	Services	200	300
Dragomir Winery Estate OOD	Services	9	20
Transabalkan group Romania	Services	38	38
Omnicar BG EOOD	Services	12	8
Geopost S.A.	Services	76	142
Omnicar rent OOD	Services	48	53
	Total	**740**	**791**

The Group has the following advances paid to related parties:

		30.06.2016	**31.12.2015**
		BGN'000	**BGN'000**
Omnicar Auto OOD	Advances paid	153	2,653
	Total	**153**	**2,653**

The advances paid are for purchase of vehicles.

The Group has the following payables to related parties:

		30.06.2016	**31.12.2015**
		BGN'000	**BGN'000**
Transbalkan group OOD	Services	929	463

Omnicar Auto OOD	Services	12	13
Omnicar rent OOD	Services	-	-
Omnicar BG EOOD	Services	3	-
Total		**944**	**476**

As of 30.06.2016 the company has payables to the BoD's members in amount of BGN 110k (31.12.2015 – BGN 110k) in compliance with art. 240, para 1 of Commercial Code.

The Group realized the following sales to related parties:

		30.06.2016	30.06.2015
		BGN'000	**BGN'000**
Transbalkan group OOD	Services	1,402	1,519
Omnicar BG EOOD	Services	71	160
Omnicar Auto OOD	Services	-	-
Dragomir Winery Estate OOD	Services	8	35
Geopost S.A.	Services	238	-

The Group purchased the following goods, materials and services from related parties:

		30.06.2016	30.06.2015
		BGN'000	**BGN'000**
Transbalkan group OOD	Services	4,395	4,927
Omnicar Auto OOD	Services	-	383
Omnicar BG EOOD	Services	32	52
Dragomir Winery Estate OOD	Goods	26	34
Omnicar C EOOD	Services	2	-
Omnicar oil OOD	Materials	-	-
Omnicar rent OOD	Services	48	-