Financial Statements

Indian-Bulgarian Business Chamber

31 December 2017

Content

Balance Sheet as at 31 December 2017

ASSETS				LIABILITIES			
SECTIONS, GROUPS, ITEMS		**BGN `000**		**SECTIONS, GROUPS, ITEMS**		**BGN `000**	
	Note	**Current year**	**Previous year**		**Note**	**Current year**	**Previous year**
a		1	2	a		1	2
A. Registered, unpaid capital		-	-	**A. Equity**			
B. Non-current (tangible) assets				I. Other reserves		12	12
C. Current (short-term) assets				II. Current financial result		14	-
I. Receivables				**Total for section A:**		**26**	**12**
1. Other receivables, incl.:	3	10	4	**B. Payables**			
Total for group I:		**10**	**4**	- to suppliers		-	-
II. Cash and cash equivalents, incl.:		26	10	**Total for section B:**		-	-
-in cash		-	-	**C. Financing and deferred income, incl.:**			
-in bank accounts	4	26	10	- deferred income	**5**	10	2
Total for group II:		**26**	**10**	**Total for section C:**		**10**	**2**
Total for section A:		**36**	**14**				
TOTAL ASSETS (A+B+C)		**36**	**14**	**TOTAL LIABILITIES (A+B+C)**		**36**	**14**

Prepared by: SF Bulgaria EOOD

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Gyulyay Rahman

Chairman:_______________

Borislav Boyanov

Date of preparation: 16.02.2018

The notes to the financial statements on pages 5 to 13 are an integral part of them.

Statement of Revenue and Expenses from non-for profit activity as at 31 December 2017

Type of expenses	Note	BGN`000	
		Current year	Previous year
a	b	1	2
I. Operating expenses			
A. Regulated activity expenses			
1. Other expenses		7	2
Total for A:		**7**	**2**
Total for I:		**7**	**2**
II. Total expenses		**7**	**2**
III. Profit for the year		**14**	**12**
Total (Total expenses + III)		**21**	**14**

Type of revenue	Note	BGN`000	
		Current year	Previous year
a	b	1	2
I. Operating revenue			
A. Regulated activity revenue			
1. Membership fee		21	13
2. Other income		-	1
Total for A:		**21**	**14**
Total for I:		**21**	**14**
II. Total revenue from non-for-profit activities		**21**	**14**
III. Loss for the year		**-**	**-**
Total (Total revenue + III)		**21**	**14**

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Statement of Cash Flow as at 31 December 2017

Name of cash flows	**Note**	**BGN`000**	
		Current year	**Previous year**
a	b	1	2
I. Cash at the beginning of the period	**4**	**10**	**6**
II. Cash flow from non-for-profit activity			
A. Proceeds from non-for-profit activity			
1. Proceeds from membership fees		22	5
2. Other proceeds		-	1
Total proceeds from non-for-profit activity		**22**	**6**
B. Payments for non-for-profit activity			
1. Payments for services		6	2
Total payments for non-for-profit activity		**6**	**2**
C. Net cash flow from non-for-profit activity		**16**	**4**
III. Cash flow from business activity		-	-
IV. Cash at the end of the period	**4**	**26**	**10**
V. Net changes in cash for the period		**16**	**4**

Prepared by: SF Bulgaria EOOD

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Gyulyay Rahman

Chairman: ________________

Borislav Boyanov

Date of preparation: 16.02.2018

Statement of Equity as at 31 December 2017

(BGN '000)

Indicators	Other reserves	Total equity
a	1	2
1. Balance at the beginning of the reporting period	**12**	**12**
2. Profit from non-for-profit activities	14	13
3. Equity at the end of the reporting period (1 + 2)	**26**	**25**

Prepared by: SF Bulgaria EOOD

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Gyulyay Rahman

Chairman:________________

Borislav Boyanov

Date of preparation: 16.02.2018

Notes to the Financial Statements

1 Background information

The Indian Bulgarian Business Chamber (IBBC or the Chamber) was set up in Bulgaria by decision of Sofia City Court, the chamber case № 473/2015 as a non-for-profit organisation to stimulate and support mutually beneficial business and investment activity between India and Bulgaria.

The purposes of the Chamber are:

- to contribute to the development of the economic relations between Bulgaria and India with regard to trade, industry, agriculture, finance, transportation, technology, professional activities and other activities;
- to promote the Indian business interests in Bulgaria as well as the Bulgarian business interests in India. Companies of all sizes – from large corporate entities to SME's can be members of the Chamber;
- to strive for constructive and new solutions for the development of the Bulgarian-Indian business relations;
- to protect and promote the common commercial interests of its members;
- to promote and maintain ethical standards in business;
- to voice the opinions of the members of the Chamber on all types of economic, trade, commerce, finance, industry and other issues;
- to collect and disseminate information concerning trade, industry, agriculture, finance, transportation, technology, professional activities, taxation, related laws and other topics;
- to assist members engaged in or considering trade with enterprises in Bulgaria and Southeast Europe to attain legitimate objectives;
- to maintain good relationships with Chambers in India and other Chambers or commercial organizations of India or elsewhere;
- to organize public events, conferences, symposiums, seminars and other targeted events for the purposes of promotion of the Chamber's ideas and development of the economic relations between business representatives from India and Bulgaria, as well as other purposes determined by the Management Board of the Chamber;
- to maintain relations with the Bulgarian and Indian government and their embassies in Bulgaria and India as well as to assists new investors from both countries; and
- to establish relationships and coordinate with other chambers of commerce and business organizations in Bulgaria and India.

As at 31 December 2017 and 31 December 2016 the Chamber has no employees.

2 Accounting policy

2.1 Basis for the preparation of the financial statements

The financial statements of the Chamber have been prepared in accordance with the Accountancy Act and National Accounting Standards (NAS), approved by the Council of Ministers with Decree № 46 / 21.03.2006, effective from 01.01.2006, amended by Decree № 251 / 17.10.2008, effective from 01.01.2008 and Decree № 394 / 30.12.2015, effective from 01.01.2016.

The financial statements are presented in Bulgarian leva (BGN), which is also the reporting currency of the Chamber. All amounts are presented in thousand Bulgarian leva (BGN '000) (including comparative information for 2016) unless otherwise stated.

The financial statements are prepared under the going concern principle.

2.1 General principles

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

The financial statements have been prepared using the measurement bases specified by NAS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

In the preparation of the financial statements accounting estimates and reasonable assumptions may be used. Although they are based on information provided by the management at the date of preparation of the financial statements, actual results could differ from those estimates and assumptions.

2.2 Presentation of financial statements

The financial statements are presented in accordance with NAS 9 "Presentation of Financial Statements of Non-for-profit Organisations". The Chamber has not performed business activity and does not present a separate statement of revenue and expenses for business activity.

2.3 Foreign currency transactions

Foreign currency transactions are accounted in compliance with NAS 21 The Effects of Changes in Foreign Exchange Rates.

Foreign currency transactions, except for the buy and sale of foreign currency, are accounted at initial recognition in the reporting currency of the Chamber using the official exchange rate on the day of the transaction (exchange rate of the Bulgarian National Bank). The bought currency is measured at the buy exchange rate and the sold currency - on the exchange rate for sale. Income and costs from exchange rate differences arising from the settlement of such transactions and from the revaluation of monetary items in foreign currency at the end of the period are accounted as financial income or financial costs.

The currency board in Bulgaria was introduced on 1 July 1997 following the recommendations of the International Monetary Fund (IMF) and initially the Bulgarian lev was fixed to the value of the German mark in the ratio 1: 1. Following the introduction of the euro the Bulgarian lev is pegged to the euro in the ratio 1 EUR = 1.95583 lev.

2.4 Revenue and expenses

Revenue arises from non-for-profit operations and rendering of services.

Revenue is measured by reference to the fair value of consideration received or receivable by the Chamber for services provided, excluding VAT, rebates and trade discounts.

Revenue is recognized, provided all of the following conditions are satisfied:

- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Chamber;
- The costs incurred or to be incurred can be measured reliably; and
- When the criteria for each of the Chamber's different activities have been met (note 2.5.1 and note 2.5.2).

2.4.1 Revenue from non-for-profit operations

Revenue from non-for-profit operations includes proceeds from membership fees. Revenue is deferred and recognized on a straight-line basis over the period for which the membership fee relates. The deferred income is included in 'Deferred income' of the Balance sheet and presented in note 5.

Revenue from donations is recognized when it is not contingent on specific conditions. If the donation is contingent, it is treated as a grant financing.

2.4.2 Revenue from services

Revenue from services includes revenue related to business operations of the organization such as arrangement of conferences and seminars, advertisements in events and publications of IBBC. Revenue from services is recognized when the services are provided by reference to the stage of completion of the contract at the reporting date.

2.5 Operating expenses and allocation

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin in accordance with the accrual and matching principle. The expenses of the Chamber are grouped in two categories – expenses for non-for-profit operations and expenses for business operations.

The allocation of operating expenses as relating to non-for-profit operations and business operations is based on the following:

- Fixed administrative costs are allocated periodically based on the proportion of revenue generated from the two operations.
- Directly attributable expenses relating to a specific operation are accrued and recognised as incurred.
- Directly attributable expenses for non-for-profit operations include expenses for organization of business meetings and specific events of the Chamber, meetings of the members and business trips.
- Directly attributable expenses for business operations include arrangement and organization of conferences and events, the income of which is included in the income from business operations and expenses for preparation, publication and distribution of the publications of the IBBC, for which income for advertisement are accumulated.

2.6 Intangible assets

Intangible assets are accounted for using the cost model. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use, whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in profit or loss for the respective period.

Subsequent expenditure on an intangible asset after its purchase or its completion is expensed as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset. Residual values and useful lives are reviewed at each reporting date.

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

Gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset.

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

As at 31 December 2017 and 31 December 2016 the Chamber does not have any intangible assets.

2.1 Tangible fixed assets

Tangible fixed assets are initially measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

After initial recognition, tangible fixed assets are carried out at cost reduced with accumulated depreciation and impairment losses. Impairment losses are recognized in profit or loss for the respective period.

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

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

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

Gain or loss arising on the disposal of a tangible fixed asset is determined as the difference between the proceeds and the carrying amount of the asset.

The recognition threshold adopted by the Chamber for tangible fixed assets amounts to BGN 700.

As at 31 December 2017 and 31 December 2016 the Chamber does not have any tangible fixed assets.

2.1 Impairment testing of assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use.

To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce the carrying amount of the assets allocated to that cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount.

2.2 Financial assets

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

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

- loans and receivables raised initially in the Chamber;
- financial assets held for trading;
- held-to-maturity financial assets;
- available-for-sale financial assets.

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss.

All financial assets except for those held for trading are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within “Finance costs” and “Finance income”, except for impairment of trade receivables which is presented within “Other expenses”.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss.

Chamber's cash and cash equivalents and other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

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

2.3 Financial liabilities

Financial liabilities are recognized when the Chamber becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavourable terms. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'Finance costs' or 'Finance income'.

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

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

2.4 Income taxes

The Chamber recognises income tax expense only in relation to its business activity. In 2017 and 2016 the Chamber did not carry out any business activity.

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax.

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

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

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

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

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

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in equity, in which case the related deferred tax is also recognized in equity.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current bank accounts and demand deposits.

2.6 Provisions, contingent assets and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Chamber and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Provisions are not recognized for future operating losses.

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

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

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

In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

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

As at 31 December 2017 and 31 December 2016 the Chamber has not recognised any provisions.

3 Receivables

	2017 BGN '000	2016 BGN '000
Membership fees	10	4
Total	**10**	**4**

Receivables are due within 30 days and have no effective interest rate. The net book value of receivables is considered as a reasonable estimate of fair value.

4 Cash and cash equivalents

	2017 BGN '000	2016 BGN '000
Cash in BGN	26	10
Total	**26**	**10**

5 Deferred income

As at 31 December 2017, deferred income amounting to BGN 10 thousand (2016: BGN 2 thousand) includes membership fees paid in 2017 that relate to membership in the next financial year.

6 Income tax expenses

In 2017 and 2016 the Chamber has revenue only from non-for-profit activity and has not accrued any corporate income tax.

7 Management policy regarding the financial risk management

The Chamber is exposed to various risks in relation to financial instruments. The main types of risks are credit risk and liquidity risk.

The Chamber's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Chamber's short to medium-term cash flows by minimizing the exposure to financial markets.

The most significant financial risks to which the Chamber is exposed are described below.

7.1 Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Chamber. The Chamber is exposed to this risk for cash and other receivables. The Chamber's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date.

The Chamber continuously monitors other receivables. The Chamber is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

7.1 Liquidity risk

Liquidity risk is the risk arising from the Chamber not being able to meet its obligations. The Chamber manages its liquidity needs by monitoring liquidity needs in various time periods. This analysis shows that the Chamber does not expect liquidity deficiencies.

8 Events after the reporting period

No events have incurred after the reporting date, which require additional corrections and/or disclosures in the financial statements of the Chamber for the period ended 31 December 2017

9 Approval of the financial statements

The financial statements as at 31 December 2017 (including comparative information) was approved by the Chairman on 19 March 2018.