

Financial Statements

British Bulgarian Business Association

31 December 2017



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Balance sheet as at 31 December

ASSETS				LIABILITIES			
SECTIONS, GROUPS, ITEMS	Note	Amount in BGN `000		SECTIONS, GROUPS, ITEMS	Note	Amount in BGN `000	
		Current year	Previous year			Current year	Previous year
A		1	2	A		1	2
A. Non-current (fixed) assets		1	1	A. Equity			
I. Tangible fixed assets				I. Retained earnings / (Accumulated loss) from previous years, incl.:		(20)	(4)
1. Machinery, production equipment and devices		1	1	- accumulated loss		(20)	(4)
Total for group I:		1	1	II. Other reserves		(15)	(18)
B. Current (short-term) assets				III. Current profit		18	(13)
I. Receivables				Total for section A:		(17)	(35)
1. Receivables from clients and suppliers, incl.:	4	8	2	B. Liabilities			
- over 1 year		-	-	1. Advances received, incl.:		-	-
2. Other receivables, incl.:	5	2	1	- up to 1 year		-	-
- over 1 year		-	-	- over 1 year		-	-
Total for group I:		10	3	2. Payables to suppliers, incl.:	8	6	4
II. Cash and cash equivalents, incl.:	6	37	6	- up to 1 year		6	4
- in cash		-	-	- over 1 year		-	-
- in current accounts/(deposits)		37	6	Total for section B:		6	4
Total for group II		37	6	- up to 1 year		6	4
Total for section B:		47	9	- over 1 year		-	-
C. Deferred expenses	7	2	1	C. Financing and deferred income, incl.:		61	42
				- deferred income	9	61	42
TOTAL ASSETS (A+B+C)		50	11	TOTAL LIABILITIES (A+B+C)		50	11

Prepared by: SF Bulgaria EOOD

Executive Director: _____
 /Omurtag Petkov/

 /Gyulyay Rahman/

Date: 28.03.2018

The accompanying notes on pages from 5 to 16 are an integral part of the financial statements.

Statement of profit or loss from non-profit activity for the year ended 31 December

Type of costs	Note	Amount in BGN `000	
		Current year	Previous year
a	b	1	2
I. Operating costs			
A. Regulated activity costs			
Other costs	12	5	9
Total for section A		5	9
B. Administrative costs	11, 12, 13, 14	83	84
Total for group I		88	93
II. Operating loss from business operations	3	13	16
III. Total costs		101	109
IV. Result		18	-
Total (Total costs + VI)		119	109

Type of income	Note	Amount in BGN `000	
		Current year	Previous year
a	b	1	2
I. Operating income			
A. Regulated activity income			
Membership fee	10	116	91
Income from donations	10	3	5
Total for group I		119	96
II. Total income		119	96
III. Result		-	13
Total (Total income + III)		119	109

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Statement of cash flows for the year ended 31 December

Amount BGN `000

Name of cash flows	Note	Current year	Previous year
A	b	1	2
I. Cash and cash equivalents at the beginning of the period		6	6
II. Cash flows from non-profit activity			
A. Proceeds from non-profit activity			
Proceeds from membership fees		133	94
Proceeds from donations		5	5
Total for section A		138	99
B. Payments related to non-profit activity			
Payments on banking and currency transactions		-	-
Payments for services		(35)	(46)
Salaries paid		(41)	(31)
Social securities paid		(14)	(12)
Other payments		-1	(6)
Other incomes		1	-
Total for section B		(90)	(95)
C. Net cash flow from non-profit activity		48	4
III. Cash flows from business activity			
A. Proceeds from business activity			
Proceeds from clients		36	42
Total for section A		36	42
B. Payments related to business activity			
Payments to suppliers		(34)	(33)
Salaries paid		(13)	(8)
Social security paid		(5)	(2)
Taxes paid		(1)	(1)
Other payments		-	(2)
Total for section B		(53)	(46)
C. Net cash flow from business activity		(17)	(4)
IV. Cash and cash equivalents at the end of the period	6	37	6
V. Change in cash and cash equivalents for the period		31	-

Prepared by: SF Bulgaria EOOD

Executive Director: _____
 /Omurtag Petkov/

 /Gyulyay Rahman/

Date: 28.03.2018

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**Statement of equity
 for the year ended 31 December**

(Amount in BGN `000)

Indicators	Subscribed capital	Premiums from emissions	Other reserves	Financial result from previous years		Profit / (loss) for the year	Total equity
				Retained earnings	Accumulated loss		
a	1	2	3	4	5	6	7
1. Balance at the beginning of the reporting period	-	-	(18)		(4)	(13)	(35)
2. Financial results for the current period						18	18
3. Other changes in equity			3		(16)	13	-
5. Equity at the end of the reporting period			(15)		(20)	18	(17)

Prepared by: SF Bulgaria EOOD

Executive Director: _____
 /Omurtag Petkov/

 /Gulyay Rahman/

Date: 28.03.2018

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Notes to the financial statements

1 Background information

The British Bulgarian Business Association (BBBA/the Association) is a non-profit organization established in the Republic of Bulgaria by decision of Sofia City Court № 728/2014, with the support of the British Embassy, in order to mutually stimulate and support the business development and investments between the United Kingdom and Bulgaria. The Association has started operations in January 2015.

The aim of BBBA is:

- ▶ To increase trade and investment activity between the United Kingdom and Bulgaria
- ▶ To facilitate business relationships, economic development and sharing of knowledge for the benefit of both countries and the growth and success of BBBA members;
- ▶ To be the first place to look for help when planning United Kingdom/ Bulgarian business
- ▶ To upgrade the knowledge and skills of members
- ▶ To be self-funding, primarily through membership fees

BBBA will support and represent the interests of its members in relations between British and Bulgarian authorities, economic agencies, business companies, public institutions and non-governmental organizations.

As at 31.12.2017 the Association has two employees on a labour contract (31.12.2016: two employees).

2 Accounting policy

2.1 Basis for the preparation of the financial statements

The financial statements of the Association have been prepared in accordance with the Accounting Act and the 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 functional currency of the Association. All amounts are in thousand Bulgarian Levs ('000 BGN) (including comparative information for 2016) unless otherwise stated.

The financial statements are prepared under the going concern principle.

After making enquiries, the management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the management continues to adopt the going concern basis in preparing the annual report and accounts.

2.2 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 on a historical cost basis modified in certain cases by the revaluation of certain assets and liabilities. The evaluation bases are disclosed in detail in the accounting policy to the financial statements.

It should be noted that in the preparation of the financial statements accounting estimates and reasonable assumptions have been 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.

2.3 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 purchase of foreign currency are accounted at initial recognition in the reporting currency of the Association using the official exchange rate on the day of the transaction (exchange rate of the Bulgarian National Bank). The acquired currency is measured at the exchange rate of acquisition and the sold currency - on the exchange rate of 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 in the financial statements of profit or loss 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 the initial value of 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. Revenues are presented in note 10.

Revenue is measured by reference to the fair value of consideration received or receivable payment or compensation, net of VAT, taking into account the amount of any trade discounts and volume rebates made by the Association.

Revenue is recognized when the following conditions are met:

- ▶ The amount of the revenue can be measured reliably;
- ▶ It is probable that the economic benefits associated with the transaction will flow to the Association;
- ▶ The costs incurred or to be incurred can be measured reliably; and
- ▶ The recognition criteria specific to each activity of the Association are met. They are determined depending on the products or services provided to the customer and the contract conditions as set out below.

2.4.1 Revenue from non-profit operations

Revenue from non-for-profit operations includes proceeds from membership fees and donations.

Revenue is deferred and is recognized on a straight-line basis over the period for which the membership fee relates. This deferred income is included in 'Deferred income'.

2.4.2 Revenue from rendering of services

Revenue from rendering of services includes revenue related to the Association's activities such as arrangement of conferences and seminars, advertisements in events and publications of BBBA. Revenue from rendering of services is recognized when the services are provided by reference to the stage of completion of the contract at the reporting date.

2.4.3 Operating expenses

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 Association are grouped in two categories – expenses for non-for-profit operations and expenses for business operations. The expenses from the two categories are presented in notes 11, 12 and 13.

The allocation of operating expenses 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 recognized as incurred.

Directly attributable expenses for non-for-profit operations include expenses for organization of business meetings and specific events of the Association, meetings of the members, membership fees 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 BBBA, for which revenue for advertisement is accrued.

2.5 Financial assets

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

For the purpose of subsequent measurement, financial assets other than hedging instruments are classified into the following categories at initial recognition:

- ▶ loans and receivables originated by the Association;
- ▶ held-for-trading financial assets;
- ▶ 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 recognized in profit or loss.

All financial assets except for those at fair value through profit or loss 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 instruments are recognized in profit or loss within 'Finance costs', 'Finance income' or 'Other financial items', 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.

Association's cash and cash equivalents, trade and most of 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'.

2.6 Financial liabilities

The Association's financial liabilities include trade and other payables.

Financial liabilities are recognized when there is a contractual obligation for payment of cash amounts or another financial asset to third party or contractual liability for exchange of financial instruments with third party under unfavourable terms. All interest-related costs, and changes in fair value of financial instruments, if any, are recognized in profit or loss 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, which are measured 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.

2.7 Income taxes

The Association recognizes income tax expense only in relation to its 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, tax 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 Association 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 be applied to the respective period of their realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are recognized in full.

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

Deferred tax assets and liabilities are offset only when the Association 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, unless they relate to items that are recognized in equity, whereby the related deferred tax is recognized in equity.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current bank accounts, demand deposits, short-term and highly liquid investments that are easily convertible into specific amounts of cash and contain an insignificant risk of changes in value.

2.9 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 Association 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, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. 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 is 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 Association 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 Association 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 Association has not recognized any provisions.

3 Statement of Profit or Loss from Business activities

EXPENSE NAME	Note	Amount in BGN `000		INCOME NAME	Note	Amount in BGN `000	
		Current Year	Previous Year			Current Year	Previous Year
a		1	2	a		1	2
A. Expense				A. Income			
1. Costs for raw materials, materials and hired services, incl.:		32	28	1. Net sales revenue, including:		39	24
a) raw materials, materials	11	1	1	a) services	10	39	24
6) hired services	12	31	27	2. Other income, including:		-	-
2. Employee benefits expense	13	18	10	Total operating income (1 + 2)		39	24
a) salary costs		16	8	Total income (1 + 2)		39	24
6) social security costs		2	2	- Income from funding		-	-
3. Other operating expenses	14	2	2				
Total operating expenses (1+2+3)		52	40				
Total expenses (1+2+3)		52	40				
4. Accounting profit (total income - total expenses)		-	-				
5. Taxes on profits		-	-				
6. Other taxes, alternative corporate tax		-	-				
7. Profit (4—5—6)		-	-	3. Accounting loss (total income-total expenses)		13	16
Total (Total expenses +5+6+7)		52	40	Total (Total Income + 3)		52	40

4 Receivables

	2017 '000 BGN	2016 '000 BGN
Trade receivables	8	2
Total	8	2

Trade receivables are due within 30 days and have no effective interest rate.

The net book value of trade receivables is considered as a reasonable estimate of fair value.

5 Other receivables

	2017 '000 BGN	2016 '000 BGN
Rent deposits	1	1
Other receivables	1	-
Total	2	1

6 Cash and cash equivalents

	2017 '000 BGN	2016 '000 BGN
Cash in BGN at bank accounts	37	6
Total	37	6

7 Deferred expenses

	2017 '000 BGN	2016 '000 BGN
Subscriptions	2	1
Total	2	1

8 Payables

	2017 '000 BGN	2016 '000 BGN
Payables to suppliers	3	3
Advances received	1	1
Other payables	2	-
Total	6	4

9 Deferred income

Deferred income amounting to BGN 61 thousand (2016: BGN 42 thousand) include membership fees collected in advance in 2017 that relate to the next financial year.

10 Revenue from rendering of services

	2017		
	'000 BGN		
	For non-profit operations	Business operations	Total
Revenue from membership fees	116	-	116
Revenue from events	-	39	39
Revenue from donations	3	-	3
Total	119	39	158

	2016		
	'000 BGN		
	For non-profit operations	Business operations	Total
Revenue from membership fees	91	-	91
Revenue from events	-	24	24
Revenue from donations	5	-	5
Total	96	24	120

11 Material expenses

	2017		
	'000 BGN		
	For non-profit operations	Business operations	Total
Office supplies and consumables	2	1	3
Total	2	1	3

	2016		
	'000 BGN		
	For non-profit operations	Business operations	Total
Office supplies and consumables	2	1	3
Total	2	1	3

12 Hired services expenses

	2017		
	'000 BGN		
	For non-profit operations	Business operations	Total
Administrative and consultancy services expenses	6	2	8
Office rent and telecommunications services	9	3	12
Expenses for events	5	24	29
Subscriptions and memberships	1	-	1
Training and seminars	1	-	1
Other	2	1	3
Total	24	30	54

	2016		
	'000 BGN		
	For non-profit operations	Business operations	Total
Professional and consultancy services expenses	13	6	19
Rental office and telecommunications services	10	2	12
Expenses for events	8	17	25
IT services, internet website and hosting	2	1	3
Subscriptions and memberships	3	1	4
Training and seminars	1	-	1
Other	1	-	1
Total	38	27	65

13 Employee benefits expenses

	2017		
	'000 BGN		
	For non-profit operations	Business operations	Total
Remuneration	49	16	65
Social security	6	2	8
Total	55	18	73

	2016		
	'000 BGN		
	For non-profit operations	Business operations	Total
Remuneration	40	8	48
Social security	4	2	6
Total	44	10	54

14 Other operating expenses

	2017		
	'000 BGN		
	For non-profit operations	Business operations	Total
VAT partial tax credit	3	1	4
Other	4	1	5
Total	7	2	9

	2016		
	'000 BGN		
	For non-profit operations	Business operations	Total
VAT partial tax credit	4	1	5
Other	5	1	6
Total	9	2	11

15 Related party transactions

In 2017, the Association has not conducted related party transactions. During the calendar year 2016, the Association considered "Tectris Consult" EOOD a related party, with which the Association had an agreement for provision of management services by the end of March 2016.

Related party transactions	2017	2016
	'000 BGN	'000 BGN
Services received	-	10

16 Management policy regarding the financial risk management

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

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

The Association is not actively engaged in the trading of financial assets for speculative purposes, nor does it write options.

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

16.1 Credit Risk

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

The Association continuously monitors defaults of customers and other counterparties separately and uses this information to control credit risk.

The Association 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.

16.1 Liquidity risk

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

17 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 Association for the period ended 31 December 2017.

18 Approval of the financial statements

The financial statements as at 31 December 2017 were approved by the Chairman on 28 March 2018, and by the Board of Directors on 5 June 2018.