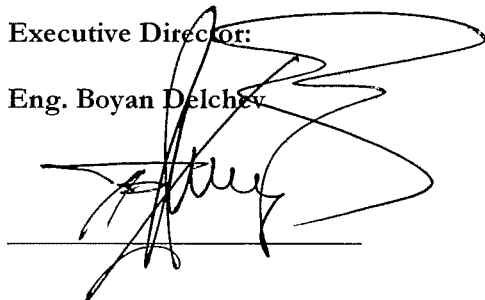


CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31.12.2014

The Financial Statements for the year ended 31.12.2014, pages 1 to 87, are approved and signed on behalf of “TRACE GROUP HOLD” PLC by:

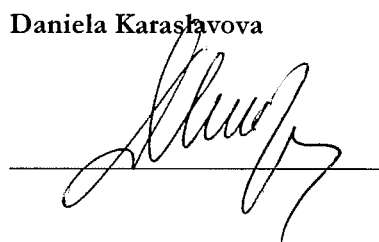
Executive Director:

Eng. Boyan Delchev



Compiler:

Daniela Karashanova

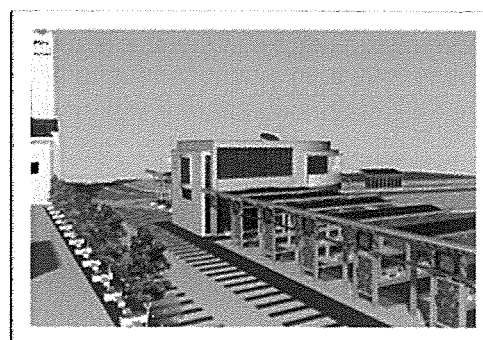
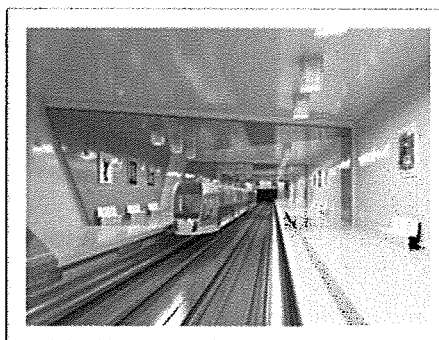
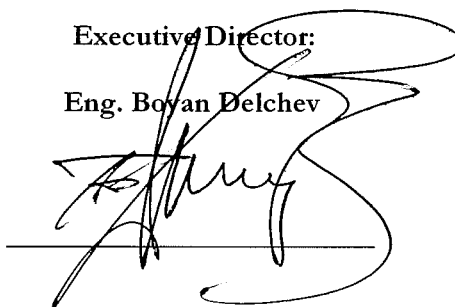


MANAGEMENT ACTIVITIES REPORT
FOR THE YEAR ENDED
31.12.2014

The Management Activities Report for the year ended 31.12.2014, pages 1 to 50, is approved and signed on behalf of “Trace Group Hold” PLC by:

Executive Director:

Eng. Boyan Delchev



INDEPENDENT AUDITOR'S REPORT

**TO: THE SHAREHOLDERS OF
"TRACE GROUP HOLD" PLC**

Report on consolidated financial statements

We have audited the accompanying consolidated financial statements of "TRACE GROUP HOLD" PLC and its subsidiaries as at December 31, 2014, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated income statement and the statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards, adopted by European Commission and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the professional requirements of the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Global in Reach, Local in Touch

No. 149-151, „Konstantin Velichkov“ Blvd., 1st floor, office 3, Sofia, 1309, Bulgaria

Tel: +359 2 920 22 01/ 920 50 21, Fax: +359 2 920 36 65, E-mail: office@hlb-bg.com, Web site: www.hlb-bg.com

Opinion

In our opinion, consolidated financial statements present fairly, in all material respects the financial position of "TRACE GROUP HOLD" PLC and its subsidiaries as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, adopted by European Commission.

An emphasis of matter paragraph

1. We point out to Note 1.1 in consolidated financial statements where is disclosed that as at 31.12.2014 in property, plant and equipment amount, assets owned by subsidiary, acquired by him in 2014 from a company in bankruptcy and pledged as a security at this date, were included. Not abiding to its obligation to release these items by requiring competent court ruling the assignee in bankruptcy did not complete this action. The procedure for their release was started in 2014. In addition we would like to draw your attention to the fact the same subsidiary in not registered as the owner of all properties recognized in its accounting ledgers and the procedures to register of ownership in the competent land register of Republic of Serbia is still in process.

2. We point out to Note 1.5 in consolidated financial statements related to Group receivable from company in process of bankruptcy as at 31.12.2014. High uncertainty exists about recovery of the amount of this receivable and its clearing depends on future actions and events that aren't under direct control of the Group. The outcome of these proceedings could affect consolidated financial statements.

Our opinion is not qualified relating to these issues.

Report on other legal and regulatory requirements

Management is also responsible for the preparation of an annual consolidated report of operations in conformity with the requirements of the Accountancy Act.

The Accountancy Act requires us to give an opinion whether the annual consolidated report of operations of the Company is consistent with consolidated financial statements for the same period.

In our opinion the annual consolidated report of operations is prepared in accordance with the accompanying consolidated financial statements of the Company as at December 31, 2014.

Specialized Audit Firm
HLB Bulgaria Ltd.

Represented by:
Milena Hristova

Auditor in charge:
Vaska Gelina

27.04.2015



	Note	31.12.2014 BGN'000	31.12.2013 BGN'000
ASSETS			
Non-current Assets			
Property, plant, machinery and equipment	1.1.	68 545	64 689
Non-current Intangible Assets	1.2.	1 545	1 648
Non-current Financial Assets	1.3.	342	342
Investments, accounted under the equity method	1.4.	1 939	1 540
Non-current Trade and other receivables	1.5.	15 213	12 666
Deferred Tax Assets	1.6.	2 905	2 918
Goodwill	1.7.	447	447
Total Non-current Assets		90 936	84 250
Current Assets			
Inventory	1.8.	8 012	8 424
Current Trade and other receivables	1.9.	96 595	99 892
Recoverable Tax	1.10.	2 761	1 076
Current Financial Assets	1.11.	828	6 548
Cash and Cash equivalents	1.12.	37 767	44 339
Total Current Assets		145 963	160 279
Total Assets		236 899	244 529

	Note	31.12.2014 BGN'000	31.12.2013 BGN'000
EQUITY AND LIABILITIES			
Equity			
Share Capital	1.13.1.	24 200	24 181
Registered Capital		24 200	24 200
Treasury Shares Redeemed			(19)
Share Premium	1.13.2.	21 769	21 763
Translation Reserve	1.13.3.	(318)	(238)
Reserve	1.13.4.	47 648	33 196
Financial Result	1.13.5.	9 231	17 439
Accumulated Profit / (Loss)		88	1 074
Current year's Profit /(Loss)		9 143	16 365
Equity - Group		102 530	96 341
Non-controlling interest		(184)	(61)
Total Equity		102 346	96 280
Non-current Liabilities			
Non-current Financial Liabilities	1.14.	1 532	3 544
Non-current Trade and other liabilities	1.15.	7 263	8 882
Non-current Provisions	1.16.	238	202
Deferred Tax Liabilities	1.17.	410	283
Total Non-current Liabilities		9 443	12 911
Current Liabilities			
Current Financial Liabilities	1.18.	7 141	5 299
Current Trade and other liabilities	1.19.	107 010	121 217
Tax Liabilities	1.20.	3 905	3 622
Liabilities to the personnel	1.21.	2 871	2 906
Current provisions	1.22.	4 183	2 294
Total Current Liabilities		125 110	135 338
Total Equity and Liabilities		236 899	244 529

The Notes on pages 7 to 87 are an integral part of these Financial Statements.

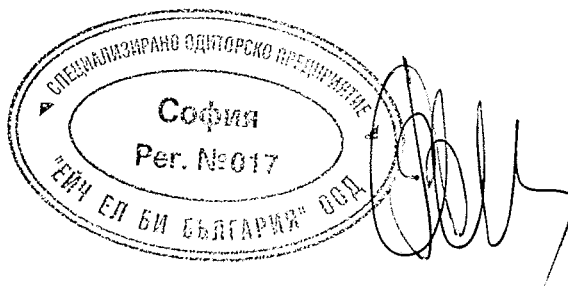
Represented by:
Eng. Boyan Delchev

Compiler:
Daniela Karaslavova

Certified by:
"HLB Bulgaria" LTD

Sofia, 24 April 2015

TRACE
• ТРЕЙС ГРУП ХОЛД-АД



	Note	2014 BGN'000	2013 BGN'000
Income			
<i>Net Income from Sales</i>	2.1.1.	344 512	322 504
of Production		8 051	4 792
of Services		317 073	299 941
of Goods		13 665	9 957
Others		5 723	7 814
<i>Income from Government Grants</i>	2.1.2.	6	9
<i>Financial Income</i>	2.1.3.	1 021	518
Total Income		345 539	323 031
Expenses			
<i>Expenses per economic elements</i>		(314 194)	(290 444)
Raw materials, materials and consumables	2.2.1.	(68 601)	(56 018)
Hired Services	2.2.2.	(208 447)	(204 920)
Depreciation cost	2.2.3.	(7 082)	(7 153)
Salaries and wages, and social contributions	2.2.4.	(21 274)	(18 208)
Impairment of assets	2.2.5.	(4 022)	(2 029)
Other expenses	2.2.6.	(4 768)	(2 116)
<i>Allowances</i>	2.2.7.	(18 721)	(12 341)
Net book value of assets disposed (excluding production)		(16 900)	(12 537)
Expenses, capitalised in the Assets' value		115	14
Changes in the Inventories of Finished Goods and Work in progress		(1 936)	120
Others			62
<i>Financial expenses</i>	2.2.8.	(2 237)	(1 905)
Total expenses, excluding tax expenses		(335 152)	(304 690)
<i>Financial result from disposals of non-current assets</i>	2.2.9.	14	57
<i>Share in the Results of Associates</i>	2.2.10.	596	86
Profit / (Loss) before tax		10 997	18 484
<i>Tax expense</i>	2.2.11.	(1 786)	(2 311)
Current Tax expense		(1 624)	(1 859)
Changes, accounted for under deferred tax		(162)	(452)
Profit / (Loss) from Continuing operations		9 211	16 173
Profit / (Loss)		9 211	16 173
including Profit / (loss) in the Group		9 143	16 365
including Profit / (Loss) under Non-controlling participations		68	(192)

	2014 BGN	2013 BGN
<i>Primary Net Earnings per Share</i>	0.31	0.68
from continuing activities	0.31	0.68

The Notes on pages 7 to 87 are an integral part of these Financial Statements.

Represented by:
Eng. Boyan Delchev

Compiler:
Daniela Karaslavova

Certified by:
"HLB Bulgaria" LTD

Sofia, 24 April 2015

TRACE
• ТРЕЙС ГРУП ХОЛД-АД



	Note	2014 BGN'000	2013 BGN'000
Profit / (Loss)		9 211	16 173
Other comprehensive income	2.3.1.	(53)	26
Actuarial Gains / (Losses)		26	21
Foreign Currency Translation Gains / (Losses)		(79)	5
Total Comprehensive Income		9 158	16 199
including Total Comprehensive Income in the Group		9 089	16 394
including Total Comprehensive Income under Non-controlling Participations		69	(195)

The Notes on pages 7 to 87 are an integral part of these Financial Statements.

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Eng. Boyan Delchev

Compiler:
Daniela Karaslavova

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Sofia, 24 April 2015

TRACE
• ТРЕЙС ГРУП ХОЛД АД



	2014 BGN'000	2013 BGN'000
Cash flows from Operating activities		
Cash inflows from contractors	400 656	330 797
Cash outflows to contractors	(353 711)	(276 467)
Net Cash flows in respect of Personnel and Social insurance contributions	(22 088)	(16 888)
Cash outflows relating to Tax (excluding Corporate tax)	(14 037)	(13 952)
Taxes reimbursed (excluding Corporate tax)	4 480	6 622
Cash outflows relating to Corporate tax	(2 288)	(1 488)
Corporate tax reimbursed		10
Cash outflow for interest and fees, under received operational loans	(21)	(119)
Cash outflows from profit distribution	(911)	(170)
Net Foreign exchange gains / (losses)	562	(89)
Cash outflow for guarantees	(1 699)	(892)
Other cash flows from Operating activities	(264)	(558)
Net Cash flows from Operating activities	10 679	26 806
Cash flows from Investing activities		
Cash outflows for acquisitions of Non-current assets	(3 409)	(1 914)
Cash inflows from disposals of Non-current assets	54	84
Cash outflows for purchases of Financial assets	(12 389)	(110)
Cash inflows from disposals of Financial assets	1	27
Cash outflows on Loans granted	(333)	(152)
Cash inflows on Loans granted	51	
Cash inflows from Interest and fees on loans granted	27	32
Cash outflow on Deposits placed	(12 182)	(5 950)
Cash inflow on Deposits placed	16 530	18
Cash inflow from Interest on Deposits placed	396	354
Cash inflows from Finance lease		5
Dividends received	199	113
Net Cash flows from Investing activities	(11 055)	(7 493)
Cash flows from Financing activities		
Cash outflows for share redemption and other capital instruments	(152)	
Dividends paid		(57)
Cash inflows from Loans received	2 766	2 626
Cash outflows on Loans received	(2 918)	(4 738)
Cash outflows on Interest and fees on loans received	(495)	(794)
Cash outflows on Finance lease	(545)	(5 712)
Unsecured amounts in bank accounts	(4 719)	
Net Cash flows from Financing activities	(6 063)	(8 675)
Net increase / (decrease) in Cash and cash equivalents	(6 439)	10 638
Cash and cash equivalents as at 1 January	44 294	33 656
Translation reserve	(121)	
Cash and cash equivalents as at 31 December	37 734	44 294

The Notes on pages 7 to 87 are an integral part of these Financial Statements.

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Eng. Boyan Delchev

Compiler:

Daniela Karaslavova

Certified by:

"HLB Bulgaria" LTD

Sofia, 24 April 2015

TRACE
• ТРЕЙС ГРУП ХОЛД-АД



	Share capital	Share premium	Translatio n reserve	General and other reserves	Accumulate d profit / (loss)	Total equity Group	Total equity Non- controlling participatio ns	Total Equity
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Revalued reserve as at 31.12.2012	24 183	21 763	(246)	33 196	1 703	80 599	134	80 733
Changes in equity for the financial reporting 2013	(2)	-	8	-	15 736	15 742	(195)	15 547
Other comprehensive income	-	-	8	-	21	29	(3)	26
Actuarial gains / (losses)					21	21		21
Translations of foreign activities			8			8	(3)	5
Profit / (loss) for the period					16 365	16 365	(192)	16 173
Total Comprehensive Income for 2013	-	-	8	-	16 386	16 394	(195)	16 199
Treasury shares redeemed	(2)					(2)		(2)
Dividends					(637)	(637)		(637)
Other changes in equity					(13)	(13)		(13)
Balance as at 31.12.2013	24 181	21 763	(238)	33 196	17 439	96 341	(61)	96 280
Changes in equity for the financial reporting 2014	19	6	(80)	14 452	(8 208)	6 189	(123)	6 066
Other comprehensive income	-	-	(80)	-	26	(54)	1	(53)
Actuarial gains / (losses)					26	26		26
Translations of foreign currency			(80)			(80)	1	(79)
Profit / (loss) for the period					9 143	9 143	68	9 211
Total Comprehensive Income for 2014	-	-	(80)	-	9 169	9 089	69	9 158
Treasury shares redeemed	19	6				25		25
Dividends					(3 057)	(3 057)	(18)	(3 075)
Profit distribution				14 467	(14 467)	-		-
Written-off translation reserve				(14)	14	-		-
Changes in the participations in subsidiaries, without losing control					129	129	(174)	(45)
Other changes in equity				(1)	4	3		3
Balance as at 31.12.2014	24 200	21 769	(318)	47 648	9 231	102 530	(184)	102 346

* прензчислен, рекласифициран

The Notes on pages 7 to 87 are an integral part of these Financial Statements.

Represented by:
Eng. Boyan DelchevCompiler:
Daniela KaraslavovaCertified by:
"HLB Bulgaria" LTD

Sofia, 24 April 2015

TRACE
ТРЕЙС ГРУП ХОЛД-АД

GENERAL INFORMATION

Corporate Name

“TRACE GROUP HOLD” PLC

Board of Directors

Chairman

Nikolay Ganchev Mihaylov

Members

Nikolay Kostadinov Valev
Boyan Stoyanov Delchev
Miroslav Kalchev Manolov
Galin Nikolaev Mihaylov
Anton Nikolov Donchev
Maria Georgieva Kavardzhikova

Executive Directors

Nikolay Ganchev Mihaylov
Boyan Stoyanov Delchev
Miroslav Kalchev Manolov

Compiler

Daniela Mineva Karaslavova

Lawyers

Madlena Stanimirova Radichkova

Audit Committee

Marin Radoslavov Todorov
Svetla Stoilova Cheriyska
Kiril Ivanov Petkov

Country of Incorporation

The Republic of Bulgaria

Branches, registered under the Commercial Act

Belgrade, The Republic of Serbia
Prague, Czech Republic

Domicile and Registered Address

12, “Nikola Obrazopisov”, 1408, Sofia

Servicing banks

UniCredit Bulbank JSC
SG Expressbank JSC
DSK PLC
United Bulgarian Bank JSC
First Investment Bank JSC
International Asset Bank JSC
Piraeus Bank JSC

Principle activities and the core activities of the Group

Acquisition, management, valuation and sale of interests in Bulgarian and foreign entities
Execution of building and construction works
Project Management in the fields of building construction works and road construction
Consulting services
Trade activities
Renting (sublease) of non-current assets

Date of the Financial Statements

31.12.2014

The Financial Statements' period – current period

The year beginning as at 01.01.2014 and ending as at 31.12.2014

Time scope of the comparative information – prior period

The year beginning as at 01.01.2013 and ending as at 31.12.2013

Date of authorization of the Financial Statements for issue

27.04.2015

The Body, which has approved and authorized the Financial Statements for issue

The Board of Directors, by a decision entered in a Protocol, dated 27.04.2015

The Financial Statements are the Consolidated Financial Statements of “Trace Group Hold” PLC and its subsidiaries.

In compliance with the legislative requirements, the Consolidated Financial Statements will be published in the Financial Supervision Commission, the Bulgarian Stock Exchange – Sofia PLC and the Commercial Register.

The entities, included in the Consolidated Financial Statements as at 31.12.2014 are:

TRACE GROUP HOLD PLC – parent entity

Principal activities: Acquisition, management, valuation and sales of participations in Bulgarian and foreign entities, construction of road facilities and road infrastructure.

TRACE – SOFIA LTD, SOFIA, BULGARIA – 100.00% owned by Trace Group Hold PLC.

Principal activities: Construction, current repairs and maintenance of highways, roads, streets and the surrounding them infrastructure.

PSI JSC, STARA ZAGORA, BULGARIA – 99.26% owned by Trace Group Hold PLC.

Principal activities: Construction and reconstruction of roads and of road facilities, current repairs and winter maintenance.

PSF MOSTINZHENERING JSC, YAMBOL, BULGARIA – 99.43% owned by Trace Group Hold PLC.

Principal activities: Construction and reconstruction of roads and of road facilities.

TRACE – BOURGAS JSC, BOURGAS, BULGARIA – 100% owned by Trace Group Hold PLC.

Principal activities: Construction and reconstruction of roads and of road facilities.

RODOPA TRACE LTD, SMOLYAN, BULGARIA – 100 % owned by Trace Group Hold PLC.

Principal activities: Construction and reconstruction of roads and of road facilities.

INFRASTROJ LTD, PLEVEN, BULGARIA – 100% owned by Trace Group Hold PLC.

Principal activities: Construction and reconstruction of roads and of road facilities.

TRACE PZP NIS AD (JSC), NIS, SERBIA – 100% owned by Trace Group Hold PLC.

Principal activities: Construction and reconstruction of road and road facilities, current repairs and winter maintenance;

TRACE COMMERCE LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC.

Principal activities: Trade activities in Bulgaria and abroad, trade representation and trade intermediation.

TRACE TRANS LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC.

Principal activities: Transport activities, repairs and maintenance of transport vehicles, rental (sublease) of transport vehicles and complex transport services.

USM JSC, STARA ZAGORA, BULGARIA – 99.69% owned by Trace Group Hold PLC.

Principal activities: Rendering of services, by means of building mechanization.

CONSTRUCTION COMPANY TRACE JSC, STARA ZAGORA, BULGARIA – 65% owned by Trace Group Hold PLC.

Principal activities: High-rise construction, production of concrete and concrete products.

TRACE HOLIDAY LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC.

Principal activities: Travel and tourism, and trade activities in Bulgaria and abroad, hospitality, as well as all types of auxiliary activities.

PATNA SIGNALIZATSIA I SAORAZHENIA JSC, STARA ZAGORA, BULGARIA – 100% owned by Trace Group Hold PLC.

Principal activities: Manufacturing and sale of road accessories and of products, related to road signalization.

TRACE PLOVDIV LTD, PLOVDIV, BULGARIA – 100% owned by Trace Group Hold PLC.

Principal activities: Construction and reconstruction of roads and of road facilities.

TRACE SVOGE LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC.

Principal activities: Construction and reconstruction of roads and of road facilities.

TRACE SVILENGRAD LTD, SOFIA, BULGARIA – 60% owned by Trace – Sofia LTD and 40% owned by PSI JSC.

Principal activities: Construction, current repairs and maintenance of highways, roads, streets and the surrounding them infrastructure.

METRO DRUZHBA LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC.

Principal activities: Tunnel and bridge construction.

TRACE SOP LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC.

Principal activities: Road design and Road construction.

EURO TRANS LOGISTICS LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC

Principal activities: Transport activities, repairs and maintenance of transport vehicles, sublease of transport vehicles;

TRACE INTERNATIONAL LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC.

Principal activities: Construction, trade of construction materials and products, trade activities in Bulgaria and abroad, trade representation and intermediation.

VIOR VELIKA MORAVA JSC, BELGRADE, SERBIA – 72.85% owned by Trace International LTD.

Principal activities: Design and supervision of water infrastructure projects and engineering activities.

TRACE AL JUNAIBI LTD, THE SULTANATE OF OMAN – 70% owned by Trace International LTD.

Principal activities: Construction, repairs and maintenance of roads, highways, airport landing strips and premises, trade of construction materials, services and equipment.

TRACE BALKANS LTD, BELGRADE, SERBIA – 100% owned by Trace International LTD.

Principal activities: Construction of roads and highways.

NEW BRIDGES, BELGRADE, SERBIA – 100% owned by Trace Balkans LTD.

Principal activities: Construction of road facilities.

METRO TRACE ECONOMIC GROUP, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participation of Trace Group Hold PLC and 15% participation of Trace – Sofia LTD.

Principal activities: Construction of bridges and tunnels.

METRO MLADOST TRACE ECONOMIC GROUP, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participation of PSI JSC and 15% participation of Trace – Sofia LTD.

Principal activities: Construction of bridges and tunnels.

TRACE HIGHWAY, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 75% participation of Trace Group Hold PLC and 10% participation of PSI JSC.

Principal activities: Construction and maintenance of highways.

TRACE – PLEVEN, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of Trace Group Hold PLC and 49% participation of PSI JSC.

Principal activities: Construction and reconstruction of roads and of road facilities.

TRACE – BG, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS – 51% participation of Trace Group Hold PLC and 49% participation of PSI JSC.

Principal activities: Construction and reconstruction of roads and of road facilities.

TRACE RODOPI, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC and 25% participation of PSI JSC.

Principal activities: Construction and reconstruction of roads and of road facilities.

TRACE ENGINEERING, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of Trace Group Hold PLC.

Principal activities: Technical Infrastructure Engineering.

TRACE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of PSI JSC and 40% participation of Construction Company Trace JSC.

Principal activities: Construction of buildings, premises and construction facilities.

TRACE – PLOVDIV, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of PSI JSC and 40% participation of Trace Plovdiv LTD.

Principal activities: Construction and reconstruction of roads and of road facilities.

TRACE – ASENOVGRAD, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of PSI JSC and 40% participation of Trace Plovdiv LTD.

Principal activities: Construction and reconstruction of roads and of road facilities.

SERDIKA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participation of Trace Group Hold PLC.

Principal activities: Technical Infrastructure Engineering.

PSI – TRACE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of PSI JSC and 40% participation of Construction Company Trace JSC.
Principal activities: Construction of buildings, premises and construction facilities.

KARDJALI, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of PSI JSC and 49% participation of Trace Karjali JSC.
Principal activities: Winter maintenance and current road repairs.

KARDZHALI 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 52% participation of PSI JSC and 24% participation of PSF Mostinzhenering JSC.
Principal activities: Winter maintenance and current road repairs.

PSI – STROYINZHENERING, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 100% owned by PSI JSC.
Principal activities: Winter maintenance and current road repairs.

STARA ZAGORA 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participation of PSI JSC.
Principal activities: Winter maintenance and current road repairs.

DIANOPOLIS, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of PSF Mostinzhenering JSC.
Principal activities: Winter maintenance and current road repairs.

TRACE BOURGAS – CK-13 TRANSSTROY, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participation of Trace – Bourgas JSC.
Principal activities: Development of power outlet – cable network for trolley bus transport.

TRACE INJECT, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC and 40% participation of Trace – Sofia LTD.
Principal activities: Current repairs and maintenance of road network and road facilities.

SOFIA 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 52% participation of PSI JSC.
Principal activities: Preventive, current and winter maintenance, and repair and rehabilitation work in emergency situations.

LOVECH 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of PSI JSC.
Principal activities: Preventive, current and winter maintenance, and repair and rehabilitation work in emergency situations.

EURO PARK 2011, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of PSF Mostinzhenering JSC.
Principal activities: Building and construction works on sites – city park – and road reconstruction.

HEMUS A2, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC.
Principal activities: Design and construction of highways.

TRACE SVOGE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC

Principal activities: Construction of roads and of road facilities.

TRACE VIA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95 % participation of Trace Group Hold PLC.

Principal activities: Technical infrastructure engineering.

LOVECH 2011, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 82% participation of PSI JSC and 18% participation of Rodopa Trace LTD.

Principal activities: Winter maintenance of municipal road network.

TRACE – APOLONIA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace – Bourgas JSC and 40% participation of Trace – Sofia LTD.

Principal activities: Construction works on a sports centre.

TRACE PORDIM, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 80% participation of Trace Group Hold PLC and 20% participation of PSI JSC.

Principal activities: Rehabilitation of roads and of road facilities.

TRACE RADNEVO 2012, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of PSF Mostinzhenering JSC and 49% participation of PSI JSC.

Principal activities: Construction, repairs and maintenance of a Class IV Road network and Street network.

TRACE EAST, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participation of Trace Group Hold PLC, 10% participation of PSI JSC, 10% participation PSF Mostinzhenering JSC and 10% participation of Trace – Sofia LTD.

Principal activities: Construction of eight sites, under the Regional Development Operational Program, LOT 4.

TRACE SOP, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC and 20% participation of PSI JSC.

Principal activities: Road design and Road construction.

LYULIN TRACE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participation of Trace Group Hold PLC and 5% participation of Rodopa Trace LTD.

Principal activities: Maintenance of roads and of road facilities.

METRO DRUZHBA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 98% participation of Trace Group Hold PLC.

Principal activities: Construction of tunnels and bridges.

TRACE SUNNY BEACH, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participation of Trace Group Hold PLC and 30% participation of Trace – Bourgas JSC.

Principal activities: Reconstruction of cultural – historical heritage.

TRACE 2012, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 65% participation of Trace – Bourgas JSC and 20% participation of Trace – SOFIA LTD.

Principal activities: Construction of roads and of road facilities.

VITOSHA 2014, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC.

Principal activities: Winter maintenance and summer cleaning of municipal and national road networks.

TRACE SVILENGRAD, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 40% participation of PSI JSC and 60% participation of Trace – Sofia LTD.

Principal activities: Consulting and other services related to economic activities and to management.

TRACE APRILTZI, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 20% participation of Infrastrój LTD and 80% participation of Trace Group Hold PLC.

Principal activities: Construction of residential and non-residential buildings.

TRACE – KORDEEL – PERNIK, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC.

Principal activities: Construction of highways, roads and aircraft runways.

TRACE WEST, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 10% participation of Trace – Sofia LTD, 20% participation of PSI JSC, 70% participation of Trace Group Hold PLC.

Principal activities: Construction of residential and non-residential buildings.

TRACE STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 30% participation of PSI JSC and 70% participation of Trace – Sofia LTD.

Principal activities: Construction of buildings, premises and construction facilities.

TRACE BYPASS VRATSA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 10% participation of PSI JSC and 90% participation of Trace Group Hold PLC.

Principal activities: Construction of highways, aircraft runways and sports fields.

TRACE KAZANLAK, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 40% participation of PSI JSC and 60% participation of Trace – Sofia LTD.

Principal activities: Construction of buildings, premises and construction facilities.

TRACE AIR, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 15% participation of PSI JSC and 80% participation of Trace Group Hold PLC.

Principal activities: Consulting and other services related to economic activities and to management.

TRACE BYPASS MONTANA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS – 10% participation of PSI JSC and 90% participation of Trace Group Hold PLC.

Principal activities: Construction of highways, aircraft runways and sports fields.

TRACE INFRAPERFECT – APRILTZI, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS – 60% participation of Infrastrój LTD.

Principal activities: Other business services, not classified under any other segment.

TRACE YAMBOL, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 20% participation of PSF Mostinzhenering JSC and 80% participation of Trace Group Hold PLC.

Principal activities: Construction of highways, roads and aircraft runways.

PARK YAVOROV, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 10% participation of Trace – Sofia LTD and 90% participation of Trace Group Hold PLC.

Principal activities: Construction of highways, roads and aircraft runways.

TRACE CENTER, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 30% participation of PSI JSC and 70% participation of Trace Group Hold PLC.

Principal activities: Construction of highways, roads and aircraft runways.

ZAGORE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of Trace Group Hold PLC.

Principal activities: Consulting activities in the fields of business and other management.

LYUBIMETS – 2013, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 49% participation of Trace – Sofia LTD and 51% participation of PSF Mostinzhenering JSC.

Principal activities: Construction of residential and non-residential buildings.

SMOLYAN – SOUTH, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 10% participation of Rodopa Trace LTD and 60% participation of Trace Group Hold PLC.

Principal activities: Construction of highways, roads and aircraft runways.

TRAPEZICA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participation of Trace Group Hold PLC.

Principal activities: Construction of highways, roads and aircraft runways.

TRACE INFRA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 20% participation of Infrastrój LTD and 80% participation of Trace Group Hold PLC.

Principal activities: Construction of highways, roads and aircraft runways.

PS 2014, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participation of PSI JSC.

Principal activities: Construction of highways, roads and aircraft runways.

TMA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 35% participation of Trace – Sofia LTD and 65% participation of Trace – Bourgas JSC.

Principal activities: Construction of other premises, which are not classified anywhere else.

▪ The Serbian road construction company “PZP – Nis” was acquired on 20.08.2014. Changes in the legal form and the representation of the road construction company were entered in the Serbian Business Registration Agency (SBRA) on 29.04.2014. The entity’s new corporate name is “Trace PZP Nis” AD (JSC). The entity’s capital is wholly owned by “Trace Group Hold” PLC and amounts to 591 527 555.50 RSD, of which 3 000 000 Serbian Dinars are cash contribution and 588 527 555.50 RSD are non-cash contribution. The entity’s capital is distributed among 591 527 shares, each at nominal value of 1000 RSD.

- In 2014, “Trace Group Hold” PLC acquired 50 000 ordinary, non-bearer, voting shares, each at nominal value of 1.30 Bulgarian Levs, and in total representing 3.85% of the capital of the joint-stock company “Trace Kardzhali JSC. The change in the status of “Trace Kardzhali”, namely from joint-stock company to single-member joint-stock company, was entered in the Company Register on 11.11.2014. The capital of “Trace Kardzhali” JSC amounts to 1 300 000 Bulgarian Levs and is distributed among 1 300 000 ordinary, non-bearer, voting shares, each at nominal value of 1 Bulgarian Lev.
- On 10.12.2014, the following changes with regards to the lawsuit of “PSF Mostinzhenering” JSC, were entered in the Company Register:
 - “Trace Kardzhali” JSC is restructured – the entity merges with “PSF Mostinzhenering” JSC. The restructuring is effective as of the date (10.12.2014) on which the merger is entered in the Company Register of the Registration Agency. As a result of the merger:
 - The Acquirer entity continues to act under the legal-organizational form of a Joint-Stock Company.
 - The Restructured entity – “Trace Kardzhali” JSC – ceases to exist as a separate legal entity. No liquidation proceedings are conducted.
 - By virtue of the Laws and Decrees, the Acquirer entity “PSF Mostinzhenering” JSC becomes universal assignee (guarantee) of all the property, owned by the Restructured entity – “Trace Kardzhali JSC. All assets and liabilities of “Trace Kardzhali” JSC are transferred to “PSF Mostinzhenering” JSC.
- “Trace Group Hold” PLC acquires 500 bearer share in the capital of “Trace – Sofia” LTD. As a result of the acquisition, “Trace – Sofia” is restructured in a single-member joint-stock company. The change is entered in the Company Register on 14.11.2014. The capital of “Trace Sofia” LTD amounts to 55 100 Bulgarian Levs, distributed among 551 bearer shares, each at nominal value of 100 Bulgarian Levs. “Trace Group Hold” PLC is sole owner of the capital of “Trace Sofia” LTD.
- A new subsidiary of “Trace Group Hold” PLC – “Euro Trans Logistics” LTD – is entered in the Company Register on 19.11.2014. The entity’s capital amounts to 5 000 Bulgarian Levs, distributed among 100 shares, each at nominal value of 50 Bulgarian Levs. The capital of “Euro Trans Logistics” LTD is owned solely by “Trace Group Hold” PLC .
- In 2014, “Trace Group Hold” PLC sold its shares in “Augusta Trace” LTD.
- During the current reporting period, 13 new companies under the Law on Obligations and Contracts were established in partnership with entities from the Group, as well as with entities outside the Group. These 13 companies are executors under construction contracts, awarded under public tenders, or are in the process of applying to already announced tenders. 2 companies, previously established under the Law on Obligations and Contracts, which were not awarded projects under previously announced tenders, were closed.
- Subsequent to the awarding and signing of a tender contract for the execution of a project “Extension of the Waste-Water Treatment Plant and Sewage Water Treatment Plant South – Prague – Ruzyně International Airport”, a new branch of “Trace Group Hold” PLC, was established in the Czech Republic on 19.06.2014.

Statement of compliance

The Group prepares its Financial Statements in compliance with the International Financial Reporting Standards (IFRS).

Basis of preparation of the Financial Statements, significant accounting policies applied

The most significant accounting policies, applied in preparing the Consolidated Financial Statements are presented hereafter. The Consolidated Financial Statements are prepared in conformance with the valuation principles for each type of assets, liabilities, income and expense, as required under IFRS. The valuation

basis is disclosed in detail. The Consolidated Financial Statements are prepared in compliance with the going concern assumption.

Changes in the Accounting Policy

The accounting policy applied in the current financial reporting period is consistent with the accounting policy applied in the prior reporting period.

The Group has not conducted any changes in the accounting policies applied with regards to the adoption of all new and / or revised IFRS, effective for the current reporting period, beginning on 01.01.2014, as during the period there have not been any items or transaction, which to have been affected by the revisions and amendments of the IFRS. The effect of the changes in the IFRS on the Group relate only to the introduction of new, or broadening of the existing disclosures, and presentations of the Financial Statements, without this having effect over the amounts, reflected in the later. As at the date on which the current Financial Statements were authorized for issue, the following amendments and revisions of the enacting Standards have come in effect:

Standards and Interpretations that have come in effect in the current reporting period

The disclosed hereafter Standards and / or amendments to existing Standards and Interpretations, developed and published by the International Accounting Standards Board (IASB), and endorsed by the EU, have come in effect for the current reporting period:

IFRS 10 “Consolidated Financial Statements”, endorsed by the EU on 11.12.2012 (effective for annual periods beginning on or after 01 January 2014)

IFRS 11 “Joint Arrangements”, endorsed by the EU on 11.12.2012 (effective for annual periods beginning on or after 01 January 2014)

IFRS 12 “Disclosure of Interests in Other Entities”, endorsed by the EU on 11.12.2012 (effective for annual periods beginning on or after 01 January 2014)

IAS 27 (as amended in 2011) “Separate Financial Statements”, endorsed by the EU on 11.12.2012 (effective for annual periods beginning on or after 01 January 2014)

IAS 28 (as amended in 2011) “Investments in Associates and Joint Ventures”, endorsed by the EU on 11.12.2012 (effective for annual periods beginning on or after 01 January 2014)

Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities” – prior amendments, endorsed by the EU on 04.04.2013 (effective for annual periods beginning on or after 01 January 2014)

Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 (as amended in 2011) “Separate Financial Statements” – Investment Entities, endorsed by the EU on 20.11.2013 (effective for annual periods beginning on or after 01 January 2014).

Amendments to IAS 32 “Financial Instruments: Presentation” – balance of financial assets and financial liabilities, endorsed by the EU on 13.12.2012 (effective for annual periods beginning on or after 01 January 2014).

Amendments in IAS 36 “Impairment of assets” – Disclosure of the recoverable value of non-financial assets, endorsed by the EU on 19.12.2013 (effective for annual periods beginning on or after 01 January 2014).

Amendments to IAS 39 “Financial Instruments: Recognitions and Measurements” – Novation of Derivatives and Continuation of Hedge Accounting, endorsed by the EU on 19.12.2013 (effective for annual periods beginning on or after 01 January 2014)

IFRIC 21 “Levies”, endorsed by the EU on 13.06.2014 (effective for annual periods beginning on or after 17.06.2014).

Standards and interpretations, published by the IASB and endorsed by the EU that do not have a mandatory effective date

As at the date on which this set of Financial Statements were approved for issue, the following new standards, amendments and interpretations to the existing standards were published by the International Accounting Standards Board (IASB) and have been endorsed by the EU. Nonetheless, such do not yet have a mandatory effective date:

Amendments in different Standards “Improvements to IFRS (2010 – 2012 cycle)”, resulting from the Annual Improvements to IFRS project (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), mainly targeting to eliminate discrepancies and provide clarifications to the terminology – endorsed by the EU on 17.12.2014 (the amendments will be applied for annual periods beginning on or after 01 February 2015),

Amendments to different Standards “Improvements to IFRS (2011 – 2013 cycle)”, as a result of the Annual Improvements to IFRS projects (IFRS 1, IFRS 3, IFRS 13 and IAS 40), mainly targeting to eliminate discrepancies and provide clarifications to the terminology – endorsed by the EU on 18.12.2014 (the amendments will be applied for annual periods beginning on or after 01 January 2015),

Amendments to IAS 19 “Employee Benefits” – Defined Benefit Plans: Instalments by employees – endorsed by the EU on 17.12.2014 (effective for annual periods beginning on or after 01 February 2015).

Standards and Interpretations, published by the IASB, that have not yet been endorsed by the EU

The Management believes that it is appropriate to disclose the following new and / or revised Standards, new Interpretations and amendments to existing Standards that as at balance sheet date have been published by the International Accounting Standards Board (IASB). Nonetheless, the same have not yet been approved by the European Commissions and thus have not been accounted in preparing this set of Financial Statements. The effective dates depend on the European Commissions’ decision for approval of their applications.

The entity’s Management anticipates that the adoption of these Standards, amendments of existing Standards and Interpretations will not have a material effect over the entity’s Financial Statements for the reporting period of their initial adoption.

IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 01 January 2018),

IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 01 January 2016),

IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 01 January 2017),

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contributions of Assets between an Investor and its Associate or Joint Venture (effective for annual period beginning on or after 01 January 2016),

Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” – Investment entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 01 January 2016).

Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisition of Interests in Joint Operations (effective for annual periods beginning on or after 01 January 2016).

Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure Initiative (effective for annual periods beginning on or after 01 January 2016),

Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Non-current Assets” – Clarifications on the Acceptable Depreciation and Amortization Methods (effective for annual periods beginning on or after 01 January 2016),

Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” – Agriculture: Bearer Plants (effective for annual periods beginning on or after 01 January 2016),

Amendments to IAS 27 “Separate Financial Statements” – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 01 January 2016),

Amendment to different Standards “Improvement to IFRS (2012 – 2014 cycle)”, resulting from the annual Improvements to IFRS project (IFRS 5, IFRS 7, IAS 19 and IAS 34), mainly target to eliminate discrepancies and clarify terminologies (the amendments shall be applied for annual periods beginning on or after 01 January 2016).

Consolidation basis

The Group prepares the Consolidated Financial Statements in compliance with the requirements of IFRS 10 Consolidated and Separate Financial Statements.

The Group includes **“Trace Group Hold” PLC** the parent, and its subsidiaries.

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

Non-controlling interest is an entity’s equity that is not attributable directly or indirectly to the parent.

The Financial Statements of the parent and of its subsidiaries, used in the preparation of the Consolidated Financial Statements, are prepared as at the same reporting date.

The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The income and expenses of a subsidiary are included in the Consolidated Financial Statements as of its acquisition date. The income and expenses of the subsidiary are based on the values of the assets and liabilities, recognized in the parent's Consolidated Financial Statements as at the acquisition date.

Non-controlling interests are presented in the Consolidated Statement of Financial Position, within equity, separately from the equity of the owners of the parent.

Profit or loss, and each component of other comprehensive income, are attributed to the owners of the parent and to the non-controlling interests. The total comprehensive income is attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity of owners).

If a parent loses control over a subsidiary, the parent accounts for all amounts recognized in other comprehensive income, relating to that subsidiary, on the same basis as it would be required if the parent had directly disposed the related assets or liabilities. Therefore, if a gain or a loss, previously recognized in other comprehensive income, would be reclassified to profit or loss on the disposal of the related assets or liabilities, the parent reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses control over the subsidiary.

On the loss of control over a subsidiary, any investments, retained in the former subsidiary, and any amounts owed by, or to, the former subsidiary are recognized and accounted for in accordance with other IFRSs, as of the date when control is lost.

The fair value of any investments, retained in the former subsidiary at the date when control is lost, are regarded as fair value on initial recognition of a financial asset, in accordance with IAS 39 or, when appropriate, as the cost on the initial recognition of an investment in an associate or a jointly controlled entity.

Associates

Associates are entities in which the Group has significant influence, evidenced by the power to participate in the financial and operating policy decisions of the entity in which the Group has invested (investee), but without exercising control or joint control of those policies. Usually, significant influence is associated with an ownership, direct or indirect, of between 20% and 50% of the voting shares. Investments in associates are accounted under the equity method and are initially recognized at acquisition cost.

The carrying amount in the Consolidated Statement of Financial Position increases or decreases as to recognize the investor's share of the profit or loss of the associate after the date of acquisition. The Group's share of the associate's profit or loss is recognized in profit or loss, in the Consolidated Statement of Comprehensive Income. Distributions (of dividends) received from an associate, reduce the carrying amount of the investment. The carrying amount of the investment is also adjusted and subsequent to changes in the Group's proportionate interest in the associate (investee), arising from changes in the investee's Other Comprehensive Income. The Group's share of these changes is recognized in the Group's Other Comprehensive Income.

Unrealized gains, resulting from transactions between the Group and its associates, are eliminated to the amount of the Group's share in the associate. Unrealized losses are also eliminated, unless the economic transaction does not give evidence of impairment of the transferred assets. Where needed, the associates' accounting policy is amended in accordance with the adopted by the Group accounting policy.

Business Combinations

All business combinations are accounted for by applying the acquisition method, which requires recognizing the acquired entity's (acquiree's) identifiable assets and liabilities assumed, including the

contingent liabilities, regardless of whether such were recognized in the Financial Statements of the acquiree prior to the business combination or not. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the Consolidated Statement of Financial Position, at their fair value at acquisition, which, in conformance with the Group's accounting policy, serves as a basis for subsequent measurement. Goodwill is recognized after identifying all identifiable intangible assets and it represents the excess of cost over the fair value of the Group's share of the identifiable net assets of the acquired company, as at acquisition date. Any excess of the identifiable net assets over the acquisition cost is recognized, immediately after the acquisition, in profit or loss.

Changes in the accounting policy

The accounting policy adopted is consistent with the accounting policy applied in the prior reporting period.

Current and Non-current Assets

The Group classifies an asset as current, when it satisfies any of the following criteria:

- The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
 - The Group holds the asset primarily for the purpose of trading;
 - The Group expects to realize the asset within twelve months after the reporting period;
- Or
- The asset is cash or cash equivalents (as defined under IFRS 7), unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An asset is classified as non-current, unless it satisfies the criteria for classifying it as current.

Property, plant and equipment

In the Consolidated Financial Statements, property, plant and equipment are presented at historic cost, modified by the conducted revaluations, disclosed by the National Statistics Institute of Bulgaria, in conformance with the effective as at December 2001 legislation and one-off revaluations at fair value, based on reports of licensed evaluators as at 31.12.2004, less the accumulated depreciation and the impairment losses incurred. The values, derived to from these valuations, are adopted as substitute (analogue) of the acquisition cost – as deemed cost.

Assets are recognized as property, plant and equipment when they satisfy the criteria for recognition in IAS 16, and have an acquisition cost equal to or higher than 700.00 BGN. In compliance with the approved accounting policy, assets that have an acquisition cost less than the above stated, are recorded as current expense in the period of acquisition. On acquisition, each item of property, plant and equipment is valued at its acquisition cost, as determined in compliance with the requirements of IAS 16.

In conformance with IAS 16, the Group has adopted the practice to recognize each item of property, plant and equipment at acquisition cost less the accumulated depreciation and the accumulated impairment losses.

Subsequent costs relating to an item of property, plant and equipment are recognized as an increase in the carrying amount of the asset, if the recognition principle, under IAS 16, has been applied.

The expenses for the day-to-day “repairs and maintenance” of property, plant and equipment are recognized in profit or loss, as incurred.

The carrying amount of an item of property, plant and equipment is derecognized:

- on disposal;

Or

- when no future economic benefits are expected from the asset's use or disposal.

The gain or loss arising from derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized, unless IAS 17 requires otherwise on a sale and leaseback. The gain or loss arising from derecognition of an item of property, plant or equipment are determined as the difference of the net disposal proceeds, if any, and the carrying amount of the asset. They are not classified as revenue / expense.

When in the course of its ordinary activities, the entity routinely sells assets of property, plant and equipment that it has held for rentals to others, it transfers such assets to inventories, at their carrying amount, when they cease to be rented and become held for sale. The proceeds from the sale of such assets are recognized as revenue in accordance with IAS 18 Revenue. IFRS 5 does not apply when assets that are held for sale in the ordinary course of business are transferred to inventories.

Property, plant and equipment are depreciated on the straight-line method, over their expected useful life.

The residual value and the useful life of an asset is reviewed at each financial year-end, and if the expectations differ from previous estimates, the changes are accounted for as changes in the accounting estimates, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Depreciation begins when the property, plant and equipment are available for use, in the location and condition necessary for it to be capable of operating in the manner intended by Management.

Depreciation of the assets ceases at the earlier of the two dates:

- The date that the assets are classified as held for sale in accordance with IFRS 5
- The date that the assets are derecognized.

Depreciation does not cease when the asset becomes idle or is retired from active use.

The average useful life, in years, of the main groups of Non-current Tangible Assets is as follows:

Group of Non-current Tangible Assets	Years
Buildings	50
Plant	25
Machinery, production machinery and equipment	10 – 20
Transport vehicles, excluding cars	15
Cars	7 – 10
All other depreciable assets	7

Impairment of Property, plant and equipment

In conformance with the requirements of IAS 36, an assessment is conducted at the end of each reporting period, on whether there are any indications that the value of an item of Property, plant and equipment may be impaired. If any such indications exist, the recoverable amount of the asset is estimated and the impairment loss is determined.

Investment Property

In compliance with IAS 40, land and / or buildings, and / or parts of buildings, held mainly with the purpose to earn rentals or for capital appreciation, or both, are recognized as investment property. A property that is being constructed or developed for future use as an investment property is also recognized as investment property.

An investment property is recognized as an asset when, and only when it is probable that the future economic benefits that are associated with it, will flow to the entity and the acquisition cost of the Investment property can be measured reliably.

Transfers to, or from an investment property shall be made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation – for transfers from Investment property to owner-occupied property;
- commencement of development with a view to sale – for transfers from Investment property to Inventories;
- end of owner-occupation – for transfers from owner-occupied property to Investment property;
- Or
- commencement of an operating lease to another party – for transfers from Inventories to Investment property.

In compliance with IAS 40, investment property is measured initially at cost, which includes and the transaction costs, related to the acquisition.

After initial recognition, investment property is carried on the cost model. Investment property is measured at acquisition cost less all the accumulated depreciation impairment losses. After its initial recognition, investment property is measured in compliance with the requirements of IAS 16, related to this model.

Investment property is derecognized on retirement (disposal or by entering into a financial lease) or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. In determining the date of disposal for investment property, the criteria in IAS 18 for recognizing revenue from the sale of goods is applied and consideration is given to the related guidelines in the illustrative examples, accompanying IAS 18. IAS 17 applies to a disposal effected by entering into a finance lease or into a sale or leaseback.

Gains or losses arising from the retirement or disposal of investment property, are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss in the period of the retirement or disposal, unless IAS 17 requires otherwise on a sale or leaseback.

Impairment of Investment property

In conformance with the requirements of IAS 36, an assessment is conducted at the end of each reporting period, on whether there are any indications that the value of investment property may be impaired. If any such indications exist, the recoverable amount of the investment property is estimated and the impairment loss is determined.

Intangible assets

The Group recognizes the identifiable non-monetary assets, without physical substance, as intangible assets, when they meet the definition of intangible assets and the recognition criteria under IAS 38.

An intangible asset is recognized if, and only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost.

The cost of a separately acquired intangible asset is determined in conformance with IAS 38 and comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

And

- any directly attributable cost of preparing the asset for its intended use.

The cost of an intangible asset, acquired in exchange for a non-monetary asset, is measured at fair value, unless:

- the exchange transaction lacks commercial substance;

Or

- the fair value of neither the asset received, nor the asset given up, is reliably measurable.

The acquired asset is measured in this way, even if the entity cannot immediately derecognize the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

In compliance with IAS 38, the acquisition cost of an internally generated intangible asset is the cost of that asset, comprised of the sum of expenditure, incurred as of the date when the intangible asset first met the recognition criteria.

After initial recognition, intangible assets are carried at their acquisition cost less any accumulated amortization and any accumulated impairment losses.

The Group assesses whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or the number of production or similar units, constituting that useful life.

An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Intangible assets with a finite useful life are amortized, while intangible assets with indefinite useful life are not.

The intangible assets that are subject to amortization are amortized on the straight line method, over their useful life.

Amortization begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management. Amortization ceases at the earlier of:

- the date that the asset is classified as held for sale (or it is included in a disposal group that is classified as held for sale) in accordance with IFRS 5

And

- the date that the asset is derecognized.

The average useful life, in years, of the main groups of intangible assets, subject to amortization, is as follows:

Group of Intangible Assets	Years
Computers, peripherals, software	5
All other assets, subject to amortization	7
Assets with finite useful life	As per contract

Impairment of Non-current Intangible Assets

In conformance with the requirements of IAS 36, an assessment is conducted at the end of each reporting period, on whether there are any indications that the value of non-current intangible assets may be impaired. If any such indications exist, the recoverable amount of the non-current intangible assets is estimated and the impairment loss is determined.

Financial Assets

When recognizing financial assets, the Group applies IAS 32 and IAS 39.

A Financial asset is any asset that is:

- cash;
- an equity instrument of another enterprise;
- a contractual right:
 - to receive cash or other financial assets from another entity; or

- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity;
- a contract that will or may be settled in the issuer's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's equity instruments; or
 - a derivative that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include puttable financial instruments, classified as equity instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

Financial instruments – in conformance with the requirements of IAS 39, assets are classified in the following categories:

- Financial assets at fair value through profit or loss
 - Financial asset held for trading
 - Financial asset designated on its initial recognition by the entity at fair value through profit or loss.
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets.

The Group recognizes a financial asset or a financial liability in the Statement of Financial Position when and only when the entity becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets are measured at fair value plus, in the case of financial assets that are not measured at fair value through profit or loss, the transaction costs that are directly related to the acquisition or to the issue of the financial asset.

After their initial recognition, the Group measures financial assets as follows:

- At fair value
 - Financial assets recognized at fair value through profit or loss;
 - Available-for-sale financial assets.

Exception to the above are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably estimated, as well as derivatives, indexed to unquoted equity instruments, or such which must be settled by a transfer of such unquoted equity instruments, which are measured at cost.

- At amortized cost, using the effective interest rate method
 - Loans and receivables;
 - Held-to-maturity investments.

Gains and losses from financial assets

- Gains and losses arising from changes in the fair value of financial assets are recognized as follows:
- Gains or losses arising from a financial asset or a financial liability that it is classified as measured at fair value through profit or loss are recognized in the Income Statement.
- Gains or losses arising from available-for-sale financial assets are recognized in Other Comprehensive Income, with the exception of impairment losses and exchange rate gains and losses, accumulated until the financial asset is derecognized. At that point, the accumulated gain or

loss, previously recognized in Other Comprehensive Income, is reclassified from equity to profit or loss as a reclassification adjustment.

The interest, measured using the effective interest rate method, is recognized in the Income Statement.

Dividends from own equity instruments, which are available-for-sale, are recognized in the Income Statement when the entity's right to receive a payment is established,

The gains or losses, related to financial assets measured at amortized cost, are recognized in the Income Statement when the financial asset or financial liability is written-off or impaired or amortized.

The Group derecognizes a financial asset when:

- the contractual rights over the cash flows from that financial asset have expired; or
- it transfers the financial asset, when the contractual rights to receive cash flows from that financial asset are transferred or the contractual rights to receive cash flows from that financial asset are retained, but the entity has assumed a contractual obligation, under an agreement, to pass cash flows on to one or more recipients and the transfer satisfies the derecognition criteria, as set under IAS 39.

Derecognition conditions:

- Once the Group transfers financial assets, it then determines the extent to which it will retain the risks and rewards of the ownership of the financial assets:
- if the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognizes the financial asset and recognizes separately, as assets or liabilities, all the rights and obligations, established or maintained in the transfer;
- if the Group retains substantially all the risks and rewards of the financial asset's ownership, the Group continues to recognize the financial asset as such;
- if the Group neither transfers, nor retains substantially all the risks and rewards of the financial asset's ownership, the Group assesses whether it has retained control of the financial asset. In this case:
 - if the Group has not retained control, the Group derecognizes the financial asset and recognizes separately, as assets or liabilities, all the rights and obligations, established in the transfer;
 - if the Group has retained control, the Group continues to recognize the financial asset to the extent to which it has continuing involvement in the financial asset.

When a financial asset is derecognized, the difference between:

- a) its net book value; and
- b) the amount of the consideration received (this including all new assets received minus all new liabilities assumed) and any accumulated gains or losses that were recognized directly in equity are recognized in the Income Statement.

Impairment and uncollectability of financial assets

At balance sheet date, the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets.

A financial asset or a group of financial assets are considered as impaired, and impairment losses as incurred, when there is objective evidence of impairment, as a result of one or more events that occurred after the initial recognition of the asset (a “loss” event), and when that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event, which caused the impairment. Rather the combined effect of multiple events may have caused the impairment.

Losses, expected as a result of future events, no matter how likely they are, are not recognized.

Impairment of financial assets, recognized at amortized cost

If there is objective evidence that impairment losses on Loans and receivables, or Held-to-maturity investments, measured at amortized cost have incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that currently have not been incurred), discounted at the original effective interest rate for that financial asset (i.e. the effective interest rate computed at the asset's initial recognition). The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss.

Impairment of Financial Assets, recognized at cost

If there is objective evidence that impairment losses on a financial asset, measured at cost have incurred, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows, discounted at the current rate of market return for similar financial assets. The losses are recognized in profit or loss. Such impairment losses are not subject to refund.

Impairment of Available-for-sale Financial Assets

When a decline in the fair value of an available-for-sale financial asset is recognized directly in the equity and there is objective evidence that the asset is impaired, the accumulated loss that is recognized in Other Comprehensive Income is removed from equity and it is recognized in profit or loss, even if the financial asset is not derecognized.

The amount of the accumulated loss, which is reclassified from equity to profit or loss, is the difference between the cost (net of principal repayments and amortization) and the current fair value, less the financial asset's impairment losses, previously recognized in profit or loss.

Impairment losses, recognized in profit or loss, relating to investments in equity instruments, carried as available-for-sale, are not reversed through profit or loss.

Impairment losses, recognized in profit or loss, relating to a debt instrument, classified as available-for-sale, are reversed and the amount of the reversal is recognized in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits, denominated in local currency (BGN) and foreign currency respectively.

Cash equivalents are current, highly liquid investments that are readily convertible to specific cash amounts and contain insignificant risk of a change in their value.

The Group has adopted the policy to carry short-term deposits as cash and cash equivalents – namely, deposits with maturity up to 3 months. The accrued yet not received as at year end interest on those deposits are presented also as cash and cash equivalents in the Statement of Financial Position.

Loans, Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those loans and receivables that the Group intends to sell immediately, or in the near future, which will be classified as Loans and receivables held for trading and those designated on initial recognition as assets at fair value through profit or loss;
- those loans and receivables that on initial recognition the Group identifies as Loans and receivables available-for-sale; or
- those loans and trade receivables for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, classified as available-for-sale.

Financial assets arising from the direct provision of goods, services, cash or cash equivalents (trade receivables and loans) are classified as Loans and receivables.

Loans and receivables with fixed maturity are measured at amortized cost.

Loans and receivables with no fixed maturity are measured at cost.

Prepaid expenses relating to future reporting periods are presented as advance payments to suppliers and are included in the trade receivables.

Recoverable taxes

Recoverable taxes do not incur from contractual relations and are not classified in the Financial assets' categories. These include:

- The amounts of income tax recoverable, relating to the taxable profit / taxable loss for the period, and the amounts paid with regards to the current and the prior period exceeding the payable amounts.
- The amount of unused tax credit and off-setting after the balance sheet date, and the amounts paid with regards to the current and prior periods that exceed the payable amounts for other taxes.

Current tax assets for the current and prior reporting periods are measured at the amount, expected to be recovered by the tax authorities when applying tax rates and the tax legislation, enacted or expected to enact as at the end of the reporting period.

Inventories

When recognizing Inventories, the Group applies the provisions of IAS 2:

Inventories are assets:

- Held for sale in the ordinary course of business (commodities, goods);
- In the process of production for such a sale (work in progress);
- Inventories, consumed in the production process or in the rendering of services (materials, raw materials).

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

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition and location.

The cost of purchase of inventories comprises the purchase price, import duties and other non-recoverable taxes, transport and others costs, directly attributable to the acquisition of the finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs of conversion of inventories include direct costs and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities.

Fixed production overheads are allocated to the cost of production on the basis of the normal production capacity.

The total fixed production overheads, from which the difference between the normal production capacity and the actual use arises, are recognized as expense for the period in which such are incurred.

Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

IAS 23 Borrowing Costs identifies limited circumstances where borrowing costs are included in the cost of inventories.

Other costs, excluded from the cost of production inventories and recognized as expenses for the period in which they have incurred:

- Abnormal amounts of wasted materials, labour and other production costs, outside the normal range;

- Storage costs;
- Administrative overheads;
- Selling costs.

Cost of the rendered services

Inventories are included in the cost of the rendered services, to the extent to which such are consumed in the provision of services. These costs consist primarily of labour and other costs of personnel, directly engaged in providing the service, including supervisory personnel, and the attributable overheads. Labour and other costs relating to the sales and the general administrative personnel are not included, but rather are recognized as expenses in the period in which they are incurred.

Inventories' consumption is estimated at the weighted average cost.

The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. Inventories are written down to net realizable value item by item. In some circumstances, however, it may be appropriate to group similar or related items.

A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in the net realizable value because of changed economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value. The reversal is limited to the amount of the initial write-down.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories, are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories, recognized as an expense in the period in which the reversal occurs.

Some inventories may be allocated to other asset accounts, for example, inventory used as a component of self-constructed property, plant or equipment. Inventories, allocated to another asset, are recognized as an expense for the useful life of that asset.

Held for sale Assets

In compliance with IFRS 5, non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Assets held for sale are carried at the lower of their carrying amount and their fair value less costs to sell.

Impairment loss is recognized for any initial or subsequent write-down of the assets held for sale.

In compliance with IAS 36 and IFRS 5, gains from any subsequent increase in fair value, less costs of sale of assets held for sale, are recognized to the cumulative impairment loss, accrued in respect of that asset.

Equity

The entity's equity is comprised of:

Share capital, including:

- The registered capital - presented at nominal value, in accordance to the court's decision for the registration of “Trace Group Hold” PLC; and
- Redeem treasury shares— presented at their acquisition cost

If the Group re-acquires its own equity instruments, those instruments (treasury shares) are deducted from the equity. Neither profit, nor loss on the purchase, sale, issue or cancellation of the Group's equity instruments is recognized. The remuneration paid or received is recognized directly in equity capital.

When issuing or acquiring its own equity instruments, the Group incurs various expenses. Usually, such expenses include registration and other statutory fees, legal charges, accounting and other professional consulting charges and other similar. In a capital transaction, the transaction costs are accounted as a reduction in equity (net of any preferences associated with income tax) to the extent to which such are additional costs, directly related to the capital transaction, which would otherwise have been avoided. The cost related with a capital transaction, which was terminated without completion, are recognized as an expense.

Reserves, including:

- Share premium reserves – formed by issue of own capital instruments.
- Total reserves – formed from profit distribution, as required by the Commercial Act of the Republic of Bulgaria and the entity's Articles of Incorporation.
- Translation reserves – formed from translations of the results and the financial position of the foreign-based subsidiaries in the Consolidated Financial Statement's presentation currency.
- Other reserves – created pursuant to a decision of the capital owners

Financial result, including:

The retained profits, accumulated from prior periods, as at the reporting year end.

The accumulated from prior years losses, as at the year end.

Profit / loss for the period.

Current and Non-current Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- The Group expects to settle the liability in its normal operating cycle;
 - The Group holds the liability primarily for the purpose of trading;
 - The liability is due to be settled within twelve months after reporting period;
- Or
- The entity does not have unconditional rights to defer the settlement of the liability for at least twelve months after the reporting period.

Liabilities are classified as non-current, unless such satisfy the criteria to be classified as current.

Liabilities are classified as current when they are due to be settled within twelve months after the reporting period, even if:

- the original term was for a period longer than twelve months; and
- an agreement to refinance, or to reschedule payments, on a long-term basis, is completed after the reporting period and before the Financial Statements are authorized for issue.

Financial liabilities

When recognizing Financial liabilities, the Group applies IAS 32 and IAS 39.

A Financial liability is any liability that is:

- a contractual obligation:
 - to deliver cash or another financial asset to another entity; or

- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity;
- Or
- a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled by the exchange of a fixed amount of cash, or other financial asset, for a fixed number of the Group's own equity instruments. For the purpose, the entity's own equity instruments do not include puttable financial instruments, classified as equity instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

Financial instruments – in conformance with the requirements of IAS 39, liabilities are classified in the following categories:

- Financial liabilities at fair value through profit or loss
 - classified as held for trading
 - on initial recognition, designated by the entity at fair value through profit or loss
- Financial liabilities at amortized cost
- Financial liabilities are recognized in the Statement of Financial Position when the entity becomes a party to the contractual terms of the instrument.

On initial recognition, financial liabilities are measured at fair value plus, in the case of financial liabilities that are not measured at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition or to the issue of the financial liability.

Subsequent measurement of financial liabilities

- At fair value
 - Financial liabilities recognized at fair value through profit or loss;
With the exception of liabilities – derivatives, indexed to unquoted equity instruments that need to be settled by a transfer of unquoted equity instruments, carried at cost, whose fair value cannot be reliably measured.
- At amortized cost, using the effective interest rate method
 - all other financial liabilities

Financial liability gains and losses are recognized:

- Financial liability gains and losses, classified as carried at fair value through profit or loss, are recognized in the Income Statement;
- Financial liability gains or losses, carried at amortized cost are recognized in the Income Statement, when the financial liability is derecognized and in the process of amortization.

Financial liability (or part of a financial liability) is derecognized when that is settled – i.e. the liability under a contract has been settled, cancelled or expired.

When a financial liability is derecognized, the difference between the net book value of the financial liability (or part of the financial liability) that is terminated or transferred to third parties and the amount of the consideration paid, this including all the transferred and assumed non-cash assets and liabilities, is recognized in the Income Statement.

Trade and other payables and Credits

Credits, trade and other payables are financial liabilities arising from the direct receipt of goods, services, cash or cash equivalents from creditors.

Subsequent to their initial recognition, credits and trade payables that have no fixed maturity are carried at their cost, estimated on recognition.

Credits and payables with fixed maturity are measured at amortized cost.

Tax liabilities

The current tax liabilities do not arise from contractual relations and are not classified as Financial liabilities. These include:

- Current income tax for the current and prior reporting period is recognized as a liability to the extent that such is not paid.
- Current tax liabilities under other tax laws.

Current tax liabilities for the current and prior reporting periods are measured at the amount expected to be paid by the tax authorities, when applying tax rates and the tax legislation, effecting as at year-end.

Government Grants

In compliance with IAS 20, Government grants are assistance by the Government (the Government / State, the Government agencies and others similar Governmental bodies, whether local, national or international), in the form of transfers of resources to entities of the Group, in return for past or future compliance with certain conditions, relating to the operating activities of the entities. They exclude those forms of Government assistance, which cannot reasonably have a value placed upon them and transactions with the Government that cannot be distinguished from the normal trading transactions of the Group.

Government grants related to assets are Government grants whose primary condition is that the entity, qualifying for them, should purchase, construct or otherwise acquire long-term assets.

Government grants related to income are Government grants other than those related to assets.

Government grants are classified as deferred income that is recognized in profit or loss, on a systematic and rational basis, over the useful life of the asset.

Government grants related to income are classified as deferred income that is recognized as profit at the time when the expenses, in respect of which they are received, are recognized.

Liabilities to the personnel and provisions for long-term employee benefits

The labour and social security relations with the employees and the personnel of the Group follow on the provisions of the Labour Code and the decrees of the in-force labour and social security legislation.

The employer's fundamental obligation is to pay the compulsory social security contributions with regards to the hired personnel, namely contributions for "Health Insurance", the "Pension" and "Unemployment" Funds.

The amounts due for social security contributions are ratified by the respective laws. The contributions are proportionately allocated between the employer and employee. This proportion changes on an annual basis and is determined under the Social Security Code (SCC).

Other than the compulsory state social security, there are statutory established options for additional voluntary pension and health insurance in a voluntary fund.

The entity does not have an established and functioning private voluntary insurance fund.

The insurance and pension schemes (plans), applied by the entity in its capacity of an employer, are based on the Bulgarian legislation and are firmly pre-determined (defined benefit plans).

The short-term employee benefits (payable within 12 months of the end of the period in which the employees has rendered services related to these benefits) are recognized as an expense in the Income Statement for the period in which labour, related to these benefits was provided, and as a current liability (net of all payments and deductions). As at the date of each set of Financial Statements, the entity assesses the amount of the expected expense for accumulating paid leaves, subject to compensation, expected to be paid as a result of the unused right of accumulated paid leave. The assessment includes the expenses related to the personnel's remuneration and the expenses for compulsory social security contributions, due to by the employer with regards to these amounts.

In compliance with the Labour Code, upon retirement, the entity is obliged to pay compensations to the retired personnel. These compensations depend on the period of their employment in the entity and may vary between 2 and 6 gross monthly wages, as at the date on which the labour relations are terminated. As per their characteristics, such schemes represent plans with defined revenue.

The amount of these liabilities is determined based on actuarial valuation of their present value as at the date of the Financial Statements.

Provisions

Provisions are liabilities of uncertain timing or amount.

In accordance with the requirements under IAS 37, provisions are recognized when there is present obligation, legal or constructive, as a result of past events.

A legal obligation is an obligation that derives from:

- contract (through its explicit or implicit terms);
- legislation; or
- any other operation of law.

A constructive obligation is an obligation that derives from a Group's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Group has indicated to other parties that it will accept certain responsibilities; and
- as a result, the Group has created a valid expectation on part of those other parties that it will discharge those responsibilities.

A provision is recognized when:

- the Group has a present obligation (legal or constructive) as a result of a past events;
- it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognized.

Provisions are recognized at the Management's best estimate, at year end of the reporting period, of the expenditure required to settle the present obligation.

Provisions are reviewed at the end of each reporting period and are adjusted to reflect the current best estimate.

Liabilities held for sale (IFRS 5)

In compliance with the requirement of IFRS 5, the entity classifies the liabilities included in disposal groups as Liabilities held for sale. The liabilities are measured in accordance with the requirements of IFRS 5.

Deferred tax assets and Deferred tax liabilities

Deferred tax assets and Deferred tax liabilities are recognized for all temporary differences between the tax base of the assets, or of the liabilities, and their carrying amount as at year end.

A deferred tax liability is recognized for all tax amounts payable in future periods in respect of taxable temporary differences.

A deferred tax asset is recognized for the tax amounts, recoverable in future periods, in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences can be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period. The Group recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period. The carrying amount of the deferred tax assets is reduced to the extent to which it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or of the entire deferred tax asset to be utilized. Any such reduction should be reversed to the extent that it has become probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that are enacting or are expected to enact by the end of the reporting period.

Deferred tax assets and liabilities are recognized as income or expense and are included in profit or loss for the period, except to the extent that the tax arises from a transaction or event, which is recognized, in the same or a different period, directly in equity.

Profit or loss for the period

Unless otherwise is required or permitted under the applicable IFRS, during the reporting period, the Group recognizes all elements of income and expenses in profit or loss.

Some IFRS define circumstances, under which specific items are recognized outside profit or loss in the current period. Other IFRS require or permit components of Other comprehensive income, which meet the definition of the income and expense framework, to be excluded from profit or loss.

Expenses

The Group records, on a current basis, the operating expenses by economic elements and then allocates those by function, in order to form the amount of expenses per fields and activities.

Expenses are recognized when a decrease in future economic benefits, related to a decrease in an asset or an increase of a liability, has arisen and it can be reliably measured.

Expenses for the current period are recognized when the respective revenue is recognized.

When economic benefits are expected to arise over several accounting periods and the association of costs with income can only be broadly or indirectly determined, expenses are recognized on the basis of systematic and rational allocation procedures.

Expense is recognized in the Income Statement immediately when that expense produces no future economic benefits or when, and to the extent that, the future economic benefits do not qualify, or cease to qualify, for recognition as an asset in the Balance Sheet.

Expenses are recognized using the accruals principle of accounting. They are measured at fair value of the payment or of the payable.

Revenue

Revenue is the gross inflow of economic benefits in the period, arising in the course of the Group's ordinary activities, when such inflows result in increases in equity, other than increases relating to contributions from shareholders.

The Group records, on a current basis, income from ordinary activities by types of activities.

Revenue is carried at the fair value of the consideration received or receivable.

Revenue is recognized in conformance with the accounting policy, adopted with regards to the following categories of revenue:

Revenue from the sale of goods and production is recognized when all the following conditions have been satisfied:

- the significant risks and rewards of ownership of the goods and production are transferred to the buyer;
- the Group retains neither continuing managerial involvement, to the degree usually associated with ownership, nor effective control over the goods and production sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits, associated with the transaction, will flow to the Group; and
- the costs incurred, or to be incurred, in respect of the transaction can be reliably measured.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the completion stage of the transaction as at balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits, associated with the transaction, will flow to the entity;
- the stage of completion of the transaction, at the end of the reporting period, can be measured reliably; and
- the costs incurred in respect of the transaction and the costs to complete the transaction can be reliably measured;

Progress payments and advances received from customers often do not reflect the services rendered.

The stage of completion of a contract is determined as the proportion that costs, incurred as at year end, bear to the estimated total costs of the contract.

Revenue arising from interest, royalties and dividends is recognized when:

- it is probable that the economic benefits, associated with the transaction, will flow to the entity; and
- the amount of the revenue can be reliably measured.

Revenue is recognized as follows:

- interest is recognized using the effective interest method, as set out in IAS 39;
- royalties are recognized on the accrual basis of accounting, in accordance with the substance of the relevant agreement;
- dividends shall be recognized when the shareholder's right to receive payment is established;

Unpaid interest, accrued prior to the acquisition of an interest-bearing investment – the subsequent receipt of interest is allocated between the pre-acquisition and post-acquisition periods. Only the post-acquisition portion is recognized as revenue.

Equity securities' dividends from profits, prior to the acquisition, are recognized in profit or loss when the right to receive dividends is established, regardless of whether the dividends relate to profits, realized prior or after the acquisition.

Royalties are accrued in accordance with the terms of the relevant agreement and are usually recognized on that basis unless, with regards to the substance of the agreement, it is more appropriate to recognize revenue on some other systematic and rational basis.

Revenue is recognized only when it is probable that economic benefits, associated with the transaction, will flow to the entity.

When uncertainty arises about the collectability of an amount, already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense, rather than as an adjustment of the amount of the originally recognized revenue.

Rentals are recognized on a timely basis, for the term of the contract.

Net earnings per share

The computed core net earnings per share, corresponding to the profit or loss, is subject to distribution among the holders of ordinary shares of the parent company, as well as if it is available such information – corresponding to the profit or loss, arising from subsequent activities, subject to distribution among those shareholders.

The core net earnings per share is derived to when the profit or loss for the period, subject to distribution among the holders of ordinary shares (numerator) is divided by the weighted average of the number of ordinary shares, held in the period (denominator).

Operating Segments

An operating segment is a component of the Group:

- that undertakes business activities, which could generate revenue or incur expenses (including revenue and expenses, related to transactions with other components of the Group)
- the operating results of which are reviewed on a timely basis by the Group's Management, responsible for the core operating decisions, when deciding on the resources that should be allocated to the segment, and when assessing the results of its activities; and
- in respect of which separate financial information is available.

Several internal reporting segments, under a vertical structure, are established within the Group of Trace Group Hold PLC with the purpose of reporting before the Management of the respective segment.

Regardless of the different construction activities, undertaken by the Group, all these refer to the same sector, using to a large extend the same resources. As a result of this, as well as due to the fact that construction activities form nearly hundred per cent of the total activities of the Group's entities, the Management believes that the geographical principal is the most appropriate for presenting the activities per segment. As of 2008, the activities of the Group have expanded and beyond the borders of Bulgaria, and this allows activities to be segmented.

Financial risks

Credit risk

The risk that one party to financial instruments – assets of the Group – will fail to discharge their obligation and will cause a financial loss for the Group.

Liquidity risk

The risk that the Group will encounter difficulty in meeting the obligations, associated with financial liabilities.

Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the market prices. Market risk comprises three types of risk:

Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Other price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), regardless of whether those changes are caused by factors, specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments, traded in the market.

The Group's overall risk management policy is focused and targets to reduce the potential negative impact on the financial result.

The Group has adopted no policy to hedge financial risks.

The effects of changes in foreign exchange rates

The functional currency of the entity is the Bulgarian Levs (BGN).

The presentation currency is the Bulgarian Levs (BGN).

The amounts presented in the Financial Statements are in thousands of BGN.

Foreign currency is any currency other than the functional currency of the entity.

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate between the Bulgarian Levs (BGN) and the foreign currency, as issued by the Bulgarian National Bank (BNB) at the date of the transaction.

Foreign exchange gains and losses, arising in the settlement of cash items or in translation of the Group's cash items at exchange rates, different from those at which they were translated upon their initial recognition for the period, or in the prior Financial Statements, are recognized as profit or loss for the period in which such have incurred, with some exceptions, as stated in IAS 21, of foreign exchange gains or loss, arising in respect of cash items that by their nature represent part of the net investment in a reporting economic unit, denominated in foreign activity.

When monetary items arise from a foreign currency transaction and there is a change in the exchange rate between the transaction date and the date of settlement, a foreign exchange difference arises. When the transaction is settled within the same accounting period as that in which it occurred, the foreign exchange difference is recognized, wholly, in that period. However, when the transaction is settled in a subsequent accounting period, the foreign exchange difference recognized in each intermediate period until the date of settlement, is determined by the change in the exchange rates during each period.

When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized in Other Comprehensive Income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized as profit or loss.

When other IFRSs require some gains and losses to be recognized directly in equity and when such an asset is measured in a foreign currency, IAS 21 requires the revalued amount to be translated using the rate at the date the value is determined, resulting in an exchange difference that is also recognized in Other Comprehensive Income.

The Group revalues foreign currency items as at year end and currently during the reporting period.

In these Financial Statements, foreign currency items as at 31 December 2014, are valued at the closing exchange rate of the Bulgarian National Bank (BNB).

Fair value

IFRS 13 is applied when other IFRSs require or permit fair value measurement or disclosures of fair value measurement.

Fair value is the selling price of an asset, or the transfer cost of a liability, at the valuation date, under ordinary transactions between market participants.

If fair value is required or permitted by other IFRSs, the fair value measurement framework, described in IFRS 13, applies to both initial and subsequent measurement.

Assets or liabilities, measured at fair value, might be either of the following two types:

- a stand-alone asset or liability; or
- a group of assets, a group of liabilities or a group of assets and liabilities;

The Group is measuring the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

When measuring fair value, the Group takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include the following:

- the condition and location of the asset;
- restrictions, if any, on the sale or use of the asset;
- others

The effect on the measurement, arising from a particular characteristic, will differ depending on how that characteristic would be taken into account by market participants.

Fair value measurement assumes that the asset or liability is exchanged in an ordinary transaction between market participants, to sell the asset or transfer the liability at the measurement date, under current market conditions.

Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

If there is a principal market for the asset or liability, the fair value measurement shall represent the price in that market, even if the price in a different market is potentially more advantageous at the measurement date.

Fair value at initial recognition

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). The fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price). In many cases, the transaction price will equal the fair value. When determining whether fair value at initial recognition equals the transaction price, the Group shall take into account factors, specific to the transaction and to the asset or liability. If another IFRS requires or permits the Group to measure an asset or a liability initially at fair value, and the transaction price differs from fair value, the Group shall recognise the resulting gain or loss in profit or loss unless that IFRS specifies otherwise.

Valuation techniques

Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value are employed. A given valuation technique is used in order to estimate the price at which an ordinary transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. The valuation techniques, used to measure fair value, are applied consistently.

Hypotheses, employed in the valuation technique

Valuation techniques used to measure fair value shall maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Accounting assumptions and accounting estimates

As a result of the uncertainties, inherent in business activities, many items in Financial Statements cannot be measured with precision but can only be estimated. Estimations involve judgments based on the latest available, reliable information.

The use of reasonable estimates is an essential part in the preparation of Financial Statements and does not undermine their reliability. Application of the International Financial Reporting Standards require the Management to apply certain accounting assumptions and accounting estimates in the preparation of the Financial Statements and in the valuation of some assets, liabilities, revenues and expenses. All these are conducted on the Management's best estimate as at the end of the reporting period. The actual results could differ from those presented in the Financial Statements.

An estimate may need revision, if changes occur in the circumstances on which the estimate was based or as a result of new information, or more experience gained. Revision of an estimate does not relate to prior periods and is not the correction of an error.

Any change in the measurement basis applied is treated as a change in the accounting policy, and not as a change in the accounting estimates.

When it is difficult to distinguish a change in the accounting policy from a change in the accounting estimates, the change is treated as a change in the accounting estimates.

The effect of changes in the accounting estimates is recognized prospectively, by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

To the extent that a change in the accounting estimates gives rise to changes in the assets and liabilities, or relates to an item of equity, it shall be recognized by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

Errors

Prior period errors are omissions from, and misstatements in, the entity's Consolidated Financial Statements for one or more prior periods, arising from a failure to use, or from the misuse of, reliable information that:

- was available when Financial Statements for those periods were authorized for issue; and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those Financial Statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

In accordance with IAS 8, errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of the Financial Statements. Potential current period errors, discovered in that same

period, are corrected before the Financial Statements are authorized for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected.

The Group corrects material prior period errors retrospectively in the first set of Financial Statements, authorized for issue, after such errors are discovered, by:

- restarting the comparative amounts for the prior presented period(s) in which the error occurred; or
- if the error occurred before the earliest prior period presented - restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

A prior period error is corrected by a retrospective restatement, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument, of another entity. The Group recognises financial assets or financial liabilities in the Balance Sheet, when it comes a party to the contracted terms of a financial instrument.

Financial assets and financial liabilities are classified in compliance with the provisions of IAS 39.

Related parties and related party transactions

The Group complies with IAS 24 in identifying and disclosing the related parties.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether any price is charged.

Leasing

Under IAS 17, a lease is classified as a finance lease if it transfers substantially all the risks and rewards, incidental of the ownership of an asset. A lease is classified as an operating lease, if it does not transfer substantially all the risks and rewards, incidental of the ownership of an asset.

Recognizing and reporting finance leases, under which the entity is lessee

At the commencement of the lease term, a finance lease is recognized as an asset and liability in the Statement of Financial Position, at amounts equal to the fair value of the leased property, or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments, is the interest rate, implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned, and the depreciation recognized is calculated on the basis, determined in the IAS that regulate that respective type of assets. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Recognizing and reporting operating leases, under which the entity is lessee

Lease payments under an operating lease are recognized as an expense in the Income Statement, on a straight-line basis over the lease term, unless another systematic basis is more representative of the time that the Group uses the benefits of the leased asset.

Recognizing and reporting finance leases, under which the entity is leaser

The Group recognizes in its Statements the assets, held under a finance lease, and presents them as receivables at an amount, equal to the net investment in the lease.

The lease payment receivables are treated as repayment of principal and as finance income.

The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the leaser's net investment in the finance lease.

The sales revenue recognized at the commencement of the finance lease term by the leaser, is the fair value of the asset, or if lower, the present value of the minimum lease payments, computed at a market rate of interest. The cost of sale, recognized at the commencement of the lease term, is the cost, or the carrying amount if different, of the leased property less the present value of the unguaranteed residual value.

Recognizing and reporting operating leases, under which the entity is leaser

Assets, held under operating leases, are presented in the Financial Statements according to the nature of those assets.

Lease income from operating leases is recognized in income, on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in the use of which, the benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease income, are recognized as an expense. Lease income is recognized on a straight-line basis over the lease term, even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in the use of which, the benefit derived from the leased asset is diminished.

Initial direct costs, incurred by the lessor in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and are recognized as expenses, over the lease term, on the same basis as the lease income.

The depreciation policy for depreciable leased assets is conducted in consistency with the leaser's normal depreciation policy for similar assets, and depreciation is calculated in accordance with the IAS, regulating that respective type of assets.

Agreements for the Construction of Real Estate

In accordance with IFRIC 15, determining whether an agreement for the construction of a real estate is within the scope of IAS 11 or IAS 18 depends on the terms of the agreement and all the surrounding it facts and circumstances. Such a determination requires judgment with respect to each agreement.

An agreement for the construction of real estate, in which buyers have only limited ability to influence the design of the real estate, for example to select a design from a range of options specified by the entity, or to specify only minor variations to the basic design, is an agreement for the sale of goods within the scope of IAS 18.

An agreement for construction of real estate, within the scope of IAS 18, is classified as:

Agreement for the rendering of services, if the entity is not required to acquire and supply construction materials.

In this case, if the criteria of IAS 18 are met, revenue is recognized by reference to the stage of completion of the transaction, using the percentage of completion method. The requirements of IAS 11 are generally applicable to the recognition of revenue and the associated expenses for such a transaction as per IAS 18.

Agreement for the sale of goods, if the entity is required to provide services together with construction materials in order to perform its contractual obligation to deliver the real estate to the buyer.

The criteria for recognition of revenue from sale of goods apply.

- The Group may transfer to the buyer control and the significant risks and rewards of ownership of the work in progress, in its current state, as construction progresses. In this case, if all the criteria for

recognizing income from sales of goods, as set under IAS 18, are met continuously as construction progresses, the entity shall recognize revenue by reference to the stage of completion using the percentage of completion method. The requirements of IAS 11 are generally applicable to the recognition of revenue and the associated expenses for such a transaction.

- The Group may transfer to the buyer control and the significant risks and rewards of ownership of the real estate in its entirety at a single time (eg. at completion, upon or after delivery). In this case, the entity shall recognize revenue only when all the criteria for recognizing income from sales of goods, set under IAS 18, are satisfied.

When the entity is required to perform further work on a real estate already delivered to the buyer, it shall recognize a liability and an expense, in accordance with IAS 18. The liability shall be measured in accordance with IAS 37.

Agreement for construction of real estate within the scope of IAS 11

IAS 11 applies when the agreement meets the definition of a construction contract set out in IAS 11. An agreement for the construction of real estate meets the definition of a construction contract when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress (regardless of whether or not it exercises that option). When IAS 11 applies, the construction contract also includes any contracts or components for the rendering of services that are directly related to the construction of the real estate in accordance with IAS 11 and IAS 18.

A construction contract is a contract, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

A fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A “cost plus” contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus a percentage of these costs or a fixed fee.

Contract revenue comprises of:

- the initial amount of revenue agreed in the contract;

and

- variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and these are capable of being reliably measured.

Contract revenue is measured at the fair value of the consideration received or receivable. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from one period to the next.

Contract costs comprise of:

- costs that relate directly to the specific contract:

- site labour costs, including site supervision;
- costs of materials used in construction;
- depreciation of plant and equipment used on the contract;
- costs of moving plant, equipment and materials to and from the contract site;
- costs of hiring machinery, plant and equipment;
- costs of design and technical assistance that is directly related to the contract;
- the estimated costs of rectification and guarantee work, including expected warranty costs;
- claims from third parties

These costs may be reduced by any incidental income that is not included in contract revenue, for example income from the sale of surplus materials and the disposal of plant and equipment at the end of the contract.

- costs that are attributable to contract activity in general and can be allocated to the specific contract:
 - insurance;
 - costs of design and technical assistance that are not directly related to a specific contract; and
 - construction overheads.
- other costs that can be specifically chargeable to the customer under the terms of the contract may include some general administration costs and development cost for which reimbursement is specified in the terms of the contract;

Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. However, costs that relate directly to a contract and are incurred in securing the contract are also included as part of the contract costs, if they can be separately identified and measured reliably, and if it is probable that the contract will be obtained. When costs incurred in securing a contract are recognized as an expense in the period in which they are incurred, they are not included in contract costs when the contract is obtained in a subsequent period.

Costs that cannot be attributed to a contract activity or cannot be allocated to a contract are excluded from the costs of a construction contract. Such costs include:

- general administration costs for which reimbursement is not specified under the contract’s terms and conditions;
- selling costs;
- research and development costs for which reimbursement is not specified under the contract’s terms and conditions; and
- depreciation of idle machinery, plant and equipment that is not used on a particular contract.

When the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively, by reference to the stage of completion of the contract activity, at the end of the reporting period. An expected loss on the construction contract shall be recognized as an expense immediately.

Incurred contract costs that relate to future activity on the contract are recognized as an asset provided it is probable that they will be recovered. Such costs represent an amount, due from the customer, and are often classified as contract work in progress.

The stage of completion of a contract may be determined by:

- the proportion that contract costs, incurred for the work performed to date, bear to the estimated total contract costs;
- surveys of the work performed; or
- completion of a physical proportion of the contract work.

Progress payments and advances received from customers often do not reflect the work performed.

When the outcome of a construction contract cannot be estimated reliably:

- revenue shall be recognised only to the extent that it is probable that the contract costs incurred will be recoverable; and
- contract costs shall be recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognized as an expense immediately.

Events after the reporting period

Events after the reporting period are those events, both favourable and unfavourable that occur after the end of the reporting period and before the date on which the Financial Statements are authorized for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

The Group adjusts the amounts, recognized in the Financial Statements, to reflect adjusting events after the reporting period and updates the disclosures.

The Group does not adjust the amounts, recognized in the Financial Statements, to reflect non-adjusting events after the reporting period. When non-adjusting events after the reporting period are so material that their non-disclosure could influence the ability of the Financial Statements’ users to make economic decisions, the entity discloses the following information for each material category of a non-adjusting event after the reporting period:

- the nature of the event;

and

- an estimate of its financial effect or a statement that such an estimate cannot be performed.

Borrowing costs

The Group applies IAS 23 with regards to borrowing costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

Other borrowing costs are recognized as an expense.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

In its accounting policy, the entity’s Management has adopted the following periods as significant in the preparation of a qualifying asset:

Land and buildings – eighteen months

Plant – twelve months

Machinery and equipment – six months

Including asphalt-mixing plants – nine months

Crushing and sorting plants – nine months

Borrowing costs are capitalized as part of the cost of the asset, when it is probable that they will result in future economic benefits to the entity and when the costs can be measured reliably.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been incurred.

The Group capitalizes borrowing costs as part of the cost of a qualifying asset on the commencement date for capitalization.

The commencement date for capitalization is the date when the all of the following conditions are met for the first time:

- expenditures for the asset are incurred;
- borrowing costs are incurred; as well as
- the Group undertakes activities that are necessary to prepare the asset for its intended use or sale.

The Group suspends capitalization of borrowing costs during extended periods, in which the active development of a qualifying asset is suspended.

The Group ceases capitalizing borrowing costs when substantially all the activities, necessary to prepare the qualifying asset for its intended use or sale, are complete.

Contingent assets and Contingent liabilities

A Contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events that cannot be wholly controlled by the entity; or
- a present obligation that arises from past events, but is not recognized because:
 - it is not probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation;
 - or
 - the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events that cannot be fully controlled by the entity.

Contingent assets and Contingent liabilities are not recognized.

Statement of Cash Flows

The Group has adopted the policy of reporting and presenting cash flows in the Cash Flow Statement using the direct method.

Cash flows are classified as Cash flows from:

- Operating activities
- Investment activities
- Financial activities

Statement of Changes in equity

The Group presents a Statement of changes in equity, showing:

- total comprehensive income for the period, showing separately the total amounts attributable to the owners of the parent and to the non-controlling interests;
- for each component of equity, the effects of retrospective application or restatement, recognized in accordance with IAS 8; and
- for each component of equity, a reconciliation between the carrying amount at the beginning and at the end of the period, separately disclosing the changes resulting from:
 - profit or loss;
 - each item of other comprehensive income;
 - transactions with the owners, in their capacity as owners, showing separately the contributions by and the distributions to the owners, and the changes in the ownership interests in subsidiaries that do not result in a loss of control.

ADDITIONAL DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS

1. Consolidated Statement of Financial Position

1.1. Property, plant, machinery and equipment

	Lands	Buildings	Plants	Machinery and equipment	Transport vehicles	Other assets	Capitalized expenses	Total
<i>Book value</i>								
Balance as at 12.2012	14 416	3 900	2 557	51 980	25 416	2 337	2 919	103 525
Acquired	217		83	399	357	137	281	1 474
Disposed		(4)		(86)	(473)	(14)	(249)	(826)
Translation of the foreign activities' assets, denominated in foreign currency		1						1
Balance as at 31.12.2013	14 633	3 897	2 640	52 293	25 300	2 460	2 951	104 174
Acquired	611	2 325	2 438	3 475	1 701	630	189	11 369
Disposed	(132)	(11)	(15)	(375)	(473)	(172)	(71)	(1 249)
Translation of the foreign activities' assets, denominated in foreign currency					(4)	(2)		(6)
Balance as at 31.12.2014	15 112	6 211	5 063	55 393	26 524	2 916	3 069	114 288
<i>Depreciation</i>								
Balance as at 31.12.2012		931	797	18 627	11 270	1 335		32 960
Acquired		81	184	3 698	2 847	221		7 031
Disposed		(3)		(54)	(433)	(14)		(504)
Translation of the foreign activities' assets, denominated in foreign currency		1				(3)		(2)
Balance as at 31.12.2013	-	1 010	981	22 271	13 684	1 539	-	39 485
Acquired		103	250	3 533	2 792	275		6 953
Disposed		(4)	(15)	(211)	(325)	(137)		(692)
Translation of the foreign activities' assets, denominated in foreign currency		4	1	(3)	-	(5)		(3)
Balance as at 31.12.2014	-	1 113	1 217	25 590	16 151	1 672	-	45 743
<i>Net book value</i>								
Net book value as at 31.12.2013	14 633	2 887	1 659	30 022	11 616	921	2 951	64 689
Net book value as at 31.12.2014	15 112	5 098	3 846	29 803	10 373	1 244	3 069	68 545

- The presented under Non-current Assets values include fully depreciated buildings, plants, machinery and equipment, transport vehicles and other assets at carrying amounts of 32 thousand BGN, 1 148

thousand BGN, 4 800 thousand BGN, 3 324 thousand BGN and 937 thousand BGN respectively, which are being exploited in the course of the Group’ activities.

- The presented under Non-current Assets values include lands, buildings, machinery and equipment, transport vehicles and costs of acquisition of Non-current Assets at carrying amounts of 7 453 thousand BGN, 1 356 thousand BGN, 11 532 thousand BGN, 2 052 thousand BGN and 1 721 thousand BGN respectively, which have mortgages and pledges in favour of commercial banks under loan agreements and issued bank guarantees.
- As at 31.12.2014, Machinery and Transport vehicles, at carrying amounts of 1 965 thousand BGN and 22 thousand BGN respectively, are pledged as a collateral for public liabilities. As at the date on which this set of Financial Statements were prepared, the disclosed in the preceding sentence collaterals were released.
- The presented as at 31.12.2014 under Property, plant, machinery and equipment values include 4 246 thousand BGN assets, owned by the subsidiary “Trace PZP Nis” AS (JSC), which have registered encumbrances (mortgages and collaterals). In compliance with the agreement for acquisition of the entity, dated 20.08.2014, the Acquirer – “Trace Group Hold” PLC acquires the assets with no encumbrances. Subsequent to the acquisition’s registration, the lawyers of “Trace PZP Nis” AD (JSC) have started a procedure of delisting those encumbrances in the relevant institutions. As at the date on which these Consolidated Financial Statements were prepared, the procedure was still in process. According to the lawyers of “Trace PZP Nis” AD (JSC), regardless of the fact that as at 31.12.2014 there were registered encumbrances on those assets, there are no legal grounds for claims, placed by third parties, with regards to those assets. Furthermore, according to the lawyers, the write-off of those encumbrances is a technical process and given the big number of the entity’s assets, a longer time period is required for their delisting.
- The presented as at 31.12.2014 values include Lands and Buildings at carrying amounts of 497 thousand BGN and 2 272 thousand BGN respectively, owned by the subsidiary “Trace PZP Nis” AS (JSC). For some of those Lands and Buildings there are no issued documents, which to indisputably certify their ownership. Currently, there is an ongoing procedure for the legalization of some of the buildings. The procedure is conducted in compliance with the Legalization Law of the Republic of Serbia, as well as with the procedure for ownership documents, issued by the competent bodies of the Republic of Serbia – Cadastre. The properties were acquired pursuant to the Acquisition agreement, dated 20.08.2014, signed by and between “Trace Group Hold” PLC and the syndicate of the entity “PZP Nis” AD (JSC), Nis – an entity in state of insolvency. Subsequent to the acquisition’s registration, the lawyers of “Trace PZP Nis” AD (JSC) have started the procedure of issuing ownership documents of those assets, under the name of “Trace PZP Nis” AD (JSC), in the respective institutions. As at the date on which this set of Consolidated Financial Statements were prepared, the procedure was still in process. According to the lawyers of “Trace PZP Nis” AD (JSC), regardless of the fact that as at 31.12.2014 there are no ownership documents for some of the assets, from a legal perspective, these assets are owned by “Trace PZP Nis” AD (JSC) – as per the Acquisition Agreement and Art. 133 / 136 of the Insolvency Act. The issue of the ownership documents depends directly on the Government Administration and it is a time consuming, technical procedures. This procedure has already began and it is expected to be finalized.

1.2. Non-current Intangible Assets

	Rights	Software	Other assets	Total
<i>Book value</i>				
Balance as at 31.12.2012	1 989	160	142	2 291
Acquired	7	30		37
Disposed		(1)	(14)	(15)
Balance as at 31.12.2013	1 996	189	128	2 313
Acquired		29	15	44
Disposed		(4)	(15)	(19)
Balance as at 31.12.2014	1 996	214	128	2 338
<i>Amortization</i>				
Balance as at 31.12.2012	341	80	122	543
Acquired	93	27	2	122
Balance as at 31.12.2013	434	107	124	665
Acquired	93	34	2	129
Disposed	-	(1)	-	(1)
Balance as at 31.12.2014	527	140	126	793
<i>Net book value</i>				
Net book value as at 31.12.2013	1 562	82	4	1 648
Net book value as at 31.12.2014	1 469	74	2	1 545

1.3. Non-current Financial Assets

Non-current Financial Assets	31.12.2014	31.12.2013
Loans and receivables	280	280
Available-for-sale Financial Assets	62	62
Total	342	342

1.3.1 Loans and receivables – Non-current

Type	31.12.2014	31.12.2013
Loans	280	280
Total	280	280

Loans – Non-current

Loans	31.12.2014	31.12.2013
Loan receivables from related parties, Other than those in the Group (net)	3	3
Receivables on Loans from related parties, other than those in the Group	3	3
Loan receivables from non-related parties (net)	277	277
Loan receivables from non-related parties	277	277
Total	280	280

1.3.2 Available-for-sale Financial Assets- non-current

Available-for-sale Financial Assets	31.12.2014	31.12.2013
Non-controlling stake in the capital of entities	62	62
Total	62	62

Non-controlling stake in the capital of entities – non-current

Non-controlling stake in the capital of entities	31.12.2014		31.12.2013	
	Volume	Amount	Volume	Amount
Bulgarian Builder (Bulgarski Stoitel)	13%	50	13%	50
GCF – SK – 13 – TRACE RAILINFRA CONS. JSC	20%	10	20%	10
SRBIJVODE, ALFA BANK		2		2
Total		62		62

The available-for-sale investments are not traded in an active market. Because there is no available, reliable measurement of their fair value, the later are presented in the Statement of Financial Position as at 31.12.2014 and as at 31.12.2013 at cost.

1.4. Investments, accounted under the equity method

Investments, accounted under the equity method	31.12.2014	31.12.2013
Investments in associates	1 939	1 540
Total	1 939	1 540

Investments in associates, accounted under the equity method

Investments	31.12.2014		31.12.2013	
	Volume	Amount	Volume	Amount
TECHNOSTROYINZHENERING – 99 JSC	33%	1 882	33%	1 453
REDKO TRACE INTERNATIONAL	49%	57	49%	87
Total		1 939		1 540

The entity measures Investments in associates under the equity methods.

“Technostroyinzhenering – 99” JSC conducts its principal activities on the territory of the Republic of Bulgaria. The entity’s core activities relate to construction, repairs and maintenance of roads and road equipment. The associate is of strategic importance for “Trace Group Hold” PLC.

“Redko Trace International” LTD conducts its principal activities in Qatar. The entity’s core activities relate to the construction of buildings, roads, bridges, railway and metro track lines. As at 31.12.2014, the associate does not engage in any significant activities. Thus, as at the above-mentioned date, the associate is not of strategic importance for “Trace Group Hold” PLC.

Summarized financial information regarding the associates as at 31.12.2014

Indicators	TECHNOSTROYINZHENERING – 99 JSC	REDKO TRACE INTERNATIONAL LTD
Dividend's received	199	0
Current Assets	7 721	36
Non-current Assets	2 634	10
Current Liabilities	4 501	22
Income	20 886	0
Profit or Loss from Continuing activities	1 901	(191)
Total Comprehensive Income	1 901	(191)

1.5. Non-current Trade and other receivables

Non-current Trade and other receivables	31.12.2014	31.12.2013
Receivables from related parties, other than those in the Group (net)	3 907	7 059
Sales receivables	3 907	7 059
Sales receivables (net)	5 636	4 894
Sales receivables	5 636	4 894
Other non-current receivables	5 670	713
Guarantees and Deposits placed	761	-
Prepaid expenses	577	705
Receivables from an entity in state of insolvency	7 481	-
Impairment of receivables from an entity in state of insolvency	(3 734)	-
Other receivables	585	8
Total	15 213	12 666

- Retentions under construction contracts, which are expected to be realized in more than 12 months after the end of the reporting period, are presented as Non-current Trade receivables.
- Non-current guarantees are cash collaterals on performance bonds, issued in respect of projects and sites.
- Non-current prepaid expenses include insurance of projects and sites, with validity period until 2016, and performance bonds, issued in respect of projects, with validity period until 2035.
- Other Non-current Receivables “Receivables of an entity in a state of insolvency” are cash and cash equivalents under current accounts and deposits of the entities in the Group, in Corporate Commercial Bank (CCB), which are not guaranteed by the Bulgarian Deposit Insurance Fund. Due to the fact that on 20.06.2014, CCB was placed under the special supervision of the Bulgarian National Bank (BNB), and subsequently on 06.11.2014, its license for performing banking activities was withdrawn by the BNB, as at 31.12.2014, these cash and cash equivalents are restricted and the entities in the Group do not have them readily available, nor can they freely operate with such in the ordinary manner. As at the date on which these Consolidated Financial Statements were prepared, and subsequent to a decision of the Sofia District Court, dated 22.04.2015, the CCB was declared in state of insolvency, effective as of 06.11.2014, proceedings of insolvency have been initiated, the activities of CCB were terminated, a general ban and a distraint upon the assets was levied and an encashment of its property was initiated, including and in the bankruptcy estate.

Based on the facts and the circumstances, available as at 31.12.2014, and subsequent to the assessment, presented by the lawyers of entity, on the collectability of these receivables, the entity's Management has decided to impair such at 50%. In light of the high level of uncertainty on the collectability of these amounts, as well as due to the Management's limited control on resolving this issue, the Management believes that it has conducted the best estimate of these receivables, as at 31.12.2014, and the presented under the Statement of Financial Position value is the amount, which the entity expects to collect in the next reporting periods.

1.6. Deferred Tax Assets

Temporary difference	31 December 2013		Movement of Deferred Tax for the year 2014				31 December 2014	
	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Deferred Tax Assets								
Amortization	6 695	669	2 979	298	(1 417)	(142)	8 257	825
Impairment	7 488	749	4 161	417	(638)	(62)	11 011	1 104
Compensated absences	442	44	437	44	(385)	(38)	494	50
Thin capitalization	2 808	281	5	1	(2 329)	(233)	484	49
Loss	6 180	618	313	31	(4 404)	(440)	2 089	209
Income of Physical persons	1 119	114	682	69	(1 375)	(140)	426	43
Provisions	2 582	256	1 974	197	(528)	(53)	4 028	400
Long-term income of the personnel	189	18	80	9	(38)	(5)	231	22
Inter-Group profits	721	73			(144)	(14)	577	59
Liabilities with overdue limitation	962	96	486	49	(6)	(1)	1 442	144
Total Assets:	29 186	2 918	11 117	1 115	(11 264)	(1 128)	29 039	2 905

1.7. Goodwill

Type of Goodwill	31.12.2014	31.12.2013
Positive Goodwill		
Goodwill as at 31.12 of a prior reporting period	447	447
Revalued Goodwill as at January 1	447	447
Goodwill as at December 31	447	447

The presented goodwill, arises from the acquisition of 70% of the capital of “Vior Velika Morava” JSC – Belgrade, Serbia by “Trace International” LTD in 2008.

1.8. Inventory

Inventory	31.12.2014	31.12.2013
Materials (net), including:	6 375	6 774
Direct materials	5 101	6 190
Spare parts	347	180
Oil, gas and lubricants	532	
Ancillary materials	253	
Other materials	145	404
Impairment of materials	(3)	
Production (net)	1 161	869
Production	1 161	869
Goods (net)	433	781
Goods	433	781
Work in progress (net)	43	-
Work in progress	43	
Others (net)	4	-
Others	4	
Total	8 012	8 424

1.9. Trade and other receivables

Trade and other receivables	31.12.2014	31.12.2013
Receivables from related parties, other than those in the Group (net)	32 057	38 198
Sales receivables	24 798	29 257
Receivables on advances paid	7 206	8 929
Other receivables	53	12
Sales receivables (net)	50 006	51 103
Sales' receivables	55 386	57 606
Impairment of Sales' receivables	(5 380)	(6 503)
Receivables on advances paid (net)	9 674	5 945
Receivables on advances paid	10 148	6 101
Impairments of Advance Receivables	(474)	(156)
Dividends' receivables	8	-
Receivables from litigations (net)	1 505	1 731
Receivables from litigation	1 652	1 906
Impairment of Receivables from litigation	(147)	(175)
Social security receivables	13	-
Social security	13	
Other current receivables	3 332	2 915
Placed Deposits and Guarantees	184	117
Insurance receivables	19	10
Prepaid expenses	1 557	1 482
Other receivables	1 572	1 306
Total	96 595	99 892

The Receivables from related parties and the Sales receivables disclosed, include warranty guarantees, placed under construction contracts, amounting to 89 thousand BGN and 12 558 thousand BGN respectively.

The amount of Sales receivables disclosed, includes 11 676 thousand BGN of receivables, placed as a guarantee in favour of commercial banks, in order to secure the provided bank credits and bank guarantees.

1.10. Recoverable Tax

Recoverable Tax	31.12.2014	31.12.2013
Value Added Tax	2 723	1 062
Corporate Tax	33	10
Other Tax	5	4
Total	2 761	1 076

1.11. Current Financial Assets

Current Financial Assets	31.12.2014	31.12.2013
Loans and receivables	828	6 548
Total	828	6 548

1.11.1. Loans and receivables – Current

Loans and receivables	31.12.2014	31.12.2013
Loans	828	533
Receivables on placed deposits	-	6 015
Total	828	6 548

Loans – Current

Loans	31.12.2014	31.12.2013
Loan receivables from related parties, other than those in the Group (net)	204	217
Loan receivables from related parties, other than those in the Group	166	69
Receivables, incurring from Interest on loans to related parties, other than those in the Group	38	148
Loan receivables from non-related parties (net)	624	316
Loan receivables from non-related parties	530	268
Receivables incurring from Interest on loans to non-related parties	149	48
Impairment of loans receivables from non-related parties	(55)	
Total	828	533

The Loans to non-related parties have been granted under the following conditions:

Contractor	Contracted loan amount	Interest %	Maturity	Securities / Guarantees
Ivana Moutafova	168 thousand Euro	6%	31.07.2026	Mortgage
Hydropromet Engineering	88	12%	31.12.2012	Promissory note
PFC CSKA JSC	280	6,50%	31.12.2014	Promissory note
DAMASTSENA ROZBIO	40	11%	28.02.2015	Pledge of rose oil
PFC CSKA JSC	100	6,5%	31.12.2014	Promissory note
Mohamed Ahmedov Ahmedov	17	7,5%	30.07.2020	Promissory note
FC VEREYA	17	10%	31.12.2015	-

Balances of Loans granted to non-related parties, as at 31.12.2014

Contractors	Current portion of amortized cost		Non-current portion of amortized cost	
	Principal	Interest	Principal	Interest
Ivana Moutafova	16		263	
DAMASTSENA ROZBIO	27	6		
PFC CSKA JSC	280	17		
Hydropromet Engineering	88	21		
Hydropromet Engineering – impairment	(44)	(11)		
Other		99		
PFC CSKA JSC	100	6		
Mohamed Ahmedov Ahmedov	2		14	
FC VEREYA	17			
Total	486	138	277	-

Receivables on placed deposits – current

Receivables on placed deposits	31.12.2014	31.12.2013
Deposit related receivables from non-related parties (net)	-	6 015
Deposit related receivables from non-related parties		5 951
Interest related receivables on deposits to non-related parties		64
Total	-	6 015

The Deposits have been placed under the following conditions:

Contractor	Contracted deposit account	Interest %	Maturity
First Investment Bank (FIB) JSC	3 306 thousand BGN	2%-6%	31.12.2014
UNICREDIT BULBANK JSC, SRBIJA	2 645 thousand BGN	8%	18.03.2014

Balances of deposits placed, excluding non-related parties, as at 31.12.2013

Contractor	Current portion of amortized cost	
	Principal	Interest
First Investment Bank (FIB) JSC	3 306	2
UNICREDIT BULBANK JSC, SRBIJA	2 645	62
Total	5 951	64

1.12. Cash and cash equivalents

Cash and cash equivalents	31.12.2014	31.12.2013
Cash in hand	345	798
denominated in Bulgarian Levs (BGN)	299	786
denominated in foreign currencies	46	12
Cash at bank (current accounts)	36 371	21 561
denominated in Bulgarian Levs (BGN)	28 902	19 889
denominated in foreign currencies	7 469	1 672
Cash equivalents	214	135
Receivables from employees	187	92
Other cash equivalents	27	43
Restricted cash and cash equivalents	366	1 541
Current deposits	466	20 304
Other cash	5	
Total	37 767	44 339

Reconciliation of the Cash and cash equivalents

Cash and cash equivalents	31.12.2014	31.12.2013
Cash and cash equivalents under the Statement of Financial Position	37 767	44 339
Interest on Current (Short-term) Deposits	(33)	(45)
Cash and cash equivalents under the Cash Flow Statement	37 734	44 294

The presented under the Cash Flows Statement, Cash outflows from Financial activities, “Non-guaranteed cash at bank (current accounts)”, amounting to 4 719 thousand BGN, are cash at current accounts in Corporate Commercial Bank, which are not guaranteed by the Bulgarian Deposit Insurance Fund. As a result of the termination of the bank’s activities and the withdrawal of its licence, these cash amounts are classified in the Statement of Financial Position as Other Non-current receivables, “Restricted cash and cash equivalents”, since the later do not meet the criteria for recognition as cash and cash equivalents under IAS 7 Cash Flow Statements.

1.13. Equity

1.13.1 Registered capital

Type of shares	31.12.2014			31.12.2013		
	Nº of shares	Value	Nominal	Nº of shares	Value	Nominal
Redeemed and paid	24 200 000	24 200 000	1	24 200 000	24 200 000	1
Redeemed treasury shares				(4 748)	(4 748)	1
Total:	24 200 000	24 200 000		24 195 252	24 195 252	

“TRACE GROUP HOLD” PLC

Consolidated Financial Statements for the year ended 31.12.2014



Shareholder	31.12.2014				31.12.2013			
	Nº of shares	Price	Paid	% share	Nº of shares	Price	Paid	% share
Galini – N LTD	2 178 000	2 178 000	2 178 000	9.00%	2 178 000	2 178 000	2 178 000	9.00%
Nikolay Mihaylov	19 492 000	19 492 000	19 492 000	80.55%	19 492 000	19 492 000	19 492 000	80.55%
Galini Mihaylov	1 631	1 631	1 631	0.01%	231	231	231	0.00%
Miroslav Manolov	25 700	25 700	25 700	0.11%	22 000	22 000	22 000	0.09%
Nikolay Kostadinov Valev	4 750	4 750	4 750	0.02%				
Boyan Stoyanov Delchev	3 670	3 670	3 670	0.02%				
Other shareholders	2 494 249	2 494 249	2 494 249	10.31%	2 506 521	2 506 521	2 506 521	10.36%
Trace Group Hold PLC – treasury shares	-	-	-	0.00%	1 248	1 248	1 248	0.01%
Total	24 200 000	24 200 000	24 200 000	100%	24 200 000	24 200 000	24 200 000	100%
Trace Group Hold PLC – treasury shares at cost	-	-	-		(1 248)	(4 829)	(4 829)	
Total (excluding the redeemed treasury shares):	24 200 000	24 200 000	24 200 000	100%	24 198 752	24 195 171	24 195 171	100%

In 2014, “Trace Group Hold” PLC redeemed 22 102 treasury shares, 21 850 of which were sold and 1 500 were transferred for no consideration.

1.13.2. Share premium

Share premium, amounting to 21 769 thousand BGN, are formed from the issued in 2007 capital of the entity, in the amount of 21 763 thousand BGN, and 6 thousand BGN from the 2014 sale of treasury shares.

1.13.3 Translation Reserves

	Translation Reserves
Reserves as at 31.12.2012	(246)
Translation reserves as at 31.12.2012	(246)
Decreased by:	8
Foreign currency translation	8
Reserves as at 31.12.2013	(238)
Increased by:	(80)
Foreign currency translation	(80)
Reserves as at 31.12.2014	(318)

Translation Reserves reflect the effects of translations of the foreign subsidiaries' Financial Statements.

1.13.4. Reserves

	Total reserves	Other reserves	Total reserves
Reserves as at 31.12.2012	2 420	30 776	33 196
Reserves as at 31.12.2013	2 420	30 776	33 196
Increased by:	-	14 452	14 452
Profit distribution	-	14 467	14 467
Assets' revaluation	-	(14)	(14)
Other	-	(1)	(1)
Reserves as at 31.12.2014	2 420	45 228	47 648

1.13.5. Financial Result

Financial Result	Value
Profit as at 31.12.2012	1 703
Restated balance as at 31.12.2012	1 703
Increased by:	16 365
Profit for the reporting period 2013	16 365
Decreased by:	(629)
Dividends' distribution	(637)
Other	8
Profit as at 31.12.2013	17 439
Increased by:	9 143
Profit for the reporting period 2014	9 143
Decreased by:	(17 351)
Profit allocation to reserves	(14 467)
Dividends' distribution	(3 057)
Other	173
Profit as at 31.12.2014	9 231
Financial Result as at 31.12.2012	1 703
Financial Result as at 31.12.2013	17 439
Financial Result as at 31.12.2014	9 231

1.14. Non-current Financial Liabilities

Non-current Financial Liabilities	31.12.2014	31.12.2013
Liabilities under Leases	461	428
Financial Liabilities, carried at amortized cost	1 071	3 116
Total	1 532	3 544

1.14.1 Lease Liabilities – Non-current

Lease Liabilities	31.12.2014	31.12.2013
Lease related liabilities to non-related parties	461	428
Total	461	428

1.14.2 Financial Liabilities, carried at amortized cost – non-current

Financial liabilities, carried at amortized cost – non-current	31.12.2014	31.12.2013
Liabilities related to the credits received	1 071	3 116
Total	1 071	3 116

Credits – Non-current

Credits – Non-current	31.12.2014	31.12.2013
Credit liabilities to financial institutions	1 071	3 116
Total	1 071	3 116

1.15. Non-current Trade and other liabilities

Non-current Trade and other liabilities	31.12.2014	31.12.2013
Liabilities to related parties, other than those in the Group	1 266	1 657
Supply related liabilities	1 266	1 657
Supply related liabilities	4 514	5 240
Other non-current liabilities	1 483	1 985
Liabilities related to issued guarantees and deposits placed	27	618
Other liabilities	1 456	1 367
Total	7 263	8 882

The here-disclosed Non-current Supply liabilities to related and to non-related parties are warranties and guarantees from subcontractors under construction contracts.

Liabilities related to performance bonds, issue in respect of projects and sites with maturity until 2035 are presented as Other Non-current Liabilities.

1.16. Non-current provisions

Non-current provisions	31.12.2014	31.12.2013
Provisions for constructive obligations	25	40
Provisions for Long-term personnel's income	213	162
Total	238	202

1.16.1. Provisions for legal and constructive obligations – non-current

Provisions for legal and constructive obligations	31.12.2014	31.12.2013
Provisions for constructive obligations, including	25	40
Provisions for construction contracts	25	40
Total	25	40

1.16.2. Provisions for Long-term personnel's income

Provisions for Long-term personnel's income	31.12.2014	31.12.2013
Liabilities' present value as at January, 1 st	162	144
Liabilities, recognized in the Balance Sheet as at January 1 st	162	144
Interest expense	7	5
Expenses for accrued employment	67	58
Payments conducted in the reporting period	(49)	(24)
Actuarial gain, recognized in the period	26	(21)
Liabilities' present value as at 31 December	213	162
Liabilities, recognized in the Balance Sheet as at 31 December	213	162

1.17. Deferred Tax Liabilities

Temporary difference	31 December 2013		Movement of Deferred Tax in the year 2014				31 December 2014	
	temporary difference	deferred tax	increase		decrease		temporary difference	deferred tax
			temporary difference	deferred tax	temporary difference	deferred tax		
Deferred Tax Liabilities								
Amortization	2 827	283	1 256	177	(495)	(50)	3 588	410
Revaluation	2	-			(2)		-	-
Total Liabilities:	2 829	283	1 256	177	(497)	(50)	3 588	410

1.18. Current Financial Liabilities

Current Financial Liabilities	31.12.2014	31.12.2013
Lease related liabilities	349	326
Financial Liabilities, carried at amortized cost	6 792	4 973
Total	7 141	5 299

1.18.1. Lease related liabilities – current

Lease related liabilities	31.12.2014	31.12.2013
Lease related liabilities to non-related parties	349	326
Total	349	326

Minimum Future Lease Payments as at 31.12.2014

	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease payments	377	485		862
Discounting	(28)	(24)		(52)
Net present value	349	461	-	810

Minimum Future Lease Payments as at 31.12.2013

	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease payments	355	447		802
Discounting	(29)	(19)		(48)
Net present value	326	428	-	754

1.18.2 Financial Liabilities, carried at amortized cost

Financial liabilities, carried at cost	31.12.2014	31.12.2013
Credit liabilities	6 792	4 973
Total	6 792	4 973

Credits – current

Credit	31.12.2014	31.12.2013
Credit liabilities to related parties, other than those in the Group		10
Liabilities to related parties, other than those in the Group, incurring from interest on credits		11
Credit liabilities to financial institutions	6 728	4 887
Liabilities to financial institutions, incurring from interest on credits	14	14
Credit liabilities to non-related parties	50	51
Total	6 792	4 973

Credits from non-related parties and financial institutions have been received under the following conditions:

Bank / Creditor	Contracted credit amount	Interest %	Maturity	Securities / Guarantees
First Investment Bank (FIB) PJSC	4 000	1 m. Sofibor+3.25%	25.07.2016	Promissory note
UniCredit Bulbank JSC	8 000	1 m.Sofibor+5.1%	26.09.2015	Mortgage, pledge
UniCredit Bulbank JSC	1 500	1 m.Sofibor+5.1%	26.02.2016	Overdraft
SG Expressbank JSC	490	1 m. Euribor+3.75%	30.05.2015	Mortgage
SG Expressbank JSC	250	1 m. Euribor+3.75%	30.10.2015	Mortgage
SG Expressbank JSC	2 775	1 m. EURIBOR+3,90% per annum	31.03.2016	Pledge over FA

Balances of Credits received, related parties excluded, as at 31.12.2014

Bank / Creditor	Current portion of amortized cost		Non-current portion of amortized cost	
	Principal	Interest	Principal	Interest
First Investment Bank (FIB) JSC	1 200	5	835	
UniCredit Bulbank JSC	4 682	9		
SG Expressbank JSC	138			
SG Expressbank JSC	708		236	
NGO ATHLETICS CLUB BEROE	50			
Total	6 778	14	1 071	-

1.19. Current Trade and other liabilities

Current Trade and other liabilities	31.12.2014	31.12.2013
Liabilities to related parties, other than those in the Group	32 249	42 993
Supplies related liabilities	16 858	26 658
Liabilities on advance payments received	11 915	14 824
Dividend related liabilities	2 929	899
Liabilities related to Deposits and Guarantees	547	612
Including Guarantees of the Supervisory Board, the Management Board, the Board of Directors	547	612
Supplies related liabilities	42 479	47 737
Gross amount due to clients under construction contracts	485	8 489
Liabilities on advance payments received	30 048	19 403
Other current liabilities	1 749	2 595
Liabilities related to Deposits and Guarantees	1 042	572
Insurance related liabilities	216	498
Concession related liabilities	112	109
Other liabilities	379	1 416
Total	107 010	121 217

The disclosed Liabilities to related parties and Sales liabilities include warranties and guarantees under construction contracts, amounting to 781 thousand BGN and 10 196 thousand BGN respectively.

Other liabilities include liabilities related to bank guarantees, insurance and other expenses, incurred under the completed in the financial reporting 2014 construction contracts.

1.20. Tax liabilities

Tax liabilities	31.12.2014	31.12.2013
Value Added Tax	2 701	1 822
Value Added Tax - interest	35	
Corporate tax	718	1 342
Corporate tax – interest	199	266
Personal income tax	164	116
Withholding tax	1	
Tax on expenses	59	52
Other tax	28	24
Total	3 905	3 622

1.21. Liabilities to the personnel

Liabilities to the personnel	31.12.2014	31.12.2013
Liabilities to the personnel	1 821	1 557
including liabilities arising from unused annual paid leaves	408	351
Liabilities to the social contributions funds	569	371
including liabilities arising from unused annual paid leaves	78	47
Liabilities to the key management personnel – remunerations	460	965
Liabilities to the key management personnel – social contributions	6	8
Liabilities arising from non-labour relations – remunerations	15	5
Total	2 871	2 906

1.22. Current Provisions

Current Provisions	31.12.2014	31.12.2013
Provisions for legal obligations, including	86	191
Provisions under litigations – Tax Assessment Act	86	191
Provisions for constructive obligations, including	4 097	2 103
Provisions under construction contracts	3 800	2 090
Provisions for reclamation liabilities	297	13
Total	4 183	2 294

The accrued Provisions for litigations relate to a Tax Assessment Act, issued to “Infrastrój” LTD. Subsequent to a Decision of the Higher Administrative Court, dated 17.12.2014, the court case was resolved by a final court decision. In compliance with the court’s decision, the accrued in prior years provision, was written down to the amount of the expected liability.

The provisions accrued under construction contracts relate to the assumed warranty and guaranty liabilities and the expected expenses for eliminating possible claims and sales returns.

The accrued reclamation provisions relate to assumed liabilities for reclamation of lands, under quarry concession contracts, after the concession contracts expiration term.

2. Consolidated Income Statement

2.1. Income

2.1.1. Net Sales Income

Types of Income	2014	2013
Income from Sales of goods, including:	8 051	4 792
Sales of asphalt mixtures	7 298	4 599
Sales of inert materials	554	170
Others	199	23
Income from Sales of Merchandize, including:	13 665	9 957
Sales of Fuel	3 992	6 236
Sales of iron fixtures	37	49
Sales of inert materials and sand	10	101
Sales of salt	481	369
Sales of sign productions		22
Sales of materials for railways construction	4 854	3 034
Sales of bitumen	4 117	
Sales of black oil	128	
Other merchandize	46	146
Income from rendered services, including:	317 073	299 941
Building and construction works	315 003	298 508
Mechanization related services	265	202
Transport services		518
Project Management related services	1 125	314
Laboratory services	154	135
Consulting services		24
Design related services	12	65
Road marking	123	
Other services	391	175
Other income, including:	5 723	7 814
Sales of materials	4 360	3 354
Rental income	35	98
Insurance premiums received		12
Overstock of materials	31	100
Penalties and defaults	223	558
Liabilities, written-off	536	3 352
Reimbursed impairments of receivables	257	37
Other	281	303
Total	344 512	322 504

2.1.2 Income from Government Grants

Types of income	2014	2013
Government Grants, relating to income	6	9
Total	6	9

2.1.3. Financial Income

Types of income	2014	2013
Interest income, including Interest income generated from:	671	477
Trade loans	55	30
Deposits	314	396
Current accounts	16	7
Trade receivables	251	41
Others	35	3
Generated from transactions with financial instruments	3	2
Foreign exchange gains	331	17
Other financial income	16	22
Total	1 021	518

2.2. Expenses

2.2.1. Raw materials, materials and consumables

Types of expenses	2014	2013
Direct production materials	57 901	45 319
Ancillary materials	799	380
Oil, gas and lubricants	6 013	7 208
Spare parts	1 130	1 161
Tools	60	21
Work wear	73	59
Electricity	633	443
Heating	9	9
Water	47	25
Tires	534	404
Consumables; motor vehicles	212	51
Office materials and consumables	104	65
Advertising materials	45	89
Tender documents	10	43
Stationery and consumables	115	9
Overheads	93	499
Other materials	823	233
Total	68 601	56 018

2.2.2. Hired services

Types of expenses	2014	2013
Subcontractors	178 074	183 886
Hired / Leased transport	5 524	3 973
Hired / Leased mechanization	6 874	5 872
Rents	1 825	812
Repairs	635	509
Advertising	208	178
Communication services	309	241
Consulting and other contracts	4 633	3 441
Civil contracts and remuneration	274	202
Insurance	1 089	831
Taxes and fees	658	559

Securities	2 236	1 344
Commissions		13
Penalties		11
Claims and sales returns		3
Labour medicine	33	20
Subscriptions	126	105
Laboratory tests	340	121
Technical Maintenance of Non-current tangible assets	229	160
Explosion and demolition works	72	21
Access fees		54
Trainings	27	23
Geodesic services	47	252
Design	2 717	49
Services, rendered under contract	1 501	1 608
Other hired services	1 016	632
Total	208 447	204 920

2.2.3. Depreciation

Types of expenses	2014	2013
Depreciations cost – production	6 440	6 594
Non-current Tangible Assets	6 339	6 496
Non-current Intangible Assets	101	98
Depreciations cost – administrative	642	559
Non-current Tangible Assets	614	535
Non-current Intangible Assets	28	24
Total	7 082	7 153

2.2.4. Salaries, wages and social contribution costs

Cost of:	2014	2013
Salaries and wages, including:	18 346	15 970
Of Production personnel	10 568	8 332
Of Administrative personnel	7 778	7 638
Social contribution expenses, including:	2 928	2 238
Of Production personnel	2 188	1 541
Of Administrative personnel	740	697
Including expenses related to the key management personnel	3 318	3 317
Including expenses related to unused paid leaves	142	83
Total	21 274	18 208

2.2.5. Impairment of assets

Types of expenses	2014	2013
Losses from Impairment of Receivables	288	2 029
Losses from Impairment of Restricted Cash and cash equivalents	3 734	-
Total	4 022	2 029

2.2.6. Other expenses

Type of expense	2014	2013
Expenses related with Business trips	478	391
Entertainment costs	318	238
Retirement of Non-current Assets	214	20
Food expense	20	-
Expenses related to labour medicine	47	24
Penalties and fees, and compensations	137	28
Expenses related to Interest on commercial transactions		10
Expenses related to Interest on State receivables	60	80
Rent / Lease		11
Alternative tax expense	6	5
Expenses related to Donations and grants	388	288
Expenses related to executive (enforcement) lawsuits	25	8
Provisions for Litigations and Law suites	48	24
Provisions for liabilities	176	49
Expenses with no available supporting documentation	36	39
Adjustment of partial tax credit	1	-
Social costs, provided in kind	200	47
Provisions under contracts for Building and construction works	2 250	-
Receivables written-off	115	6
Other expenses	249	848
Total	4 768	2 116

2.2.7. Allowances and adjustments

Type of expense	2014	2013
Net book value of assets disposed (net)	16 900	12 537
Net book value of assets disposed	16 900	12 537
Movements of production inventory (net)	1 936	(120)
Movements in production inventory	1 936	(120)
Capitalized assets' expenses	(115)	(14)
Other allowances and adjustments		(62)
Total	18 721	12 341

2.2.8. Financial expense

Type of expense	2014	2013
Interest expense, including interest expenses incurred from:	562	637
Trade loans		3
Loans, granted by financial institutions	313	387
Leases	30	166
Trade liabilities	210	69
Others	9	12
Expenses from transactions with financial instruments	6	
Foreign exchange losses	162	70
Other financial expenses	1 507	1 198
Total	2 237	1 905

2.2.9. Gains / (Losses) from disposals of non-current assets

Type of expense	2014	2013
Gains / (losses) from disposals of Property, plant, machinery and equipment	14	57
Net book value of assets disposed	27	61
Gains from the Assets' disposals	41	118
Total	14	57

2.2.10. Share in the results of associates

Entity	2014	2013
Technostroyinzheniering 99 JSC	627	82
Redko Trace International LTD	(31)	4
Total	596	86

2.2.11. Tax expense

Type of expense	2014	2013
Corporate Income Tax	1 624	1 859
Other	162	452
Total	1 786	2 311

2.3.1. Other comprehensive income

Components	31 December 2014			31 December 2013		
	Before Tax	Tax	After Tax	Before Tax	Tax	After Tax
Other comprehensive income						
Actuarial gains / (losses)	26		26	21		21
Foreign Currency Translation Gains and (Losses)	(79)		(79)	5		5
Other Comprehensive Income	(53)	-	(53)	26	-	26

OTHER DISCLOSURES

1. Construction contracts

As at 31.12.2014, the cumulative income, gains and losses, as well as the gross amounts due in respect of the incomplete construction contracts are as follows:

Contracts in progress	Costs, incurred in the contract's execution	Recognized profit less recognized loss	Income, accumulated in the contract's execution	Progress payments (invoiced income and advances)	Gross amount due to by the client for the work, conducted under the contract (receivables, recognized as assets)	Gross amount due to by the client for the work, conducted under the contract	Advances received, in respect of which work has not been conducted under the contract	Retention amount under the contract
k1	k2	k3	k4 = k2 + k3	κ5	k6 = k4 - k5	k7 = k5 - k4	κ8	κ9
contract 1	22 468	1 291	23 759	23 759	-	-		2 910
contract 2	29 349	2 449	31 798	31 798	-	-	805	
contract 3	47 424	10 030	57 454	57 679	-	225		2 884
contract 4	711	17	728	728	-	-		
contract 5	38		38		38	-	857	
contract 6	4 153	110	4 263	4 263	-	-	3 270	
contract 7	412	33	445	445	-	-		
contract 8	276	15	291	291	-	-		
contract 9	11 669	920	12 589	12 589	-	-		
contract 10	480	58	538	538	-	-	976	
contract 11	10	(10)	-		-	-	1 292	
contract 12	3	(3)	-		-	-	408	
contract 13	1	(1)	-		-	-	351	
contract 14	3 806		3 806	3 725	81	-	6 190	281
contract 15	2 041		2 041	1 994	47	-	2 881	194
contract 16	1 139		1 139	1 016	123	-	3 639	52
contract 17	574		574	452	122	-	3 784	
contract 18	554		554	423	131	-		42
contract 19	1 063		1 063		1 063	-		
contract 20	82 205	(2 317)	79 888	71 324	8 564	-		7 637
contract 21	948	(74)	874	820	54	-	30	44
contract 22	240	(19)	221	80	141	-		
contract 23	902	126	1 028	659	369	-	183	
contract 24	799	(146)	653		653	-		
contract 25	10		10		10	-		
contract 26	1 173	283	1 456	1 393	63	-		
contract 27	229	38	267	178	159	70		
contract 28	2 783	922	3 705	3 785	-	80		
contract 29	185	62	247	357	-	110		
contract 30	14 015	752	14 767	14 767	-	-	783	
contract 31	9 377	1 087	10 464	7 416	3 048	-	709	

“TRACE GROUP HOLD” PLC

Consolidated Financial Statements for the year ended 31.12.2014



contract 32	125	3	128	128	-	
contract 33	160	20	180	180	-	130
contract 34	90	2	92	92	-	
contract 35	247	9	256	256	-	
contract 36	666		666	666	-	
contract 37	6 481		6 481	6 481	-	
contract 38	11 005	666	11 671	11 648	23	
contract 39	4 938	7	4 945	4 945	-	
contract 40	341		341	341	-	
Total	263 090	16 330	279 420	264 560	15 345	485
Construction Contracts						26 288
						14 044

2. Related parties and transactions with related parties**The entity discloses the following related parties:**

Shareholder of the capital of “Trace Group Hold” PLC, exercising control, is Nikolay Ganchev Mihaylov – 80.55%.

Associates

Technostroyinzhenering 99 JSC

Redko Trace International LTD

Other related parties:

The entities in the “Galini – N” LTD Group

“Galini N” LTD

“GCF – SK – 13 Trace Railinfra Cons.” JSC

“GCF – SK – 13 Trace Railinfra Consortium”

“CK – 13 Transstroy” JSC

“Kordel – Bulgaria” JSC

“Megainvest – Hold” LTD

“Vodstroy 98” JSC

Infrastructure construction LTD

Infrastructure and Transport construction LTD

Key Management personnel in the entity:

Nikolay Ganchev Mihaylov – Executive Director and Chairman of the BoD

Nikolay Kostadinov Valev – Member of the BoD and Deputy Chairman of the BoD

Boyan Stoyanov Delchev – Executive Director and Member of the BoD

Miroslav Kalchev Manolov – Executive Director and Member of the BoD

Galín Nikolaev Mihaylov – Member of the BoD

Anton Nikolov Donchev – Member of the BoD

Maria Georgieva Kavardzhikova – Member of the BoD

Transactions and balances with related parties

Sales to related parties, other than those in the Group

Client	Type of transaction	2014	2013
Galini – N LTD	services, rentals, materials	76 297	57 502
Injproject LTD	services, materials	5	8
Galini LTD	services	28	4
Dekon LTD	services, materials	1	1
Himkolor JSC	materials	12	6
Technostroyinzhenening 99 JSC	Income from services rendered, dividends	1 347	530
Dikol – 2 G. Mihaylov LTD	services	47	7
GCF-SK-13 Trace Railinfra Consortium	services	14 318	23 722
CK-13 Transstroy JSC	services	50	34
Megainvest Hold LTD	services	587	622
PS – a Company under the Law on Obligations and Contracts	services	4 358	3 349
Water Project Stara Zagora – a Company under the Law on Obligations and Contracts	services	3 886	3 005
Kordel – Bulgaria JSC	services	18	15
Beroe 2013 – a Company under the Law on Obligations and Contracts	services		439
Vodstroy 98 JSC	services	4 360	
Infrastructure construction LTD	services	2 904	
Total		108 218	89 244

Purchases from related parties, other than those in the Group

Suppliers	Type of transaction	2014	2013
Galini – N LTD	services, materials	69 161	67 362
Injproject LTD	services, materials	2 091	1 914
Galini LTD	interest	241	21
Himkolor JSC	materials	377	485
Technostroyinzhenening 99 JSC	services, materials	660	337
Dikol – 2 G. Mihaylov LTD	services	21	791
GCF-SK-13 Trace Railinfra Consortium	services	68	64
CK-13 Transstroy JSC	services	219	680
Megainvest Hold LTD	services	1 977	335
Infrastructure and Transport construction LTD	services	11	
Galin Mihaylov	services	144	
Kordel – Bulgaria JSC	services	883	
Total		75 853	71 989

Receivables from related parties, other than those in the Group

Client	31.12.2014	31.12.2013
Galini – N LTD	26 556	28 764
Injproject LTD	22	29
Galini LTD	8	17
Dekon LTD	41	45
Himkolor JSC	3	
Technostroyinzhenening 99 JSC	78	21
Adval JSC		15
Dikol – 2 G. Mihaylov LTD	149	112
GCF-SK-13 Trace Railinfra Consortium	6 971	12 566
CK-13 Transstroy JSC	46	209
Megainvest Hold LTD	401	774
PS – a Company under the Law on Obligations and Contracts	85	1 100
Beroe 2013 – a Company under the Law on Obligations and Contracts	122	147
Infrastructure and Transport construction		2
Kordel – Bulgaria JSC		15
Water Project Stara Zagora – a Company under the Law on Obligations and Contracts	135	1 438
Vodstroy 98 JSC	729	
Infrastructure construction LTD	613	
Management	5	3
Total	35 964	45 257

Liabilities to related parties, other than those in the Group

Supplier	31.12.2014	31.12.2013
Galini – N LTD	23 595	35 881
Injproject LTD	2 985	1 828
Galini LTD	15	9
Dekon LTD	413	519
Himkolor JSC	244	161
Technostroyinzhenening 99 JSC	11	141
GCF-SK-13 Trace Railinfra Consortium	22	36
CK-13 Transstroy JSC	3	95
Megainvest Hold LTD	1 480	2 928
PS – a Company under the Law on Obligations and Contracts		394
Water Project Stara Zagora – a Company under the Law on Obligations and Contracts	1 111	1 148
Beroe – a Company under the Law on Obligations and Contracts	3	
Vodstroy 98 JSC	11	
Kordel Bulgaria JSC	160	
Dividend liabilities	2 915	899
Management	547	600
Personnel		11
Total	33 515	44 650

Loans, granted to related parties, other than those in the Group

Debtor	Contracted loan amount	Interest %	Maturity	Securities/Guarantees
Galin Mihaylov	100	11%	31.12.2014	
Personnel	6	1%	31.12.2014	
Redko Trace International LTD	62 thousand Euro	11%	31.12.2015	Promissory note
Redko Trace International LTD	235	11%	31.12.2015	Promissory note

Balances of Loans granted (principal and interest)

Debtor	Current portion of amortized cost		Non-current portion of amortized cost	
	Principal	Interest	Principal	Interest
Galin Mihaylov		29		
Manol Denev		5		
Loans – personnel			3	
Redko Trace International LTD	121	3		
Redko Trace International LTD	45	1		
Total	166	38	3	-

Interest income, accrued on Loans to related parties, other than those in the Group

Debtor	Receivable as at	Accrued	Earned	Receivable as at
	31.12.2013	in 2014	in 2014	31.12.2014
Galin Nikolaev Mihaylov	37	3	11	29
Manol Peychev Denev	15		10	5
Tzvetan Ivanov Tzonev	96		96	-
Redko Trace International LTD		3		3
Redko Trace International LTD		1		1
Total	148	7	117	38

Operating lease – receivables

Minimum future lease related cash inflows as at 31.12.2014				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease related cash inflows	6			6
Total	6	-	-	6

Operating lease – liabilities

Minimum future lease related cash inflows as at 31.12.2014				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease related cash outflows	144	142		286
Total	144	142	-	286

Key Management’s remuneration

Key Management	Amount, accrued in respect of:		
	Remuneration and social security contributions for the period	Annual leave, subject to compensation	Long-term benefits (remuneration)
Board of Directors	2 001		
Manager	607		
Executive Director	1 335		
Controller	9		
Total:	3 952	-	-

3. Capital Management

Through its capital management, the Group targets to create and maintain the ability to continue to operate as a going concern, and to ensure appropriate return on the shareholders’ investments, and economic benefits to other interested parties and to the stakeholders in its business, as well as to maintain optimal capital structure in order to reduce the capital costs.

The capital security and capital structure are monitored on a current basis. Different sources of financing are employed. Such include both the Group’s own sources of finance as well as funds, borrowed from banks and related parties.

Type	31.12.2014	31.12.2013
Total Debt capital, including:	8 673	8 843
Financial liabilities	8 673	8 843
Decreased by:	(37 767)	(44 339)
cash and cash equivalents		
Net Debt Capital	(29 094)	(35 496)
Total Equity	102 530	96 341
Total Capital	73 436	60 845
Leverage ratio	(0,40)	(0,58)

4. Financial risks

In the course of its ordinary activities, the entity may be exposed to different financial risks, the most significant of which are: the currency risk, the credit risk and the liquidity risk. This is why the overall risk management is focused on minimizing the probable negative effects, which could have an effect over the financial results. The financial risks are identified, estimated and monitored on a current basis, through various control mechanisms, in order for adequate service prices to be determined, on the services rendered by the entity, and to adequately assess how the available liquid resources are maintained, without placing undue concentration on a given risk.

Hereafter, the various types of risks that the entity is exposed to in the course of its ordinary activities are described, and so is the approach, followed when managing these risks.

Credit risk

In the course of its activities, the Group is exposed to credit risk, which is related to the risk that some of its contractors will not be in a position to meet their obligations wholly and in the normally expected time periods.

The financial assets of the Group are concentrated in three groups: Cash and receivables from clients, Financial assets – Loans granted, Financial lease receivables.

The entity’s cash and cash at bank are held in current accounts in the following banks - “UniCredit Bulbank” JSC, “First Investment Bank” (FIB) JSC, “DSK” PLC, “United Bulgarian Bank” (UBB) JSC, “Societte Generale Expressbank” JSC and International Asset Bank JSC. The Management believes that there is no risk so long the serving banks maintain a stable liquidity.

31.12.2014	Overdue		With time to maturity	With re-agreed maturity, which is not yet due	Total
	Impaired	Not impaired			
Non-current Assets	3 747	-	10 581	3	14 331
Non-current Financial Assets from related parties	-	-		3	3
Non-current Financial Assets	-		277	-	277
Non-current Trade and other receivables from related parties	-	-	3 907	-	3 907
Non-current Trade and other receivables	7 481	-	6 397	-	13 878
Non-current Trade and other receivables – impairment	(3 734)	-	-	-	(3 734)
Current Assets	54	2 024	75 059	-	77 137
Current Financial Assets from related parties			204		204
Current Financial Assets	109	519	51	-	679
Current Financial Assets – impairment	(55)		-	-	(55)
Current Trade and other receivables from related parties			24 798		24 798
Current Trade and other receivables	5 527	1 505	50 006		57 038
Current Trade and other receivables – impairment	(5 527)		-	-	(5 527)
Total Financial Assets	3 801	2 024	85 640	3	91 468

Liquidity risk

Liquidity risk is expressed as the adverse situation where the Group will not be in a position to meet unconditionally all its obligations upon their maturity. A conservative liquidity management policy is followed in order to constantly maintain optimal cash liquidity and a good ability to finance the economic activities. The maturity and the on-time payments are monitored by the Financial-Accounting Department on a current basis. The necessary information on the available cash and pending payments is being constantly maintained.

“TRACE GROUP HOLD” PLC

Consolidated Financial Statements for the year ended 31.12.2014



31.12.2014	Imme diate	Up to 1 month	2 - 3 months	4 - 6 months	7 - 12 months	1 – 2 years	3 - 5 years	Over 5 years	Without maturity	Total
Non-current Assets	-	-	-	-	-	10 347	75	175	-	10 597
Non-current Financial Assets from related parties						3				3
Non-current Financial Assets						40	75	175		290
Non-current Trade and other receivables from related parties						3 907				3 907
Non-current Trade and other receivables						6 397				6 397
Non-current Liabilities	-	-	-	-	-	8 796	19	-	3 747	12 562
Non-current Financial Liabilities						1 533	19			1 552
Non-current Trade and other liabilities to related parties						1 266				1 266
Non-current Trade and other liabilities						5 997			3 747	9 744
Net liquid disbalance – Non-current	-	-	-	-	-	1 551	56	175	(3 747)	(1 965)
Cumulative liquid disbalance – Non-current	-	-	-	-	-	1 551	1 607	1 782	(1 965)	(1 965)
Current Assets	37 767	6 690	12 763	19 085	38 631	-	-	-	-	114 936
Current Financial Assets from related parties		30			187					217
Current Financial Assets		300	43	5	295					643
Current Trade and other receivables from related parties		2 067	4 134	6 201	12 396					24 798
Current Trade and other receivables		4 293	8 586	12 879	25 753					51 511
Cash and cash equivalents	37 767									37 767
Current Liabilities	-	5 656	11 280	16 910	38 689	-	-	-	-	72 535
Current Financial Liabilities		235	438	647	6 168					7 488
Current Trade and other liabilities from related parties		1 695	3 390	5 085	10 164					20 334
Current Trade and other liabilities		3 726	7 452	11 178	22 357					44 713
Net liquid disbalance – Current	37 767	1 034	1 483	2 175	(58)	-	-	-	-	42 401
Cumulative liquid disbalance – Current	37 767	38 801	40 284	42 459	42 401	42 401	42 401	42 401	42 401	42 401
Total Financial Assets	37 767	6 690	12 763	19 085	38 631	10 347	75	175	-	125 533
Total Financial Liabilities	-	5 656	11 280	16 910	38 689	8 796	19	-	3 747	85 097
Total Net Liquid Disbalance	37 767	1 034	1 483	2 175	(58)	1 551	56	175	(3 747)	40 436
Total Cumulative Liquid Disbalance	37 767	38 801	40 284	42 459	42 401	43 952	44 008	44 183	40 436	40 436

Market risk

Interest risk

Interest risk is the risk that the fair value or the future cash flows of the held by the Group financial assets and liabilities will vary as a result of fluctuations in the market interest rates. The instruments with fixed interest rates are exposed to the risk that the fair value could fluctuate because of changes in the interest rate levels – the changes in the levels of market interest rates will affect the value of the held financial assets and liabilities with fixed interest rate. The financial assets and liabilities with floating interest rates are exposed to cash flow risk - future cash flows generated from these shall depend on changes in market interest rates.

Overall, the interest-bearing financial assets and liabilities comprise a significant portion in the structure of the Group's assets and liabilities, representing receivables and payables on financial leases, loans received or granted.

31.12.2014	Interest – free	With floating interest %	With fixed interest %	Total
Non-current Assets	14 054	-	277	14 331
Non-current Financial Assets from related parties	3			3
Non-current Financial Assets			277	277
Non-current Trade and other receivables from related parties	3 907			3 907
Non-current Trade and other receivables	10 144			10 144
Non-current Liabilities	7 263	1 532	-	8 795
Non-current Financial Liabilities		1 532		1 532
Non-current Trade and other liabilities to related parties	1 266			1 266
Non-current Trade and other liabilities	5 997			5 997
Exposure to non-current risk	6 791	(1 532)	277	5 536
Current Assets	77 049	37 203	652	114 904
Current Financial Assets from related parties	38		166	204
Current Financial Assets	138		486	624
Current Trade and other receivables from related parties	24 798			24 798
Current Trade and other receivables	51 511			51 511
Cash and cash equivalents	564	37 203		37 767
Current Liabilities	65 061	7 127	-	72 188
Current Financial Liabilities	14	7 127		7 141
Current Trade and other liabilities to related parties	20 334			20 334
Current Trade and other liabilities	44 713			44 713
Exposure to current risk	11 988	30 076	652	42 716
Total Financial Assets	91 103	37 203	929	129 235
Total Financial Liabilities	72 324	8 659	-	80 983
Total exposure to Interest risk	18 779	28 544	929	48 252

Analysis of the interest rate elasticity.

Effect on the profit / loss, net of tax	31.12.2014
An increase of interest rates with 0,5%	128
A decrease of interest rates with 0,5%	(128)

Currency risk

The Group is not exposed to currency risk due to the fact that a large portion of the transactions and operations of the entities in the Group are conducted mainly in Euro and / or BGN. Possible fluctuations in the exchange rate of the US Dollar and of other currencies would have insignificant effect on the Group and its activities. The main reason behind this lies in the fact that the Group holds available only insignificant amount of cash and cash equivalents, denominated in US Dollar and those other currencies.

“TRACE GROUP HOLD” PLC

Consolidated Financial Statements for the year ended 31.12.2014



31.12.2014	Denominated in USD	Denominated in EUR	Denominated in other currencies	Denominated in BGN	Total
Non-current Assets	-	-	1 383	12 948	14 331
Non-current Financial Assets from related parties				3	3
Non-current Financial Assets				277	277
Non-current Trade and other receivables from related parties				3 907	3 907
Non-current Trade and other receivables			1 383	8 761	10 144
Non-current Liabilities	-	-	16	12 526	12 542
Non-current Financial Liabilities				1 532	1 532
Non-current Trade and other liabilities from related parties				1 266	1 266
Non-current Trade and other liabilities			16	9 728	9 744
Exposure to non-current risk	-	-	1 367	422	1 789
Current Assets	5	7 453	7 481	99 965	114 904
Current Financial Assets from related parties				204	204
Current Financial Assets				624	624
Current Trade and other receivables from related parties				24 798	24 798
Current Trade and other receivables			7 424	44 087	51 511
Cash and cash equivalents	5	7 453	57	30 252	37 767
Current Liabilities	-	846	3 441	64 154	68 441
Current Financial Liabilities		846		6 295	7 141
Current Trade and other liabilities from related parties				20 334	20 334
Current Trade and other liabilities			3 441	37 525	40 966
Exposure to current risk	5	6 607	4 040	35 811	46 463
Total Financial Assets	5	7 453	8 864	112 913	129 235
Total Financial Liabilities	-	846	3 457	76 680	80 983
Total Exposure to Currency risk	5	6 607	5 407	36 233	48 252

Analysis of the currency elasticity to the USD

Effect on the profit / loss, net of tax	31.12.2014
An increase of exchange rates with 10%	-
A decrease of exchange rates with 10%	(1)

Fair value

In general, fair value is the amount for which an asset could be exchanged, or a liability could be settled, in an arm's length transaction between willing and knowledgeable parties.

The fair value of financial instruments, traded in active markets, is based on quoted prices as at the balance sheet date. The quoted market prices are the current “bid prices” (the “buying” price).

The fair value of financial instruments that are not traded in active markets is determined using valuation methods, based on various valuation techniques and Management's assumptions, conducted based on the market conditions as at the date of Statement of Financial Position.

The fair value concept presumes realization of financial instruments through sales. Nevertheless, in most cases, especially when it comes to trade receivables and payables, credits and loans, and deposits, the entity expects to realize these financial assets and through their total refund, or respectively repayment, on time. Thus, they are presented at their amortized cost.

Moreover, part of the financial assets and liabilities are either current, as per their nature (trade receivables and liabilities, short-term loans), or are presented in the Statement of Financial Position at market price (deposits, placed with banks, investments in securities). Hence their fair value is approximately equal to their carrying amount. Exception to this rule are the investments in subsidiaries, for which there is no market, and there are no objective conditions for reliably determining their fair value. Hence such are presented at acquisition cost (cost).

As far as there is no sufficient market experience, stability and liquidity for purchases and sales of certain financial assets and liabilities, there are and no adequate and reliable market prices for these financial assets and liabilities. The entity's Management believes that given the existing circumstances, the presented in the Statement of Financial Position estimates of financial assets and liabilities are reliable, adequate and trustworthy for purposes of the financial reporting.

5. Adjustments of errors, changes in the accounting policy

During the current reporting period, no adjustments of errors have been conducted in the entity.

No changes in the accounting policy have been conducted in the entity in 2014. The accounting policy applied thorough the year is consistent with the accounting policy applied in the prior reporting periods.

6. Key estimates and Management's estimates, carrying a high level of uncertainty

In determining the amounts of some of the Assets, Liabilities, Income and Expense in the current set of Financial Statements, the Management has made several accounting assumptions and accounting estimates. All these were performed on the basis of the best estimate and information, available to the Management as at the end of the reporting period. The actual results could differ from those presented in these Financial Statements.

6.1. Impairment of Inventories

At the end of the reporting period, the Management reviews the available inventory - materials, production and goods – in order to establish whether there are such, whose net realizable value is lower than their carrying value. In such a review, as at 31.12.2014, no indications for impairment of inventories have been established.

6.2. Impairment of Receivables

At the end of each reporting period, the Management reviews the estimates for doubtful debts and bad debts.

Impairment of trade receivables is formed when there is objective evidence that the Group will not be able to collect the full amount, under the original terms of these receivables. As such evidence, the Management considers the following: establishment of significant financial difficulties of the debtor, the probability of the debtor going into insolvency or other financial reorganization.

The Group has set an ordinary receivables period of 120 days, in which no interest is accrued on the contractors. For some clients, with whom the Group maintains long-term trade cooperation, a longer time period is allowed (180-240 days). If the receivables are not paid within the ordinary or specifically negotiated period, the Management reviews the entire exposure of the client and estimates whether there is

evidence of impairment' conditions. These circumstances are accounted for by the Management when defining and classifying a receivable for impairment. Impairment is the difference between the carrying value of a receivable and the present value of the estimated future cash flows, discounted at original effective interest rate. As at balance sheet date and based on the Management's reviews and expectations, the following have been impaired: Trade and other receivables, at sum value of 287 thousand BGN. The Management believes that there is high level of uncertainty on the collectability of those Trade and other receivables.

Movement of adjustments of impaired receivables

Receivables – type	31.12.2013	Movement in 2014		31.12.2014
		increase	decrease	
Trade and other receivables	6 834	287	(1 120)	6 001
Total	6 834	287	(1 120)	6 001

6.3. Recognizing income, generated under construction contracts (long-term service contracts)

As at the end of the reporting period, the Management conducts a review of the construction contracts in progress. For the purpose, the percentage of completion method is employed (the actual completed work is determined). Based on this review, best estimates of the completed work are been conducted and the stage of contracts' completion is been determined.

6.4. Impairment of Property, plant, machinery and equipment

In conformance with the requirements of IAS 36, an assessment is conducted as at balance sheet date, on whether there are indications that the value of an item of Property, plant and equipment is impaired. In case of such indications, the recoverable value of the asset is estimated and the impairment loss is determined. As at 31.12.2014, no indications of impairment of property, machinery, plant and equipment have been established.

6.5. Actuarial valuation

In determining the present value of the non-current liabilities to the personnel upon retirement, calculations of certified actuaries have been employed. These are based on assumptions regarding the mortality, the pace of employees' turnover, the future wages and salaries, and a discounting factor. These assumptions are regarded by the Management as reasonable and appropriate for the entity.

7. Operating lease

The Group holds assets under operating lease. In compliance with the minimum future lease payments per these contracts are as follows:

Minimum future lease instalments to non-related parties				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease instalments	610	399		1 009
Total	610	399	-	1 009

Minimum future lease instalments as at 31.12.2014 to related parties				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease instalments	144	142		286
Total	144	142	-	286

The Group leases assets under operating lease. In compliance with the lease agreements, the minimum future lease payments per these contracts are as follows:

Minimum future lease instalments to non-related parties				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease instalments	10	14		24
Total	10	14	-	24

Minimum future lease instalments as at 31.12.2014 to related parties				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease instalments	6			6
Total	6	-	-	6

8. Contingent Assets and Contingent Liabilities

Guarantees and issued warranties

Contingent Assets, including: issued bank guarantees on performance bonds, issued in respect of the contracts, executed by the entities in the Group:

Contract / Contractor	Issued bank guarantees, Collaterals pledged by contractors	Amount of the utilized limit / Collateral's amount, in thousands of BGN
Framework contract – Bank guarantees	64/26.04.2010/UniCredit Bulbank JSC	38 202
Framework contract – Bank guarantees	148/10.08.2010/ UniCredit Bulbank JSC	1 910
Framework contract – Bank guarantees	300-353A/05.03.2008/FIB PJSC	12 513
Framework contract – Bank guarantees	Sogelease General Expressbank JSC	35 979
Framework contract – Bank guarantees	DSK PLC	9 882
Framework contract – Bank guarantees	UBB JSC	870

Contract / Contractor	Issued bank guarantees, Collaterals pledged by contractors	Type of the collateral
Framework contract – Bank guarantees 64/26.04.2010/ UniCredit Bulbank JSC	GALINI LTD	Pledge of Non-current Fixed Assets, under the Pledges Act
Framework contract – Bank guarantees 64/26.04.2010/ UniCredit Bulbank JSC	INJPROJECT LTD	Pledge of Non-current Fixed Assets, under the Pledges Act

Contingent Liabilities, including: promissory notes in favour of commercial banks, under loan agreements and bank guarantees, and in favour of the lessor:

Contract / Contractor	Issued bank guarantees, Collaterals pledged by contractors	Collateral's amount
Bank revolving credit facility – First Investment Bank (FIB) JSC	First Investment Bank (FIB) JSC Promissory note	2 034
Framework contract – Bank guarantees	First Investment Bank (FIB) JSC Promissory note	For every bank guarantee issued
Sogelease Bulgaria LTD	Sogelease Bulgaria LTD Promissory note	259

Following an agreement with a supplier, dating 09.07.2012, the Group has assumed a commitment to purchase assets at the amount of 2 930 thousand BGN.

Lawsuits

“Trace Group Hold” PLC

In 2013, as a partner in Trace Via – a Company under the Law on Obligations and Contracts, the entity has filed a lawsuit (instituted proceedings) against the Sofia Municipality. The lawsuit was filed on the grounds of unpaid outstanding amounts under a contract, with a financial interest 442 thousand BGN. The court has not pronounced itself during the current year.

A lawsuit was filed in 2014 against the lawyer Desislava Bogatinova. The lawsuit is filed on the grounds of a civil contract for legal services, with financial interest 50 thousand BGN, and additional 2 thousand BGN – moratory interest.

In its capacity of a leading partner in Trace Svoge – a Company under the Law on Obligations and Contracts, the entity has been constituted as a third party facilitator in a commercial case in the Regional Court of Vratsa, filed by Evroinzhenering LTD against the CC “Garant 90 Tsonev and Co”. The lawsuit is with financial interest of 136 thousand BGN.

ZSK Edinstvo, from the town of Radnevo, has filed seven lawsuits with tort claim for compensation, at sum value of 16 thousand BGN.

“Trace – Sofia” LTD

The entity is a defendant under a lawsuit, of commercial nature, with a financial interest as at 31.12.2014 in the amount of 465 thousand BGN.

“Trace – Bourgas” JSC

The entity is a plaintiff under lawsuits, of commercial nature, with financial interest as at 31.12.2014 amounting to 229 thousand BGN.

The entity is defendant under lawsuits, of commercial nature, with financial interest as at 31.12.2014 amounting to 7 thousand BGN.

“PSF Mostinzhenering” JSC

The entity is a plaintiff under lawsuits, of commercial nature, with financial interest as at 31.12.2014 amounting to 451 thousand BGN.

The entity is defendant under lawsuits, of commercial nature, with financial interest as at 31.12.2014 amounting to 28 thousand BGN.

“Trace Commerce” LTD

The entity is defendant under lawsuits, of commercial nature, with financial interest as at 31.12.2014 amounting to 595 thousand BGN.

“PSI” JSC

As at 31.12.2014, the entity is a plaintiff under lawsuits, of commercial nature.

Based on the facts and circumstances, present as at 31.12.2014, and based on the valuations, presented by the lawyers, the entity’s Management has decided not to accrue impairment, other than the impairment, recognized in the prior reporting periods, as the lawsuits are in possess of appeal and the Management cannot reliably assess the possible outcomes in favour of the entities.

The entity’s Management believes that it is not probable that there will be an outflow of cash resources. Hence no provisions on liabilities related to lawsuits are recognized in the Financial Statements.

9. Operating segments

The entire Group operates in one business sector and the core services ,rendered by the entities in the Group, as well as their production, are related to and participate in the different stages of the principal activities. The materials acquired and the goods produced hold a significant portion of the materials, input in the provision of building and construction works. Also the risks and benefits, related with the principal activities of the Group could not be separately identified due to the similarity of the nature of the performed services, the characteristics of the environment and the clients of the entities in the Group. As a result, the Group has adopted the policy to record its activities only on the basis of geographical principle.

The core clients of the Group, with revenue from transactions with them accounting to over 10% of the total revenues are:

- Road Infrastructure Agency
- Metroliten PLC
- The Ministry of Regional Development and Public Works
- Municipalities

The income realized, per goods and services, is illustrated in Note 2.1 of the annual Financial Statements.
The breakdown of these Income, generated per country, including and countries abroad is as follows:

Operating Segments As at 31 December 2014	Bulgaria	Serbia	Oman	Czech Republ ic	Total	Consolid ation	Group
Income	326 393	22 182	-	1 618	350 193	(5 675)	344 518
From external clients	326 387	16 472		1 618	344 477		344 477
From other segments		5 675			5 675	(5 675)	-
Other income	6	35			41		41
Financial income	672	525			1 197	(176)	1 021
Including interest income	671	219			890	(165)	725
Expenses	(298 179)	(21 919)	-	(1 950)	(322 048)	7 854	(314 194)
Cost of materials	(65 510)	(3 885)		(62)	(69 457)	856	(68 601)
Hired services	(199 943)	(13 764)		(1 735)	(215 442)	6 995	(208 447)
Depreciation expense	(6 740)	(339)		(3)	(7 082)		(7 082)
Salaries and wages	(18 623)	(2 514)		(137)	(21 274)		(21 274)
Cost of impairment	(4 022)	-		-	(4 022)		(4 022)
Other costs	(3 341)	(1 417)		(13)	(4 771)	3	(4 768)
Allowances and Adjustments	(17 905)	(816)			(18 721)		(18 721)
Financial expense	(1 560)	(845)		(20)	(2 425)	188	(2 237)
Including, interest expense	(552)	(198)		-	(750)	188	(562)
Sales of Non-current assets	14	-			14		14
Shares in associates	596	-			596		596
Tax expense	(1 603)	(183)			(1 786)		(1 786)
Profit / Loss	8 428	(1 056)	-	(352)	7 020	2 191	9 211
Segmental assets	201 367	48 377	530	1 568	251 842	(14 943)	236 899
Segmental liabilities	132 570	41 009		1 217	174 796	(40 243)	134 553
Investment, under the equity method	1 939				1 939		1 939
Non-current assets acquired	2 553	8 857		3	11 413		11 413
Deferred tax assets	2 905				2 905		2 905

Operating Segments As at 31 December 2013	Bulgaria	Serbia	Oman	Total	Consolidation	Group
Income, including	322 453	78	-	322 531	(18)	322 513
From external clients	322 444	60		322 504		322 504
From other segments		18		18	(18)	-
Other income	9			9		9
Financial income	393	158	19	570	(52)	518
Including interest income	457	151	19	627	(47)	580
Expenses, including	(289 899)	(1 637)	-	(291 536)	1 092	(290 444)
Cost of materials	(56 002)	(16)		(56 018)		(56 018)
Hired services	(204 774)	(1 098)		(205 872)	952	(204 920)
Depreciation expense	(7 135)	(18)		(7 153)		(7 153)
Salaries and wages	(17 872)	(336)		(18 208)		(18 208)
Cost of impairment	(2 029)	(140)		(2 169)	140	(2 029)
Other costs	(2 087)	(29)		(2 116)		(2 116)
Allowances and Adjustments	(12 341)			(12 341)		(12 341)
Financial expense	(1 708)	(235)		(1 943)	38	(1 905)
Including, interest expense	(637)	(38)		(675)	38	(637)
Sales of Non-current assets	57			57		57
Shares in associates	86			86		86
Tax expense	(2 314)	3		(2 311)		(2 311)
Profit / Loss	16 727	(1 633)	19	15 113	1 060	16 173
Segmental assets	238 650	7 303	512	246 465	(1 936)	244 529
Segmental liabilities	141 478	8 321		149 799	(1 550)	148 249
Investment, under the equity method	1 540			1 540		1 540
Non-current assets acquired	1 326	185		1 511		1 511
Deferred tax assets	2 915	3		2 918		2 918

10. Fair Value Measurement

For financial reporting purposes, some of the assets and liabilities of the entity are measured and presented, and / or only disclosed at fair value. Such are: financial assets at fair value, obtained bank credits and loans, certain trade and other receivables and liabilities that are measured on a recurring basis.

Fair value is the price that would be received to sell an asset, or that would be paid to transfer a liability, in an orderly transaction between market participants, at the measurement date (i.e. an exit price). Fair value is the output price and it is based on the assumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for this asset or liability, or in the absence of a principal market – in the most advantageous market for the asset or liability. Both the defined as principal market, as well as the defined as the most advantageous market, are such markets to which the entity must have access. Fair value is measured using the assumptions and assessment techniques that the potential market participants would use when pricing the asset or liability, assuming that market participants would act in their best economic interest.

Fair value measurement of non-financial assets, is always based on the assumption of what would be the highest and best use of the given asset for the market participants.

The fair value of all assets and liabilities, measured and / or disclosed in the Financial Statements at fair value, is categorized under the following fair value hierarchy, namely:

Level 1 - Quoted (non-adjusted) market prices in active markets for identical assets or liabilities, as well as the level of market rentals of properties with similar characteristics;

Level 2 - Valuation techniques, which use inputs other than directly quoted market prices of property and rentals, but which are directly or indirectly accessible for observation, including and the cases when the quoted prices are subject to significant adjustments; and

Level 3 - Valuation techniques, which use inputs which in part are significant unobservable.

The fair value concept assumes that financial instruments are realized through sales. Nevertheless, in most cases, especially when concerning receivables and liabilities, credits and deposits, the entity expects to realize these financial assets and their entire repayment, or respectively payment, on time. This is and the reason why such are presented at their amortized cost.

The current, per their nature, assets and liabilities (Trade receivables and liabilities, short-term loans), as well as the disclosed in the Statement of Financial Position assets and liabilities at market value (deposits, placed at banks, investments in securities) are also part of the financial assets and liabilities. This is and the reason why their fair value is approximately equal to their carrying amount. Exception to this rule are the available-for-sale financial assets and the investments in associates, reported under the equity method, for which there is no market, nor are there objective conditions to reliably determine their fair value. Thus such are presented at their acquisition cost (cost).

Insofar as there is no sufficient market experience, stability and liquidity for the sale and / or purchase of certain financial assets and liabilities, there will be no sufficient and reliable quotes for their market prices. The entity's Management believes that in light of the present conditions, the presented in the Statements of Financial Position assessments of financial assets and liabilities are the most reliable and adequate for financial reporting purposes.

11. Events after the reporting period

The following events that require to be disclosed in the Financial Statements, have occurred after the reporting period and until the date on which the Financial Statements were approved for issue:

➤ Via its subsidiary “Trace PZP Nis” AD (JSC), “Trace Group Hold” PLC acquired the road construction company PZP – Vranje located on the territory of the Republic of Serbia. Changes in the legal status and in the representation of PZP – Vranje were entered in the Serbian Business Registration Agency (SBRA) on 29.01.2015. The entity's new corporate name is “Trace PZP Vranje” DOO (“Trace PZP

Vranje” LTD). The entity was registered with a capital of EUR 378 010 000 RSD, of which 10 000 Serbian Dinars are cash contribution, and 378 000 000 RSD are non-cash contribution. “Trace PZP Nis” JSC, N is the owner of the capital of “Trace PZP Vranje” LTD, Vranje.

- Subsequent to the merge of “Trace Kardzhali” JSC, dated 10.12.2014, an increase in the capital of “PSF Mostinzhenering” JSC was entered in the Company Register on 30.01.2015.
- “Patna Signalizatsia i Saorazhenia” JSC was restructured on 17.02.2015, through merger in “PSI” JSC. All assets of the merging entity are transferred to the Acquiring entity. The merging entity is dissolved, without liquidation proceedings, and the Acquiring entity becomes its universal successor. The capital of “PSI” JSC is increased from 5 206 950 BGN to 5 507 955 BGN, by the issue of 6 689 new ordinary, non-bearer, unprivileged shares, entitled to one vote, with liquidation share, at nominal value of 45.00 BGN each. The sole shareholder of the merging company – “Trace Group Hold” PLC – is holder of the shares from the capital increase of the acquiring company.
- Subsequent to a decision of the Board of Directors, dated 20.03.2015, the deadline for redemption of treasury shares, under a disclosed procedure, launched by decision of the General Meeting of Shareholders, dated 31.01.2014, is extended for one more year, effective as of 06.04.2015.
- An agreement was signed on 15.04.2015 by and between “Trace Group Hold” PLC and “Trace Trans” LTD for the transfer of the ownership rights over a real part of a commercial entity, separated in activities “Rent and Ownership Management”, by “Trace Trans” LTD. On 22.04.2015, the transaction was entered in the Commercial Registry.
- A change in the members of the Board of Directors of “Trace – Bourgas” JSC was entered in the Commercial Registry on 06.02.2015. Yovko Genchev Zhilkov is released and Stela Petrova Petrova – Maneva is appointed at his place.
- A change in the representative of “Trace – Bourgas” JSC, and of the members of its Board of Directors, was entered in the Commercial Registry on 23.03.2015. Roumen Mitkov Zaprianov is elected as Executive Director and a member of the Board, replacing Petar Hristov Iliev.
- A change in the members of the Board of Directors of “USM” JSC was entered in the Commercial Registry on 05.02.2015. Damyan Gavrilov Damyanov is released and Galin Nikolaev Mihaylov is appointed at his place.
- With a decision, dated 03.03.2015, of the Commercial Registry of the Republic of Serbia, Yovkov Ganchev Zhilkov was released from the held by him position, namely Executive Director of “Trace PZP Nis” AS (JSC).
- With a decision, dated 23.03.2015, of the Commercial Registry of the Republic of Serbia, Stoyko Meshkov was registered as Representative of “New Bridges” LTD. By virtue of this decision, Stoyko Meshkov replaced Eng. Roumen Yovchev.

12. Transactions with non-controlling interest (NCIs)

Below are disclosed the effects of transactions with non-controlling interest, on the Group's equity, as at 31.12.2014.

	CC TRACE JSC	TRACE AL JUNAIBI LTD	VIOR VELIKA MORAVA JSC	Others	Total
Net book value of the acquired NCIs	-	-	-	174	174
Payments to the NCIs	-	-	-	(45)	(45)
Increase in the Group's equity	-	-	-	129	129

Subsidiaries and non-controlling interests

The subsidiaries with significant non-controlling interests in the Group are “CC Trace” JSC and “Trace International” LTD, which has a non-controlling interest in the subsidiaries “Trace Al Junaibi” LTD and “Vior Velika Morava” JSC.

Subsidiary	CC TRACE JSC	TRACE AL JUNAIBI LTD	VIOR VELIKA MORAVA JSC
Place of principal activities	Bulgaria	The Sultanate of OMAN	Serbia
The portion of ownership rights of the NCIs	35.00%	30.00%	27.15%
The portion of voting rights for the NCIs	35.00%	30.00%	27.15%

	Total NCIs, Thousands of BGN
Net book value of the NCIs as at 31.12.2013	(61)
Profit / loss, attributable to the NCIs for the period	68
Other Comprehensive Income, attributable to the NCIs for the period	1
Paid dividends, attributable to the NCIs	(18)
Changes in the participations in subsidiaries	(174)
Net book value of the NCIs as at 31.12.2014	(184)

13. Going concern

The Group's Management believes that the entities in the Group are going concern and shall continue to act as a going concern. There are no plans, nor intends to terminate the activities.

14. Disclosures, in compliance with the legislative requirements

The Group discloses the accrued in 2014 audit expenses, due for services rendered by Registered Auditors (CPAs), amounting to 199 thousand BGN.

15. Financial indicators and ratios

Indicators

№	Indicators	2014	2013	Difference	
		Value	Value	Amount	%
1	Non-current Assets (total)	90 936	84 250	6 686	8%
2	Current Assets, including	145 963	160 279	(14 316)	-9%
3	Inventory	8 012	8 424	(412)	-5%
4	Current receivables	99 356	100 968	(1 612)	-2%
5	Current Financial Assets	828	6 548	(5 720)	-87%
6	Cash and cash equivalents	37 767	44 339	(6 572)	-15%
7	Total Assets	236 899	244 529	(7 630)	-3%
8	Equity	102 530	96 341	6 189	6%
9	Financial result	9 143	16 365	(7 222)	-44%
10	Non-current Liabilities	9 443	12 911	(3 468)	-27%
11	Current Liabilities	125 110	135 338	(10 228)	-8%
12	Total Liabilities	134 553	148 249	(13 696)	-9%
13	Total Income	345 539	323 031	22 508	7%
14	Sales' Income	344 512	322 504	22 008	7%
15	Total Expenses	335 152	304 690	30 462	10%

Ratios

№	Ratios	2014	2013	Difference	
		Value	Value	Amount	%
Profitability:					
1	Return on Equity	0.09	0.17	(0.08)	-48%
2	Return on Assets	0.04	0.07	(0.03)	-42%
3	Return on Liabilities	0.07	0.11	(0.04)	-38%
4	Net profit margin	0.03	0.05	(0.02)	-48%
Efficiency:					
5	Of costs	1.03	1.06	(0.03)	-3%
6	Of income	0.97	0.94	0.03	3%
Liquidity:					
7	Current ratio	1.17	1.18	(0.02)	-1%
8	Quick ratio	1.10	1.12	(0.02)	-2%
9	Acid test	0.31	0.38	(0.07)	-18%
10	Absolute liquidity	0.30	0.33	(0.03)	-8%
Financial leverage:					
11	Financial leverage	0.76	0.65	0.11	17%
12	Gearing	1.31	1.54	(0.23)	-15%

CONSOLIDATED MANAGEMENT ACTIVITIES REPORT
FOR THE FINANCIAL REPORTING 2014



Table of Contents:

I. General Information on the entity

II. Business Development

1. Principal activities
2. Operating results
3. Financial – Accounting analysis. Financial indicators and ratios.
4. Investment portfolio
5. Dividend policy
6. Quality control system
7. Environmental protection

III. Significant events that have occurred as of the beginning of the year

IV. Research and development

V. Information, disclosed in accordance with the provisions of the Commercial Act

1. Treasury Shares. Share Redemption.
2. Information on the members of the Board of Directors

VI. Perspectives and development

VII. Information with regards to the application of the National Code for Corporate Governance

VIII. Additional information on Note 10, under Decree №2, issued by the Financial Supervision Commission

IX. Analysis and explanatory notes on the information under Note 11, Decree №2, issued by the Financial Supervision Commission



The annual activities report presents commentary on and analysis of the Financial Statements, and other significant information with regards to the financial position and the results from the entity's activities. It comprises information under Article 33, para. 1 of the Accounting Act and Art. 100 n, para. 7 of the Law on Public Offering of Securities (LPOS), as well as Art. 32, para. 1, b.p. 2 and b.p. 4 of Decree № 2, issued by the Financial Supervision Commission, Art. 187 and Art. 247 of the Commercial Act.

I. General information on the entity

“Trace Group Hold” PLC is a public limited company, as per the meaning of Art. 110 of the Law on Public Offering of Securities (LPOS). The entity is registered in the District Court of Stara Zagora, under company file №255/2005

Domicile and Registered address: No. 12, “Nikola Obrazopisov” Str., 1408, Sofia

Mailing address: No. 12, “Nikola Obrazopisov” Str., 1408, Sofia.

Principal activities:

Acquisition, management, valuation and sale of interest in Bulgarian and foreign entities

Building and construction works

Project Management in the fields of high-rise building and road construction

Consulting services

Trade activities

Rental (sublease) of Non-current assets

Share capital:

24 200 000 BGN, distributed among 24 200 000 non-cash, non-bearer shares, at nominal value of 1 BGN each. As of 27 October 2007, the shares of “Trace Group Hold” PLC are traded on the Bulgarian Stock Exchange.

Servicing Banks:

UniCredit Bulbank JSC

International Asset Bank JSC

DSK JSC

First Investment Bank JSC

United Bulgarian Bank JSC

SG Expressbank JSC

Piraeus Bank JSC

Registered Auditor (CPAs), in charge of the audit: The Specialized Auditing Company “HLB Bulgaria” LTD.

II. Business Development

1. Principal activities

“TRACE GROUP HOLD” PLC is a leader in the Bulgarian construction market; a well establish European entity that successfully develops all its activities in the fields of infrastructure, investment, international trade and logistics. The entity concentrates its activities mainly in the Western Balkans region. The principal activities of TRACE include:

- Construction and maintenance of road infrastructure, on the territory of the Republic of Bulgaria and on the territory of the Republic of Serbia;
- Construction of subways (metro) – execution of 1/3 of the Sofia metro;
- Railway construction – building high-speed railway lines, implementation of innovative railway technology – the Zhismar system;
- Construction and maintenance of civil and military airport, in accordance with the international standards;
- Construction of treatment plants; integrated water cycles; water-mains, water conduits and eco projects;
- High-rise building, with diversified profile, including energy efficiency projects;
- Gas and power facilities, including gas stations.

On the territory of the Republic of Bulgaria, the Holding unites branch related entities from the construction sector. Their activities are specialized in different lines, depending on the capacity and the location of the respective entity. The Holding’s headquarters are located in Sofia, while the headquarters of its subsidiaries are located in the structural regions of Bulgaria – Stara Zagora, Plovdiv, Burgas, Pleven, Yambol, Kardzhali and Smolyan.

The international company – “Trace International” LTD – coordinates the Holding’s business operations with foreign leading partners and financial institutions (foreign-based activities). The priority foreign markets include: the Balkans, Central Europe, the Middle East and the countries in the Persian Gulf, Central Asia and Far East.

Over the last 5 years, “Trace Group” PLC has firmly penetrated the Serbian construction market. Currently, the entity executes large infrastructure projects (sections of trans-European highways), valued at over 95 million Euros. The Holding established a branch and two subsidiaries (“New Bridges” and “Trace Balkans”) in Belgrade. The core activities of the established entities related to infrastructural construction and to trade activities. The Belgrade joint-stock company for design and supervision of large scale water projects and sites – “Vior Velika Morava” – was successfully privatized. Two large Serbian road construction companies – “Trace PZP Nis” JSC and “Trace PZP Vranje” LTD – were acquired in 2014 and in the beginning of 2015 respectively. Both entities operate on the territory of a total of 28 Serbian Municipalities and maintain nearly 3 000 km of their road network. The entities own one of the largest aggregate quarries for inert materials in the Republic of Serbia, 7 asphalt plants, more than 220 items of construction machinery and equipment, modernly equipped administrative buildings and production sites.

In Central Europe, the Holding is positioned in the Czech Republic. The entity has an established and efficiently operating branch in Prague, which is currently executing two projects – extension of treatment plants at the Prague Airport and construction of a water supply system in the city of Benesov. The branch is also actively applying and participating in new tenders.

TRACE established the entity “Redko Trace International” in Doha, Qatar. The entity applies innovative technologies for the stabilization of roads and participates in meetings with senior Qatari institutions and the Bulgarian State Authorities.

The Holding holds the rights over the “TRACE” brands and over the commercial brand “Master Builder of the year”, issued by the Patent Office of the Republic of Bulgaria.

“Trace Group Hold” PLC is a member of the:

- Bulgarian Construction Chamber
- Bulgarian Branch Chamber “Roads”
- Confederation of the Employees and Industrialists in Bulgaria (KRIB)
- Bulgarian Industrial Capital Association (BICA)
- “Bulgarian Forum for Transport Infrastructure” Association
- Road Safety Bulgarian Branch Association
- Bulgarian Water Association (BWA)
- Bulgarian – Chinese Chamber of Commerce and Industry
- Bulgarian – Russian Chamber of Commerce and Industry
- Bulgarian – Polish Chamber of Commerce and Industry

2. Operating results

Net Sales Income Structure:

Consolidated Operating Income for the financial reporting 2014 amount to 345 539 thousand BGN and have increased by 6.97% in comparison to the financial reporting 2013 (when such amounted to 323 031 thousand BGN).

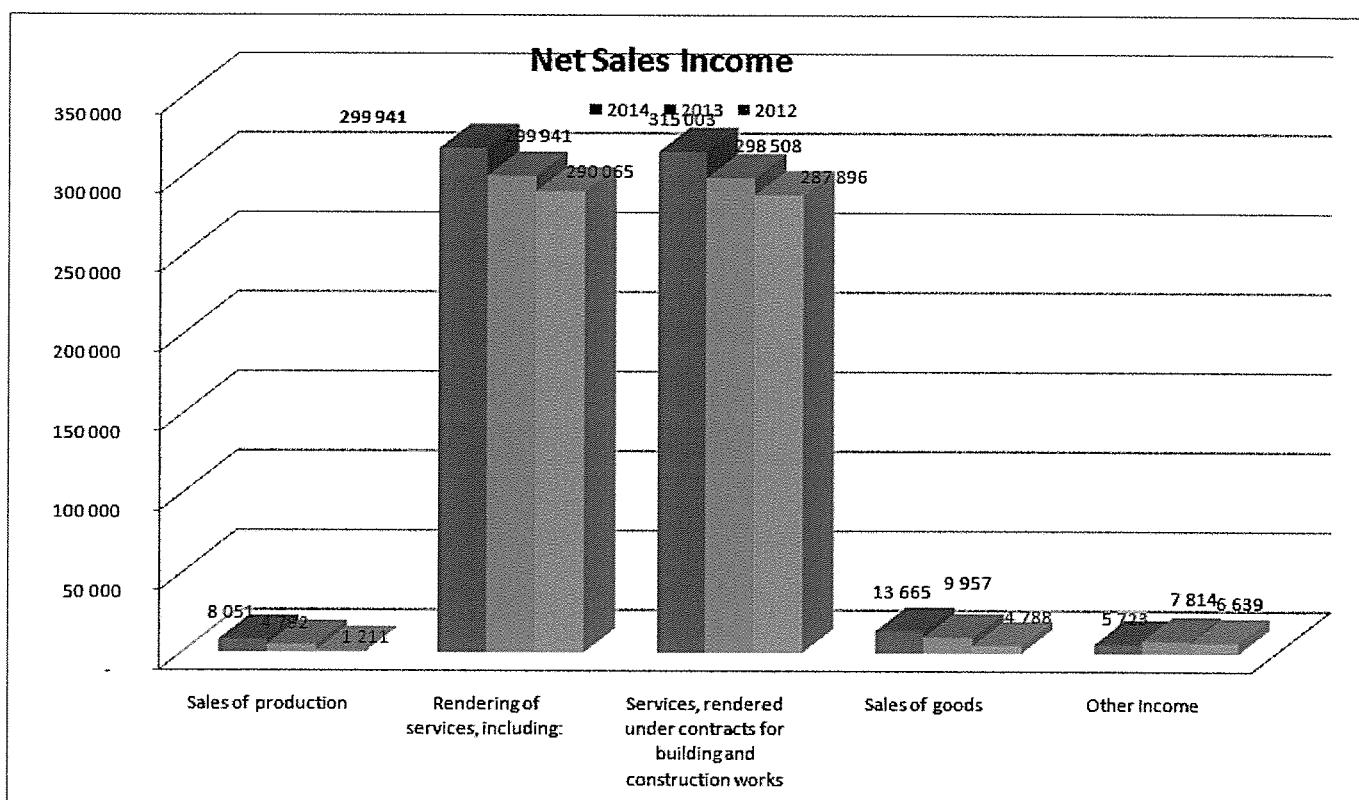
Consolidated Net Sales Income amount to 344 512 thousand BGN and have increased by 6.82%, compared to the same for the financial reporting 2013 (when such amounted to 322 504 thousand BGN).

Sales Income, generated by the entities in the Group, is mainly realized under projects, executed on the territory of the Republic of Bulgaria. Sales Income form 95% of the total Income. The remaining 5% of Income is generated from the Group’s activities, executed on the territory of the Republic of Serbia and the Czech Republic.

Thousands of BGN

	2014	Relative share 2014	2013	Relative share 2013	2012	Relative share 2012
Sales of production	8 051	2,34%	4 792	1,49%	1 211	0,40%
Rendering of services, including:	317 073	92,04%	299 941	93,00%	290 065	95,83%
Services, rendered under contracts for building and construction works	315 003	91,43%	298 508	92,56%	287 896	95,11%
Sales of goods	13 665	3,97%	9 957	3,09%	4 788	1,58%
Other Income	5 723	1,66%	7 814	2,42%	6 639	2,19%
Total	344 512	100,00%	322 504	100,00%	302 703	100,00%

Income, generated from rendering of services form the largest portion of the Net Sales Income. Income, generated from rendering of services amount to 317 073 thousand BGN and have increased, in comparison to the prior reporting period, with 17 132 thousand BGN (the latter amounted to 299 941 thousand BGN in 2013). Their relative share to the Net Sales Income decreases with 0.96% (from 93.00% in 2013 to 92.04% in 2014). Income, generated from Buildings and construction works, amounting to 315 003 thousand BGN, form a large portion of the Income, generated from rendering of services. The latter represent 91.43% of the total Net Sales Income. Their absolute value records an increase, compared to the reporting period 2013, of 16 495 thousand BGN. Nevertheless, their relative share of the total Net Income decreases by 1.13%. The main reason behind this lies in the different, compared to the prior reporting period, volumes of finished goods and goods.



In 2014, the entities in the Group performed works on over 170 projects and sites.

The most significant projects, executed during the reporting period are:

1. Extension of the Sofia Metro - First Diameter, Section “Tsarigradsko Shosse” Blvd. (MS 19) - “Druzhba” Residential District – Sofia Airport (MS 23), LOT II: Section from km 3+184.90 (the end of MS 20) to “Poruchnik Nedelcho Bonchev” Str., km 5+010.00;
2. Additional design and construction of site: Road II-18 “Sofia Ring Road, in the section from km 59+400 to km 61+629.18, and from km 0+000 to 0+780”;
3. Mechanised renewal of the railway track in the interstation Pirdop – Anton, from km 84+320 to km 90+515, at track length of 6195 m. along the 3rd major railway line;
4. Bypass road of the town of Vratsa – Road I-1 (E 79), from km 0+000 to km 6+816,60;
5. Integrated water project in Stara Zagora, financed by the European Union’s Cohesion Fund and the State Budget of the Republic of Bulgaria, under Operational Program “Environment 2007 – 2013”;

6. Rehabilitation of the railway infrastructure along sections of the railway line Plovdiv – Burgas, LOTs:

LOT № 2 – Rehabilitation of railway sections Stara Zagora – Zavoy (km 190+590 in the interstation in Yambol – Zavoy) and Zavoy – Zimnitsa (from km 192 +706 to the front of the “Zimnitsa” station), including the main tracks in the stations “Stara Zagora” and “Yambol”, and all stations and stops between them, built with approximate track length of 120 km.;

LOT № 3 – Rehabilitation of the railway section Tserkovski – Karnobat, including the main tracks in the “Tserkovski” station, with an approximate unfolded track length of 28 kilometres, and track renewal of the railway line Karnobat – Burgas, including the main tracks in the stations “Karnobat” and “Burgas”, and all stations and stops between them, with an approximate track length of 122 km.

7. LOT 60 Rehabilitation and reconstruction of Road III-7602, 1-5 Region, the Boarder with RRA Haskovo – G. Manastir – Krumovo – Inzovo – Roza, from km 8+600 to km 39+800 – Section “Miladinovci – Roza” Region, from km 23+915 to km 39+800, Yambol District, at total track length 15.885 km;

8. LOT 3, Energy efficiency measures in public buildings in the Central South Planning Region of Bulgaria;

9. Recovering of the project’ speed for the railways’ section Sofia – Mezdra, Road №2, LOTs: LOT №2 – Section from km 33+485 to km 41+578, at length 8093 m;

10. Construction of “Regional Non-hazardous Waste Landfill”, Pernik Region;

11. Additional design on servicing the urban areas, adjacent to road I-9 “Sunny Beach – Burgas”, from km. 222 + 849.41 to km 224 + 400, including: Entrance to and exit from the local lane, serving properties in the Section from km. 223 + 960 to km. 224 + 400;

12. Road junction “Balgarovo”, at km. 352 + 084, along “Trakya” Highway, Section: “Orizovo – Burgas”, from km 325 + 280 to km 360 + 568.46;

13. Construction of a new sports hall to the sports complex “SLIVNISHKI GEROY” and providing accessible environment for disabled people;

14. Integrated project for construction of the WWTP, in the town of Kostinbrod, and completing the construction and modernization of sewerage networks and the related facilities for the town of Kostinbrod;

15. Maintenance (current and winter) and current repairs on the MRN (Municipal Road Network) of the Municipality of “Tundzha”;

16. Current repairs of streets and pavements in the populated areas of the Municipality of “Tundzha”;

17. Reconstruction of “Mladezhki” (“Youth”) park, Svilengrad;

18. Implementation of building and construction works under a core project, covering: the City Garden, “Nezavisimost” (“Independence”) Square, Knyaz Boris I Blvd., Rouse Str., under a project of the Varna Municipality “Aesthetics and modernization of the main pedestrian areas and public recreation areas in Varna”;

19. Rehabilitation of a Municipal Road PVN 1146 /II – 35/, Pleven – Pelishat – Municipal Boarders /Pleven – Pordim/ – Valtchitran – Borislav /LOV 1065/, i.e. the section “Kateritsa” village – “Borislav” village; Rehabilitation of the Municipal Road LOV 1065 / III – 301, “Letnitsa” town – “Umarevtsi” village / “Aleksandrovo” village – municipal border /Lovech – Pordim/ “Borislav” village – “Odarne” village /III – 3501/, i.e. the Section “Borislav” village – “Odarne” village; Patching holes and deformations in the asphalt pavement of streets in the populated areas of the

Municipality of Pordim, Pleven region, included in the Capital costs for 2014 of the Municipality of Pordim;

20. Development and rehabilitation of municipal property on the territory of the Municipality of “Iskar”, including : “Repairs of the road network in the town of Iskar”, “Rehabilitation of central city part (CCP) in RLP II, 67 sq. and RLP II, 66c sq. of the plan for the town of Iskar” and “Reinforced concrete bridge and retaining wall on “P. Beron” Str. in the town of Iskar”;

21. Construction and rehabilitation of “Silistra” Str., from O.T. 431 to O.T. 576, 0 + 000 to 0 + 114.74 and the local lanes and pavements at “Odrin” Blvd., in the town of “Luybimets”;

22. Repairs of a port-bridge at the town of Ahtopol;

23. Current repairs and winter maintenance at the town of Nis, the Republic of Serbia;

24. Current repairs and winter maintenance at the town of Pirot, the Republic of Serbia;

25. Reconstruction of the local road of Praskvica – junction with IIA 158;

The international projects, which began in 2014, but under which real income will be recognized the next reporting period, are:

1. Construction of a Section of E75 Highway, the Republic of Serbia, Grdelica (Gornje Polje) – Caricina Dolina;
2. Construction of a Section of E80 Highway, Bela Palanka – Pirot (West), the Republic of Serbia
3. Construction of the Highway along the Section “Bypass Dimitrovgrad” – border checkpoint (finishing works);
4. E80 Highway Nis (Prosek) – Dimitrovgrad (to the borders with the Republic of Bulgaria), Section: Pirot (East) – Dimitrovgrad;
5. Extension of the Waste-Water Treatment Plant and Sewage Water Treatment Plant South – Prague – Ruzyne International Airport
6. Building of a group water supply (conduit) Benesov – Sedlicani, Czech Republic.

The main Assignors under contracts, executed by the entities in the Group of “Trace Group Hold” PLC, are the Road Infrastructure Agency, Metroliten PLC, the National Railway Infrastructure Company (NRIC), Municipalities, located throughout the country, Corridors of Serbia LTD.

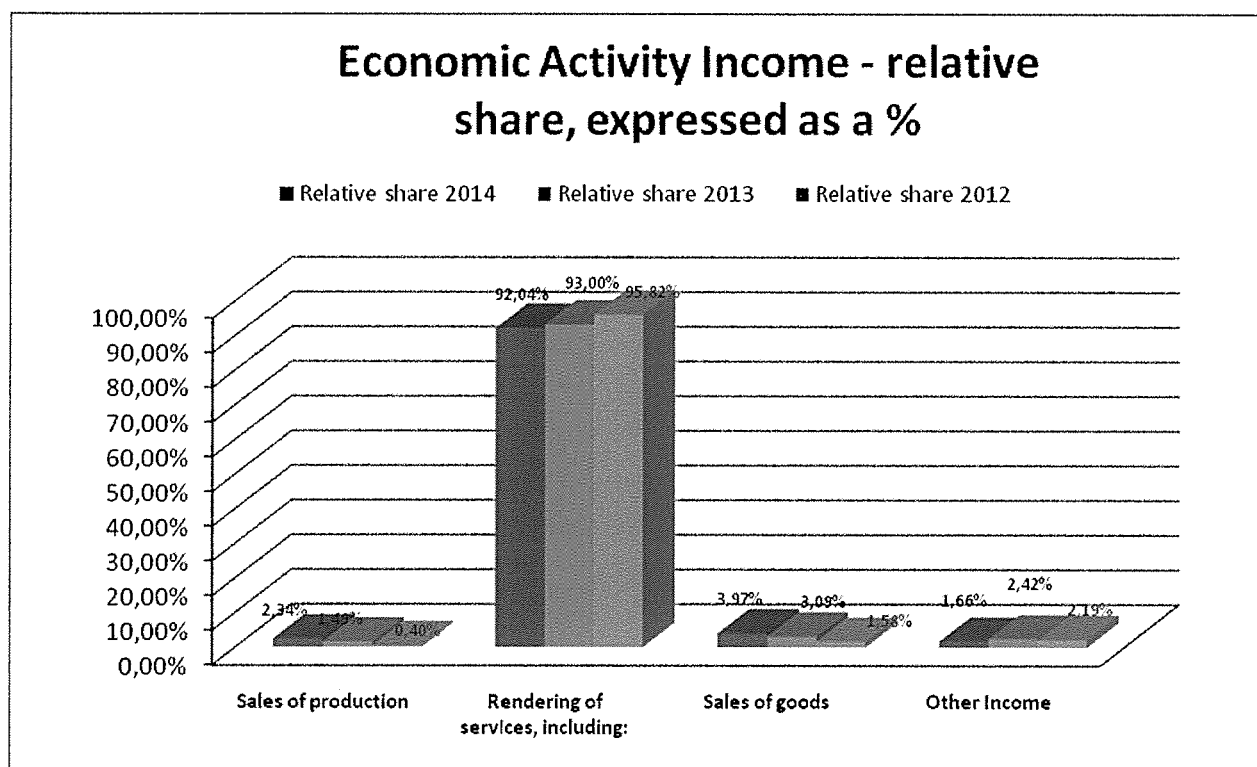
In 2014, Income from sales of production amount to 8 051 thousand BGN and compared to the prior reporting 2013, such have increased by 68.01% (the latter amounted to 4 792 thousand BGN in 2013). This income represents 2.34% of the total Net Income from Sales and their relative share has increased, compared to the prior reporting period, by 0,85%. The realized in 2014 production was mainly generated from the sale of asphalt mixtures – 7 298 thousand BGN – and inert materials – 554 thousand BGN. Despite the low relative share of Income from sales of production to the total Net Sales Income, the absolute value of Income from sales of production increases compared to the prior reporting period. Over the last years, the entities in the Group used the generated by them production in order to ensure the construction projects and sites in which they engaged. The provided mobile asphalt mixing plants allow higher production volumes and realization to consumers’ sites, outside the Group of “Trace Group Hold” PLC.

Sales of goods also hold a small share in the Net Sales Income. Despite the fact that the relative share of Income from sales of goods records an insignificant growth, their absolute value increases by 3 708 thousand BGN, representing a 37.24%. This Income from sales of goods is mainly generated

from the Holding’s commercial entity – Trace Commerce Ltd. By their nature, such Income is Income from sales of fuel, bitumen, materials for railway construction, technical salt.

Compared to the financial reporting 2013, Income, generated from other sales in 2014 records a decrease, both in absolute value, as well as in its relative share to the total Net Sales Income. The latter decrease by 2 091 thousand BGN, while their relative share to the Net Sales Income decreases by 0.76%. Income from sales of materials, rentals, compensation and fees, and written off liabilities form Other Income. Income from sales of materials increases in 2014 and amounts to 4 360 thousand BGN (compared to 3 354 thousand BGN in 2013). Per their nature, the later represent the materials, sold by the entities in the Group to subcontractors, in order to secure their activities and ensure materials at the requisite quality. The written off liabilities decrease and in 2014 the same amount to 536 thousand BGN.

The relative share that each of the different types of Income holds to the Net Sales Income is illustrated in the graph hereafter:

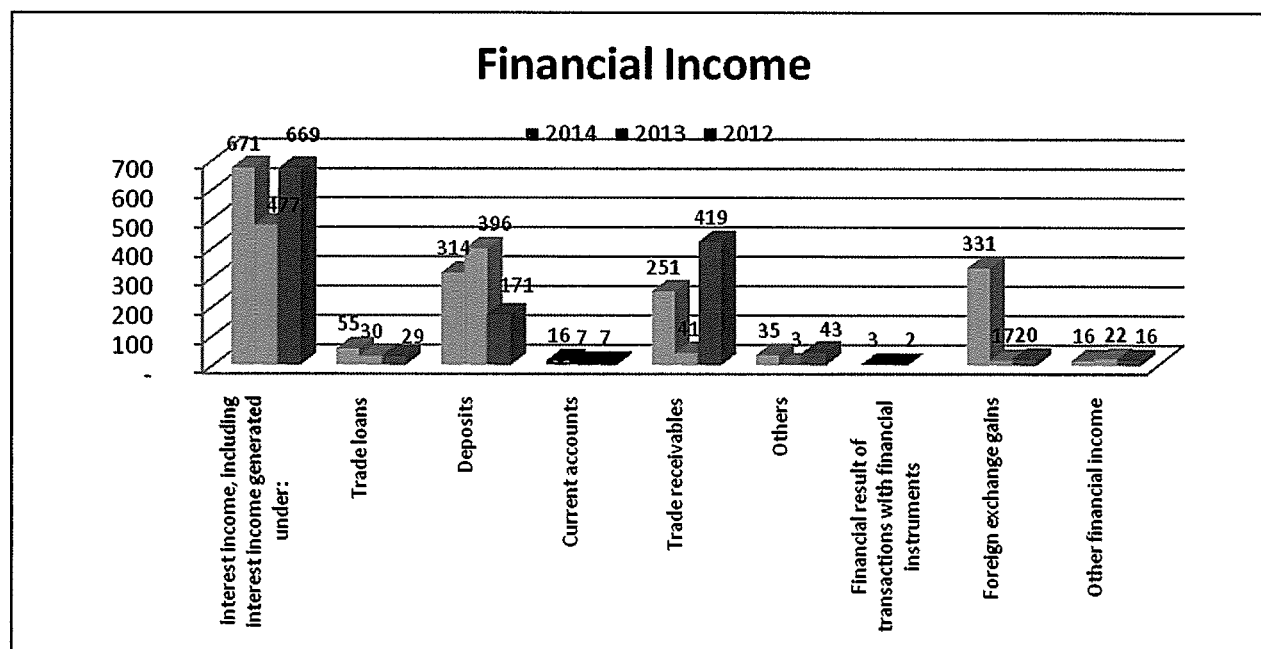


Financial Income Structure

In 2014, Financial Income amounted to 1 021 thousand BGN and have increased by 97,10% in comparison to the prior reporting period (in 2013, such amounted to 518 thousand BGN). This is a result of the increased Interest income, generated in 2014 under Trade receivables, amounting to 251 thousand BGN (compared to 41 thousand BGN in 2013) and the increased Foreign exchange gains, amounting to 331 thousand BGN (compared to 17 thousand BGN in 2013). Interest income, generated under placed deposits decrease and in 2014 such sum to 314 thousand BGN, compared to 396 thousand BGN in 2013. The realized Foreign exchange gains result from the increased transactions, denominated in foreign currencies, between the entities in the Republic of Bulgaria and the entities, and branch, in the Republic of Serbia, as well as the branch in the Czech Republic. The absolute value of

Interest income, generated under Trade loans, amounts to 55 thousand BGN, compared to 30 thousand BGN in the financial reporting 2013. Thorough information on the loans, granted by the entities in the Group, is presented in the Financial Statements.

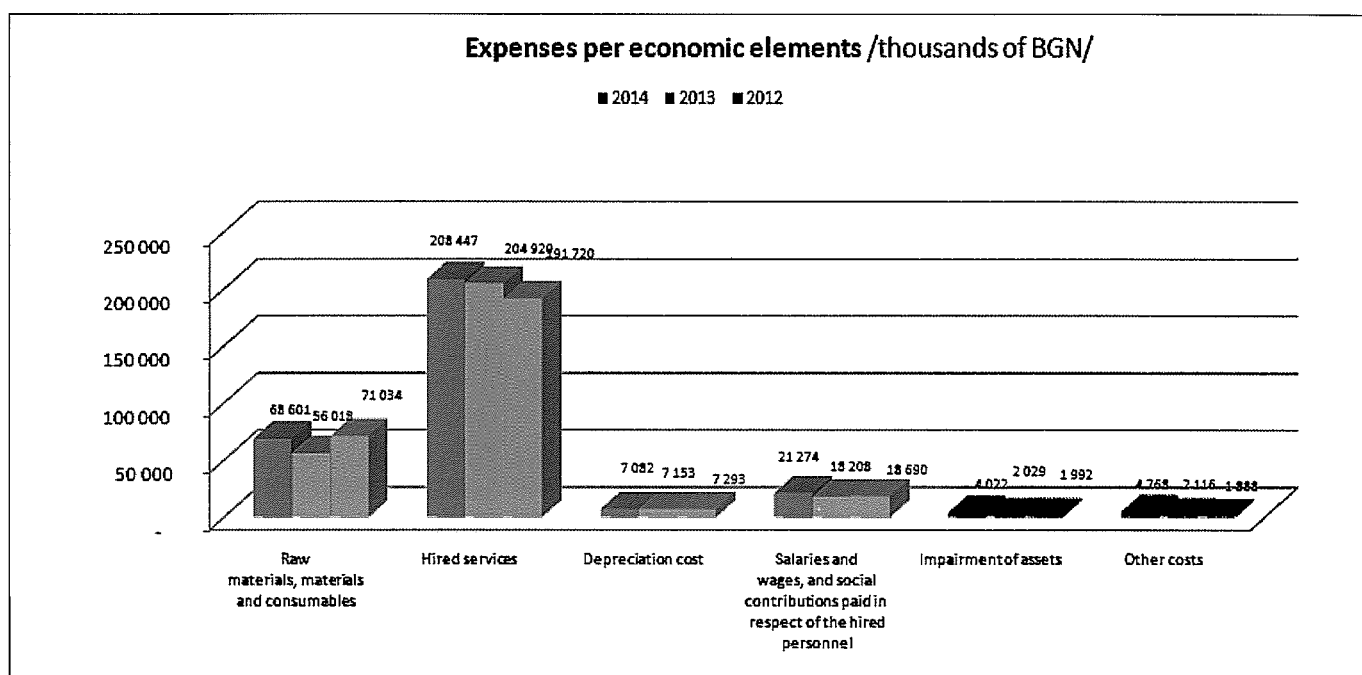
Type of income	2014	Relative share 2014	2013	Relative share 2013	2012	Relative share 2012
Interest income, including interest income generated under:	671	65,72%	477	92,08%	669	94,89%
Trade loans	55	5,39%	30	5,79%	29	4,11%
Deposits	314	30,75%	396	76,45%	171	24,26%
Current accounts	16	1,57%	7	1,35%	7	0,99%
Trade receivables	251	24,58%	41	7,92%	419	59,43%
Others	35	3,43%	3	0,58%	43	6,10%
Financial result of transactions with financial instruments	3	0,29%	2	0,39%		0,00%
Foreign exchange gains	331	32,42%	17	3,28%	20	2,84%
Other financial income	16	1,57%	22	4,25%	16	2,27%
Total	1 021	100,00%	518	100,00%	705	100,00%



Expenses Structure, per economic elements

In comparison to the financial reporting 2013 and subsequent to the increased Sales Income, Expenses per economic elements record an increase of 8.18%. The relative share of the different expense types also changes – with the exception of depreciation costs, the absolute values of all expenses increase.

Types of expense	Thousands of BGN					
	2014	Relative share 2014	2013	Relative share 2013	2012	Relative share 2012
Raw materials, materials and consumables	68 601	21,83%	56 018	19,29%	71 034	24,28%
Hired services	208 447	66,35%	204 920	70,55%	191 720	65,52%
Depreciation cost	7 082	2,25%	7 153	2,46%	7 293	2,49%
Salaries and wages, and social contributions paid in respect of the hired personnel	21 274	6,77%	18 208	6,27%	18 690	6,38%
Impairment of assets	4 022	1,28%	2 029	0,70%	1 992	0,68%
Other costs	4 768	1,52%	2 116	0,73%	1 888	0,65%
Total expense per economic elements	314 194	100,0%	290 444	100,0%	292 617	100,0%



In comparison to 2013, the cost of raw materials, materials and consumables for the financial reporting 2014 record the most significant change in their absolute value. Nevertheless, the relative share of the later to the total expenses, per economic elements, does not change as significantly as their absolute value. The cost of Raw materials, materials and consumables increase by 12 583 thousand BGN, or by 22.46%. By their nature, these are the costs incurred for direct raw materials and overheads, consumed in the production process, expenses for fuels and lubricants, tires, spare parts, electricity, stationary and consumables, water and others. Their relative share to the total expenses per

economic elements has increased to 21.83% in the current reporting period, compared to 19.29% in 2013.

The expenses incurred for direct raw materials – 57 901 thousand BGN – and the expenses incurred for Fuels and lubricants – 6 013 thousand BGN – form the most significant portion of the cost of raw materials and consumables. Compared to the prior period, expenses incurred for direct raw materials increase with 12 582 thousand BGN, or by 27.76%, while the expenses, incurred for fuel and lubricants, record a decrease of 1 195 thousand BGN, or by 16.58%. This growth in the direct raw materials consumed relates and to the increased amount of building and construction works, executed in 2014 by the Group. Expenses, incurred for spare parts form a large portion of the cost of materials. Expenses incurred for spare parts sum up to 1 130 thousand BGN and record a decrease, compared to the same in 2013, of 31 thousand BGN (in the prior reporting period such amounted to 1 161 thousand BGN). The specialized equipment, acquired and exploited by the entities in the Group, as well as the purchased motor vehicles, owned by the subsidiary Trace Trans LTD, requires constant maintenance and repairs of these assets. The costs for tires, amounting to 534 thousand BGN in 2014, and of consumables for the transport vehicles, amounting to 212 thousand BGN in 2014, also increase in comparison to the prior reporting period, when such amounted to 404 thousand BGN and 51 thousand BGN respectively. As a result of the increased prices of electricity, the costs, incurred by the Group for electricity have increased in comparison to the prior reporting period (534 thousand BGN in 2014, compared to 404 thousand BGN in 2013). No significant changes, in comparison to the prior reporting period, can be observed in the values of the other cost of materials. The practice of Trace Group Hold PLC is to purchase raw materials and fuels by the Holding’ subsidiary Trace Commerce LTD. The centralized supplies of materials allow rhythmical supply of the entities in the Group, price optimization and guaranteed quality of the purchased materials.

Hired services comprise of: expenses incurred with regards to subcontractors, hired transport, repairs, insurance, subscriptions, laboratory testing, design, advertising, consulting and other contracts, security, taxes and fees and others. In 2014, a relatively identical to the prior reporting period expense structure can be observed. The absolute value of the Hired services grows with 3 527 thousand BGN in comparison to the prior reporting period – 208 447 thousand BGN (in 2014), compared to 204 920 thousand BGN (in 2013). Despite their increased absolute value, the relative share of hired services to the Operational costs per economic items records a decrease – 66.35% (in 2014) compared to 70.55% (in 2013). The services, rendered by subcontractors amount to 178 074 thousand BGN and form 85.42% of the total amount of the Hired services. The absolute value of the later has recorded a decrease, in comparison to the same 2013, of 5 812 thousand BGN (in 2013 such amounted to 183 886 thousand BGN). This change conveys that regardless of the increased Operating Income, the entities in the Group, executed larger volumes of work with their own resources. Both the absolute value and relative share of the Hired transport costs has also increased in 2014 (5 524 thousand BGN, or 2.65%) compared to the same in 2013 (3 973 thousand BGN, or 1.93%). An increase in Mechanization costs can be observed in 2014 (6 874 thousand BGN, or 3.29%) compared to the same in 2013 (5 872 thousand BGN, or 2.86%). The reason for this increase is the additionally hired, in periods of intense work activities, machinery and motor vehicles. The distant location of part of the executed projects and sites, and the specificity of some construction works, impose on the Group the requirement to use assets of others in order to achieve better effectiveness. Security costs, amounting to 2 236 thousand BGN, have also increased significantly (the same amounted to 1 344 thousand BGN in 2013). Securing the owned by the Group assets, property and construction materials at the different sites, forms the increased values of such costs.

Insurance costs for the current reporting period amount to 1 089 thousand BGN and have increased compared to the prior reporting period by 258 thousand BGN. The tax and fee expense, amounting to 658 thousand BGN in 2014, have also increased in comparison to the same in 2013, when they amounted to 559 thousand BGN. Expenses incurred under Consulting and other contracts and the design cost are the components of Hired service, which record an increase in the current reporting period, compared to the same in 2013. Expenses, incurred under Consulting and other contracts increase by 1 192 thousand BGN and in 2014 sum up to 4 633 thousand BGN, compared to 3 441 thousand BGN in 2013. Design costs increase by 2 668 thousand BGN and in 2014 amount to 2 717 thousand BGN, compared to 49 thousand BGN. No significant changes can be observed in the Cost of Repairs (amounting to 635 thousand BGN, compared to 509 thousand BGN in 2013) and in the Advertising costs (amounting to 208 thousand BGN, compared to 178 thousand BGN in 2013).

In comparison to the prior reporting period, no significant changes in the values of the accrued in 2014 Depreciation costs can be observed – namely Depreciation costs in 2014 sum up to 7 082 thousand BGN, compared to 7 153 thousand BGN in 2013. In 2014, the value of the newly acquired Non-current Tangible Assets significantly differs from the value of the same in the prior reporting period. The later sum up to 11 369 thousand BGN in 2014, compared to 1 474 thousand BGN in 2013. This increase is mainly due to the assets of the acquired in the Republic of Serbia entity – Trace PZP Nis AD (JSC). The acquired and put in exploitation Non-current Tangible Assets in the Group are: Machinery and equipment, at carrying amount 3 475 thousand BGN, plant of 2 438 thousand BGN, buildings, of net book value of 2 325 thousand BGN and transport vehicles, worth at 1 701 thousand BGN. Lands, at book value of 611 thousand BGN and other assets, with book value 630 thousand BGN were also acquired within the current reporting period. The acquired Non-current Tangible Assets amount to 44 thousand BGN.

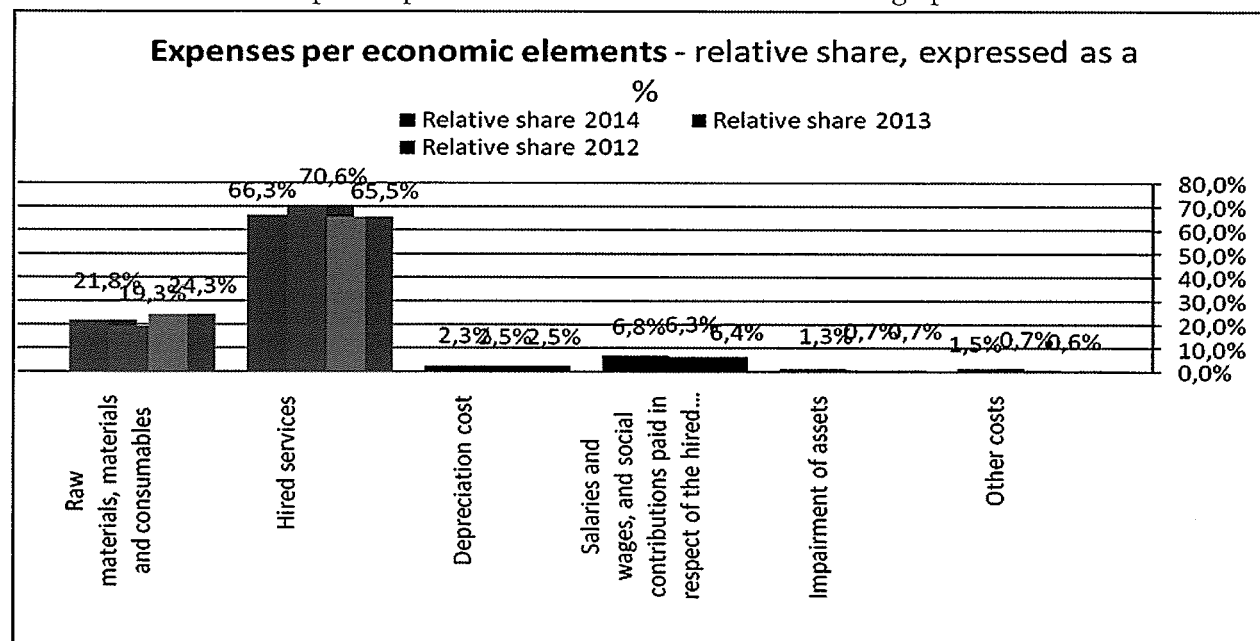
The Group has accrued, as at 31.12.2014, impairment losses in the amount of 4 022 thousand BGN. Compared to the same in the prior reporting period, in 2014, the Group has accrued 1 993 thousand BGN more impairment losses. These expenses are mainly formed by the accrued impairment of cash at bank and cash equivalents, held under current accounts and current deposits at Corporate Commercial Bank, which are not guaranteed by the Bulgarian Deposit Insurance Fund, amounting to 3 734 thousand BGN. The balance of 288 thousand BGN is a result of impairment of trade receivables. The entities in the Group impair receivables, whose collectability is uncertain.

Salaries and wages have increased in absolute terms, with such amounting to 21 274 thousand BGN in 2014, compared to 18 208 thousand BGN in the prior reporting period. Their relative share to the total operating expenses retains its value – 6.27% (in 2013) compared to 6.77% (in 2014). The average number of personnel, employed in the Group as at 31.12.2014, increased in comparison to its 2013 levels. As at 31.12.2014, 1 451 people were employed in the Group. In order to optimize cost, when appointing new personnel, the Management takes into consideration the specificity, terms and deadlines of the different contracts, which the Group has engaged in. The increase in the average number of personnel, employed in Group, is a result of the acquisitions of new entities. Furthermore, this increase was conducted in order to ensure that the 4 main projects and sites on the territory of the Republic of Serbia with the requisite for the effective and efficient execution work force.

Other operating expenses include expenses for Business Trips, Entertainment costs, expenses related to donations and grants, penalties and fee charges accrued, costs relating to medical services provided in the course of the activities, provisions of expected costs and others. In 2014, Other expenses amount to 4 768 thousand BGN and represent 1.52% of the total expenses per items. Such have recorded an increase, both in their absolute value, as well as in their relative share. The expenses,

for Business Trips, the Entertainment costs, and the expenses related to donations and grants, amounting to 478 thousand BGN, 318 thousand BGN and 388 thousand respectively, form a large portion of Other expenses. Expenses, incurred under provisions of contracts for buildings and construction works, form the largest portion of these Other costs. Such amount to 2 250 thousand BGN and secure future expenses, which the entities would incur in the periods in which they should maintain, as per the terms of the signed contracts, the already completed construction projects and sites.

The relative share of Expenses per economic items is illustrated in the graph hereafter:

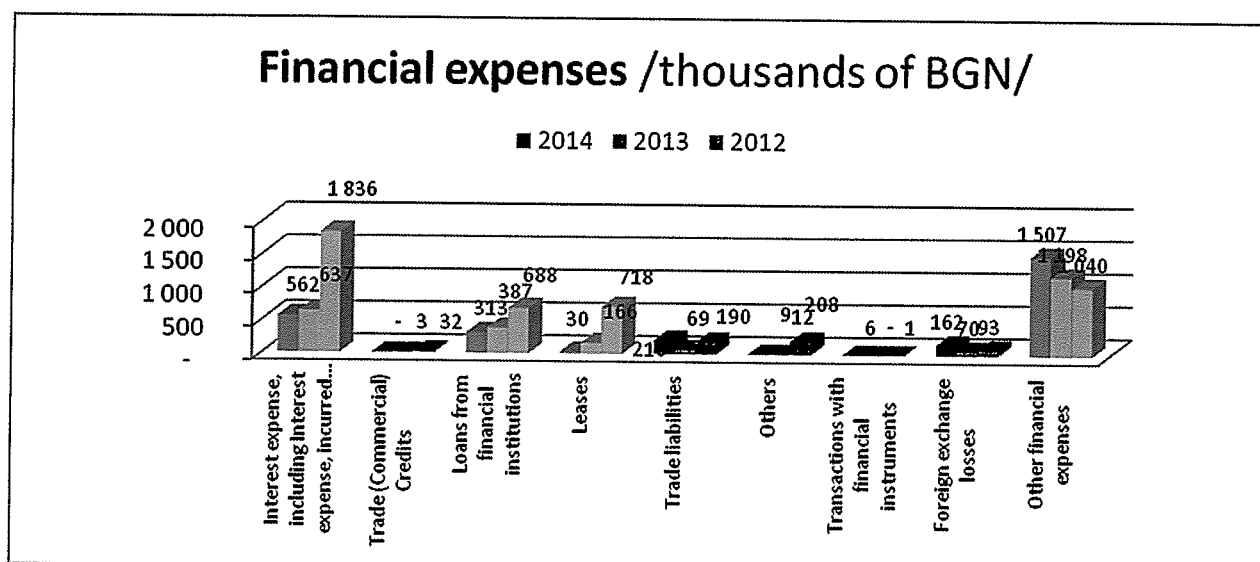


Financial Expenses' Structure

In 2014, Financial expenses amount to 2 237 thousand BGN and record a 17,43% increase, compared to the same for the financial reporting 2013. Other financial expenses, comprising mainly expenses, accrued for bank guarantees, are the Financial expenses' component with the highest value – 1 507 thousand BGN. Interest income amounts to 562 thousand BGN and represents 25.12% of the Financial Expenses.

Thousands of BGN

Type of expense	2014	Relative share 2014	2013	Relative share 2013	2012	Relative share 2012
Interest expense, including Interest expense, incurred under:	562	25,12%	637	33,44%	1 836	61,82%
Trade (Commercial) Credits		0,00%	3	0,16%	32	1,08%
Loans from financial institutions	313	13,99%	387	20,31%	688	23,16%
Leases	30	1,34%	166	8,71%	718	24,17%
Trade liabilities	210	9,39%	69	3,62%	190	6,40%
Others	9	0,40%	12	0,63%	208	7,01%
Transactions with financial instruments	6	0,27%			1	0,03%
Foreign exchange losses	162	7,24%	70	3,67%	93	3,13%
Other financial expenses	1 507	67,37%	1 198	62,89%	1 040	35,02%
Total	2 237	100,00%	1 905	100,00%	2 970	100,00%



Compared to the prior reporting period, Interest expenses, incurred under leases, records a decrease of 30 thousand BGN. New lease agreements were signed in 2014 with Interlease JSC, Interlease Auto JSC and DSK Operating Lease LTD. The concluded in 2012 lease agreements with “Sogelease Bulgaria” LTD continue to enact.

Subsequent to the increased transactions, denominated in foreign currencies, foreign exchange losses also increase. Due to the continuing activities of the Group’s entities in foreign markets, the amounts of these expenses are expected to increase and in the next reporting period.

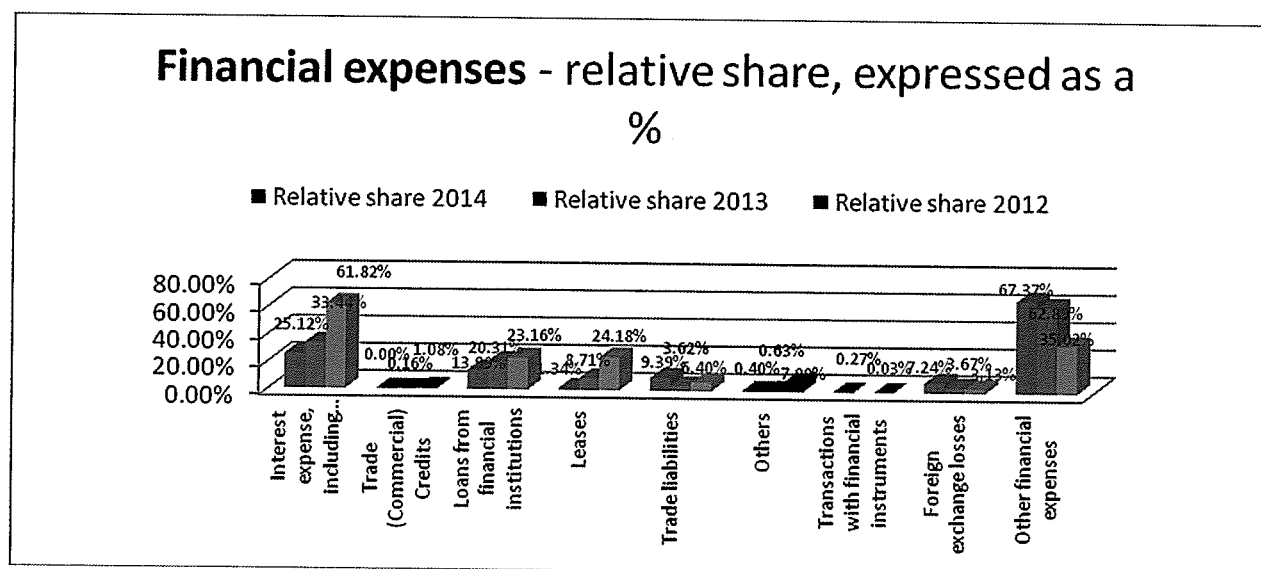
In 2014, Interest expenses, incurred under loans from financial institutions decreased, compared to the same in 2013, by 19.12%.

In 2014, Interest expenses, incurred under Trade liabilities amounted to 210 thousand BGN and increased, compared to the same in the 2013 reporting period, when they amounted at 69 thousand BGN.

In 2014, the relative share of interest expenses, incurred under loans and credits from financial institutions, to the total financial expenses have decreased – from 20.31% in 2013 to 13.99% in 2014. This decrease arises from the lower, compared to the prior reporting period, utilized borrowed funds. The entities in the Group serve several short-term credits – one revolving credit and an overdraft from UniCredit Bulbank JSC, a short-term credit line in First Investment Bank JSC, as well as three investment credits from SG Expressbank JSC. As at 31.12.2014, the total sum of funds, utilized under bank credits, amount to 7 849 thousand BGN.

In comparison to the prior reporting period, Other financial expenses, record the highest growth – 25.79%. This growth is mainly arising from the increased expenses, related to bank guarantees. Trace Group Hold PLC has signed framework agreements for bank guarantees. As at 31.12.2014, the amounts per contract and the placed bank guarantees are as follows:

Bank	Limit – as per the contract in thousands of BGN	Guarantees, effective as at 31.12.2014 in thousands of BGN
Societe General Expressbank JSC	49 090	35 979
FIB JSC	19 358	12 513
UniCredit Bulbank JSC	47 360	40 112
DSK Bank JSC	16 005	9 882
UBB JSC	20 000	870
Total:	163 519	103 329

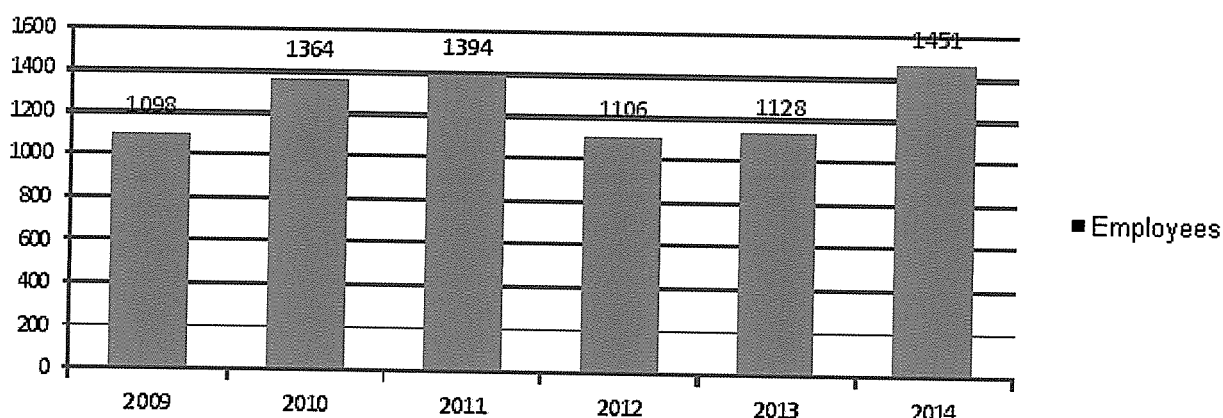


Personnel

As at 31.12.2014, the structure of the personnel, employed in the Group, per labour category, is as follows:

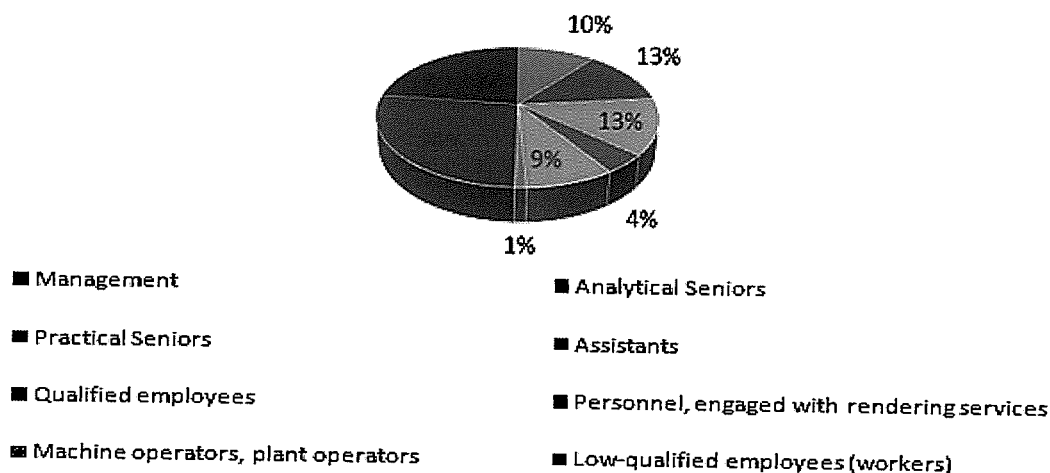
	Number of employees as at 31.12.2014	Number of employees as at 31.12.2013
Total employees	1 451	1 128
Management	151	155
Analytical Seniors	182	109
Practical Seniors	190	167
Assistants	64	31
Qualified employees	125	79
Personnel, engaged with rendering services	17	26
Machine operators, plant operators	384	339
Low-qualified employees (workers)	338	222

Total Number of Employees for the period from 2009 to 2014



Regardless of the challenging economic environment and the growing unemployment in the country, the Holding's Management managed to ensure a satisfactory employment rate. In 2014, the number of personnel, employed in the Group, increased compared to the number of personnel in 2013. The acquisition of the new Serbian entities is one of the factors that contribute for this increase.

Relative share of the Number of employees - %



3. Financial – Accounting Analysis. Financial indicators and ratios

Accounting policy

In compliance with the enacting legislation of the Republic of Bulgaria, “Trace Group Hold” PLC applies the International Financial Reporting Standards. The current Financial Statements are prepared in compliance with the requirements of the International Financial Reporting Standards, endorsed by the European Union. The main principles of the Accounting Act and the requirements under the International Accounting Standards, of the Individual Chart of accounts and of the individual Accounting policy of the entity, are applied throughout.

The entity has not changed its accounting policy with regards to the adoption and application of all new and / or revised IFRS, effective for the current reporting period, beginning on 01.01.2014, as no items or operations that would be affected by the revisions and amendments to the IFRS have occurred during the reporting period.

Financial indicators, ratios and coefficients

The Group has closed the financial reporting 2014 with profit of 9 413 thousand BGN. This financial result represents a decrease of 44%, compared to the financial result (profit) for the financial reporting 2013. Compared to the prior reporting period, Total Income increase by 7%, while Total Losses increased by 10%. This on one hand is a result of the preparation works under projects, conducted in the prior reporting period, on the territory of other countries. The expenses under these projects are recognized on a current basis, while the main portion of construction works will be concluded in 2015.

The Group’s financial position for 2014 is reflected in the following economic indicators:

Indicators

№	Indicators	2014	2013	Difference	
		Value	Value	Amount	%
1	Non-current Assets (total)	90 936	84 250	6 686	8%
2	Current Assets, including	145 963	160 279	(14 316)	-9%
3	Inventory	8 012	8 424	(412)	-5%
4	Current receivables	99 356	100 968	(1 612)	-2%
5	Current Financial Assets	828	6 548	(5 720)	-87%
6	Cash and cash equivalents	37 767	44 339	(6 572)	-15%
7	Total Assets	236 899	244 529	(7 630)	-3%
8	Equity	102 530	96 341	6 189	6%
9	Financial Result	9 143	16 365	(7 222)	-44%
10	Non-current Liabilities	9 443	12 911	(3 468)	-27%
11	Current Liabilities	125 110	135 338	(10 228)	-8%
12	Total Liabilities	134 553	148 249	(13 696)	-9%
13	Total Income	345 539	323 031	22 508	7%
14	Sales Income	344 512	322 504	22 008	7%
15	Total expenses	335 152	304 690	30 462	10%

Ratios

№	Ratios	2014	2013	Difference	
		Value	Value	Amount	%
Profitability:					
1	Return on Equity	0.09	0.17	(0.08)	-48%
2	Return on Assets	0.04	0.07	(0.03)	-42%
3	Return on Liabilities	0.07	0.11	(0.04)	-38%
4	Net profit margin	0.03	0.05	(0.02)	-48%
Efficiency:					
5	Of costs	1.03	1.06	(0.03)	-3%
6	Of income	0.97	0.94	0.03	3%
Liquidity:					
7	Current ratio	1.17	1.18	(0.02)	-1%
8	Quick ratio	1.10	1.12	(0.02)	-2%
9	Acid test	0.31	0.38	(0.07)	-18%
10	Absolute liquidity	0.30	0.33	(0.03)	-8%
Financial leverage:					
11	Financial leverage	0.76	0.65	0.11	17%
12	Gearing	1.31	1.54	(0.23)	-15%

Profitability (return) coefficients are an important criterion for the economic efficiency of the entity. They are subject to investor's interest as they convey the pace of return on capital. Per their nature, profitability coefficients are quantitative characteristics of the entity's sales income efficiency, of the equity efficiency, of the entity's real assets and liabilities. It is highly important to identify and analyse the dynamics of profitability - what changes can be observed in it compared to the prior reporting periods and what are they a result of. It allows the Management to yield a more complete picture of the processes taking place and allows Management to timely react. Due to the different pace of growth of Income and expenses in 2014 (Income increases by 7%, while expenses increase by 10%), the profitability coefficients record a decrease compared to the prior reporting period.

Efficiency ratios are quantitative characteristics of the interrelation of the entity's revenues and expenditure. The main factor, influencing their alteration, is change in the income and cost structure. The results of the cost efficiency ratio analysis allow users to identify how much operating income is generated by the entity when incurring, in the same activity, one unit of cost. The income efficiency coefficients are reciprocal to the cost efficiency ratios. Income efficiency ratios indicate how much cost is incurred for each unit of income. In the current reporting period, there is a 3% decrease, in comparison to the prior year, in the carrying amounts of the cost efficiency, compared

to the income efficiency. In the course of the entity’s activities in 2014, 1.03 BGN of income incur 0.97 BGN costs. In 2013, this ration has shown 1.06 BGN of income to incur 0.94 BGN cost.

Liquidity ratios are essential for the analysis and evaluation of the activities of any entity, as such expressed its ability to timely settle its debts with the available assets. Reviewing it in a dynamic aspect, liquidity implies the entity’s ability to convert the available assets into liquid assets.

In 2014, the current and quick ratios levelled to 1.17 and 1.10 respectively. At coefficient levels above 1 unit, the risk that the Group will fall into a state of inability to meet its liabilities is too low.

Related with the liquidity ratios are and the indicators of financial leverage. Such characterize the degree of the entity’s financial independence from creditors, i.e. the degree of utilization of the borrowed capital. The financial leverage coefficient is the ratio of equity and total liabilities. As at 31.12.2014, financial leverage ratio amounts to 0,76 and records an increase of 17%.

The debt ratio conveys the amount of liabilities, accounted in respect of 1 BGN of equity. As at 31.12.2014 debt ratio levels at 1.31, compared to 1.54 as at the end of the prior reporting period.

The conducted financial analysis on the Group’s activities for the financial reporting 2014, conveys lower, in comparison with the prior reporting year, results. The Holding has generated Sales Income of 344 512 thousand BGN (322 504 thousand BGN in 2013) and recognizes Net Profits of 9 211 thousand BGN (compared to 16 173 thousand BGN in 2013). There are several reasons for the later. On the one hand, all activities relating to business development and the Group’s penetration of international markets imposed on the Group the requirement to significantly concentrate the organizational – managerial and financial resources. The organization, which was created for the execution of the awarded abroad contracts, generated higher administrative – managerial and financial expenses, which in turn decreased the profits in the Group. On the other hand, a significant portion of the Group’s financial resources remained restricted, as a result of the withdrawal of the licence of a financial institution with whom the Holding cooperates. This decreased the working capital and lead to impairment expenses, incurred as a result of the uncertain time frame for the release of these financial resources. Subsequent to the conducted analysis, the financial result was decreased by the expenses, incurred from the impairment of assets, at carrying amount of 4 022 thousand BGN (including 3 734 thousand BGN impairment of financial assets). The expectations are that, in the next financial reporting period, the recognized impairment losses will be transformed in profits.

Management responsibility:

The Management confirms that is has consistently applied an adequate accounting policy.

The Management also confirms that is has complied with the effective IAS and IFRS. The Financial Statements are prepared under the going concern principle.

The Management bears responsibility for the proper bookkeeping, for the expedient asset management and for undertaking the necessary measures for the evasion and establishment of potential mistreatments and other irregularities.

4. Investment portfolio

Investments in associates

Investments	31.12.2014		31.12.2013	
	amount	value	amount	value
TECHNOSTROY – INZHENERING 99 PLC	33%	1 882	33%	1 453
REDKO TRACE INTERNATIONAL LTD	49%	57	49%	87
Total		1 939		1 540

5. Dividend policy

Increasing the confidence of the shareholders is a major commitment to the corporate management of “Trace Group Hold” PLC and part of this commitment is dividend distribution, targeting to satisfy the expectations of the shareholders. The entity’s Senior Management strives to take balanced decisions regarding dividends, taking into account the available resources, the economic situation and the shareholders’ desires.

With the purpose of satisfying the shareholders’ interest and targeting also reinvestment of the remaining profits (retained profits) in order to achieve future growth in the entity’s development and increase the price of its shares, the Board of Directors of “Trace Group Hold” PLC targets to maintain optimal dividend policy. The decision for distribution of dividends of “Trace Group Hold” PLC is determined based on what portion of the profits may be distributed, under the form of dividends, without compromising the entity’s ability to invest, the latter being defined under the corporate business program for the following year. Subsequent to a decision, taken at the General Meeting on 20.06.2014, dividends, at the amount of 3 056 842.11 thousand BGN, were distributed. The later represent 30.48% of the 2013 profits.

Some of the subsidiaries have too distributed dividends in 2014. As a result, Trace Group Hold PLC realized a financial profit in the amount of 9 334 thousand BGN.

6. Quality Control System

“Trace Group Hold” PLC maintains an Integrated Quality control system, in compliance with the requirements of the international standards ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007

The entities in the Group have designed, adopted and implement a policy on the quality, the environment, the health and safety at work. The policy is designed by taking into account the core activities of the respective entity. The policy is appropriate for the environmental impact of the entities’ activities, products and services, as well as for the nature and the risk levels, relating to the health and safety at work.

“Trace Group Hold” Plc. regards the protection of privacy, health, rights and welfare of its employees and the environment as elements of prime and fundamental importance in executing and developing its activities. The entity has implemented a System for Social Responsibility SA 8000 –

certificate № 495, issued on 21.11.2012, by C.I.S.E. - Network Lavoro Etico. “Trace Group Hold” PLC, “Trace – Sofia” LTD, “Trace – Bourgas” JSC and “PSI” JSC are also awarded a certificates for Social Responsibility SA 8000. The entities are certified by the C.I.S.E. - Network Lavoro Etico.

7. Environmental protection

“Trace Group Hold” PLC, and the entities in its Group, apply the international standards for environmental management. The Group regards its sustainable development, competitiveness and economic prosperity as closely related to the global efforts of environmental protection.

In its capacity of a Holding entity that does not engage in independent production activities, “Trace Group Hold” PLC has focused its activities mainly in management of its subsidiaries and project management.

The corporate governance of “Trace Group Hold” PLC appreciates the importance of eco balance in nature and pays close attention to the environmental impact of its subsidiaries’ production. They report, on an annual basis, their assessment of their environmental impact and the measures to be undertaken in that direction.

The Holding monitors for events, targeting to reduce the harmful effects on the environment, caused in the course of the entities’ activities. All production facilities (crushing plants, asphalt plants, stone flour plants, and others) are provided with filtration systems for capturing toxic exhaust emissions and are complying with the requirements of the control bodies that monitor the environmental protection. The specialized machinery and trucks meet the European and international standards for environmental protection.

All the entities in the Group of Trace, including and “Trace Group Hold” PLC, are awarded the certificates ISO 14001:2004 & OHSAS 18001:2007 for environmental, health and safety at work. In conformance with the requirements of the above-referred standards, the Management has identified, described and provided with resources and information, all processes affecting the quality, the environment, the health and safety at work. The latter are subject to management, focused on the continuous improvement and efficiency.

All subsidiaries strictly conform to the environmental legislation with regards to the production of construction materials, the disposal of construction waste and the prevention of soil erosion during earth excavation works.

In the production and construction processes, the Holding prefers to use locally produced resources, hence cutting the transportation costs and thus preventing and environmental pollution.

In confirmation of the above, and of its environmental policy, the 2014 Christmas campaign was held once again under the motto “Be Eco”. During the campaign, packets with ecological food and products were handed out to the partners and personnel of TRACE.

III. Significant events that have occurred as of the beginning of the year

The entity classifies the following events that have occurred after the date of the Financial Statements, as significant:

1. Through its subsidiary “Trace PZP Nis” AD (JSC), “Trace Group Hold” PLC acquired the road construction company PZP- Vranje, located on the territory of the Republic of Serbia. The new corporate name of the entity is “Trace PZP Vranje” DOO (LTD). The entity has a registered capital of 378 010 000 RSD, of which 10 000 Serbian Dinars are cash contribution and 378 000 000 RSD are non-cash contribution.

2. The increase in the capital of PSF Mostinzhenering JSC, related to the merger of “Trace Kardzhali” JSC to the entity, was entered in the entity’s documentation on 30.01.2015.

3. “Patna Signalizatsia i Saorazhenia” JSC was restructured on 17.02.2015, through merger in “PSI” JSC. All assets of the merging entity are transferred to the Acquiring entity. The merging entity is dissolved, without liquidation proceedings, and the Acquiring entity becomes its universal successor. The capital of “PSI” JSC is increased from 5 206 950 BGN to 5 507 955 BGN, by the issue of 6 689 new ordinary, non-bearer, unprivileged shares, entitled to one vote, with liquidation share, at nominal value of 45.00 BGN each. The sole shareholder of the merging company – “TRACE GROUP HOLD” PLC – is the holder of the shares from the capital increase of the Acquiring entity. As a result of the merger, the capital of “PSI” JSC amounts to 5 507 955 BGN, distributed among 122 399 non-bearer, unprivileged, voting shares, each entitled to one liquidation share, at nominal value of 45 BGN each.

4. A contract for the Rehabilitation of “Tsarigradsko Shosse” Blvd. was signed on 13.03.2015, for the following sections (sub-projects):

- LOT 1: “Rehabilitation of “Tsarigradsko Shosse” Blvd., from “P. Yavorov” Blvd. to the overpass at “G.M. Dimitrov” Blvd., including overpass at “Mihai Eminescu” Blvd. (“Peyo Yavorov” Blvd.) and the local lane, south of the boulevard, in the section from the overpass at “G.M. Dimitrov” Blvd. to “Al. Malinov” Blvd.
- LOT 2: Rehabilitation of “Tsarigradsko Shosse” Blvd., from the overpass at “Al. Malinov” Blvd. to the Sofia Ring Road, and excluding the overpass at “Copenhagen” Blvd.

5. “Trace Group Hold” PLC, as a leading partner in the “Trace Vitosha” Economic Group, has signed a contract on 12.02.2015 with the Sofia Municipality for the “Execution of building and construction works under project “Vitosha” Blvd – architectural and town development design of the pedestrian zone from “Patriarh Evtimii” Blvd to “Alabin” Str., Stage III: from “Solunska” Str. to “Alabin” Str. The contract is worth 1.5 million BGN and it is financed by the Sofia Municipality.

6. On 16.03.2015, “Trace Group Hold” PLC signed a contract with Sofia Municipality for the Project: “Reconstruction of “Knyaz Aleksandar Dondukov” Blvd., from “Krakra” Str. to the Mladezhki Teatar (Youth Theatre) and to “Krakra” Str. The contract is worth 7 291 082 BGN and it is financed by the budget of the Sofia Municipality.

7. Subsequent to a decision of the Board of Directors, dated 20.03.2015, the deadline for redemption of treasury shares is extended for one more year, effective as of 06.04.2015.

8. A contract was signed on 15.04.2015, by and between Trace Group Hold PLC and Trace Trans LTD. The contract relates to the transfer of ownership rights on a real portion of the commercial entity, with activities “Rentals and Ownership Management”, by Trace Trans LTD. The transaction is included in the Commercial Registry on 22.04.2015.

For the ownership right of the above referred real portion of the commercial entity, Trace Group Hold PLC paid 1 269 811,40 (one million two hundred and sixty nine thousand eight hundred and eleven) BGN.

IV. Research and Development

The entity does not engage in Research and Development.

V. Information, disclosed in accordance with the provisions of the Commercial Act

1. Treasury shares. Share Redemption.

As at 31.12.2014, “Trace Group Hold” PLC does not hold any treasury shares.

By virtue of a decision of the General Meeting, taken at the extraordinary meeting, dated 31.01.2014, pursuant to a decision of the Board of Directors, the procedure to redeem treasury shares with the following parameters is terminated:

- Number of treasury shares, subject to redemption – up to 0.41% of the entity’s capital, or up to 100 000 (one hundred thousand) shares.
- Minimal share redemption price – 5.00 (five) BGN.
- Maximum share redemption price – 9.00 (nine) BGN.
- Deadline for the share redemption, including and the payment of the redeemed shares – up to 6 months, effective as of 06.10.2015.
- In the event of depletion of the defined number of shares, namely if the entity redeems 100 000 (one hundred thousand) shares, the share redemption procedure is terminated as successfully completed. In case that within the defined under point 5 deadline, the maximum number of share is not redeemed, the Board of Directors may, at its discretion, extend the deadline by applying the respective terms and conditions, disclosed under the previous statement.

Pursuant to a decision of the Board of Directors, dated 20.03.2015, the deadline for share redemption is extended for 1 year, effective of the 06.04.2015.

2. Information on the members of the Board of Directors

“Trace Group Hold” PLC has a one level management system with a Board of Directors, consisting of 7 members. As at 31.12.2014, the Board of Directors is comprised of:

Nikolay Ganchev Mihaylov – Chairman of the BoD

Nikolay Kostadinov Valev – Member of the BoD

Miroslav Kalchev Manolov – Member of the BoD

Boyan Stoyanov Delchev – Member of the BoD

Galin Nikolaev Mihaylov – Member of the BoD

Maria Georgieva Kavardzhikova – Member of the BoD

Anton Nikolov Donchev – Member of the BoD

The entity is represented and managed jointly, or separately, by Nikolay Ganchev Mihaylov, Miroslav Kalchev Manolov and Boyan Stoyanov Delchev – Executive Directors.

The Board of Directors of "Trace Group Hold" PLC manages the Holding and decides on all matters related to the entity's activities, with the exception of those matters that fall under the competences and the authority of the General Meeting of Shareholders.

The members of the Board of Directors are elected by the General Meeting of Shareholders with a mandate (for a term) of 5 years. The current Board of Director's mandate is until 2018.

The Board of Directors determines the vision, the objectives and the strategies of the entity; it establishes the entity's risk policy; it establishes a risk management system and an internal audit system; it is responsible for the creation of a financial and information system in the entity; it approves the entity's business plan; it determines the entity's policy in respect of disclosures and investor relations; it determines, in writing, the structure, the tasks and the scope of such, the working methods and reporting procedures.

Information on the purchase and ownership of entity' shares by the Members of the Board of Directors

The members of the Board of Directors hold the following shares in the entity:

	Number of shares	Value	% share
Nikolay Ganchev Mihaylov	19 492 000	19 492 000	80.56%
Nikolay Kostadinov Valev	4 750	4 750	0.02%
Miroslav Kalchev Manolov	25 700	25 700	0.11%
Boyan Stoyanov Delchev	3 670	3 670	0.01%
Galın Nikolaev Mihaylov	1 631	1 631	0.00%
Anton Nikolov Donchev	0	0	0.00%
Maria Georgieva Kavardzhikova	0	0	0.00%

No privileges or exclusive rights to acquire shares and bonds are provided for the members of the BoD.

The elected, by the General Assembly, Board of Directors ensures the independency and impartiality of evaluations and the activities of its members, relating to the entity's operations.

The members of the BoD are not involved as general partners (unlimitedly liable partners) in commercial entities, other than in the presented in the table hereafter.

As at 31.12.2014, the members of the BoD are involved in the management or ownership of more than 25% of the capital of other entities, as follows:

Entity	Nikolay Mihaylov	Nikolay Valev	Boyan Delchev	Miroslav Manolov	Galin Mihaylov
“Trace Group Hold” PLC	Chairman of the BoD, Executive Director, holding 89,56% of the entity’s capital	Deputy Chairman of the BoD	Member of the BoD, Chief Executive Officer	Member of the BoD, Chief Executive Officer	Member of the BoD
“Construction Company Trace” JSC	Holds 35% of the entity’s capital	-	-	Member of the BoD	-
“PSI” JSC	-	-	-	-	Chairman of the BoD, Executive Director
“Euro Trans Logistics” LTD	-	-	-	-	Manager
“Trace International” LTD	Controller	Manager	-	-	-
“Trace Trans” LTD	-	-	-	-	Manager
“Trace PZP Nis” AD (JSC)	-	Chairman of the BoD	-	-	-
“Trace Group Hold” PLC – Belgrade branch	-	Manager	-	-	-
“South Hill” LTD	Manager Owing 100 % of the “Galini – N” LTD	-	-	-	-
“Injproject” LTD	Holds 20% directly and 80% through “Galini-N” LTD	-	-	Controller	-
“Himkolor” JSC	Chairman of the BoD Holds 85% through “Galini-N” LTD	-	-	-	-
“Galini” LTD	Sole owner and Manager	-	-	-	-
“Galini – N” LTD	Sole owner and Manager	-	-	-	-
“Galini Residence Sozopolis” LTD	Sole owner through “Galini-N” LTD	-	-	-	-
“Infrastructure and transport construction” LTD	Sole owner	-	-	-	-

“Trace Svoge” LTD	Controller	-	-	-	-
“Metro Druzha” LTD	-	-	Management	Controller	-
Specialized Hospital for Active Medical Treatment (SHAMT) “Grubnatsen centar” AD (JSC)	-	Member of the BoD	-	-	-
“Trace Commerce” LTD	Controller	-	-	-	-

Anton Donchev and Maria Kavardzhikova, members of the Board of Directors, do not participate in the management and do not hold more than 25% of the capital of other companies.

VI. Perspectives and development

The financial reporting 2014 was significant for “Trace Group Hold” PLC in terms of the conducted investments in foreign markets. Two road construction companies, located in the Republic of Serbia – “Trace PZP Nis” AS (JSC) (acquired on 29.09.2014) and “Trace PZP Vranje” DOO (LTD) (acquired on 29.01.2015) – joined the Group. Both entities are leaders in the local construction industry and have built sections of large pan-European corridors in the country. The entities operate in 28 municipalities in Serbia and maintain approximately 3000 km road network.

Subsequent of the Holding’s actively research on and of European markets, conducted over the past years, several prestigious international auctions were awarded in highly competitive conditions. Currently, “Trace Group Hold” PLC is building one of the most complex parts of the E-75 “Grdelica - Caricina Dolina” - that part of the project, located between Nis and the borders with the Former Yugoslav Republic of Macedonia. The project is extremely difficult to build – it is located in rugged, truncated mountain area and along the road there are several large facilities - 8 bridges, overpasses and a road junction. The existing railway line should be maintained and continuous road traffic to the Former Yugoslav Republic of Macedonia and Greece should be ensured during the construction activities.

The entity is building three large sections of the Trans European Highway E-80, in the section “Nis – the boarders with the Republic of Bulgaria”. The complex Parallel non-commercial road Bela Palanka – Pirot (West), at track length of approximately 20 km, is in progress. The project includes and the construction of 5 bridges, mainly over the Nisava River. Next is the section “Pirot – Dimitrovgrad”. This project relates to finishing works and is of total track length of over 14 km. Our entity is engaged and in the construction of the Dimitrovgrad (Caribrod) Ring Road, located immediately after the “Pirot” section. The project is defined by very complex field conditions and is in close proximity to populated areas.

The entity records an expansion of its activities in the Balkans and with its penetration of the market of the Former Yugoslav Republic of Macedonia. A contract for “Construction works relating to the renewal and reconstruction of the railway section Bitola – Kremenica” was signed towards the end of the financial reporting 2014.

The penetration of the market of the Czech Republic was another important international field that was developed during the last financial reporting year. Contracts for the building and construction

of two sites / projects were signed – "Extension of the Waste-Water Treatment Plant and Sewage Water Treatment Plant South – Prague – Ruzyne International Airport" and "Building of a group water supply (conduit) Benesov".

On the local market, our entities execute large infrastructure projects, financed under the Operational Programs of the European Union.

Construction works under transitional projects continue. The most significant such project are: the Sofia Ring Road, section from km. 59+400 to km 61+629.18 and from km 0+000 to km 0+780; Rehabilitation of the railway infrastructure along sections of the railway line Plovdiv - Burgas; Avtogara Iyg (South Station), Burgas; Construction of an intermodal terminal in the South-Central Planning Region of Bulgaria – Plovdiv; Building and construction works in the Municipality of Chepelare; Engineering of 4 overpasses, including the Trapezica junction, Burgas; Research and visitor centre, with a pedestrian bridge, in Techno – Park Sofia; Activities under Framework Agreements with Bulgartransgaz JSC; Framework agreement for energy efficiency activities on multi-family residential buildings and others.

The extension of the Sofia Metro, in the section "Tsarigradsko Shosse" Blvd. (MS 19) – "Druzhba" Residential District – Sofia Airport (MS 23)" will be completed in April 2015.

The entity's activities relating to current repairs and winter maintenance will continue and in the next year. The entities in the "Trace" Group maintain nearly 20% of the national roads – on the territory of the Sofia, Stara Zagora, Lovech, Smolyan, Kardzhali, Yambol, Burgas, and Gabrovo.

The execution of recently signed contracts is pending. These contracts include: Rehabilitation of "Tsarigradsko Shosse" Blvd., valued at 19 million BGN; Reconstruction of "Knyaz Aleksandar Dondukov" Blvd. and "Krakra" Str., valued at 6 million BGN; Reconstruction of "Vitosha" Blvd., valued at 1.5 million BGN; Bypass in the town of Malko Tarnovo.

Four-year-long contracts for "Laying horizontal markings of roads within the North-West Region of Bulgaria – Vidin, Vratsa, Montana, Lovech and Pleven, and on the territory of the South-Central Region of Bulgaria – Kardzhali, Pazardzhik, Plovdiv, Smolyan, and Haskovo" are to be signed.

The entity's ambitions and targets are to participate in the construction of the largest-scale projects in Bulgaria – the Metro, the speed railways, the highways, the bypasses of the largest towns and cities. "Trace Group Hold" PLC constantly participates in tenders for construction projects, financed by the State, the Municipalities, and in international projects. "Trace Group Hold" PLC successfully completed the pre-selection stage and is preparing to present an offer for the Design and construction of two LOTs of the "Struma" Highway, with a total indicative value of 350 million BGN. We expect the announcement of the results from the tender for the construction of the Third Metro line of the Sofia Metro – subway shed "Botevgradsko Shosse" Blvd. – "Vladimir Vazov" Blvd. – Sofia centre – "Ovcha Kupel" Residential District, Stage I - from km 4+950 to km 11+966.34, in which the entity stands good chances to be chosen as a contractor.

Besides the tenders, announced and executed on the territory of the Republic of Bulgaria, Trace participates and in tender procedures in countries, in whose markets we have expressed interest to sustainably position the Group.

On the international arena, the ambitions of "Trace Group Hold" PLC are to expand its presence in the Republic of Serbia and in Central Europe.

Risk redistribution will be of leading focus in the activities of "Trace Group Hold" PLC and in 2015. We intend to redistribute risk by maintaining our leading positions in the domestic market and expanding in foreign markets.

The activities of “Trace Group Hold” PLC will again be closely related to the public status of the entity. Transparency and public awareness are an ongoing commitment of the entity’s Management. The implementation of the policy for wisely promoting the interest of the entity’s shareholders through dividends distribution will continue. The amount of dividends distribution will be aligned with the interests and the needs of the structure in terms of investment and financial resources.

The procedure for treasury share redemption, as part of the financial stimulus for the distinguished Managerial teams, will continue, by paying part of their additional remuneration in the form of shares. We expect this to strengthen the investors’ confidence in the entity’ shares.

VII. Corporate Governance

As of 2008, “Trace Group Hold” PLC executes its activities by complying with the principals of transparent Corporate Governance, set out under the National Corporate Governance Code. The Board of Directors has declared that it manages the entity in an independent and responsible manner, complying with the rules of shareholders’ protection, transparency and in consideration of the stakeholders.

The entity’s Senior Management consistently follows and applies in practice the “Comply and Explain” principal of good Corporate Governance. Additional information on the latter is disclosed in a separate Report, which is part of the Annual Financial Statements.

The main objectives and priorities, governing the activities of “Trace Group Hold” PLC are:

- Responsibility towards the shareholders’ and the investors’ confidence, as well as the confidence of all those persons interested in the entity’s management and activities (stakeholders);
- Endorsing the corporate social responsibility as a form of strategic corporate management;
- Constantly updating the corporate governance practices of the entity, in order to enable it to adapt to the new requirements;
- Ensuring equal treatment of all shareholders;

In executing its commitments under the Corporate Governance Code, the Management targets to timely adapt the entity’s internal regulations and its overall activities to the continuously changing in-force legislation.

The entity’s Financial Statements are prepared in compliance with the IAS, while the annual audit review is conducted by an independent auditor, as to ensure the impartial and objective assessment of how the Financial Statements are prepared and presented.

The Board of Directors manages the entity in an independent and responsible manner, in accordance with the established vision, targets, corporate strategies and shareholders’ interests. It defines and controls the application of the main guidelines for the entity’s development. The Board of Directors has adopted a risk related policy and controls the established risk management and the internal control systems. The internal control system, applied by the entity, operates effectively and the conducted periodic analysis of the activities of all entities in the Group serves as basis for timely identification and prevention of the inherent risks.

The core activities, covered by the internal control are:

- Control over the operations of the current financial reporting and the primary document turnover;
- Competence of the personnel with financial and accounting functions;

- Control of the content, accuracy and timeliness of the Financial Statements, submitted to the Management;
- Completeness of the scope and reliability of the financial information system;
- Lawful implementation of the tax liabilities and the obligations to the social contribution funds;
- Preservation and protection of assets;
- Control over the disposition of assets and resources.

The entity has an established Audit Committee of three independent experts, who monitor the operation of the internal control system.

The latest update of the entity's operational framework resulted in increased authority in the "Financial control and analysis" Department and the "Control and reporting of projects" Department, as well as in the Departments for protection and preservation of the entity's ownership.

The Board of Directors maintains a system of disclosing information that is in accordance with adopted by the entity policy with regards to investor relations and disclosing information. Following the principle of equal treatment of shareholders, of investors and of the public, "Trace Group Hold" PLC continues to disclose regulated information through the following platforms and media:

- Service Financial Markets LTD. – via the "x3 news" system
- E-registry of the FSC;
- The web site of "Trace Group Hold" PLC
- Financial Media sites
- National Medias

In an attempt to present more thorough and complete information on the entity's position and perspectives, for a third consecutive year, the Senior Management of "Trace Group Hold" PLC periodically meets with the shareholders, the investment intermediaries, the stakeholders. The adopted practise conveys that these meetings are an effective method of communication, both for the Holding's Management, as well as for the investors. The meetings contribute for increasing both the stakeholders' confidence as well as the confidence of the investment community as a whole. The last meeting with the investors was held on 17 October 2014.

The disclosure system is in conformance with the statutory requirements, ensuring equality of the recipients and preventing the misuse of internal information. The system provides complete, timely and accurate information that allows objective evaluation and decision making. The entity applies rules for the preparation of the annual and interim reports, and the respective disclosure procedures.

The website of "Trace Group Hold" PLC contains information on the overall entity's activities, the Management, the shareholding structure and the Group of entities in the Holding. The "Shareholders" and "News" Sections ensure stakeholders with constant, updated information, including information on the Corporate Governance, financial information, scheduled General Meetings.

The Corporate governance of "Trace Group Hold" PLC ensures equality of all shareholders and protects their rights. All shareholders may attend the General Meeting of Shareholders to express their opinion and / or to exercise their voting rights through their proxies. The Minutes (materials on the Agenda of the General Meetings) are prepared accurately and clearly, and do not create confusion in the shareholders. The convene of the General meetings of Shareholders is conducted in compliance

with the established rules for giving publicity to the invitations, the Agenda and the specific proposals for problem resolutions.

The Board of Directors reports its activities to the General Meeting of Shareholders. The General Meeting of Shareholders elects and dismisses members of the Board of Directors, according to the provisions of the in-force Legislation and the entity's Articles of Incorporation, following also the principles of continuity and stability in the activities of the Management Body. The election of the Board of Directors is conducted via a transparent process, ensuring timely and sufficient information on the personal and professional skills of the candidates.

The number of Members of the Board of Directors is determined by the Articles of Incorporation of the entity, while its composition ensures independence and impartiality of the work of its members in respect of the entity's functioning. The amount of remuneration of the Members of the Board of Directors is determined by the General Meeting of Shareholders and is consistent with their responsibilities. A Policy to define remunerations of the Members of the Board of Directors has been established as of 20.06.2014. The policy regulates the terms and conditions for computing and paying such remunerations. Information on the application of the Policy is disclosed together with the Annual Activities' Report.

The Board of Directors believes that the adequate application of the corporate social responsibility policy contributes to the sustainable economic development of the entity and guarantees the labour relations with the personnel, their families, the local community and the society as a whole. By declaring their social responsibility and taking on responsibilities beyond the legal and conventional requirements, the Management of "Trace Group Hold" PLC aims to raise the standards for social development, to ensure environmental protection and respect of the fundamental rights. In order to achieve quality and sustainability, the entity applies open management and targets to reconcile the interests of all stakeholders.

The Management of "Trace Group Hold" PLC considers personnel's motivation as an important factor in the achievement of the development targets, set on the entity. Each person in the entity, from the workers to the Management, is ensured with a clear development strategy on the following areas:

- professional development of specialists and workers, through conducted trainings for the maintenance and development of their qualifications, as well as close specialization in specific professional fields;
- providing the time and opportunities to increase their educational and to acquire higher qualifications;
- stimulating the initiative to learn foreign languages, work with specialized software, implement new technologies, acquire new equipment;
- stimulate innovative thinking, allowing creative people to apply their ideas in practice;
- the Holding's and the entities' Management provide opportunities for each individual worker, employee or Manager, to develop and grow career-wise in one or another entity within the Group, depending on his / her individual personal and professional interests.

"Trace Group Hold" PLC, and the entities in its structure, are partners of the University of Architecture, Civil Engineering and Geodesy in training programs and for acquiring practical skills. Some of the Holding's employees were involved in launched in 2014 Master's program "Project Management in Construction". The entity participates, together with the University, in the implementation of the program "Erasmus – Practices", which is funded by the European Union.

Within this program's scope, TRACE Group of companies ensured practicum, for graduates of the Polytechnic University, in Madrid.

Internal workshops and seminars, annual meetings related to trainings and increase of the Senior Management's qualifications, are held within the Group. Representatives of the entity participate in scientific and practical forums for the new trends in the infrastructure construction. In the past year, the entity's Managers and prominent Engineers participated in the VII National Road Conference, held with international participations and organized by the "Roads" Department of the University and the "Road Infrastructure" Agency. The conference was held under the patronage of the Ministry of Regional Development. The leading topics of the conference circulated around the quality of road surfaces and traffic safety.

In 2013, "Trace Group Hold" PLC introduced the practise of paying additional remuneration, under the form of shares in the entity's capital, in recognition of the employees' contribution for the entity's development. Shares are granted to employees, based on the achieved by them results. The terms and conditions for granting shares to the entity's personnel are regulated by the internal statutes and decrees. In 2014, the entity's personnel were granted a sum of 23 350 share.

The competition "Builder of the Year of TRACE GROUP HOLD" was held for a seventh consecutive year. The prize is awarded to employees and workers, in recognition of their high professionalism in the execution of their work assignments and for their significant contribution to the Group's development. In 2014, the prize was awarded to Eng. Nikolay Valev – member of the Board of Directors and CEO of "Trace International" LTD, for his exceptional personal efforts and contribution to the Holding's penetration of international markets.

The Holding has an established training system, designed to attract young professionals, allowing them to develop and grow professionally. The Holding is a preferred partner of the professional schools and universities in the country. The policy of admitting young professionals to the Group' structure stipulates:

- Organizing and holding annual meeting with graduates of the University of Architecture, Civil Engineering and Geodesy, as well as graduates of other Universities, that conduct trainings for professional experts, who would contribute to the entity's activities;
- Ensuring opportunities for students and graduates to complete their practicum and internship within the entity' structure;
- Encouraging young engineers and professionals to start working in the entity and gain professional experience in real-life working processes and production conditions; the perspectives for development are to be regularly communicated with the young specialists;
- Following the career development of each young specialist and in case of a positive feedback and assessment of his / her professional skills – providing him / her with the opportunity to be appointed at a key Managerial position under the large infrastructure projects, executed by the entity.

As a public and socially responsible company, over the years, "Trace Group Hold" PLC has actively supported a number of charity causes in the fields of social activities, ecology, cultural and historical heritage and education. We targeted to expand these activities and for this purpose we intended to establish a Foundation. Subsequent to these intentions, on 02 July 2014, during its meeting, the Board of Directors of "Trace Group Hold" PLC decided to establish the Foundation "Trace for people", which to join the efforts of the Group's entities in the fields of social and corporate responsibility. The Foundation is charitable and its core objectives are:

- Development and promotion of the human race values by supporting and exchanging resources in the fields of culture, art, science, education and sports;
- Supporting the culture, education, professional training and creative development of gifted children and capable youngsters;
- Conducting charities;
- Supporting the preservation, maintenance and promotion of the cultural and historical heritage of the Bulgarian nation;

The Foundation is managed by a Social Council, whose members are distinguished social figures – Prof. Nikolay Mihaylov, Acad. Stefan Vodenitcharov, Acad. Anton Donchev, Vladislav Slavov and Stefka Kostadinova.

In 2014, “Trace Group Hold” PLC supported:

- **cultural projects for the restoration of national monuments and for raising the nation’s cultural and spiritual level;**
 - Financing the building and construction of a monument of Vasil Levski in the Serbian town Dimitrovgrad (Caribrod). TRACE supported the initiative, undertaken by the Municipality and the Bulgarian minority, living in the town. The event took place on 18 February 2014 in the presence of over 2 000 people from Serbia and Bulgaria, and the Prime Minister of Bulgaria – Plamen Oresharski- and the Prime Minister of Serbia – Ivica Dacic.
 - Financing the excavations of the Roman roadside station – Sostra –, located on the road to Eksous (the nowadays village of Gigen, in Pleven District), next to Filipopolis (Plovdiv).
- **youth projects, in the fields of science, education and sports:**
 - Bulgarian Motocross Federation
 - Supporting the “Beroe” Wrestling Club, in Stara Zagora
 - Supporting FC “Vereya – Stara Zagora”
 - Supporting the Basketball Club “Chernomorec – Burgas”
 - Supporting the women’s and men’s Basketball Club “Beroe” – participants in the premier league
 - TRACE became sponsor of the women’s football – namely of the Women’s Football Club “Masinac”, Nis. The contract was signed by and between the Club and the entity’s subsidiary “Trace PZP Nis” AD (JSC), towards the end of last year.

As a continuation of the policy of corporate social responsibility, and in connection with the Holding’s positioning in neighbouring Serbia, “Trace Group Hold” PLC became the initiator and host of an open Bulgarian – Serbian Forum “The role of business in building sustainable practices for European cross-border cooperation”. The second edition of the Forum was held in October 2014. The forum was attended by representatives of 15 Serbian Municipalities, their colleagues from Bulgaria, representatives of the Ministry of Regional Development, the Bulgarian Academy of Science and other institutions. The Forum was devoted to the possibility of establishing a partnership between the public and private sector in light of the Republic of Serbia’s future membership in the EU. Representatives of the Bulgarian and Serbian local authorities exchanged their experiences in the absorption of pre-accession funds.

“Trace Group Hold” PLC continues to maintain its position of a leader in the Bulgarian construction sector. In 2014, the entity won the gold award in the annual ranking of the Bulgarian Construction Chamber.

“Trace International” LTD received the “Captain Misa Anastasijevic” award, at an official ceremony, during the traditional Danube Business Forum, which was held in late October, in Belgrade. For the past 14 years, this prize has been awarded to the most successful individuals and entities in the Republic of Serbia, within the project “Road to the Top”.

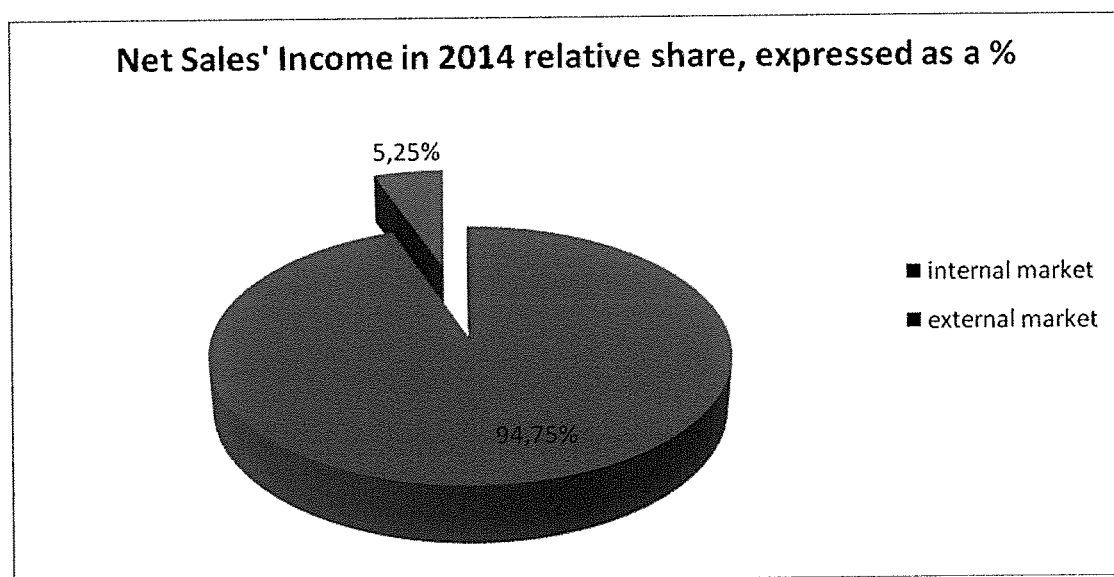
VIII. Additional information on Note 10, under Decree № 2, issued by the Financial Supervisory Commission

1. Information, presented quantitative and qualitative wise, regarding the main categories of goods, products and / or services rendered, stating their share in income from the sale of emissions as a whole and the changes, incurred during the financial reporting period.

Information on the services rendered, is disclosed under b.p. 2 Operating results.

2. Information on the income, allocated to the different categories of activities, internal and external markets, as well as information on the sources for the supply of materials, required in the production of goods, or in the rendering of services, reflecting the degree of dependency of each seller and buyer / user, and information on each person, individually, for his / her share in the sales or purchases and his relation to the issuer, in the cases where the relative share of any of those excess 10 per cent of the costs or sales income:

Distribution of Income



In 2014, Income generated from services, relating to building and construction works, formed the most significant portion of Sales Income. In this respect, the entity’s leading clients are: the “Road Infrastructure” Agency, Metropolitan PLC, the National Railway Infrastructure Company (NRIC), Municipalities, located throughout the country, Corridors of Serbia LTD, PE Directorate for Construction Directorate of Nis Municipality – Serbia, as well as PE Directorate for Construction Directorate of Pirot Municipality – Serbia.

The main suppliers of the entities in the Group are:

Supplier	Type of supplies – services, materials	% of Sales expense
METALCOM INVEST LTD	Supply of Road Bitumen	14%
LUCCHINI S.p.a	Supply of tracks	6%
HOBAS PIPE SYSTEMS	Supply of pipes	5%
ADMIRAL OIL LTD	Supply of Diesel Fuel	6%
Nafta Trading AD (JSC)	Supply of Diesel Fuel and Road Bitumen	5%
STATE ENTERPRISE “TRANSPORT CONSTRUCTION AND REHABILITATION”	Building and construction works	3%
VAYA 7 JSC	Supply of Diesel Fuel, Road Bitumen and Boiler Fuel	3%
NEXT LEVEL COMMERCIAL LTD	Materials for Communication network	2%
INERMAT JSC	Inert materials	2%
SAXA LTD	Supply of Diesel Fuel and Road Bitumen	7%
FAE GmbH Sofia	Supply of arrows and other Railway materials	2%
ArselorMittal Poland S.A.	Supply of Railway materials	1%
ORLEN ASFALT SP. Z O.O.	Supply of Road Bitumen	1%

The supplies from “Metalcom Invest” LTD account to 14% of the Expenses for Raw materials, incurred by the entities in “Trace Group Hold” PLC. “Metalcom Invest” LTD is an external to the Group entity.

3. Information on significant agreements signed and such that are significant to the activities of “Trace Group Hold” PLC.

In 2014, the following construction contracts, significant to the activities of “Trace Group

Hold” PLC were signed:

- “Construction works for the renewal and reconstruction of the railway track Bitola – Kremenica, as part of the X d of corridor X”. The project is worth at 22 795 134 Euro. The contract’s term is 18 months. The project is financed under the Pre-Accession Assistance (IPA) and by the State Budget of the Republic of Macedonia.
- “Group water supply (conduit) Benesov – Sedlicany”, Czech Republic. The project is worth at 282 298 000 Kč (10 252 705 Euros). Assignor under the contract is the Association of the Municipalities Yavornik – Benesov. The project is financed under the Operational Program “Environment”.
- Construction of the “Extension of the Waste-Water Treatment Plant and Sewage Water Treatment Plant South – Prague – Ruzyne International Airport”. The project is worth at 290 303 200 Kč (10 596 555 Euros). The project is financed by the “Prague Airport” JSC.
- “Construction of E80 Highway in the Republic of Serbia, Section Dimitrovgrad Ring Road – the borders with the Republic of Bulgaria (finishing works)”. The project is worth at 19 600 000 Euro, and it is financed by the European Bank for Reconstruction and Development (EBRD). The project’s deadline for execution is 15 months.
- “Construction of E80 Highway in the Republic of Serbia, Section Pirot – Dimitrovgrad (finishing works)”. The project is worth at 23 381 772 Euro, and it is financed by the European Bank for Reconstruction and Development (EBRD).
- “Construction of an intermodal terminal in the South-Central Planning Region of Bulgaria – Plovdiv”. The project is worth at 11 313 114 BGN, and it is financed under the Operational Program “Transport 2007 – 2013”. The project’s deadline for execution is 31 months.
- “Construction of a regional centre for waste management – Stara Zagora”. The contract is worth at 32 538 527 BGN. The project’s implementation is financed with resources under project № DIR-5112122-9-77 “Construction of a regional waste management system in the Stara Zagora Region”, Priority Axis 2 “Improvement and development of waste treatment infrastructure”, under Operational Program “Environment 2007 – 2013”, as well as State Budget funds and the Stara Zagora Municipality’s own funds – beneficiary and the Municipality - partners.
- Framework agreements with Bulgartransgas JSC. The agreements are for a 4 years term and relate to the execution of projects and sites under LOTs: “Design, construction, reconstruction and repairs of linear structures and related facilities of the gas transmission network” and “Design, construction, reconstruction and repairs of site sites, buildings and adjoining technological facilities and infrastructure”.
- “Research and visitor centre with a pedestrian bridge in “Sofia Tech Park” JSC, worth 4 789 188 BGN. The project is financed with EU funds.
- “Reorganization and reconstruction of Avtgogara Iyg (South Station) and the adjacent areas”. The project is to be executed on the territory of the Municipality of Burgas and it is worth 6 858 486 BGN. The contract is part of the project “Integrated urban transport of Burgas”, which is financed by the Operational Program “Regional Development” 2007 - 2013 .
- “Engineering of four overpasses, including the roundabout “Trapezica”, in Burgas. The contract is worth 4 367 978 BGN and is part of the project “Integrated urban transport of Burgas”, which is financed by the Operational Program “Regional Development” 2007 – 2013, Priority Axis 1: “Sustainable and Integrated Urban Development”.

4. Information on the transactions of "Trace Group Hold" PLC with its related parties, conducted within the current reporting period.

The 2014 transactions with related parties are presented in the tables hereafter. Thorough information on all transactions with related parties is disclosed in the Annual Financial Statements for the financial reporting 2014, Section: Transactions and balances with related parties.

Sales to related parties, other than those in the Group

Client	Type of transaction	2014	2013
Galini – N LTD	services, rentals, materials	76 297	57 502
Injproject LTD	services, materials	5	8
Galini LTD	services	28	4
Dekon LTD	services, materials	1	1
Himkolor JSC	materials	12	6
Technostroyinzhenening – 99 JSC	Income from services rendered, dividends	1 347	530
Dikol – 2 G. Mihaylov LTD	services	47	7
GCF – SK – 13 Trace Railinfra Consortium	services	14 318	23 722
CK – 13 Transstroy JSC	services	50	34
Megainvest – Hold LTD	services	587	622
PS – a Company under the Law on Obligations and Contracts	services	4 358	3 349
Water Project Stara Zagora – a Company under the Law on Obligations and Contracts	services	3 886	3 005
Kordel – Bulgaria JSC	services	18	15
Beroe – a Company under the Law on Obligations and Contracts	services		439
Vodstroy 98 JSC	services	4 360	
Infrastructure and Transport Construction LTD	services	2 904	
Total		108 218	89 244

Purchases from related parties, other than those in the Group

Supplier	Type of transaction	2014	2013
Galini – N LTD	services, materials	69 161	67 362
Injproject LTD	services, materials	2 091	1 914
Galini LTD	interest	241	21
Himkolor JSC	materials	377	485
Technostroyinzhenening – 99 JSC	services, materials	660	337
Dikol – 2 G. Mihaylov LTD	services	21	791
GCF – SK – 13 Trace Railinfra Consortium	services	68	64
CK – 13 Transstroy JSC	services	219	680
Megainvest – Hold LTD	services	1 977	335
Infrastructure and Transport Construction LTD	services	11	
Galini Mihaylov	services	144	
Kordel Bulgaria JSC	services	883	
Total		75 853	71 989

5. Information on events and indicators, of unusual for "Trace Group Hold" PLC nature, having a significant impact on the business activities of the entity and the realized by it income and expenditure incurred; assessment of their impact on the current year's results.

In executing its activities, Trace Group Hold PLC uses bank services, related to the issue of bank guarantees and financing of the operational activities. In light of the volume of construction contracts, signed by the Group, and given the limit restrictions in the different bank services, the Group is required to use several servicing banks. The procedures for issuing bank guarantees are related to directing cash flows in the servicing banks.

In 2014, the license of one of the core Bulgarian banks, with whom Trace Group Hold PLC was cooperating, was withdrawn. The Group's working funds remained restricted as a result of the bank's placement under supervision. Practically, the majority of those are amounts, due to contractors for supplied materials and services, rendered under construction contracts.

Per their nature, the consequences of this event had significant impact of the Group. The expectations are that the issue with the restricted cash resources will be settled, in an appropriate for the Group manner, and the reported losses will be transformed in profits in the following reporting periods.

6. Information on transactions, carried off-balance sheet - nature and business purpose, indicating the financial impact of the transactions on the activities, if the risk and benefits of these transactions are material to the issuer and if the disclosure of such information is significant for the assessment of the issuer's financial position.

In 2014, no transactions were carried off-balance sheet.

7. Information on the participations of “Trace Group Hold” PLC, on its major investments in the country and abroad (in securities, financial instruments, intangible assets and property), as well as investments in equity securities, other than in its economic group and the sources / methods of financing those.

“Trace Group Hold” PLC invests primarily in securities and participations of Bulgarian and foreign entities, as well as in real estate.

Information on the participations of “Trace Group Hold” PLC is presented in this Report - Section I, item 4 Investment Portfolio.

In 2014, “Trace Group Hold” PLC acquired the road construction company PZP Nis, located in the Republic of Serbia. The transaction (acquisition) was worth 588 527 555, 50 Dinars. The entity's capital amounts to 591 527 555.50 RSD, of which 3 000 000 Serbian Dinars are cash contribution and 588 527 555.50 RSD non-cash contribution. The entity's capital is distributed among 591 527 shares, each at nominal value of 1000 RSD.

8. Information on the contracts, signed by "Trace Group Hold" PLC, its subsidiaries or parent company, in their capacity of creditors, credit agreements, disclosing the agreements' specific terms and conditions, including and the maturity of each agreement, as well as information on the guarantees placed and the commitments undertaken.

Credits received

Entity	Type of credit	Bank / Creditor	Contracted credit amount (BGN)	Interest %	Maturity / Deadline for utilization	Utilized as at 31.12.2014 limit (BGN)
"Trace Group Hold" PLC	Bank guarantees	UniCredit Bulbank	39 360 000	1%	26.07.2019	38 202 273.53
"Trace Group Hold" PLC	Revolving	UniCredit Bulbank	1 500 000	1 week Sofibor+5.1%	26.02.2016	0.00
"Trace Group Hold" PLC	Revolving	UniCredit Bulbank	8 000 000	1 week Sofibor+5.1%	26.09.2015	4 681 025.00
	Bank guarantees			1%	26.09.2020	1 909 916.12
"Trace Group Hold" PLC	Investment	SG Expressbank JSC	490 424.37	1 month Euribor+3.75%	30.05.2015	68 114.57
"Trace Group Hold" PLC	Investment	SG Expressbank JSC	250 241.11	1 month Euribor+3.75%	30.10.2015	69 511.44
"Trace Group Hold" PLC	Bank guarantees	SG Expressbank JSC	48 895 750	1.20%	30.06.2020	35 979 383.40
"Trace Group Hold" PLC	Bank guarantees	First Investment Bank JSC	19 358 000	1.50%	20.09.2022	12 512 851.63
"Trace Group Hold" PLC	Revolving	First Investment Bank JSC	4 000 000	1 month Sofibor+3.25%	25.07.2016	2 034 448.94
"Trace Group Hold" PLC	Bank guarantees	UBB JSC	20 000 000	0,70%	30.08.2020	869 777.91
"Trace Group Hold" PLC	Bank guarantees	DSK Bank JSC	15 646 640	1,00%	08.08.2024	9 882 010.26
Trace Sofia LTD	Investment	SG Expressbank JSC	2 775 322,77	1month EURIBOR+ 3.90% margin per year	31.03.2016	943 609,74
PSI JSC	Commercial Loan	NSC Athletics	50 000	0 %	31.12.2015	50 000

9. Information on the contracts, signed by "Trace Group Hold" PLC, its subsidiary or parent company, in their capacity of lenders, loan agreements, including the provision of guarantees of any kind, including to related parties, disclosing the specific terms and conditions under each, including the maturity and the purpose for which such were granted.

10. Loans, granted by subsidiaries, as at 31.12.2014

Entity	Creditor	Contracted loan amount (BGN)	Principal – due to (BGN)	Maturity	Interest
Hydropromet Engineering LTD – Serbia	Trace International LTD	88 012.35 /45 000 Euro/	88 012.35 /45 000 Euro/	31.12.2011 Payable	12.00%
PSC CSKA JSC	PSI JSC	100 000	100 000	18.12.2014	6.50%
Ivana Todorova Moutafova	Trace Commerce LTD	167 600,00 /Euro/ /327 797,11 BGN/	142 450,64 Euro /278 609.23 BGN/	31.07.2026	6.3%
Damascena Rozbio LTD	Trace Commerce LTD	40 000.00	27 451.27 BGN	31.07.2015	11%+16% penalty interest
PSC CSKA JSC	Trace Sofia LTD	280 000	100 000	31.12.2014	6.50%
Mohamed Ahmedov Ahmedov	Trace Sofia LTD	17 000	16 215,32	30.07.2020	7.50%
FC Vereya NSC	USM JSC	2 000,00	2 000,00	31.12.2015	10%
FC Vereya NSC	USM JSC	15 000,00	15 000,00	31.12.2015	10%

11. Information on the utilization of funds from new share emissions, conducted within the reporting period

In 2014, no new shares were emitted.

12. Ratio analysis of the achieved financial results, reflected in the Financial Statements for the financial reporting period, and previously disclosed estimates of these results.

The financial indicators, reflected in the Financial Statements for the financial reporting year 2014 are higher compared to the same, disclosed in the interim Financial Statements for the fourth quarter of the year. Given the significant number of entities, part of the Consolidated Financial Statements of the Holding, the arising difference is immaterial to the Group.

13. Analysis and evaluation of the financial resources' management policy, including the ability to settle its obligations, the possible threats and measures, which the issuer has taken or is about to undertake to eliminate those.

"Trace Group Hold" PLC follows, in the course of its activities, the collectability of receivables and ensures regular settlement of its obligations.

In order to optimize the Group's resources and to ensure financial stability, and independence, the Holding controls and analyses the cash flows. The Holding redistributes the resources, through intercompany financing, and in the cases where there are no sufficient resources – it ensures external financing by bank institutions. The available cash recourses are channelled to finance investments in entities, investments in production property, investments in specialized machinery and equipment, in order to close the production cycle and to ensure the Group's production capacity.

In 2014, an extraordinary problem arose as a result of the withdrawal of the license of a financial institution, with which the Group cooperated. Thanks to the established in the Holding system of internal financing, the substantial amounts of blocked cash resources did not affect adversely the Group's core activities.

14. Evaluation of the feasibility of the investment intentions, indicating the amount of the available funds and reflecting the possible changes in the financing structure of these activities.

"Trace Group Hold" PLC continued to pursue, and in 2014, a consistent policy to develop its business activities beyond the country's borders. The expansion of the entity's activities in the Republic of Serbia triggered the need for new facilities and potential contractors. As a result, funds were invested to acquire new road construction companies, machinery, technologies and equipment. Subsequent to the establishment of the two new entities in 2013, "Trace Group Hold" PLC acquired another 2 large road construction companies – "Trace PZP Nis" AD (JSC) (acquired in 2014) and "Trace PZP Vranje" DOO (LTD) (acquired in the beginning of 2015). The acquired entities' assets include and one of the largest aggregate quarry in the Republic of Serbia, 7 asphalt plants, more than 220 items of construction machinery, modernly equipped administrative and production buildings.

In connection with the execution of the awarded in the Czech Republic projects, a branch of "Trace Group Hold" PLC was registered in Prague

It is anticipated that the Group's expansion will lead to new sources of generating profits. Profits are expected to be generated from participations in the implementation of local projects.

The Management of "Trace Group Hold" PLC finances its investment intentions with entity's own resources – by using the financial resources, namely retained earnings from prior years. In cases where the operational funds are not sufficient to finance the planned investment projects of the Holding's subsidiaries, the balance of the funds is financed via short-term external financing, on a case-by-case basis.

15. Information on the changes in the core management principles of "Trace Group Hold" PLC, and its economic group, that occurred within the reporting period.

"Trace Group Hold" PLC continued and in 2014 to improve the already implemented uniform rules on projects' planning and execution. Each project is treated as a separate business unit, with an

independent Management team. The planning, execution and reporting of the works under the project, is carried out under the supervision of the Holding and with the Holding's assistance and support. There are already 12 contracts, implemented under the new management model

1. Bypass road in the town of Vratsa;
2. Road I-9 "Sunny Beach – Burgas", from km 222+849.41 to km 225+552.39;
3. LOT 41 "Rehabilitation of Road II-58 – I-5 (Chernoochene) Region – RRA Plovdiv, from km 17+500 to km 25+047, and of Road III-5904 Krumovgrad – Daskari – Goliamo Kamenyane – Avren – the Greek Borders, from km 20+340 to km 26+166";
4. LOT 43 Rehabilitation of Road III-536, D.R. Yambol – Roza – Botevo – Meden Kladenets – Skalitsa – Ovchi Kladenets, from km 0+000 to km 3+101.24, and Road II-53 the Boarder RRA – Sliven – D.R. Yambol – Kalchevo – Pobeda – Chelnik – Tamarino – Voinika – the Borders with RRA Burgas, from km 146+289 to km;
5. LOT 33 Road III-1801 Sofia Ring Road – Sohodol Residential District – Malo Buchino – Golyamo Bouchino, from km 0+000 to km 4+474.04, and from km 4+976.74 to km 18+264.50;
6. LOT 60 Rehabilitation and reconstruction of Road III-7602, 1-5 Region, the Boarder with RRA Haskovo – G. Manastir – Krumovo – Inzovo – Roza, from km 8+600 to km 39+800 – Section "Miladinovci – Roza" Region, from km 23+915 to km 39+800, Yambol District, at total track length 15.885 km;
7. Repairs of street / road network in the Municipality of Pavel Banya, with 5 LOT;
8. Rehabilitation of municipal road LOV 1002, km 0+000 – km 1+940; rehabilitation of municipal road GAB 1165, km 20+200 – km 24+860; overhaul of municipal road GAB 1165, km 24+860 – km 27+893;
9. Rehabilitation of Road III – 3402 Slavyanovo – Pordim, km 10+654.81 to km 21+763.03, Pleven District;
10. Road junction "Balgarovo", at km 352+084, along the mileage of "Trakya" Highway, Section: "Orizovo – Burgas", from km 325+280 to km 60+568.46;
11. Additional design in relation to the servicing of the urban areas, adjacent to Road I-9 "Sunny Beach – Burgas", from km 222+849.41 to km 224+400, including:
 - Entry and exit of the local lane, servicing properties in the Section from km 223+960 to km 224+400
 - Discharge of agrarian cross-roads on the cadastral map;
12. Reconstruction of "General Stoletov" Blvd. and "Hristo Botev" Str., building and restoration of "Dosh Nikolova" Garden and "Beroe" Garden in Stara Zagora;

16. Information on the key features of the implemented by "Trace Group Hold" PLC, in the process of preparing its Financial Statements, internal control system and risk management system.

In order to ensure an independent and objective evaluation of the Financial Statements and compliance with the Accounting Act, the annual Audit review on the activities of "Trace Group Hold" PLC is conducted by an independent Registered Auditor (CPA), in compliance with the requirements of the Law on the Independent Financial Audit. All sets of Financial Statements are prepared in accordance with the International Accounting Reporting Standards.

An Audit Committee of three persons operates in the entity and monitors the effectiveness of the internal control and the risk management processes. The members of the Audit Committee are independent from the Board of Directors and have the requisite for their function qualifications and professional experience.

The current financial and accounting activities of the entity are subject to periodic review and analysis, performed by the Management and the Board of Directors. For this purpose, the entity has an established internal control system, which ensures the effective functioning of the financial reporting systems and the disclosure of information. The internal control system is designed and operates in order to identify the risks inherent the entity's activities, and to facilitate their effective management.

Internal financial control is performed by the "Financial control and analysis" Department. This Department operates in close cooperation with the "Projects' control and reporting" Department. The established practice is to constantly monitor the execution of the projects, in compliance with the pre-determined budget. At the same time, period analysis is conducted on the current financial results of the activities of the entities in the Group. The results of the conducted reviews provide foundations for proper assessment of the management efficiency and are the basis for identifying risks.

17. Information on the changes in the Management and Control Bodies that came in effect during the financial reporting year.

The decision to change the composition of the Board of Directors was taken during the extraordinary General Meeting of "Trace Group Hold" PLC, held on 31.01.2014.

At an extraordinary General Meeting of Shareholders, Tsvetan Ivanov Tsonev, Ivan Dimitrov Hristov and Manol Peychev Denev were released as members of the BoD. Nikolay Kostadinov Valev, Boyan Stoyanov Delchev and Galin Nikolaev Mihaylov were elected, in their place, as members of the BoD.

The entity is managed by three Executive Directors – prof. Nikolay Mihaylov, Miroslav Manolov and Boyan Delchev.

18. Information on the amount of the remuneration, rewards and / or benefits of every member of the Management and Supervisory Bodies, for the financial reporting year, paid by "Trace Group Hold" PLC and its subsidiaries.

Remuneration, paid by "Trace Group Hold" PLC

Type	Amounts, accrued for:
	Remuneration and social security contributions for the period
Board of Director	1 273
Executive Directors	607
Total:	1 880

The following subsidiaries, paid remunerations at the sum of 617 735 BGN, to the members of the BoD:

- PSI JSC
- Trace International LTD
- Trace PZP Nis AD (JSC)
- Trace Trans LTD
- Trace – Sofia LTD
- Trace Commerce LTD
- Rodopa Trace LTD
- Trace Svoqe LTD
- PSS JSC
- CC Trace JSC

In 2014, the members of the Board of Directors received additional remuneration in the form of shares, namely 12 650 shares of "Trace Group Hold" PLC.

19. Information on the held by the members of the Management and Supervisory Bodies, Procurators and Senior Management shares of the issuer, including shares held by each of them individually and as a percentage of the shares of each class, as well as the granted by the issuer options on his / her securities - type and amount of securities on which the options are established, the price of exercising the options, purchase price, if any, and the options' term.

Information under this point is presented under the "Information on the members of the Board of Directors" Section of this Report.

20. Information on the agreements that have come to the entity's knowledge (including and those after the end of the financial year), as a result of which, in a future period, changes may occur in the relative portion of shares or bonds, held by the current shareholders and bondholders.

The entity is not aware of any agreements as a result of which, changes may occur, in future periods, in the relative portion of share or bonds, held by the current shareholders and bondholders

21. Information on pending judicial, administrative or arbitral proceedings, relating to receivables or liabilities of the issuer, of at least 10 per cent of its equity; information on each proceeding shall be presented separately if the total amount of the receivables or liabilities of the issuer under all proceedings exceed 10 per cent of its equity.

There are no pending legal, administrative or arbitration proceedings, relating to receivables or liabilities of "Trace Group Hold" PLC, amounting to at least 10 per cent of its equity.

22. Information on the Director “Investor Relations”, including the telephone number and mailing address.

Ivana Todorova Moutafova

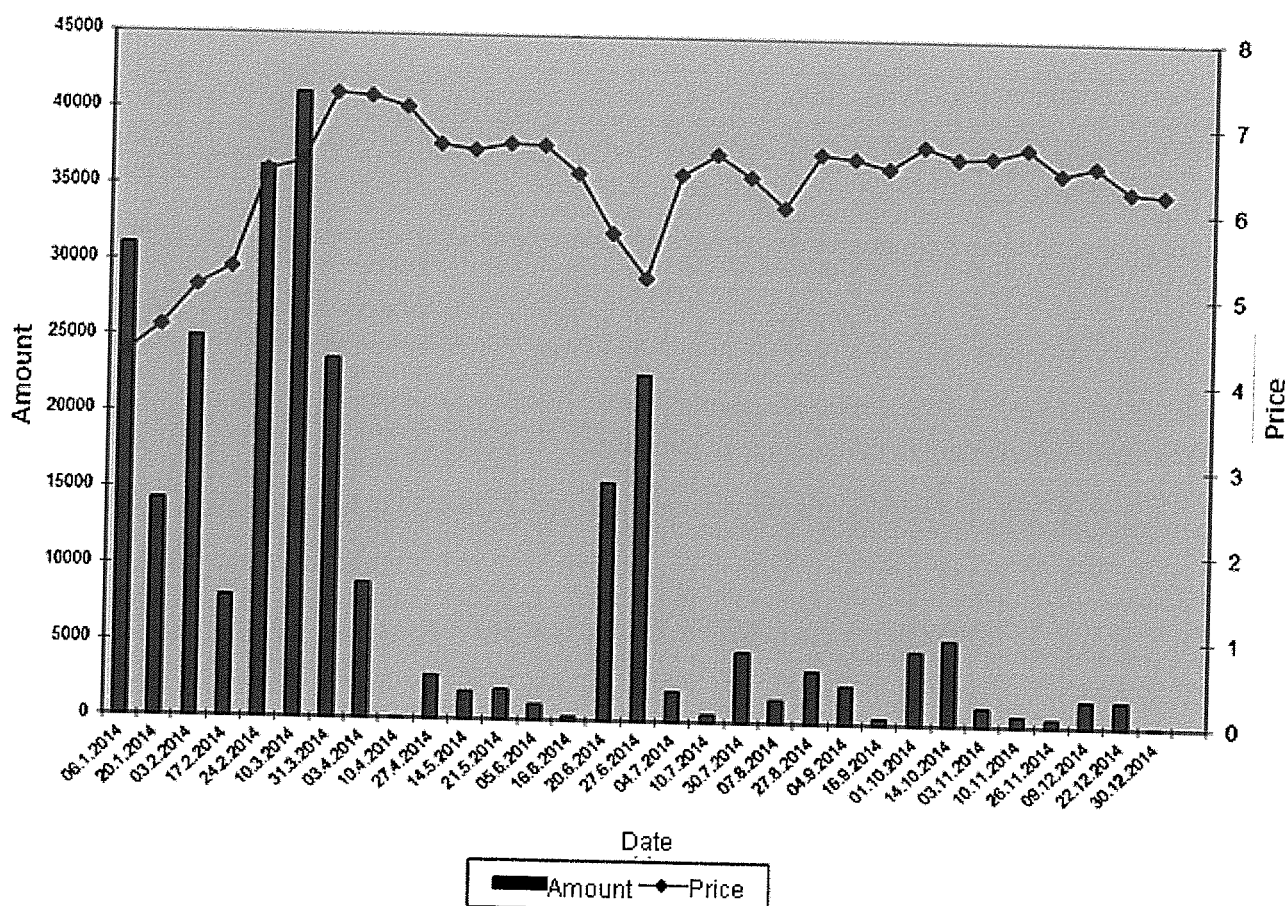
Tel. 02 / 80 66 697; e-mail: ivana@tracebg.com

12, “Nikola Obrazopisov” Str., 1408, Sofia

23. Changes in the price of the entity’s shares.

The shares of “Trace Group Hold” PLC are traded on the Bulgarian Stock Exchange – Sofia JSC, segment “Standard”.

Graphics of the fluctuations in prices and quantities of shares of “Trace Group Hold” PLC for the period from 06.01.2014 to 30.12.2014



According to the data, made available from financial analysts, the annual alteration in the price of the shares of “Trace Group Hold” PLC is 56.95%.

IX. Analysis and explanatory notes on the information under Note 11, Decree № 2, issued by the Financial Supervision Commission

1. Capital structure of the entity, including securities that have not been allowed for trading on the regulated market in the Republic of Bulgaria, or in another member state, disclosing the different classes of shares, the rights and obligations relating to each share class, and the portion of the total capital that each separate share class forms.

The capital of "Trace Group Hold" PLC is 24 200 000 BGN, distributed among 24 200 000 ordinary, personal shares, at nominal value of 1 BGN each.

In accordance with the Shareholders' book as at 31.12.2014, issued by the Central Depository PLC, the capital structure of "Trace Group Hold" PLC is as follows:

Capital (BGN)	Number of shares	Nominal value (BGN)	Share types	Number of traded shares	Regulated market on which the shares are traded
24 200 000	24 200 000	1	Ordinary, non-cash personal shares	24 200 000	Bulgarian Stock Exchange PLC. – Sofia Segment Standard

Shareholders	Number of shareholders		Number of shares	
	as at 31.12.2014	as at 31.12.2013	as at 31.12.2014	as at 31.12.2013
Legal entities	194	216	3 175 282	3 191 569
Physical entities (persons)	1 916	1 939	21 024 718	21 008 431
"Trace Group Hold" PLC treasury shares redeemed	-	-		1 248

All shares of the entity are of one class and each share is entitled to one voting right at the General Meeting of Shareholders, with the exception of the treasury shares. Each share entitles the shareholder to dividends and to liquidation shares, proportionate of the nominal value of the share. The whole emission of 24 200 000 number of shares, issued by the entity, is subscribed for trading at the Bulgarian Stock Exchange – Sofia PLC, segment "Standard". "Trace Group Hold" PLC has not issued any other securities, which have not been allowed for trading at a regulated market in the Republic of Bulgaria or in another member state.

2. Restrictions on the transfer of the securities, such as limitations on the ownership of securities or requirement for receiving approval from the entity or another shareholder.

All shares of the entity are freely transferred, with no restrictions placed upon them, and in compliance with the provisions of the in-force Bulgarian legislation. No approval by the entity or by another shareholder is required in order to purchase and hold shares of "Trace Group Hold" PLC.

3. Information on the direct and indirect ownership of 5 per cent or more of the voting rights at the General Meeting of Shareholders, including information on the shareholders, the amount of their interest and the method, under which the shares are held.

The persons that as at 31.12.2014 hold more than 5% of the shares of "Trace Group Hold" PLC are the following:

Shareholder as at the date	Name / Shareholder's name	Personal ID No. / Corporate ID No.	Owens %	Holds number of shares
31.12.2014	Nikolay Ganchev Mihaylov	5511037605	80.56	19 492 000
31.12.2014	"Galini – N" LTD, registered under company file № 15261/2006 at the Sofia city court, domiciled and management address: № 12, "Nikola Obrazopisov" Str., Lozenetz Residential District, 1408, Sofia	123687558	9.00	2 178 000

4. Information on the shareholders with special control rights and disclosure of such rights.

"Trace Group Hold" PLC does not have shareholders with special control rights.

5. The Quality Control System, effecting upon exercising the right to vote, in the cases when the entity's personnel are also and its (the entity's) shareholders, and when control is exercised indirectly by those employees.

The entity does not have a quality control system, effective upon exercising the right to vote in the cases where the personnel of the entity are also and its shareholders, and when control is not exercised directly by those employees. Every employee, who is a shareholder, votes on his / her discretion.

6. Limitations on the voting rights, such as limitations on the voting rights of shareholders with a specific percentage or specific number of shares, deadlines for exercising the voting rights or systems under which in cooperation with the entity, the financial rights related to the shares are separated from the share ownership.

There are no limitations on the voting rights of the shareholders of "Trace Group Hold" PLC. The right to vote at the General Meeting of Shareholders can be exercised personally or through a proxy, from all persons, who have purchased their shares and who are subscribed in the Shareholders' book, the latest in a 14 days period prior to the date of the Meeting. The representatives must possess proxy letter, prepared in compliance with the requirements of the Law on Public Offering of Securities (LPOS). A template of the proxy letter is published as part of the General Meeting's documents. In conformance with the statutory notices for disclosure of participations, the BoD monitors for cases where a shareholder has acquired over $\frac{1}{2}$ or over $\frac{2}{3}$ of the shares of "Trace Group Hold" PLC, and consequently has not placed a commercial offer, nor has he/ she sold his / her shares in the 14 days period, following their acquisition. The names of such shareholders shall be disclosed explicitly to the Quorum Commission in order for them to be restricted from participation at the General Meeting of Shareholders, and consequently by their votes (voting rights) to be regarded as decisions of clear ushurb of the entity.

7. Agreements, signed by and between the shareholders, which have come to the entity's knowledge and which can result in limitations on the transfer of shares or in the voting rights.

The entity is not aware of any agreements, signed by and between the shareholders, which could result in limitations on the transfer of share or in the voting rights.

8. Provisions on the appointment and retirement of members of the entity's Management Bodies, and on amendments and additions to the Articles of Incorporation

In compliance with the Articles of Incorporation of "Trace Group Hold" PLC, the General Meeting of Shareholders elects the members of the BoD. As members of the BoD are elected people, who satisfy the requirements, stipulated under the Commercial Act. Amendments and additions to the entity's Articles of Incorporation are approved by the General Meeting of Shareholders.

9. The authorities of the entity's Managing Bodies, including the right to take decisions for the issue and / or redemption of entity' shares.

The Managing Bodies of "Trace Group Hold" PLC are the General Meeting of Shareholders, the Board of Directors and the Executive Director.

The General Meeting of Shareholders decides on matters, under its competency, regulated under the entity's Articles of Incorporation and conforming to the requirements of the Commercial Act. Decisions regarding amendments and additions to the Articles of Incorporation, increase and

decrease in the capital, restructuring and termination of the entity, and appointment of the BoD are taken with a 2/3 majority of the presented capital. All other decisions are taken with ordinary majority of the presented shares.

The Board of Directors of "Trace Group Hold" PLC manages and represents the entity before the legal and physical persons in Bulgaria and abroad.

The Board of Directors resolves all issues that do not fall under the specific competence of the General Meeting of Shareholders, while complying with the decisions of the General Meeting of Shareholders, the provisions under the Articles of Incorporation and the in-force legislation. The BoD of "Trace Group Hold" PLC is entitled to increase the entity's capital, up to twenty times, by issuing new shares. The Board of Directors reports its activities before the General Meeting of Shareholders.

The BoD conducts regular meetings, at least once every three months, during which it discusses the entity's position and development.

The BoD appoints the entity's management to one or more Executive Directors. The Executive Director manages the current activities of the entity in conformance with the provisions under the Article of Incorporation and the Management contract.

10. Significant contracts, signed by the entity, which come in effect, are modified or are terminated as a result of a change in the entity's control in execution of compulsory commercial offerings, and the consequences of those, with the exception of the cases when the disclosure of such information may result in significant losses to the entity; exception under the preceding sentence is allowed in the cases where the entity is obliged by Law to disclose such information.

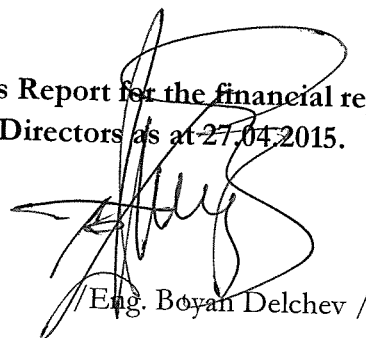
Commercial offerings have not been registered, nor does the entity have significant contracts that come in effect, are modified, or are terminated due to changes in the entity's control in executing compulsory commercial offerings.

11. Agreements, signed by and between the entity and its Management, or its employees, with regards to compensations, due to upon redundancy or dismissal of the labour contract by either party, without legal grounds for the latter, or termination of the labour relations as a result of tenders related reasons.

No agreements have been signed by and between "Trace Group Hold" PLC and the members of the Board of Directors and the entity's personnel with regards to compensations due upon redundancy or dismissal, with no legal grounds for the latter, or termination of the labour relations due to tender related reasons.

The present Consolidated Management Activities Report for the financial report 2014 was approved with a Protocol of the Board of Directors as at 27.04.2015.

Executive Director:



Eng. Boyan Delchev /

REPORT

“COMPLY OR EXPLAIN”

of the National Code for Corporate Governance,

in conformance with Art. 100 n, para. 4, b.p. 3 of the Law on the Public Offering of Securities (LPOS)

Throughout its practise, the Management of “Trace Group Hold” PLC applies the principles of the National Corporate Governance Code and is committing to comply with the guidelines, as set out under the Code. The Board of Directors pursues to execute its corporate policy in conformance with the best practices and the internationally approved standards of good corporate governance.

The Management’s efforts and activities are directed towards increasing the shareholders’ and the investor’s confidence, as well as the confidence of all parties, interested in the entity’s management and activities (stakeholders). Ensuring transparent, timely and objective disclosure to all investors is of primary importance for the entity.

The National Corporate Governance Code applies the principle “**comply or explain**”. In other words, in case of discrepancies the entity’s Management should explain and clarify the reasons behind those discrepancies.

The entity has established the practise to publicly disclose any information, which is material to the entity. Additionally, a number of practises are designed, and implemented, in an attempt to facilitate shareholders to effectively participate in the work and activities of the General Meeting of the Shareholders.

The process and procedures, implemented in conducting General Meetings of the Shareholders, allow equal treatment of all shareholders.

The entity’s Board of Directors makes the voting procedure comprehensible and easy. Proposals for solutions are published in the materials to the General Meeting of Shareholders.

The procedure and order, followed in the conduct of the General Meeting of Shareholders, allow equal and fair treatment of shareholders, regardless of the number of the held, or represented by each of them shares.

The invitation for the convene of the General Meeting of Shareholders is published in the Commercial Registry, at least 30 days prior to its opening. The invitation discloses the exact date, time

and place where the Meeting will be held, the procedure and order for exercising the right to vote, the Agenda.

The documents and materials, related with the General Meeting of the Shareholders are available to the shareholders, on the entity's web site: www.tracebg.com, as of the date on which the invitations for the Meeting's convene is published in the Commercial Registry. Upon request, these documents and materials are also presented to the shareholders at no charge.

Shareholders have the right to participate in the General Meeting through a proxy. The representative should possess and present a proxy letter. The minimum contents of the proxy letter are specified under the applicable Decree. This order of participation is disclosed in the invitation for the General Meeting's convene.

“Trace Group Hold” PLC notifies the Commission, within a 7 days period as of the date of the General Meeting, for voting rights, which are to be exercised through a proxy.

“Trace Group Hold” PLC sends the Minutes of the General Meeting of Shareholders to the Commission and the Bulgarian Stock Exchange JSC – Sofia, within a 3 day period, as of the date on which the General Meeting was conducted. Every shareholder has the right to become familiar with the contents of this Protocol.

“Trace Group Hold” PLC presents periodic and incidental information to the Financial Supervision Commission, the Bulgarian Stock Exchange and to the general public. The entity prepares Annual Financial Statements and submits them within the statutory deadlines. The Interim Financial Statements, prepared for each quarter of the financial reporting period, are presented to the Financial Supervision Commissions and the general public, in accordance with the provisions of the law. The presented information is available, accessible, accurate and thorough, and is presented in a comprehensive for each investor manner. “Trace Group Hold” PLC distributes information to the general public through the X3NEWS system, based on a signed contract with “SERVICE FINANCIAL MARKETS” LTD, via the web site of the Financial Supervision Commission, its own corporate web site, the financial information web sites and the national media.

As of 2012, subsequent to the Management's initiative and in an attempt to ensure constant information for shareholders, periodic meetings with representatives of the investment community are being held. The adopted practise conveys that these meetings with the investors are useful and effective for both parties. The shareholders, the potential investors and the stakeholders received additional information on the entity. The investors' questions and commentary are important criterion in the analysis and the evaluation of the corporate responsible entity.

The Board of Directors believes that prerequisites, for sufficient transparency in the relations with the investors, the financial media and the capital market analysts, are created.

CORPORATE GOVERNANCE – BOARD OF DIRECTORS

“Trace Group Hold” PLC has a one level management system. The entity is managed by the Board of Directors.

All members of the Board of Directors of “Trace Group Hold” PLC satisfy the statutory requirements for the held by them positions. The functions and responsibilities of the entity's Corporate Management, as well as and its structure and competences are in compliance with the requirements, set under the Code.

The Board of Directors of “Trace Group Hold” PLC manages the entity in an independent and responsible manner, in accordance with the established vision, targets, corporate strategies and shareholders’ interests. During their mandate, the members of the Board of Directors are guided by the generally acceptable principals of integrity and managerial, and professional, competence.

The present composition of the entity’s Board of Directors ensures the independence and impartiality of the decisions and the activities of its members. The Board of Directors of “Trace Group Hold” PLC is comprised of seven members, two of whom are independent, as per the meaning of the Law on Public Offering of Securities (LPOS). The independent members of the entity’s BoD act in the best interest of the entity and of the shareholders, in an objective and independent manner. The members of the Board of Directors have the appropriate knowledge, skills and experience, required for the positions that they hold. Three of the members of the Board of Directors have higher technical education (BA / MA Degrees in the field of engineering), while the rest have been awarded BA / MA Degrees in Law and / or Economics. In this respect, the entity has complied with the requirements of the National Code with regards to the requisite knowledge, skills and competences that each person, appointed as a member of the Board of Directors must have. The Board of Directors ensures proper distributions of the tasks and obligations of its members. The core function of the independent directors is to control the activities of the Executive Management and to participate effectively and efficiently in the entity’s activities, in compliance with the interests and rights of the shareholders.

The election of the members of the entity’s Board of Directors is conducted through a transparent procedure, which ensures among everything else and the timely and sufficient information, regarding the personal and professional qualifications of the candidates.

The number of consecutive mandates of the members of the Board of Directors ensures the entity’s efficient operations and its compliance with the statutory requirements. In conformance with the entity’s Articles of Incorporation, the members of the Board of Directors can be re-elected for numerous mandates, without any limitation on the number of the later.

The Board of Directors provides the guidelines, approves and controls the execution of the entity’s business plan. The Board of Directors also provides guidelines, approves and controls the execution of all significant for the entity activities, which are established in the entity’ Statutes.

The Board of Directors defines the policies to be applied with regards to information disclosure and investor relations. Furthermore, the Board of Directors provides investors with information, in the time and format, required under the entity’ Statutes.

The General Meeting of Shareholders determines the remuneration of the members of the Board of Directors. The remuneration of the members of the BoD corresponds to their activities and responsibilities. The remuneration of the independent directors is constant and reflects their participation in the meetings, the execution of their tasks to control the activities of the Executive Management and to participate effectively and efficiently in the entity’s operations. The independent directors do not receive additional remuneration from the entity. The Policy, adopted by the General Meeting of Shareholders on 20.06.2014, defines the guidelines for determining the remuneration of the members of the Board of Directors.

The responsibilities and tasks of the members of the Board of Directors, the criteria for the amount of their remuneration, their obligations in terms of loyalty to the entity, and the grounds for their dismissal as members of the BoD are set out in the Management Agreements.

The information on the remuneration of the members of the Board of Directors is disclosed in compliance with statutory requirements and the entity's Statutes.

The Board of Directors of “Trace Group Hold” PLC determines the entity's risk management policy and controls the design and operation of the risk management system and of the internal audit system. Internal control targets to impose compliance with the strategies, plans, internal regulations and procedures related to the entity's activities. Moreover, Internal control targets to ensure the entity's effective and efficient operations, the reliability of the financial reporting, as well as the storage, preservation and security of the entity's assets.

The entity's Board of Directors is assisted by the audit committee, elected at the General Meeting of the Shareholders.

AUDIT COMMITTEE

There is a functioning audit committee in the entity. In compliance with the decision, taken at the conducted in 2014 regular, annual session of the General Meeting of Shareholders, the audit committee of “TRACE GROUP HOLD” PLC is comprised of three persons: DSc. Professor Marin Todorov, Doctor of Economic Sciences, Svetla Cheriyska and Kiril Petkov. The members of the Audit Committee satisfy the requirements of Art. 40 f, para. 3 and 4 of the Independent Financial Audit Law.

AUDIT AND INTERNAL CONTROL

An Internal control and risk management system functions in the entity. The system ensures the effective operation of the reporting system and of the system for information disclosure. The internal control system is designed and functions in order to also identify the risks, inherent to the entity's activities, and to facilitate their effective management. Internal control is performed by the “Financial Control and Analysis” Department and the “Control over the reporting of projects” Department. The Senior Management is mainly responsible for and plays a key role in the design of the internal control and risk management systems. It performs both managerial and guiding functions, as well as current monitoring.

PROTECTION OF THE SHAREHOLDERS' RIGHTS

The Corporate Governance of “Trace Group Hold” PLC ensures equal treatment of all of the entity's shareholders, including minority shareholders and foreign shareholders.

The entity ensures the protection of the rights of each separate shareholder, by:

- Facilitating shareholders to participate effectively the work of the General Meeting of Shareholders through the timely disclosure of the documents and materials, relating to the General Meeting of Shareholders, distributed via two media agencies - EXTRI NEWS, INFOSTOCK, as well as on the entity's website www.tracebg.com.
- Implementing clear procedures with regards to the convene and the conduct of the General Meeting of Shareholders – regular and extraordinary meetings. The procedures for exercising the right to vote and the ability to participate in the meetings of the General Meeting of Shareholders are thoroughly explained in all invitations for the convene and conduct of the General Meetings of Shareholders. In compliance with the entity's Articles of Incorporation, the right to vote at the General Meeting of Shareholders can be exercised via mail and electronic means.

- The entity's BoD creates opportunities for all shareholders to participate in profit distributions, in case that the General Meeting of Shareholders approves and adopts a specific resolution for dividends distribution.
- The overall policy of the entity for assisting shareholders in exercising all the rights is performed through the entity's Director of the Investor Relations.

The entity maintains on its web site, a special section on shareholders' rights and their participation in the General Meeting of Shareholders.

DISCLOSURE OF INFORMATION

The Corporate Management applies the policy for disclosing information, in conformance with the statutory requirements and the Articles of Incorporation.

The Board of Directors of “Trace Group Hold” PLC believes that with its activities in 2014, it has created opportunities for sufficient transparency in its relations with the investors, the financial media and the capital market analysts. Additionally, the Management of “Trace Group Hold” PLC discloses to investors its investment program for each financial year. In the financial reporting 2014, the entity has disclosed all regulated information within the statutory deadlines and orders, and in accordance with the provisions of the Law on Public Offering of Securities and the accompanying it Decrees.

The entity's web site includes among others and a section “For Shareholders”. This section is created in order to facilitate the receipt of updated, relevant and timely information from the entity's investors – shareholders, potential investors, financial media and analysts, as well as to create maximum transparency of the entity's Investor – Management relations. Updated information on the most significant corporate events, significant information with regards to the entity's core activities, documents and materials from past and future events can be found in the “For Shareholders” and “News” sections. These sections also contain information regarding the financial and economic situation of the entity, the execution of the internationally approved standards for good corporate management.

Every year, the BoD of “Trace Group Hold” PLC prepares and adopts a Corporate calendar, including the most significant events in the entity and the deadlines for execution of the obligations relating to information disclosure. By means of it, the BoD plans separate events and discloses them.

The organization of the activities of the Board of Directors and of the sessions of the General Meeting of Shareholders, allow equal treatment of all shareholders, regardless of the number of shares, held by each shareholder. The Director “Investor Relations” communicates with the requisite care, attention and precision with both the majority shareholder, as well as with the individual shareholders, holding fewer shares (minority shareholders).

The entity has designed and has established a practise, which ensures effective communication with all shareholders.

Due to the fact that the entity's presentation and performance in the different economic media influences positively its overall image, the entity's Management regards as crucial that the presented to the financial media and to financial analysts information is accurate, precise and reliable. The Director “Investor Relations”, in its capacity of a link and a connecting section between the entity's Management and its investors, participates actively in the development and design of the overall policy with regards to the relations with the financial media, is in direct contact with those, discloses important for the investors information on the entity's status, situation and future plans, while also observing strictly the

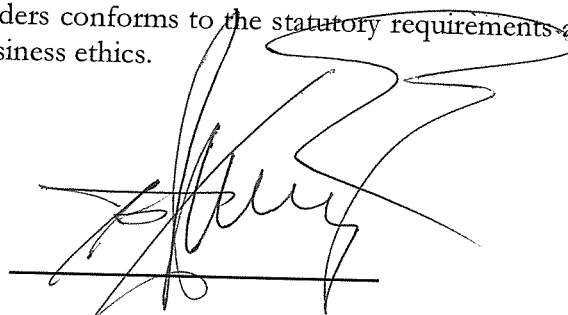
principles for information disclosures, evaluating which information is classified as commercial secret and which should be publically disclosed.

STAKEHOLDERS

The entity identifies as stakeholders all those who are interested in the economic prosperity of “Trace Group Hold” PLC – shareholders, workers and employees, customers, suppliers, assignors – Ministries, Municipalities, Agencies, Banks – creditors and the public, in general. The exchange of information between the entity and the stakeholders is facilitated through the conducted meetings, discussions and via the channels for information disclosure, exploited by the entity.

In light of enhancing the welfare of the parties and of ensuring the entity’ constant development, the Board of Directors encourages the cooperation between the entity and the stakeholders. Stakeholders are provided with the requisite information on the entity, with updated data on its financial position and all information and data that could assist their proper guidance and decision making.

The entity’s policy with regards to the stakeholders conforms to the statutory requirements and is based on principals of transparency, reporting and business ethics.

A handwritten signature in black ink, appearing to read 'B. Delchev', is written over a horizontal line. The signature is stylized with loops and flourishes.

Eng. Boyan Delchev

Executive Director