

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

1.	BACKGROUND CORPORATE INFORMATION	5
2.	BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES	6
3.	REVENUE	26
4.	OTHER OPERATING INCOME AND LOSSES, NET	27
5.	RAW MATERIALS AND CONSUMABLES USED	28
6.	HIRED SERVICES EXPENSE	28
7.	EMPLOYEE BENEFITS EXPENSE	29
8.	IMPAIRMENT OF CURRENT AND NON-CURRENT ASSETS	29
9.	OTHER OPERATING EXPENSES	29
10.	FINANCE COSTS/INCOME, NET	30
II.	INCOME TAX BENEFIT	30
12.	LOSS PER SHARE	30
13.	PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS	31
14.	INVESTMENTS IN SUBSIDIARIES	32
15.	DEFERRED TAX ASSETS/(LIABILITIES)	34
16.	INVENTORIES	35
17.	RECEIVABLES FROM RELATED PARTIES	36
18.	TRADE RECEIVABLES AND ADVANCES	38
19.	TRADE RECEIVABLES AND PREPAYMENTS	39
20.	CASH AND CASH EQUIVALENTS	39
21.	SHARE CAPITAL AND RESERVES	39
22.	LONG-TERM BANK LOANS	40
23.	PAYABLES TO SUPPLIERS	41
24.	PROVISIONS	42
25.	RETIREMENT BENEFIT OBLIGATIONS	43
26.	GOVERNMENT GRANTS	46
27.	SHORT-TERM BANK LOANS	46
28.	PAYABLES TO RELATED PARTIES	46
29.	TRADE PAYABLES	47
30.	PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY	47
31.	TAX PAYABLES	47
32.	OTHER CURRENT LIABILITIES	48
33.	CONTINGENT LIABILITIES AND COMMITMENTS	48
34.	FINANCIAL RISK MANAGEMENT	48
35.	RELATED PARTY TRANSACTIONS	54
36.	EVENTS AFTER THE REPORTING DATE	56

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

All amounts are presented in BGN'000 unless otherwise stated

**1. BACKGROUND CORPORATE INFORMATION**

Neochim AD (the 'Company') was established in 1951. It was registered as a joint-stock company in July 1997. Company's registered office and address of management is at Himkombinatska Str., East Industrial Zone, Dimitrovgrad and it has been entered in the Commercial Register under UIC 836144932. The latest changes in the Articles of Association were entered in the Register of Commercial Companies on 6 August 2013. The latest changes in the managing bodies were entered in the Commercial Register on February 12, 2015.

**1.1. Ownership and management**

Neochim AD is a public company under the Public Offering of Securities Act.

The structure of Company's share capital as at 31 December 2014 was as follows:

• Eco Tech AD	- 24.37 %
• Evro Fert AD	- 24.03 %
• Feboran AD	- 20.30 %
• Agrofer International Establishment, Lichtenstein	- 7.68 %
• Neochim AD (treasury shares)	- 2.58 %
• ZPAD Allianz Bulgaria	- 2.47 %
• UPF Saglasie	- 2.39 %
• UPF CCB Sila	- 2.19 %
• Other	- 13.99%

Neochim AD has one-tier management system with nine-member Board of Directors as follows:

Dimcho Staikov Georgiev	Chairman
Elena Simeonova Shopova	Deputy Chairman (from 16.07.2014)
Mohamed Hasan Karabibar	Deputy Chairman (to 20.06.2014)
Dimitar Stefanov Dimitrov	Member
Tosho Ivanov Dimov	Member
Vasil Jivkov Grancharov	Member
Victoria Ilieva Cenova	Member
Zarneni Hrani Bulgaria AD	Member
Hubert Puchner	Member (from 17.09.2014)
Tarunjeev Sing Puri	Member (from 30.01.2015)
Djamal Ahmad Hamud	Member (to 20.06.2014)
Arvind Kumar Aggarwal	Member (from 20.06.2014 to 30.01.2015)
Gerald Papst	Member (from 20.06.2014 to 17.09.2014)

The Company is represented and managed jointly and severally by Dimitar Stefanov Dimitrov – Chief Executive Director, Vasil Jivkov Grancharov – Executive Director and Tosho Ivanov Dimov – Executive Director until 20.10.2014.

From 21.10.2014 the Company is represented and managed by Dimitar Stefanov Dimitrov – Chief Executive Director.

As at 31 December 2014, the total number of Company's personnel is 1,162 workers and employees (31 December 2013: 1,284).

**1.2. Scope of activity**

The scope of activity of the Company includes the following types of transactions and deals:

- production of inorganic and organic chemical products;
- trade.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014  
All amounts are presented in BGN'000 unless otherwise stated

## 1. BACKGROUND CORPORATE INFORMATION (CONTINUED)

### 1.3. Main indicators of the economic environment

The main economic indicators of the business environment that have affected the Company's activities throughout the period 2012 – 2014, are presented in the table below:

Indicator	2012	2013	2014*
GDP in million levs *	80 044	80 282	82,029
Actual growth of GDP **	0.5%	1.1%	1.9%
Year-end inflation (ICP)*	2.8%	-0.9%	-2.0%
Average exchange rate of USD for the year	1.52	1.47	1.47
Exchange rate of the USD at the year-end	1.48	1.42	1.61
Unemployment rate (at the year-end) *	11.40%	11.80%	10.70%
Basic interest rate at the year-end *	0.03	0.02	0.02

\* preliminary data for 2014,

\*\* preliminary data as at 30.09.2014

source: BNB, NSI

## 2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES

### 2.1. Basis for preparation of the separate financial statements

These separate financial statements have been prepared in all material respects in accordance with all International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations for their application issued by the International Financial Reporting Interpretations Committee (IFRIC), accepted by the European Union (EU) and applicable in the Republic of Bulgaria.

#### *Standards and Interpretations effective in the current period*

The following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU are effective for the current period:

- IFRS 10 Consolidated Financial Statements, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 11 Joint Arrangements, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 12 Disclosures of Interests in Other Entities, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IAS 27 (revised in 2011) Separate Financial Statements, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IAS 28 (revised in 2011) Investments in Associates and Joint Ventures, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities – Transition Guidance, adopted by the EU on April 4, 2013 (effective for annual periods beginning on or after January 1, 2014);

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.1. Basis for preparation of the separate financial statements (continued)**

*Standards and Interpretations effective in the current period (continued)*

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 27 (revised in 2011) Separate Financial Statements – Investment Entities, adopted by the EU on November 20, 2013 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 32 Financial instruments: presentation – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 36 Impairment of assets - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on December 19, 2013 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on December 19, 2013 (effective for annual periods beginning on or after January 1, 2014).
- IFRIC 21 Levies, adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

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

*Standards and Interpretations issued by IASB and adopted by the EU but not yet effective*

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards Improvements to IFRSs (cycle 2010-2012) resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 17, 2014 (amendments are to be applied for annual periods beginning on or after February 1, 2015);
- Amendments to various standards Improvements to IFRSs (cycle 2011-2013) resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on December 18, 2014 (amendments are to be applied for annual periods beginning on or after January 1, 2015);
- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015),

*Standards and Interpretations issued by IASB but not yet adopted by the EU*

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the date of authorization of these financial statements:

Company's management made a research and decided that these amendments would not have material impact on the accounting policy and on the amounts and assets and liabilities classification, operations and financial results of the Company except for the following standards which may have influence:

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.1. Basis for preparation of the separate financial statements (continued)**

- IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after January 1, 2017);
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (effective for annual periods beginning on or after January 1, 2016);

Company's management considers the impact which the above stated new and/or amended standards may have on the Company's financial statements and when they will be adopted.

Besides, the below stated new standards, revisions and adopted interpretation management considers would not impose changes to the accounting policy and classification and amounts of reported items in the financial statements, namely:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 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 January 1, 2016);
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IAS 27 Separate Financial Statements - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after January 1, 2016);
- Amendments to various standards Improvements to IFRSs (cycle 2012-2014) resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2016).

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Company's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not significantly impact the financial statements, if applied as at the reporting date.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014  
All amounts are presented in BGN'000 unless otherwise stated

## **2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

### **2.2. Consolidated financial statements of the Company**

These financial statements represent the separate financial statements prepared in accordance with the requirements of the accounting and tax legislation of the Republic of Bulgaria. The Company has interest and exercises control over two subsidiaries (Note 14) and therefore, in accordance with the requirements of the Bulgarian Accountancy Act and based on IFRS 10 Consolidated Financial Statements, it has also prepared consolidated financial statements approved for issue by the Board of Directors on 24 March 2015.

### **2.3 Accounting assumptions and estimates**

The presentation of the financial statements in accordance with International Financial Reporting Standards requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, income and expenses and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them (whereas in the conditions of financial crisis the uncertainties are more significant). The items presuming a higher level of subjective assessment or complexity or where the assumptions and accounting estimates are material for the financial statements, are disclosed in Note 2.27.

### **2.4. Comparatives**

The Company presents in these separate financial statements comparative information for one prior year.

Where necessary, comparative data is reclassified for the purpose of achieving comparability in view of the current year presentation changes.

### **2.5. Functional currency and recognition of exchange differences**

Functional currency is the currency of the main economic environment in which a company operates and where cash is mostly generated and expensed. It reflects the basic transactions, events and conditions, which are significant for the entity.

The Company keeps its accounting records and prepares its financial statements in the national currency of the Republic of Bulgaria – the Bulgarian lev, adopted by the Company as its functional currency.

Net foreign exchange differences related to cash, trade receivables and payables, denominated in foreign currency, are recognised in the statement of comprehensive income (within profit or loss for the year) when they arise and are presented net under 'other operating income/(losses)'.

The non-monetary items in the statement of financial position, which are initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the date of the transaction and are not subsequently revalued at the closing exchange rate.

These separate financial statements are prepared in hundred levs (BGN'000).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.6. Revenue**

Revenue is recognised on accrual basis and to the extent that it is probable that the economic benefits will flow to the Company and as far as the revenue can be reliably measured.

Upon sale of finished products, goods and materials, revenue is recognised when all significant risks and rewards of ownership have passed to the buyer.

Upon rendering of services, revenue is recognised by reference to the stage of completion of the transaction at the date of the statement of financial position, if this stage as well as the transaction and completion costs, can be measured reliably.

Revenue is measured on the basis of the fair value of the products, goods and services sold, net of indirect taxes (excise duties and VAT) and any discounts and rebates granted.

Upon sale on an instalment plan, revenue is recognised on the date of sale, excluding the incorporated interest.

Finance income is presented separately on the face of the statement of comprehensive income (within profit or loss for the year) and comprises interest income on placed deposits, income/gains from investments in subsidiaries including dividends and gains from transactions with financial instruments.

**2.7. Expenses**

Expenses are recognised by the Company as they are incurred, following the accrual and matching concepts but only as far as the latter does not results in recognising reporting items for assets or liabilities that do not satisfy the criteria of IFRS and the framework thereto.

Deferred expenses are put off and recognised as current expenses in the period when the contracts, whereto they refer, are performed.

Finance costs are included in the statement of comprehensive income when incurred and comprise: interest expenses related to received loans as well as bank charges and other direct expenses on loans and bank guarantees and exchange differences from foreign currency loans.

**2.8. Property, plant and equipment**

Property, plant and equipment (tangible fixed assets) are presented in the financial statements at cost (cost of acquisition) less the accumulated depreciation (excluding land) and impairment losses.

***Initial acquisition***

Upon their initial acquisition, property, plant and equipment are valued at cost, which comprises the purchase price, customs duties and any other directly attributable costs of bringing the asset to working condition for its intended use.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014  
All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.8. Property, plant and equipment (continued)**

The directly attributable costs include the cost of site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes, expenses on capitalised interest for qualifying assets, etc.

Items acquired together with or to particular fixed assets but are not yet assembled are capitalized in the value of the main item and are depreciated according to its residual useful life.

Upon economic construction of fixed assets in the acquisition cost are included all direct costs related to the resources through which the respective items are constructed (salaries and insurances, materials, hired services, etc.).

The Company has set a value threshold of BGN 500, below which the acquired assets, regardless of having the features of property, plant and equipment, are treated as current expense at the moment of their acquisition.

***Subsequent measurement***

The chosen by the Company approach for subsequent measurement of property, plant and equipment, is the cost model under IAS 16, i.e. cost less any accumulated depreciation and any accumulated impairment losses.

***Depreciation methods***

The Company applies the straight-line depreciation method for property, plant and equipment. Depreciation of an asset begins when it is available for use. Land is not depreciated. The useful life per group of assets is subject to their physical wear, the characteristic features of the equipment, the intentions for future use and the expected obsolescence.

The useful life, set for any tangible fixed asset, is reviewed at the end of each reporting period and in case of any material deviation from the future expectations of their period of use, the latter is adjusted as from the date of change.

***Subsequent costs***

Repair and maintenance costs are recognised as current expenses as incurred. Subsequent expenses incurred in relation to property, plant and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalised in the carrying amount of the respective asset whereas the residual useful life is reviewed at the capitalisation date. At the same time, the non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses for the period of restructure.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.8. Property, plant and equipment (continued)**

*Impairment of assets*

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might significantly differ from their recoverable amount. If any indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognised in "Impairment of non-current assets" in the statement of comprehensive income (within profit or loss for the year).

*Gains and losses on disposal (sale)*

Tangible fixed assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of 'property, plant and equipment' group are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net within 'Other operating income/(losses), net' on the face of the statement of comprehensive income (within profit or loss for the year).

**2.9. Intangible assets**

Intangible assets are stated in the separate financial statements at cost less accumulated amortisation and any impairment losses in value. They include licences for the use of software and EU emissions trading scheme and units of reduced emissions.

The Company applies the straight-line amortisation method for the intangible assets with determined useful life of 5 years.

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Then impairment is recognised as an expense in the statement of comprehensive income (within profit or loss for the year).

Intangible assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net within 'Other operating income/(losses), net' on the face of the statement of comprehensive income (within profit or loss for the year).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.9. Intangible assets (continued)**

**EU emissions trading scheme and units of reduced emissions**

On initial acquisition the allocated quotas for dangerous gases are recognised as intangible assets at nominal value (zero value). The purchased quotas are recognised on initial acquisition at cost. The Company has chosen to apply the cost model for subsequent measurement, i.e. costs less accumulated impairment losses. The Company recognises a liability in the statement of financial position when the level of noxious gases for a certain period exceeds the level of allocated and available quotas. The liability is measured at the acquisition cost of purchased quotas – until reaching the level of the quotas held by the Company, and at market price at the date of the statement of financial position – for the excess over the available quotas whereas the changes in the liability amount are recognised in the statement of comprehensive income (within the profit or loss for the year) (Note 13).

The Company applies weighted average price upon disposal of quotas for dangerous gases (upon settlement of its liability).

**2.10. Investments in subsidiaries**

Long-term investments, representing interest in subsidiaries are presented in the financial statements at acquisition cost (cost) being the fair value of the consideration paid. Investments in subsidiaries are not traded in the stock exchange. This circumstance does not provide opportunity for ensuring active market price quotations in order to determine reliably the fair value of these shares. In addition, the future functioning of a part of these companies is related to some uncertainties that affect the ability of making reasonable and justified long-term assumptions for the fair value calculation of their shares through other valuation methods.

According to IFRS 10 Consolidated Financial Statements the Company controls other companies if and only if the Company has achieved cumulatively all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

Following the above the Company estimated that it controls all companies where it owns directly or indirectly more than 50% of the voting shares.

The investments in subsidiaries, owned by the Company, are subject to review for impairment. Where conditions for impairment are identified, the impairment is recognised in the statement of comprehensive income (within profit or loss for the year). The impairment amount reflects the difference between cost of acquisition of investments and present value of expected future cash flows, discounted as at the end of reporting period. Impairment is reported in "Impairment of non-current assets" on the face of the statement of comprehensive income (within profit or loss for the year).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.10 Investments in subsidiaries (continued)**

In purchases and sales of investments in subsidiaries the date of trading (conclusion of the deal) is applied.

Investments are derecognised when the rights related thereto are transferred to third parties as a result of occurrence of legal rights for that and thus the control over the economic benefits from the investments are being lost. The gains or losses on the sale are presented respectively as 'Finance income' or 'Finance costs' in the statement of comprehensive income (within profit or loss for the year).

**2.11. Available-for-sale investments**

The Company's investments, representing shares in other companies (minority interest), are measured and included in the statement of financial position at cost since their shares are not traded on an active market, no active market price quotations are available thereof and the assumptions for the application of alternative valuation methods are highly uncertain so as to achieve a sufficiently reliable fair value determination.

The available-for-sale securities, owned by the Company, are reviewed for impairment at each statement of financial position date. If any such conditions are identified, the impairment is reported in the statement of comprehensive income (within profit or loss for the year). The recognised impairment loss is equal to the difference between the carrying amount and their recoverable amount of the investment.

Any purchase or sale of available-for-sale securities is recognised on the date of trading, i.e. the date when the Company undertakes the commitment to buy or sell the financial asset.

**2.12. Inventories**

Inventories are valued at the lower of acquisition cost (cost) and net realisable value.

Expenses, incurred at bringing a certain product to its current condition and location, are included in the cost (acquisition cost) as follows:

- Raw and other materials in finished form – all delivery costs, including the purchase price, import customs duties and charges, transportation expenses, non-refundable taxes and other expenses, incurred for rendering the materials ready for usage;
- Finished products and work in progress – cost of direct materials and labour and the attributable proportion of the manufacturing overheads, based on normal operating capacity of production facilities, but excluding administrative expenses, exchange rate gains and losses and borrowing costs.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.12. Inventories (continued)**

Production overheads are included in the cost of finished and semi-finished products based on normal operating capacity of the production facilities. The Company has chosen to allocate them to products on the basis of the quantity of articles produced.

Upon putting into production (sale) of inventories, the weighted average cost method is applied.

The net realisable value represents the estimated selling price of an asset in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

**2.13. Trade and other receivables**

Trade and other receivables are recognised and carried at fair value based on the original invoice amount (cost) less any allowance for uncollectable debts. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the receivables are initially valued at their fair value and subsequently – at amortised cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method (Note 2.25).

An estimate of allowances for doubtful and bad debts is made when significant uncertainty exists as to the collection of the full amount or a part of it. Bad debts are written-off when the legal grounds for this are available. Impairment of trade receivables is being accrued through a respective corresponding allowance account for each type of receivable in the item 'Impairment of assets' on the face of the statement of comprehensive income (within profit or loss for the year). When a trade receivable is considered uncollectible, it is written-off against the allowance account.

**2.14. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, current accounts and short-term deposits with banks, with original maturity of less than three months (Note 2.25).

For the purposes of the statement of cash flows:

- cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- interest on loans received for working capital is included as payment in the operating activities;
- interest on investment purpose loans received is included as payment in the financing activities;
- payments related to self-constructed assets (including to suppliers and personnel) are included as payments in the investing activities;
- permanently blocked funds are not treated as cash and are not included in the cash flow statement.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.15. Trade and other payables**

Trade and other amounts payable are carried at fair value on the basis of the original invoice amount (acquisition cost), which is the fair value of the consideration to be paid in the future for assets and services received. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value and subsequently – at amortised cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method (Note 2.25).

**2.16. Interest-bearing loans and other borrowings**

All loans (granted and received) and other borrowings are recognised at cost (nominal amount), which is accepted to be the fair value of the consideration received on the transaction, netted of the direct costs related to these loans and borrowings. After the initial recognition, the interest-bearing loans and other borrowings are subsequently measured at amortised cost by applying the effective interest rate method. The amortised cost is calculated by taking into account all types of charges, commissions and other costs, including any discount or premium on settlement associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income or costs throughout the amortisation period, or when the liabilities are derecognised or reduced. Interest-bearing loans and other financial resources granted are classified as current ones unless (and for the relevant portion thereof) the Company has unconditionally the right to settle its obligation within term of more than 12 months after the statement of financial position date (Note 2.25).

**2.17. Borrowing costs**

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

According to the requirements of IAS 23 *Borrowing Costs*, a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

The amount of borrowing costs eligible for capitalisation to the value of a qualifying asset is determined by applying a capitalisation rate. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when the following conditions are met:

- expenditures for the asset are incurred;
- borrowing costs are incurred; and
- activities are undertaken that are necessary to prepare the asset for its intended use or sale.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.17. Borrowing costs (continued)**

Expenditures on a qualifying asset include only those expenditures that have resulted in payments of cash, transfers of other assets or the assumption of interest-bearing liabilities.

Borrowing costs are reduced by any payments received or grants received in connection with the asset. Borrowing costs are also reduced by any investment income earned on the temporary investment of those borrowed funds.

Capitalisation of borrowing costs ceases when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

**2.18. Leases**

*Finance lease*

*Lessee*

Finance leases, which transfer to the Company a substantial part of all risks and rewards incidental to ownership of the leased asset, are capitalised in the statement of financial position of the lessee and are presented as leased item of property, plant and equipment at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between the finance cost (interest) and the attributable portion of the lease liability (principal) so as to achieve a consistent interest rate on the remaining outstanding principal balance of the lease liability. Interest expenses are recognised in the statement of comprehensive income (within profit or loss for the year).

The finance lease gives rise to depreciable cost for depreciated assets as well as finance costs for each reporting period. The depreciation policy with regard to depreciable leased assets is compliant with that for Company's own depreciable assets. Where there is no sufficient assurance that the ownership will be acquired by the end of the lease term the asset is depreciated over the shorter of the term of the lease agreement and the useful life of the asset.

*Operating lease*

Leases where the lessor keeps a substantial part of all risks and economic benefits incidental to the ownership of the specific asset are classified as operating leases.

Operating lease payments are recognised as expenses in the statement of comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term.

Lease income from operating leases is recognised on a straight-line basis over the lease term in the statement of comprehensive income (within profit or loss for the year). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.19. Employee benefits**

The employment and social security relations with the workers and employees of the Company are based on the provisions of the Labour Code and the effective social security legislation in Bulgaria.

*Short-term benefits*

Short-term employee benefits in the form of remuneration, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or has met the required terms and requirements) are recognised as an expense in the statement of comprehensive income (within profit or loss for the year) in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The Company's obligations for social security and health insurance are recognised as a current expense and liability at their undiscounted amount together with the relevant benefits and within the period of the respective income to which they are related.

At the date of each set of financial statements, the Company measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses on the employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

*Long-term retirement benefits*

*Defined contribution plans*

The major duty of the Company in its capacity as employer is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund, and for health insurance. The rates of the social security and health insurance contributions are defined under the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC) at the ratio 60:40 (2013: 60:40).

These social security and pension plans, applied by the Company in its capacity of an employer, are based on the Bulgarian legislation and are defined contributions plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security scheme at the Company. The contributions, payable by the Company under defined contribution plans for social security and health insurance, are recognised as a current expense in the statement of comprehensive income (within profit or loss for the year) unless a particular IFRS requires this amount to be capitalised to the cost of an asset, and as a current liability at their undiscounted amount along with the accrual of the respective employee benefits to which the contributions refer and in the period of rendering the underlying service.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014  
All amounts are presented in BGN'000 unless otherwise stated

## 2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

### 2.19. Employee benefits (continued)

#### *Defined benefit plans*

In accordance with the Labour Code, the Company in its capacity as an employer in Bulgaria is obliged to pay to its personnel upon retirement an indemnity, which depending on the length of service at the entity varies between two and six gross monthly salaries as at the termination date of the employment. In their nature these are unfunded defined benefit schemes.

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they shall be presented in the statement of financial position, and respectively, the change in their value – in the statement of comprehensive income as follows:

a) The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they shall be presented in the statement of financial position, and respectively, the change in their value – in the statement of comprehensive income as follows:

b) the effects of obligation remeasurements, which in substance represent actuarial gains and losses, are recognised immediately when incurred and are presented within other comprehensive income in the item 'remeasurements of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

At the end of each reporting period, the Company assigns certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation, and using the interest rates of long-term government bonds of similar term, quoted in Bulgaria where the Company itself operates.

#### *Termination benefits*

The Company recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on announced plan, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the statement of financial position at their present value.

### 2.20. Share capital and reserves

Neochim AD is a joint-stock company and is obliged to register with the Commercial Register a specified share capital, which should serve as a security for the creditors of the Company for execution of their receivables. The shareholders are liable for the obligations of the Company up to the amount of the share of the capital held by each of them and may claim returning of this share only in liquidation or bankruptcy proceedings.

The Company reports its share capital at the nominal value of the shares registered in the Commercial Register.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014  
All amounts are presented in BGN'000 unless otherwise stated

## 2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

### 2.20. Share capital and reserves (continued)

According to the requirements of the Commercial Act and the Articles of Association, the Company is obliged to set aside a Reserve Fund (statutory reserves) by using the following sources:

- at least one tenth of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital or any larger amount as provided in the Articles of Association;
- other sources as provided for by a decision of the General Meeting of Shareholders.

The amounts in the Fund can only be used to cover annual loss or losses from previous years. When the amount of the Fund reaches the minimal value specified in the Articles of Association the excess may be used for increasing the share capital.

Treasury shares are presented in the statement of financial position at cost (acquisition cost) whereas the Company's equity is decreased with the gross amount of treasury shares. Gains or losses on sales of treasury shares are carried directly to Company's equity in the 'Retained earnings' component.

The retirement benefit obligations restatement (a defined benefit plan) is set aside from the remeasurements of the payables to personnel, which in substance represent actuarial gains and losses, and are recognised immediately when incurred and presented within other comprehensive income in the item 'remeasurements of defined benefit pension plans'.

### 2.21. Income taxes

*Current income taxes* are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal income tax rate for year 2014 was 10% (2013: 10%).

*Deferred income taxes* are determined using the liability method on all temporary differences, existing at the date of the financial statements, between the carrying amounts of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of those originating from recognition of an asset or liability, which has not affected the accounting and the taxable profit/(loss) as at the date of the transaction.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax losses, to the extent that it is probable they will reverse and a taxable profit will be available or taxable temporary differences might occur, against which these deductible temporary differences can be utilized, with the exception of the differences arising from the initial recognition of an asset or liability, which has affected neither the accounting nor taxable profit or loss as at the date of the transaction.

The carrying amount of all deferred tax assets is reviewed on the preparation of the statement of financial position and reduced to the extent that it is no longer probable that they will reverse and sufficient taxable profit to be generated or occurring in the same period taxable temporary differences to allow the deferred tax asset to be deducted or compensated.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.21. Income taxes (continued)**

Deferred taxes, related to items that are accounted for as other components of comprehensive income or another equity item in the statement of financial position, are also reported directly in the respective component of the comprehensive income or the equity item in the statement of financial position.

Deferred tax assets and liabilities are measured at the tax rates and on the bases that are expected to apply to the period and type of operations when the asset is realised or the liability – settled (repaid) on the basis of the tax laws that have been enacted or substantively enacted, and at tax rates of the country (Bulgaria) under the jurisdiction of which the respective deferred asset or liability is expected to be recovered or settled.

The deferred tax assets of the Company are presented net against its deferred tax liabilities when and as much as it is the tax payer for them in the respective jurisdiction (Bulgaria), and this is only in cases where the Company is legally entitled to perform or receive net payments of current tax liabilities or income tax receivables.

The deferred income tax liabilities of the Company as at 31 December 2014 were assessed at a rate, valid for 2015, at the amount of 10%.

**2.22. Earnings/losses per share**

Basic earnings per share are calculated by dividing net profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding during at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. This factor represents the number of days that the shares are outstanding as a proportion of the total number of days in the period.

In case of a capitalization, bonus emission or split the number of the outstanding ordinary shares as at the date of such event, is adjusted as to reflect the proportional change in the number of outstanding ordinary shares as if the event has occurred in the beginning of the earliest presented period.

Diluted earnings per share are not calculated because no dilutive potential ordinary shares have been issued.

**2.23. Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. The measurement of provisions is based on the best estimate, made by the management at the date of the statement of financial position, concerning the expenses that will be incurred for the settlement of the particular obligation.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.23. Provisions (continued)**

The estimate is discounted if the obligation is long-term. When part the resources required to settle the obligation are expected to be recovered from a third party, the Company recognises a receivable if it is virtually certain that reimbursement will be received, its amount can be reliably measured and income is recognised in the same item of the statement of comprehensive income (within profit or loss for the year) where the provision itself is presented.

**2.24. Government grant (grant from public institutions)**

The government grant (a grant from public institutions) is initially recognised as deferred income (financing) when there is reasonable assurance that it will be received by the Company and that the latter has complied and complies with the associated thereto terms and requirements.

The government grant (a grant from public institutions) that compensates the Company for expenses incurred is recognised in current profit or loss on a systematic basis in the same period in which the expenses are recognised.

The government grant (a grant from public institutions) that compensates investment expenses incurred to acquire an asset is recognised in current profit or loss on a systematic basis over the useful life of the asset usually at the amount of the recognised depreciation charge.

**2.25. Financial instruments**

**2.25.1. Financial assets**

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale assets. The classification depends on the nature and purpose (designation) of the financial assets at the date of their acquisition. The management determines the classification of the financial assets of the Company at the time of their initial recognition on the statement of financial position.

The Company usually recognises its financial assets on the statement of financial position on the trade date, being the date on which the Company commits (undertakes an ultimate engagement) to purchase the respective financial assets. All financial assets are initially measured at their fair value plus the directly attributable transaction costs except for the assets at fair value through profit or loss. The latter are recognised at fair value while the directly attributable transaction costs are recognised immediately in the statement of comprehensive income (within profit or loss for the year).

Financial assets are derecognised from the Company's statement of financial position when the rights to receive cash (flows) from these assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership of the asset to another entity (person). If the Company retains substantially all risks and rewards associated with the ownership of a particular transferred financial asset, it continues to recognise the transferred asset on its statement of financial position but also recognises a secured liability (a loan) for the consideration received (Notes 2.13 and 2.14).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.25. Financial instruments (continued)**

**2.25.1. Financial assets (continued)**

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured in the statement of financial position at their amortised cost using the effective interest method less any allowance for impairment. These assets are included in current assets when having maturity within 12 months or within a common operating cycle of the Company while the remaining ones are classified as non-current assets. This group of financial assets includes: loans granted, trade receivables, other receivables from counterparts and third parties, cash and cash equivalents from the statement of financial position. Interest income on loans and receivables is recognised by applying the effective interest rate except for short-term receivables (less than 12 months) where the recognition of such income would be unjustifiable as immaterial and within the common credit terms. It is presented in the statement of comprehensive income (within profit or loss for the year) under 'Other operating income'.

*Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative assets that are either designated as available-for-sale or are not classified in any other category. These are usually unlisted or not actively traded shares, or shares in other companies, acquired for investment purposes, and are included within non-current assets, except where the Company intends to sell them in the following 12 months and is actively searching for a buyer.

Available-for-sale financial assets are measured at acquisition cost because they are in closed-end companies for which it is difficult to find analogous market transactions data or due to the circumstance that the future operation of these companies is related to certain doubts so that reasonable and justifiable long-term assumptions are possible for the calculation of the fair value of their shares through other alternative valuation methods.

Dividends on shares, classified as available-for-sale financial assets, are recognised in the statement of comprehensive income (within profit or loss for the year) when the Company's right to receive the dividends is established.

**2.25.2. Financial liabilities and equity instruments**

The Company classifies debt and equity instruments either as financial liabilities or as equity in accordance with the substance of the contractual arrangements with the respective counterparty regarding these instruments.

*Financial liabilities*

Financial liabilities include loans, payables to suppliers and other counterparts. They are initially recognised in the statement of financial position at fair value net of the directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method (Note 2.15).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.25. Financial instruments (continued)**

**2.25.3. Fair value measurement**

The Company applies IFRS 13 Fair Value Measurement for the first time in 2013. IFRS 13 is applied when another IFRS requires or allows fair value measurement or disclosure of the measurement at fair value both of financial instruments and non-financial items. The standard is not applicable for share-based payment transactions that fall within the scope of IFRS 2 Share-based payment, lease transactions within the scope of IAS 17 Leases and with regard to measurements that have some similarities to fair value but are not fair value – e.g. measurement at net realisable value under IAS 1 Inventories or at value in use under IAS 36 Impairment of Assets.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal (or most advantageous) market under current market conditions. According to IFRS 13, fair value is an exit price no matter if this price is directly observable or has been estimated by another valuation technique.

Fair value is measured from the perspective of using the assumptions and judgments that potential market participants would use when pricing the respective asset or liability assuming that market participants act in their economic best interest.

In measuring the fair value of non-financial assets the starting point is always the assumption what would be the highest and best use of the particular asset for the market participants.

**2.26. Segment reporting**

A reporting segment is a distinguishable component of the Company that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the Company), whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assesses its performance, and for which discrete financial information is available. The Company has a single reporting segment.

**2.27. Critical accounting judgments on applying the Company's accounting policies. Key estimates and assumptions of high uncertainty.**

*Recognition and evaluation of provisions*

The Company has recognised a provision for closing-down of industrial waste repositories and for recultivation of the terrain based on the simultaneous existence of:

- legal obligation by virtue of Ordinance No. 8 of 24 September 2004 of the Minister of Environment and Water (MEW) on the conditions and requirements for the construction and functioning of depots and other equipment and installations for waste recovery and disposal; and
- plan for rendering the repository in line with the legal requirements, which has been approved in terms of types of activities and terms and forecasted values by the Ministry of Environment and Water in accordance with the requirements of the above Ordinance.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)**

**2.27. Critical accounting judgments on applying the Company's accounting policies. Key estimates and assumptions of high uncertainty.(continued)**

In order to determine the amount of the provision, the Company has assigned certified experts-ecologists to prepare an estimate of costs by type of activity necessary for the execution of the obligation and to issue a special purpose report and a budget account. The amounts, expected to be utilised over a period longer than one year, are discounted (Note 24).

At the end of each reporting period, the Company reports issued quantities of quotas for greenhouse gases. In case of shortage of quotas, the Company recognises a provision. (Note 24).

*Recognition of tax assets*

The Company's management has judged that, at the date of issue of the annual separate financial statements and based on the budgeted positive results for the following years, within the period (5 years) defined in the Corporate Income Taxation Act, applicable in Bulgaria, for tax losses carry forward, it will be able to generate sufficient taxable profit for deducting the tax losses for 2012 and 2014 amounting to BGN 7,190 thousand and BGN 2,937 thousand, respectively. Therefore, it has taken a decision to recognise deferred tax assets in the separate financial statements for 2014 at the amount of BGN 1,013 thousand.

*Impairment of receivables*

Impairment of trade receivables is recognised when there are objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter insolvency proceedings or other financial reorganisation, and payment past due by more than 90 days, are considered by the management when it defines and classifies a particular receivable as impaired. The impairment amount is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the original effective interest rate. The carrying amount is adjusted through the use of an allowance account for accumulating all impairments and the amount of the impairment loss for the period is recognised in the statement of comprehensive income within 'other expenses'. In case of subsequent recovery of impairment loss, it is stated as 'other income' against a decrease in the allowance account. When a certain receivable is considered uncollectable, it is written-off against the allowance account.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

## 3. REVENUE

	<u>2014</u>	<u>2013</u>
Domestic market sales	156,416	169,876
Export	<u>77,282</u>	<u>75,144</u>
	<u><b>233,698</b></u>	<u><b>245,020</b></u>

<i>Sales by products in the country</i>	<u>2014</u>	<u>2013</u>
Ammonium Nitrate – EC Fertilizer	146,923	162,271
NPK EC Fertilizer	5,168	3,714
Ammonia	2,368	1,774
Sodium Nitrate	1,024	1,007
Nitric Acid	219	241
Carbon Dioxide	172	173
Ammonium Hydrogencarbonate	152	149
Ammonia Water	224	346
Oxygen	48	52
Other	118	149
	<u><b>156,416</b></u>	<u><b>169,876</b></u>

*Sales by product – export for 2014* were as follows:

	<u>Europe</u>	<u>North America</u>	<u>Asia and Africa</u>	<u>Total</u>
Ammonium Nitrate – EC Fertilizer	52,846	9,038	4,740	66,624
Ammonia	5,495	-	1,949	7,444
Ammonium Hydrogencarbonate	1,261	-	700	1,961
Sodium Nitrate	151	-	978	1,129
Ammonia Water	20	-	-	20
Carbon Dioxide	104	-	-	104
	<u><b>59,877</b></u>	<u><b>9,038</b></u>	<u><b>8,367</b></u>	<u><b>77,282</b></u>

*Sales by product – export for 2013* were as follows:

	<u>Europe</u>	<u>North America</u>	<u>Asia and Africa</u>	<u>Total</u>
Ammonium Nitrate – EC Fertilizer	45,403	-	23,764	69,167
Ammonia	1,314	-	1,651	2,965
Ammonium Hydrogencarbonate	1,011	-	541	1,552
Sodium Nitrate	172	-	933	1,105
Ammonia Water	147	-	-	147
NPK	113	-	-	113
Carbon Dioxide	95	-	-	95
	<u><b>48,255</b></u>	<u><b>-</b></u>	<u><b>26,889</b></u>	<u><b>75,144</b></u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2014  
 All amounts are presented in BGN'000 unless otherwise stated

## 3. REVENUE (CONTINUED)

*Information on major clients*

The total revenue from transaction with the largest clients of the Company are as follows:

	<u>2014</u>	<u>2013</u>
Client 1	117,443	166,444
Client 2	56,664	844
Client 3	9,038	-
Client 4	7,430	3,578
Client 5	6,704	5,355
Client 6	-	14,507
Client 7	-	6,138

## 4. OTHER OPERATING INCOME AND LOSSES, NET

	<u>2014</u>	<u>2013</u>
Sales of goods	164	189
Cost of goods sold	(140)	(169)
<i>Gain on sales of goods</i>	<u>24</u>	<u>20</u>
Sales of materials	406	476
Cost of materials sold	(322)	(303)
<i>Gain on sales of materials</i>	<u>84</u>	<u>173</u>
Sales of PPE	77	29
Carrying amount of PPE sold	(23)	(8)
<i>Gain on sales of PPE</i>	<u>54</u>	<u>21</u>
Sales of services	1,364	1,452
Foreign currency exchange gains/ (losses)	2,138	(668)
Liquidation of PPE	164	226
Reversed impairment	57	124
Fines and penalties income	45	71
Financing under operational programmes	37	247
Liabilities written-off	25	293
Surpluses of assets	20	353
Other	198	140
	<u>4,210</u>	<u>2,452</u>
<i>Gains on sales of materials include:</i>	<u>2014</u>	<u>2013</u>
Processed oil	31	65
Metal scrap	23	85
Other	30	23
	<u>84</u>	<u>173</u>
<i>Sales of services include:</i>	<u>2014</u>	<u>2013</u>
Manoeuvre services	817	864
Rental income	248	261
Transport services	73	92
Other	226	235
	<u>1,364</u>	<u>1,452</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

## 5. RAW MATERIALS AND CONSUMABLES USED

*Expenses on materials* include:

	<u>2014</u>	<u>2013</u>
Basic raw materials and consumables	189,635	179,268
Fuel and energy	12,298	11,942
Auxiliary materials	1,397	1,910
Spare parts	1,378	1,587
Other materials	536	772
	<u>205,244</u>	<u>195,479</u>

*Basic raw materials and consumables include:*

	<u>2014</u>	<u>2013</u>
Natural gas	175,014	166,445
Packaging	4,719	4,102
Monoammonium phosphate	2,816	2,017
Perflow	1,287	1,310
Calcinated soda	1,131	1,136
Magnesit	1,059	1,067
Platinum	613	683
Methyldiethanolamine	327	249
Calcium carbonate	303	219
Kalium chloride	279	185
Sodium hydroxide	272	440
Ammonium sulphate	182	-
Sulphuric acid	165	154
Quicklime	74	74
Other raw materials and consumables	1,394	1,187
	<u>189,635</u>	<u>179,268</u>

## 6. HIRED SERVICES EXPENSE

	<u>2014</u>	<u>2013</u>
Transportation	5,409	3,952
Freight	2,448	1,873
Repairs of PPE	1,891	3,323
Security	1,198	1,198
Taxes and charges	917	1,006
Insurance	801	774
Consulting services	444	588
Porters' and port costs	357	279
Subscribed servicing and technical control	346	323
Operational lease	262	200
Cleaning and planting	190	224
Civil contracts and fees	160	96
Bank fees	146	188
Commissions for sale of contracts	103	-
Communication	98	95
Waste recovery/disposal	77	78
Metals cutting	56	99
Stock control	55	28
Training courses	39	32
Shipping services	17	14
Advertising	15	26
Expenses under operational programmes	1	98
Maintenance of railway facilities	-	63
Other services	277	240
	<u>15,307</u>	<u>14,797</u>

The accrued expenses for the year on statutory audit and other services related thereto amount to BGN 180 thousand (2013: BGN 173 thousand).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

7. **EMPLOYEE BENEFITS EXPENSE**

<i>Personnel costs</i> include:	<u>2014</u>	<u>2013</u>
Salaries and other remuneration	18,168	19,113
Social security	3,844	4,005
Food for personnel	994	926
Accruals for long-term payables to personnel (Note 25)	59	228
	<u>23,065</u>	<u>24,272</u>
<i>Remuneration</i> include:	<u>2014</u>	<u>2013</u>
Current salaries	18,222	19,213
Recovered amounts for unused paid leaves	(54)	(100)
	<u>18,168</u>	<u>19,113</u>
<i>Social security contributions</i> include:	<u>2014</u>	<u>2013</u>
Social security contributions	3,854	4,025
Recovered amounts for state social security on unused paid leaves	(10)	(20)
	<u>3,844</u>	<u>4,005</u>

8. **IMPAIRMENT OF CURRENT AND NON-CURRENT ASSETS**

<i>Impairment of assets</i> is as follows:	<u>2014</u>	<u>2013</u>
Receivables (incl. from related parties) – Note 17	8,938	31
Inventories	42	36
	<u>8,980</u>	<u>67</u>
<i>Impairment of non-current assets</i> comprises:	<u>2014</u>	<u>2013</u>
Impairment of investments in subsidiaries – Note 14	2,887	-
Impairment of property, plant and equipment	265	66
	<u>3,152</u>	<u>66</u>

9. **OTHER OPERATING EXPENSES**

<i>Other operating expenses</i> include:	<u>2014</u>	<u>2013</u>
Fines and penalties to suppliers	395	207
Reversed amounts related to provisions, net	(184)	(220)
Pollution penalties	168	215
Carrying amount of PPE written-off	94	177
Business trips	84	98
Materials and finished products scrapped	82	16
Shortage of assets	56	7
VAT	42	14
Entertainment costs	19	27
Donations	5	20
Carbon emissions	34	306
Other	83	133
	<u>878</u>	<u>1,000</u>

**NEOCHIM AD**

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**10. FINANCE COSTS/INCOME, NET**

	<u>2014</u>	<u>2013</u>
Interest expense	(2,301)	(2,095)
Income from share participation	560	-
Interest income	6	5
	<u>(1,735)</u>	<u>(2,090)</u>

Income from share participation is from the subsidiaries Neochim Protect EOOD and Neochim Catering EOOD in liquidation.

**11. INCOME TAX BENEFIT**

	<u>2014</u>	<u>2013</u>
<i>Statement of comprehensive income (loss or profit for the year)</i>		
Current income tax expense for the year	-	-
<i>Deferred income taxes</i>		
Related to occurrence and reversal of temporary differences	1,350	537
<b>Total income tax benefit</b>	<u>1,350</u>	<u>537</u>

**Reconciliation of income tax expense applicable to the accounting profit or loss:**

	<u>2014</u>	<u>2013</u>
Accounting loss for the year	(25,725)	(5,508)
Income tax benefit - 10% (2013:10%)	2,573	551
<i>Unrecognised amounts under tax return</i>		
Related to increases – BGN 12,247 thousand (2013: BGN 220 thousand)	(1,225)	(22)
Related to decreases – BGN 20 thousand (2013: BGN 75 thousand)	2	8
<b>Total income tax benefit carried to the statement of comprehensive income (within profit or loss for the year)</b>	<u>1,350</u>	<u>537</u>
Effective tax rate	<u>(5.25%)</u>	<u>(9.75%)</u>

**12. LOSS PER SHARE**

	<u>2014</u>	<u>2013</u>
Weighted average number of shares based on days	2,585,964	2,585,964
Loss for the year (BGN'000)	(24,375)	(4,971)
<b>Loss per share (BGN)</b>	<u>(9.43)</u>	<u>(1.92)</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014  
All amounts are presented in BGN'000 unless otherwise stated

## 13. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

	<i>Land and buildings</i>	<i>Machinery and equipment</i>	<i>Motor vehicles</i>	<i>Other</i>	<i>PPE and IA in progress</i>	<i>Total</i>	<i>Intangible assets</i>
<i>Book value</i>							
At 1 January 2013	22,833	132,162	6,581	1,148	8,697	171,421	773
Additions	74	-	177	-	13,509	13,760	422
Disposals	(4)	(466)	(9)	(10)	-	(489)	(306)
Transfers	34	11,523	1,586	56	(13,199)	-	-
31 December 2013	22,937	143,219	8,335	1,194	9,007	184,692	889
Additions	-	-	200	-	5,080	5,280	89
Disposals	(14)	(256)	(310)	(16)	-	(596)	(34)
Transfers	-	9,149	-	13	(9,162)	-	-
31 December 2014	22,923	152,112	8,225	1,191	4,925	189,376	944
<i>Accumulated depreciation / amortisation</i>							
At 1 January 2013	6,028	52,388	4,747	783	19	63,965	561
Depreciation / amortisation charge for the year	662	9,127	456	92	-	10,337	29
Accrued impairment	11	55	-	-	-	66	-
Depreciation / amortisation written-off	(2)	(283)	(9)	(10)	-	(304)	-
31 December 2013	6,699	61,287	5,194	865	19	74,064	590
Depreciation / amortisation charge for the year	663	9,228	747	89	-	10,727	29
Accrued impairment	-	264	-	1	-	265	-
Impairment written-off	-	(19)	-	-	-	(19)	-
Depreciation / amortisation written-off	(8)	(145)	(291)	(16)	-	(460)	-
31 December 2014	7,354	70,615	5,650	939	19	84,577	619
Net carrying amount at 31 December 2013	16,238	81,932	3,141	329	8,988	110,628	299
Net carrying amount at 31 December 2014	15,569	81,497	2,575	252	4,906	104,799	325

The Company's tangible fixed assets as at 31 December 2014 include land at the amount of BGN 3,639 thousand (31 December 2013: BGN 3,639 thousand) and building of carrying amount BGN 11,930 thousand (31 December 2013: BGN 12,599 thousand).

As of 31 December 2014 property, plant and equipment comprise assets which are fully depreciated but continued to be used in the operating activity with carrying amount BGN 12,778 thousand (31 December 2013: BGN 10,369 thousand).

As of 31 December 2014 there is an established contractual mortgage on properties with carrying amount of BGN 6,718 thousand (31 December 2013: BGN 7,195 thousand).

There is a pledge established at 31 December 2014 as collateral for bank investment-purpose loan of machinery and equipment with carrying amount BGN 9,091 thousand (31 December 2013: BGN 3,907 thousand).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**13. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)**

The tangible fixed assets and the intangible assets in progress are presented under the item property, plant and equipment on the face of the statement of financial position until the time when the assets become fit for operation and then they are presented respectively as tangible or intangible assets in the statement of financial position. The fixed assets in progress as at 31 December include:

- Advances granted to suppliers – BGN 9 thousand (31 December 2013: BGN 2,770 thousand, mainly for the manufacture of a nitrous gas injector);
- Device GPP2-1X20/25MV – BGN 2,208 thousand (31 December 2013: BGN 2,208 thousand);
- Office, garage, storage and shop– BGN 1,531 thousand (31 December 2013: BGN 1,054 thousand);
- SAP information system – equipment – BGN 472 thousand (31 December 2013: BGN 472 thousand);
- Distribution and transformer sub-station RTP-6 – BGN 75 thousand (31 December 2013: BGN 75 thousand);
- Chemical sewerage on the territory of Neochim AD – BGN 66 thousand (31 December 2013: BGN 66 thousand);
- Distribution and transformer sub-station RTP-8 – BGN 60 thousand (31 December 2013: BGN 60 thousand);
- High density polyethylene pipes for water supply from Chernogorovo dam – BGN 29 thousand (31 December 2013: BGN 29 thousand);
- Pump reconstruction– BGN 14 thousand (31 December 2013: 0);
- Ammonia-cooling installation to 1st section of X-33 – none (31 December 2013: BGN 719 thousand);
- System for continuous automatic monitoring of ammonium nitrate powder emissions - none (31 December 2013: BGN 1,214 thousand);
- Cooling column VOC – none (31 December 2013: BGN 108 thousand);
- Other projects – BGN 442 thousand (31 December 2013: BGN 213 thousand).

As at 31 December 2014 there are capitalised interest expenses and fees related to qualifying assets for capitalisation at the amount of BGN 112 thousand (31 December 2013: BGN 184 thousand).

As at 31 December 2014 the Company purchased 5 thousand tons of emission at the amount of BGN 63 thousand (31 December 2013: 40 thousand tons of emissions at the amount of BGN 382 thousand).

**14. INVESTMENTS IN SUBSIDIARIES**

<i>Company name</i>	<i>Location of registration</i>	<i>Carrying amount</i>		<i>% of interest</i>	
		<i>31.12.2014</i>	<i>31.12.2013</i>		
Neochim Ltd.	Turkey	1,257	3,144	99.83	99.83
Neochim Tarim Ltd.	Turkey	83	83	99.00	99.00
Neochim Engineering EOOD	Bulgaria	-	1,000	100	100
Neochim Catering EOOD – in liquidation	Bulgaria	5	5	100	100
Neochim Protect EOOD	Bulgaria	5	5	100	100
		<u>1,350</u>	<u>4,237</u>		

\*The Company is registered in the Commercial register in liquidation on 19.02.2015.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

The scope of activities of the subsidiaries and the dates of their acquisition are as follows:

- Neochim Ltd., Odrin, Turkey – import, export and local trade in all types of chemical fertilizers. Date of acquisition - 13 August 2002;
- Neochim Tarim Ltd., Odrin, Turkey – import, export and local trade in all types of chemical fertilizers. Date of acquisition – 15 October 2012. The company was acquired through incorporation;
- Neochim Engineering EOOD, Dimitrovgrad – design and construction activities; production of and trading in organic and inorganic chemical products and others. Date of acquisition - 27 December 2000; open procedure for liquidation and registration on 19.02.2015;
- Neochim Catering EOOD – in liquidation, Dimitrovgrad - purchase of goods and other articles for the purpose of resale either in their initial form or after processing or finishing; sale of goods manufactured by the company and others. Date of acquisition – 27 December 2000, open procedure for liquidation and registration on 19.12.2014;
- Neochim Protect EOOD, Dimitrovgrad - safeguarding property of legal entities, buildings, premises and offices; safeguarding physical persons and their property and others. Date of acquisition - 24 April 2002.

*Impairment of investments in subsidiaries*

At each reporting date, the management assesses whether there are indicators of impairment of its investments in subsidiaries. As key indicators of impairment shall be adopted: a significant reduction in volume (over 25%) or discontinuation of activities in the investee; reporting losses for a longer period of time (over three years), as well as reporting negative net assets or assets in the registered share capital.

Tests and estimates made by management for impairment of investments made through the prism of its intentions and projections about future economic benefits expected to be received from subsidiaries, incl. commercial and manufacturing experience, ensuring position in foreign markets, expectations for future sales and other.

As of December 31, 2014 as a result of the review has been identified a necessity to recognize impairment of investments in subsidiaries Neochim Ltd., Turkey and Neochim Engineering Ltd. in the amount of BGN 1,887 thousand and BGN 1,000 thousand (note 8).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014  
All amounts are presented in BGN'000 unless otherwise stated

## 15. DEFERRED TAX ASSETS/(LIABILITIES)

*Deferred income taxes* as at 31 December are related to the following items of the statement of financial position:

	<i>Temporary difference</i>	<i>Tax</i>	<i>Temporary difference</i>	<i>Tax</i>
	<i>31.12.2014</i>	<i>31.12.2014</i>	<i>31.12.2013</i>	<i>31.12.2013</i>
Property, plant and equipment	7,938	794	(3,065)	(306)
<i>Total deferred tax assets / (liabilities)</i>	<u>7,938</u>	<u>794</u>	<u>(3,065)</u>	<u>(306)</u>
Tax loss to be carried forward	10,127	1,013	7,190	719
Accruals for retirement benefit obligations to personnel	885	88	1,222	122
Impairment of inventories	599	60	601	60
Impairment of receivables	328	33	339	34
Provision for recultivation	307	31	343	34
Accruals for unpaid benefits to local physical persons	143	14	107	11
Accruals for unused paid leaves	65	6	140	14
PPE in progress	20	2	20	2
Provision landfills	21	2	-	-
Provision for emissions	5	1	42	4
<i>Total deferred tax assets</i>	<u>12,500</u>	<u>1,250</u>	<u>10,004</u>	<u>1,000</u>
<b>Net balance of deferred income tax assets/(liabilities)</b>	<u><b>20,438</b></u>	<u><b>2,044</b></u>	<u><b>6,939</b></u>	<u><b>694</b></u>

Deferred tax assets at the amount of BGN 1,182 thousand have not been recognized (31.12.2013: none), related to impairment of investments in and receivables from subsidiaries as the management has estimated that there is no probability for the temporary difference to occur in the foreseeable future. The amount of the temporary difference for which tax asset has not been recognized is BGN 11,816 thousand (31.12.2013: none).

The movements within deferred tax assets are presented below:

<i>Deferred tax assets/(liabilities)</i>	<i>Balance at 1 January 2014 BGN '000</i>	<i>Recognised in profit or loss for the year</i>	<i>Balance at 31 December 2014</i>
Property, plant and equipment	(306)	1,100	794
Tax loss carried forward	719	294	1,013
Impairment of receivables	34	(1)	33
Impairment of inventories	60	-	60
Accruals for unused paid leaves	14	(8)	6
Accruals for retirement benefit obligations to personnel	122	(34)	88
Accruals for unpaid benefits to local physical persons	11	(2)	9
Provision for recultivation	34	(3)	31
PPE in progress	2	-	2
Provision for emissions	4	(3)	1
Provision for landfills	-	2	2
Provision for remuneration of foreign individuals	-	5	5
<b>Total tax assets/(liabilities)</b>	<u><b>694</b></u>	<u><b>1,350</b></u>	<u><b>2,044</b></u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

## 15. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

<i>Deferred tax assets/(liabilities)</i>	<i>Balance at 1 January 2013</i>	<i>Recognised in profit or loss for the year</i>	<i>Balance at 31 December 2013</i>
Property, plant and equipment	(1,344)	1,038	(306)
Tax loss carryforward	1,174	(455)	719
Impairment of receivables	43	(9)	34
Impairment of inventories	64	(4)	60
Accruals for unused paid leaves	25	(11)	14
Accruals for retirement benefit obligations to personnel	110	12	122
Accruals for unpaid benefits to local physical persons	11	-	11
Provision for recultivation	34	-	34
PPE in progress	2	-	2
Provision for emissions	38	(34)	4
<b>Total tax assets/(liabilities)</b>	<b>157</b>	<b>537</b>	<b>694</b>

## 16. INVENTORIES

	<i>31.12.2014</i>	<i>31.12.2013</i>
Materials	21,993	22,270
Work-in-progress	6,911	1,766
Unfinished products	3,083	4,312
Goods	10	12
	<b>31,997</b>	<b>28,360</b>

<i>Materials include:</i>	<i>31.12.2014</i>	<i>31.12.2013</i>
Precious metals	8,294	7,938
Spare parts and bearings	5,177	4,986
Auxiliary materials	3,790	3,786
Basic materials	2,543	3,460
Packaging materials	964	941
Catalyzers	861	752
Automobile tyres	66	62
Other materials	298	345
	<b>21,993</b>	<b>22,270</b>

<i>Basic materials</i>	<i>31.12.2014</i>	<i>31.12.2013</i>
Magnesit	538	920
Methyldiethanolamine	473	282
Ammonium sulphate	290	-
Chemicals, catalyzers	252	262
Calcinated soda	164	219
Kalium chloride	142	642
Perflow	122	202
Calcium carbonate	88	69
Monoammonium phosphate	52	385
Kalium sulphate	46	88
Sodium hydroxide	34	47
MEA solution	23	37
Quicklime	14	41
Other	305	266
	<b>2,543</b>	<b>3,460</b>

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**16. INVENTORIES (CONTINUED)**

	<u>31.12.2014</u>	<u>31.12.2013</u>
<i>Finished products</i>		
Ammonium Nitrate – EC Fertilizer	6,753	1,565
Sodium Nitrate – technical grade	38	37
Ammonium Hydrogencarbonate	29	55
Ammonia Water	15	19
Other	76	90
	<u>6,911</u>	<u>1,766</u>
<i>Work-in-progress</i>		
Ammonia	2,572	3,760
Nitric Acid	369	234
Ferro-molybdenum catalyser	56	56
Ammonium Nitrate	32	120
Other	54	142
	<u>3,083</u>	<u>4,312</u>

There are encumbrances established on inventories as at 31 December 2014 as collateral for used bank loans:

- Precious metals – BGN 8,294 thousand (31 December 2013: BGN 7,938 thousand);
- Finished products (ammonium nitrate) – BGN 6,753 thousand (31 December 2013: BGN 1,565 thousand);
- Work-in-progress (ammonia) – BGN 2,572 thousand (31 December 2013: BGN 3,760 thousand).

**17. RECEIVABLES FROM RELATED PARTIES**

	<u>31.12.2014</u>	<u>31.12.2013</u>
Receivables on sales in foreign currency	17,607	15,522
Impairment of receivables on sales in foreign currency	(9,019)	-
Other receivables	706	-
Receivables on sales in BGN	18	13
<i>Total trade receivables</i>	<u>9,312</u>	<u>15,535</u>
Rescheduled debt from a subsidiary	-	3,349
Impairment of rescheduled debt	-	(79)
	<u>-</u>	<u>3,270</u>
	<u>9,312</u>	<u>18,805</u>

The Company has set a common credit period of up to 270 days for which no interest is charged to counterparts – related parties. Any delay beyond 365 days is regarded by the Company as an indicator for impairment. The management judges collectability by analyzing the specific receivables and circumstances related to delay and takes a decision as to whether impairment is to be charged and at what amount. The policy adopted by the Company, for setting the common credit term is related to the seasonal nature of the manufactured finished products (fertilizers intended for agriculture).

The receivables from related parties in foreign currency are denominated in USD – USD 5,779 thousand – BGN 9,294 thousand (31 December 2013: USD 13,242 thousand – BGN 18,792 thousand).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**17. RECEIVABLES FROM RELATED PARTIES (CONTINUED)**

As of 31.12.2014, the Company has reviewed for impairment of receivables from related parties and rescheduled debt of a subsidiary. It was established that there are indications for impairment of receivables due to a significant reduction in the volume the activity of Neochim OOD, Turkey (over 25%); and reporting losses for a longer period of time (over three years) and negative net assets. The Entity has made an estimate regarding the recoverable amount of receivables from and investment in subsidiary, by analyzing discounted expected cash flows from the subsidiary for the period 2015-2017 as of December 31, 2014. The main sources of cash flows are – sale of real estate property in Istanbul, collection of trade and other receivables, compensation related with improvements of real estate property in city of Edirne.

As a result of the calculations, the Company has decided to charge impairment of receivables from the subsidiary at the amount of BGN 8,929 thousand.

The *age structure* of non-matured (regular) trade receivables from related parties is as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
up to 30 days	151	7
from 31 to 90 days	706	-
from 91 to 180 days	418	142
from 181 to 365 days	1,726	6,844
	<u>3,001</u>	<u>6,993</u>

The *age structure* of past due but not impaired trade receivables from related parties is as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
up to 180 days	129	4
from 181 to 365 days	3	4,225
over 365 days	6,179	4,313
	<u>6,311</u>	<u>8,542</u>

The past due unimpaired receivables are mainly from the subsidiary Neochim OOD, Turkey.

<i>Movement of allowance for impairment:</i>	<u>2014</u>	<u>2013</u>
Balance at the beginning of the year	79	55
Charged impairment	8,929	-
Transfer from impairment of non-current portion	-	232
Effect of revaluation of foreign currency positions	11	(153)
Reversed impairment	-	(55)
Balance at the end of the year	<u>9,019</u>	<u>79</u>

Other receivables from related parties at the amount of BGN 706 thousand are receivables of the Company from Neohim OOD, Turkey ceded in 2014 to Neohim Taram OOD, Turkey.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**18. TRADE RECEIVABLES AND ADVANCES**

	<u>31.12.2014</u>	<u>31.12.2013</u>
Receivables from foreign clients	809	1,132
Impairment of receivables from foreign clients	-	(11)
Receivables from local clients	215	1,105
Impairment of receivables from local clients	(14)	(43)
	<u>1,010</u>	<u>2,183</u>
Advances granted to local suppliers	17	1,048
Advances granted to foreign suppliers	7	28
	<u>1,034</u>	<u>3,259</u>

The Company has set a common credit period of up to 365 days for which no interest is charged to counterparts – related parties. Any delay after this period is regarded by the Company as an indicator for impairment. The management assesses collectability by analyzing the exposure of the client as well as the possibilities for repayment and takes a decision as to whether to charge impairment.

The policy adopted by the Company, for setting the common credit term is related to the seasonal nature of the manufactured finished products (fertilizers intended for agriculture).

The age structure of non-matured (regular) trade receivables amounting to BGN 909 thousand (31 December 2013: BGN 662 thousand) is up to 30 days.

The age structure of past due but not impaired trade receivables is as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
up to 30 days	74	660
from 31 to 90 days	18	110
from 91 to 180 days	3	20
from 181 to 365 days	6	178
over 365 days	-	553
	<u>101</u>	<u>1,521</u>

The age structure of past due impaired trade receivables is as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
from 1 to 2 years	9	21
over 2 years	5	33
allowance for impairment	(14)	(54)
	<u>-</u>	<u>-</u>

***Movement of allowance for impairment:***

	<u>2014</u>	<u>2013</u>
Balance at the beginning of the year	54	38
Charged impairment	9	31
Transfer to other receivables impairment	(28)	-
Amounts written-off as uncollectable	(4)	(4)
Reversed impairment	(17)	(11)
Balance at the end of the year	<u>14</u>	<u>54</u>

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**18. TRADE RECEIVABLES AND ADVANCES (CONTINUED)**The *advances granted* as at December 31 are regular and are for the purchase of:

	<u>31.12.2014</u>	<u>31.12.2013</u>
Materials	16	1,040
Services	8	36
	<u>24</u>	<u>1,076</u>

**19. TRADE RECEIVABLES AND PREPAYMENTS***Other receivables and prepayments* include:

	<u>31.12.2014</u>	<u>31.12.2013</u>
VAT refundable	5,928	1,516
Excise refundable	555	-
Prepayments	466	441
Receivables under Operational Programmes	-	33
Receivables from workers and employees	7	21
Court and awarded receivables	45	12
Impairment of court receivables	(30)	(2)
Corporate tax	-	-
Other	49	73
	<u>7,020</u>	<u>2,094</u>

On 29.01.2015 the amount of refundable VAT is remitted in Company's accounts.

*Prepayments* comprise:

	<u>31.12.2014</u>	<u>31.12.2013</u>
Insurance	452	416
Subscriptions	14	15
Other	-	10
	<u>466</u>	<u>441</u>

**20. CASH AND CASH EQUIVALENTS**

	<u>31.12.2014</u>	<u>31.12.2013</u>
Current accounts	222	151
Cash in hand	24	24
<b>Cash and cash equivalents carried to the statement of cash flows</b>	<u>246</u>	<u>175</u>
Blocked amounts under bank guarantees (Note 34)	114	368
	<u>360</u>	<u>543</u>

**21. SHARE CAPITAL AND RESERVES***Share capital*

As at 31 December 2014 and 2013, the registered share capital of Neochim AD amounts to BGN 2,654 thousand, distributed in 2,654,358 ordinary, registered, voting shares, dividend and liquidation share with nominal value of BGN 1 per share.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**21. SHARE CAPITAL AND RESERVES (CONTINUED)**

The *treasury shares* are 68,394 at the amount of BGN 3,575 thousand (31 December 2013: 68,394 shares - BGN 3,575 thousand).

*Statutory reserves* are set aside from distribution of profit in accordance with the Commercial Act and the Articles of Association of the Company.

The *Retirement benefit obligations restatement* was set aside in relation with the requirements of IAS 19.

**22. LONG-TERM BANK LOANS**

	<u>31.12.2014</u>	<u>31.12.2013</u>
<b>Non-current payables under bank loans</b>		
Bank loans	17,760	17,049
Deferred charges for loan management and administration	(1)	(2)
	<u>17,759</u>	<u>17,047</u>
<b>Current portion of long-term bank loans</b>		
Bank loans	7,622	4,197
Deferred charges for loan management and administration	(27)	(13)
	<u>7,595</u>	<u>4,184</u>
<b>Total payables under interest-bearing loans</b>	<u>25,354</u>	<u>21,231</u>

The terms and conditions of the authorised loans are as follows:

<i>Loan</i>	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>Contracted</u>	<u>Maturity</u>	<u>Interest rate</u>
	<u>BGN'000</u>	<u>BGN'000</u>	<u>Amount in</u>		
			<u>foreign currency</u>		
1	11,802	14,527	BGN 16,344 thousand	20.04.2019	1 M SOFIBOR plus 5 points p.a.
2	5,602	-	BGN 6,000 thousand	20.04.2017	3 M SOFIBOR plus 4 points p.a.
3	3,607	4,884	BGN 5,000 thousand	20.10.2017	1 M SOFIBOR plus 5 points p.a.
4	4,085	1,369	BGN 4,100 thousand	20.12.2018	1 M SOFIBOR plus 3,9 points p.a.
5	258	451	EUR 376 thousand	20.04.2016	3 M EURIBOR plus 5 points p.a.
	<u>25,354</u>	<u>21,231</u>			

The funds were granted for the purpose of renewal and reconstruction of production facilities for Ammonia, Nitric Acid and projects related to energy efficiency in the Company.

The long-term and short-term loans (Note 27) are secured with the following assets, owned by the Company:

- real estate with carrying amount of BGN 6,718 thousand (31 December, 2013: BGN 7,195 thousand); (Note 13);
- equipment with carrying amount of BGN 9,091 thousand (December 31, 2013: BGN 3,907 thousand) (Note 13);
- precious metals with carrying amount of BGN 8,294 thousand (December 31, 2013: BGN 7,938 thousand) (Note 16);
- finished goods – ammonium nitrate with carrying amount of BGN 6,753 thousand (December 31, 2013: BGN 1,565 thousand) (Note 16);
- work-in-progress – ammonia with carrying amount of BGN 2,572 thousand (December 31, 2013: BGN 3,760 thousand) (Note 16);
- proceeds from future receivables under concluded sales contracts at the amount up to BGN 30,000 thousand (December 31, 2013: EUR 33,800 thousand).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

## 23. PAYABLES TO SUPPLIERS

	<u>31.12.2014</u>	<u>31.12.2013</u>
Finance lease liabilities	149	174
Bulgargaz EAD	-	1,303
	<u>149</u>	<u>1,477</u>

*Payables to Bulgargas EAD*

On 16 February 2012, an agreement was signed with Bulgargas EAD whereby an arrangement was achieved for rescheduling of the debt as follows:

- ultimate repayment term – 31 December 2015;
- agreed interest for the rescheduled payments – at the amount of the BIR plus a margin of 4.5 points annual interest. Interest payments shall be due after 1 January 2012.

In case of a default of any of the due instalments under the repayment schedule within the set term, the interest shall amount to the BIR plus 10 points on the respective sum until the date of its final payment. The total obligation amounts to BGN 1,303 thousand (31 December 2013: BGN 2,403 thousand).

As at 31 December 2014, the liability is presented in the statement of financial position as follows:

- no non-current liability (31 December 2013: BGN 1,303 thousand);
- BGN 1,303 thousand – payable until 31 December 2015 (the amount is presented as a current payable to suppliers (31 December 2013: BGN 1,100 thousand) (Note 29).

In case that any instalment of Neochim AD under the repayment schedule is past due by more than 5 days Bulgargas EAD may cease the supply of natural gas while if any instalment under the repayment schedule is past due by more than 30 days, the remaining amount of the rescheduled liability becomes eligible for immediate payment.

Bulgargas EAD is the sole public supplier of natural gas on the territory of Republic of Bulgaria, and the supplied consumables to the Company are 85% from the total amount of the expenses on raw materials and consumables used for 2014 (2013: 85%).

*Finance lease liabilities*

The finance lease liabilities, included in the statement of financial position as at 31 December 2014, are under agreements for acquisition of motor vehicles. They are presented net of the interest due and are as follows:

<i>Term</i>	<u>31.12.2014</u>	<u>31.12.2013</u>
Up to one year	58	72
Over one year	149	174
	<u>207</u>	<u>246</u>

The minimum lease payments under finance lease are due as follows:

<i>Term</i>	<u>31.12.2014</u>	<u>31.12.2013</u>
Up to one year	69	85
Over one year	161	193
	<u>230</u>	<u>278</u>
Future finance costs under finance leases	(23)	(32)
<b>Present value of finance lease liabilities</b>	<u>207</u>	<u>246</u>

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**23. PAYABLES TO SUPPLIERS (CONTINUED)**

Payments under finance lease agreements for the acquisition of automobiles due after 31 December 2015 are presented as non-current finance lease liabilities. Accordingly, the lease payments due in the following 12 months are presented in the statement of financial position under other current liabilities as current portion of finance lease liabilities (Note 32).

**24. PROVISIONS**

At 31 December the recognised provisions are as follows:

	<u>2014</u>	<u>2013</u>
<b>Balance as at January 1</b>	<b>681</b>	<b>1,098</b>
Accrued	21	338
Released	(369)	(755)
<b>Balance as at December 31</b>	<b>333</b>	<b>681</b>
	<i>incl. long-term part</i>	<i>41</i>
	<i>incl. short-term part</i>	<i>640</i>

Provisions include:

- Amounts accrued for closing-down of production waste repositories used by the Company in prior periods and for recultivation of the terrains. The final term for performing the major recultivation procedures is year 2017 with continuing monitoring until year 2046. The total amount of the provision, determined on the basis of expert assessment of the expected expenses on the execution of the obligation is BGN 376 thousand (31 December 2013: BGN 403 thousand) while the amortised value at which it is presented in the statement of financial position is BGN 307 thousand (31 December 2013: BGN 344 thousand), including a non-current portion of BGN 305 thousand (31 December 2013: BGN 41 thousand). The amortised cost has been calculated on the basis of the present value of all future cash payments discounted with interest of 5.648%. The payments due for a period of up to one year amount to BGN 2 thousand (31 December 2013: BGN 303 thousand) are presented in the statement of financial position as other current liabilities (Note 32).
- As at 31 December 2014, the Company has recognised provision for carbon emissions at the amount of BGN 5 thousand (31 December 2013: BGN 42 thousand). In 2014 5 thousand tons of carbon emissions are purchase at the amount of BGN 63 thousand, which will be used to cover the Company's obligation to the State.
- As at 31 December 2014, the Company has recognised provision for penalty imposed for environment pollution as a result of production activities at the amount of BGN 21 thousand (31 December 2013: BGN 80 thousand).
- As at 31 December 2014, the Company has no recognised provision for future liabilities to the Territorial Directorate Large Tax-payers and Insurers with NRA Sofia in relation with a tax audit (31 December 2013: BGN 215 thousand). The audit is concluded and the amount is paid.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**25. RETIREMENT BENEFIT OBLIGATIONS**

The long-term retirement benefit obligations to personnel include the present value of Company's liability at the date of the statement of financial position to pay indemnities to individuals of its employees upon coming of age for retirement.

In accordance with the Labour Code in Bulgaria each employee is entitled to indemnity on retirement at the amount of two gross monthly salaries, and if he or she has worked for more than 10 years of its service for the same employer – six gross monthly salaries at the time of retirement. This is a defined benefits plan. (Note 2.19).

For the purpose of establishing the amount of these obligations to personnel, the Company has assigned an actuarial valuation by using the services of a certified actuary.

Movements in the present value of retirement benefit obligations to personnel are as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
Present value of the obligations at 1 January	1,672	1,319
Interest cost	67	64
Current service cost	194	158
Past service costs	(163)	-
Net actuarial loss/(gain) recognised for the period	(39)	6
Payments for the period	(395)	(108)
Remeasurement gains or losses for the year, including:	(29)	233
Actuarial (gains)/losses arising from changes in financial assumptions	(114)	54
Actuarial losses arising from experience adjustments	88	179
Gain for the period from the change in demographic assumptions	(3)	-
<b>Liability recognised in the statement of financial position at 31 December</b>	<b><u>1,307</u></b>	<b><u>1,672</u></b>

The amounts of long-term retirement benefits of personnel accrued in the statement of comprehensive income are as follows:

	<u>2014</u>	<u>2013</u>
Current service cost	194	158
Past service costs recovered	(163)	-
Interest cost	67	64
Net actuarial loss /(gain) recognised for the period	(39)	6
<b>Components of defined benefit costs recognised in profit or loss</b>	<b><u>59</u></b>	<b><u>228</u></b>
Actuarial (loss)/ gain from changes in the financial assumptions	(114)	54
Gain for the period from the change in demographic assumptions	(3)	-
Actuarial losses arising from experience adjustments	88	179
<b>Components of defined benefit plan costs recognised in other comprehensive income</b>	<b><u>(29)</u></b>	<b><u>233</u></b>
<b>Total</b>	<b><u>30</u></b>	<b><u>461</u></b>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**25. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**

The cumulative effect of the difference between the actual experience in 2014 and the actuarial assumptions made in the previous assessment is a decrease in the present value of the liability and formation of actuarial gain for 2014.

The following actuarial assumptions are used in calculating the present value of the liability as at 31 December 2014:

- mortality rate – in accordance with the table issued by the National Statistics Institute for the total mortality rate of the population in Bulgaria for the period 2011 - 2013.
- staff turnover rate – from 0% to 23 % for the five age groups formed with the Company.
- discount factor – the rate applied is based on the effective annual interest rate  $i = 3.8 \%$  (2013:  $i = 4.0 \%$ ). The assumption is based on yield data for long-term government securities with 10-year maturity.
- the assumption for the future level of working salaries is based on the information provided by the Company's management and amounts by year as follows:
  - 2015 – 0% compared to the level in 2014;
  - 2016 – 1% compared to the level in 2015;
  - 2017 – 2% compared to the level in 2016;
  - 2018 – 3% compared to the level in 2017;
  - 2019 – 4% compared to the level in 2018.

The assumption in the previous year was as follows:

- 2014 – 5% compared to the level in 2013;
- 2015 – 5% compared to the level in 2014;
- 2016 and for each subsequent year – 5% compared to the prior year level.

This defined benefit plan exposes the Company to the following risks: investment risk, interest risk, longevity risk and salary growth related risk: The Company's management assesses them as follows:

- investment risk – as far as this is unfunded plan, the Company should monitor and balance currently the forthcoming payments under it with the ensuring of sufficient cash resources. The historical experience and the liability structure show that the annual resource required is not material compared to the commonly maintained liquid funds;
- interest risk – any decrease in the yield of government securities with similar term will increase the plan liability;
- longevity risk – the present value of the retirement benefit liability is calculated by reference to the best estimate and updated information about the mortality of plan participants. An increase in life expectancy would result in a possible increase in the liability. A relative stability of this indicator has been observed in the recent years; and
- salary growth related risk – the present value of the retirement benefit liability is calculated by reference to the best estimate of the future increase in plan participants' salaries. Such an increase would increase the plan liability.

The sensitivity analysis of the main actuarial assumptions is based on the reasonably possible changes of these assumptions at the end of the reporting period, assuming that all other assumptions are held constant.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**25. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**

The effect of a change (increase or decrease) by 1% in salary growth and interest rate on the total amount of current service cost and interest cost and on the present value of the obligation for payment of defined benefits on retirement is as follows:

For 2014:

<i>Change in salary growth</i>	<i>Increase by 1 %</i>	<i>Decrease by 1 %</i>
Increase/(decrease) in interest cost and current service cost for 2015	18	(14)
Increase/(decrease) in the present value of the obligation as at 31.12.2014	112	(89)
<i>Change in interest rate</i>	<i>Increase by 1 %</i>	<i>Decrease by 1 %</i>
(Decrease)/ increase in interest cost and current service cost for 2015	(3)	3
(Decrease)/ increase in the present value of the obligation as at 31.12.2014	(98)	112
<i>Change in staff turnover rate</i>	<i>Increase by 1 %</i>	<i>Decrease by 1 %</i>
(Decrease)/ increase in interest cost and current service cost for 2015	(17)	15
(Decrease)/ increase in the present value of the obligation as at 31.12.2014	(105)	100

The average duration of the long-term payable to personnel under the defined benefit plan is 8.4 years.

The expected payments as indemnities upon retirement under the defined benefit plan for the next 5 years amount to BGN 629 thousand, including BGN 198 thousand for 2015.

For 2013:

<i>Change in salary growth</i>	<i>Increase by 1 %</i>	<i>Decrease by 1 %</i>
Increase/(decrease) in interest cost and current service cost for 2014	22	(20)
Increase/(decrease) in the present value of the obligation as at 31.12.2013	133	(119)
<i>Change in interest rate</i>	<i>Increase by 1 %</i>	<i>Decrease by 1 %</i>
(Decrease)/ increase in interest cost and current service cost for 2014	(4)	4
(Decrease)/ increase in the present value of the obligation as at 31.12.2013	(118)	135
<i>Change in staff turnover rate</i>	<i>Increase by 1 %</i>	<i>Decrease by 1 %</i>
(Decrease)/ increase in interest cost and current service cost for 2014	(21)	20
(Decrease)/ increase in the present value of the obligation as at 31.12.2013	(127)	120

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**25. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**

The average duration of the long-term payable to personnel under the defined benefit plan is 7.8 years. The expected payments as indemnities upon retirement under the defined benefit plan for the next 5 years amount to BGN 828 thousand, including BGN 225 thousand for 2014.

**26. GOVERNMENT GRANTS**

The obtained financing is under operational programme for projects related with Company's energy efficiency and amounts to BGN 476 thousand (31 December 2013: BGN 476 thousand). The recognised income from financing until 31 December 2014 amounts to BGN 178 thousand while the financing that will be recognised as income in subsequent reporting periods is BGN 298 thousand.

	<u>31.12.2014</u>	<u>31.12.2013</u>
Up to 1 year (current portion) (Note 32)	37	37
Over 1 year (non-current portion)	261	298
	<u>298</u>	<u>335</u>

The current portion of the financing will be recognised as current income over the following 12 months from the date of the statement of financial position and presented in Other current liabilities (Note 32).

**27. SHORT-TERM BANK LOANS**

	<u>31.12.2014</u>	<u>31.12.2013</u>
Bank loans	14,970	14,790
Deferred charges for loan management and administration	(17)	(9)
	<u>14,953</u>	<u>14,781</u>

The terms and conditions of the authorised loan are as follows:

<i>Loan</i>	<i>31.12.2014</i>	<i>31.12.2013</i>	<i>Contracted</i>	<i>Maturity</i>	<i>Interest rate</i>
	<i>BGN'000</i>	<i>BGN'000</i>	<i>amount in foreign</i>		
			<i>currency</i>		
1	10,951	14,781	BGN 24,000 thousand	20.04.2015	1 M SOFIBOR plus 4 points p.a.
2	4,002	-	BGN 5,000 thousand	28.02.2015	1 M SOFIBOR plus 4 points p.a.
	<u>14,953</u>	<u>14,781</u>			

The collateral provided for the loans is disclosed in Note 22.

**28. PAYABLES TO RELATED PARTIES**

	<u>31.12.2014</u>	<u>31.12.2013</u>
Advances received for sale of finished products	24,288	23,036
Payables for supplied materials, fuel and services	417	1,018
Deposits received	17	31
	<u>24,722</u>	<u>24,085</u>

In 2014 and 2013 the Company has signed a trade loan agreement with a shareholding company at the amount of BGN 10,000 thousand, interest rate 5% and final term for repayment – 31 December 2014. As at 31 December 2014 and 2013 the balance on the loan is null.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**29. TRADE PAYABLES**

	<u>31.12.2014</u>	<u>31.12.2013</u>
Advances from customers in BGN	9,175	37
Local suppliers	3,971	2,775
Current portion of payables to Bulgargas EAD	1,303	1,100
Advances from customers in foreign currency	1,188	922
Foreign suppliers	409	432
	<u>16,046</u>	<u>5,266</u>

Advances from customers (in BGN and foreign currency) are for delivery of finished goods.

The current portion of the payables to Bulgargas EAD includes the amounts due by the end of the following 12 months as instalments under the rescheduled debt as per an agreement dated 16 February 2012 (Note 23). In accordance with the terms and conditions for the supply of natural gas the Company should pay the current supplies in advance as per the submitted order and additional payment within 12 days. After this date, Bulgargas EAD charges the statutory interest. As at 31 December 2014 the current payables to Bulgargas EAD amount to BGN 1,551 thousand (31 December 2013 – none).

**30. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY**

	<u>31.12.2014</u>	<u>31.12.2013</u>
Payables to personnel, including:	1,080	907
<i>Current payables for December</i>	1,026	799
<i>Accruals for unused paid leaves</i>	54	108
Payables for social security/health insurance, including:	523	511
<i>Current payables for December</i>	511	490
<i>Accruals for unused paid leaves</i>	12	21
	<u>1,603</u>	<u>1,418</u>

**31. TAX PAYABLES**

	<u>31.12.2014</u>	<u>31.12.2013</u>
Tax payables under Personal Income Taxation Act	258	268
Other	41	47
	<u>299</u>	<u>315</u>

The tax payables are regularly settled.

By the date of issue of these financial statements the following inspections and audits have been performed:

- VAT audit – until 30 June 2013;
- Corporate tax – until 31 December 2012;
- Tax under Art. 194, 195 of CITA – until 31 December 2012;
- Tax under Art. 204 of CITA – until 31 December 2012;
- National Social Security Institute – until 31 March 2009.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**32. OTHER CURRENT LIABILITIES***Other current liabilities* include:

	<u>31.12.2014</u>	<u>31.12.2013</u>
Water usage charge	460	546
Deposits from customers	175	174
Deductions from salaries	162	175
Guarantees received	62	142
Current portion of finance lease liabilities (Note 23)	58	72
Obligations for remunerations to foreign individuals	53	-
Grants (Note 26)	37	37
Dividend payable	34	37
Short-term part of provisions (Note 24)	28	640
Other liabilities	95	92
	<u>1,164</u>	<u>1,915</u>

The received deposits from clients are mainly for packaging.

**33. CONTINGENT LIABILITIES AND COMMITMENTS***Blocked amounts for bank guarantees*

The Company has restricted cash for bank guarantees at the amount of BGN 114 thousand (31 December 2013: BGN 368 thousand), which have been issued to secure the amount of a claim from EPET EOOD, Odrin, against the subsidiary company – Neochim Ltd., Turkey.

*Issued and granted guarantees*

The Company is a co-debtor with its subsidiary Neochim Engineering EOOD under a contract for a multi-purpose revolving credit line at the amount of BGN 250 thousand concluded with UniCredit Bulbank AD. Ultimate repayment term – 17 October 2015. as at 31 December 2014 Neochim Engineering EOOD has no liabilities under revolving facility line (31 December 2013: BGN 150 thousand).

As at 31 December 2014, the Company has a bank guarantee at the amount of BGN 194 thousand issued in favour of trade counterparts (31 December 2013: BGN 940 thousand).

**34. FINANCIAL RISK MANAGEMENT****Categories of financial instruments:**

<i>Financial assets</i>	<u>31.12.2014</u>	<u>31.12.2013</u>
Cash and cash equivalents	360	543
Loans and receivables, including:	10,951	21,121
<i>Trade receivables from related parties (Notes 17)</i>	9,312	18,805
<i>Trade and other receivables (Notes 18 and 19)</i>	1,639	2,316
Available-for-sale investments	4	5
	<u>11,315</u>	<u>21,669</u>

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

## 34. FINANCIAL RISK MANAGEMENT (CONTINUED)

<i>Financial liabilities</i>	<u>31.12.2014</u>	<u>31.12.2013</u>
Financial liabilities at amortised cost, including:	47,457	43,908
Short-term and long-term loans (Notes 22, 27 and 28)	40,307	36,012
Trade and other payables (Notes 23, 24, 28, 29 and 32)	7,150	7,896

In the ordinary course of business, the Company can be exposed to a variety of financial risks the most important of which are market risk (including currency risk, risk of a change in the fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows. The general risk management is focused on the difficulty to forecast the financial markets and to achieve minimizing the potential negative effects that could affect the financial results and position of the Company. The financial risks are currently identified, measured and monitored through various control mechanisms in order to establish adequate prices for the Company's products and the borrowed thereby capital, as well as to assess adequately the market circumstance of its investments and the forms for maintenance of free liquid funds through preventing undue risk concentrations.

Risk management in the Company is currently performed by the management.

**Market risk***Foreign currency risk*

The Company usually performs its activities with an active exchange with foreign suppliers and clients. The Company is exposed to currency risk mainly in respect of USD. Approximately 77% of Company's financial assets are formed from receivables related to export of finished products contracted as payable in USD. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognised assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.

*Currency structure analysis*

31 December 2014	<u>EUR</u>	<u>USD</u>	<u>TRY</u>	<u>BGN</u>	<u>Total</u>
	<u>BGN'000</u>	<u>BGN'000</u>	<u>BGN'000</u>	<u>BGN'000</u>	<u>BGN'000</u>
<i>Financial assets</i>					
Cash and cash equivalents	153	118	-	89	360
Loans and receivables	808	8,589	706	848	10,951
Available-for-sale investments	-	-	-	4	4
	<u>961</u>	<u>8,707</u>	<u>706</u>	<u>941</u>	<u>11,315</u>
<i>Financial liabilities</i>					
Financial liabilities at amortised cost	<u>667</u>	<u>-</u>	<u>-</u>	<u>46,790</u>	<u>47,457</u>
31 December 2013	<u>EUR</u>	<u>USD</u>	<u>BGN</u>	<u>Total</u>	
	<u>BGN'000</u>	<u>BGN'000</u>	<u>BGN'000</u>	<u>BGN'000</u>	<u>BGN'000</u>
<i>Financial assets</i>					
Cash and cash equivalents	455	13	75	543	
Loans and receivables	1,128	18,792	1,201	21,121	
Available-for-sale investments	-	-	5	5	
	<u>1,583</u>	<u>18,805</u>	<u>1,281</u>	<u>21,669</u>	
<i>Financial liabilities</i>					
Financial liabilities at amortised cost	<u>885</u>	<u>-</u>	<u>43,023</u>	<u>43,908</u>	

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

*Foreign currency sensitivity analysis*

The major foreign currency exposure of the Company is to USD. The effect of Company's sensitivity to 10% increase/decrease in current exchange rates of BGN to USD, based on the foreign currency assets and liabilities at 31 December and on the assumption that the influence of all other variables is ignored, has been measured and presented as impact on the post-tax financial result and on the equity.

In case of 10% increase in the rate of USD to BGN, the final effect on post-tax profit of the Company would be an increase by BGN 784 thousand (2013: BGN 1,692 thousand) mostly attributable to the receivables from clients denominated in foreign currency. Respectively, the impact on equity would be the same.

On 10% decrease in the exchange rate of USD to BGN, the final impact on the post-tax profit of the Company would be equal and reciprocal of the stated above.

In case of 10% increase in the rate of TRY to BGN, the final effect on post-tax profit of the Company would be an increase by BGN 64 thousand (2013: none) mostly attributable to the receivables from clients denominated in foreign currency. Respectively, the impact on equity would be the same.

On 10% decrease in the exchange rate of TRY to BGN, the final impact on the post-tax profit of the Company would be equal and reciprocal of the stated above.

The management believes that the presented above sensitivity analysis based on the balance sheet structure of foreign currency assets and liabilities is representative for the currency sensitivity of the Company for the respective period (reporting year).

*Price risk*

The Company is exposed to a price risk of adverse changes in the price of the main raw material used in its production process – the natural gas, as far as this price is negotiated and determined at government level. The Company is not exposed to a significant price risk of adverse changes in the prices of other raw materials and other materials, because under the contractual relations with suppliers they are periodically analyzed and discussed for revision and update in accordance with the market changes.

The Company applies a strategy for optimisation of production costs, flexible marketing and price policies.

*Credit risk*

The main financial assets of the Company are cash in hand and at bank accounts, trade and other receivables.

Credit risk is mainly the risk that any of the Company's clients (and other counterparts) will fail to discharge in full and within the normally envisaged terms the amounts due under trade and other receivables. The latter are presented in the statement of financial position at net value after deducting the impairment related to doubtful and bad debts. Such impairment is made where and when events have existed identifying loss due to uncollectability as per previous experience.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**34. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Credit risk (continued)*

Collectability and concentration of receivables are strictly monitored on an ongoing basis by the Sales Department in accordance with the credit policy adopted by the Company. For this purpose, the open exposures by client, the observance of contractual payment terms, and the proceeds received are subject to review on daily basis. In addition, receivables that have not been paid within the set terms are also followed.

The Company performs the main part of its sales to distributors, including:

- For the domestic market – two distributors: Distributor 1 – 74%, Distributor 2 - 22%. The common practice is to negotiate 100% advance payment of the transaction amount;
- In 2014, 58 % of the Company's export is performed with main clients:  
Client 1 – 27%, Client 2 – 12%, Client 3 – 10% and Client 4 – 9% .

The Company's management currently monitors and analyzes the trade practices established with the main distributors and clients. On the basis of experience, the sales to Neochim Ltd., Turkey, have been regarded as bearing higher risk due to the economic environment in this country and therefore, these receivables are subject to specific current consideration and assessment. The management judges as concentration of credit risk the receivables from Neochim Ltd., Turkey (58% of sales receivables), including current receivables on sales).

Cash transactions are limited to reputable banks with high credit rating and liquid stability. The nature of Company's operations does not presume the existence of free funds of significant amount. In addition, the credit exposure with banks is currently monitored and analyzed for the purpose of efficient use of funds.

*Liquidity risk*

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally its obligations within their maturity. The liquidity management policy of the Company's is conservative maintaining a constant optimal liquid reserve of cash and a capability for funding its business activities, including by securing and maintenance of adequate credit resources and facilities, continuous control monitoring of the actual and forecasted cash flows by periods ahead and matching maturity profiles of assets and liabilities.

One of the main resources for funding the Company's operations is the use of borrowings – bank loans.

*Maturity analysis*

The table below presents the financial non-derivative liabilities of the Company at the statement of financial position date, grouped by remaining term to maturity, determined against the contractual maturity and cash flows. The table is prepared on the basis of undiscounted cash flows and the earliest date on which the receivable and respectively, the payable becomes due for payment. The amounts include principal and interest.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

*Maturity analysis (continued)*

31 December 2013	up to 1 month	1-3 months	3-6 months	6-12 months	1 -2 years	2 -5 years	over 5 years	Total
<i>Financial liabilities</i>								
Financial liabilities at amortised cost	20,892	2,335	2,400	5,272	8,282	10,885	-	50,066
31 December 2013	up to 1 month	1-3 months	3-6 months	6-12 months	1 -2 years	2 -5 years	over 5 years	Total
<i>Financial liabilities</i>								
Financial liabilities at amortised cost	19,810	1,792	1,564	3,640	7,533	13,135	-	47,474

The financial liabilities at amortised cost at 31 December 2014, which mature up to one month, represent trade payables and payables under a short-term bank loan.

*Risk of interest-bearing cash flows*

In general, the Company does not have a significant portion of interest-bearing assets except for cash and cash equivalents. Since it does not maintain significant amounts of free cash, its income and operating cash flows are largely independent from the changes in market interest rates.

Interest risk concentration of the Company refers to long-term and short-term loans. They are usually with a floating interest rate, which makes its cash flows dependent on the interest rate risk.

When concluding bank loan contracts, the Company manages cash flow risk of interest rate levels by trying to negotiate interest rates through choosing from the most favourable conditions offered on the banking market.

*Interest analysis*

31 December 2014	Interest-free	With floating interest %	With fixed interest %	Total
<i>Financial assets</i>				
Cash and cash equivalents	24	336	-	360
Loans and receivables	10,948	3	-	10,951
Available-for-sale investments	4	-	-	4
	10,976	339	-	11,315
<i>Financial liabilities</i>				
Financial liabilities at amortised cost	5,640	41,817	-	47,457
31 December 2014	Interest-free	With floating interest %	With fixed interest %	Total
<i>Financial assets</i>				
Cash and cash equivalents	24	519	-	543
Loans and receivables	21,118	3	-	21,121
Available-for-sale investments	5	-	-	5
	21,147	522	-	21,669
<i>Financial liabilities</i>				
Financial liabilities at amortised cost	5,247	38,661	-	43,908

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**34. FINANCIAL RISK MANAGEMENT (CONTINUED)***Interest analysis (continued)*

The Company's management currently monitors and analyzes its exposure to changes in interest rates. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Company calculates the impact of a defined interest rate shift, expressed in points, on the financial result and equity.

The table below demonstrates the Company's sensitivity to possible increase in interest rates by 0.5% based on the structure of assets and liabilities as at 31 December and with the assumption that the influence of all other variables is ignored. The effect is measured and presented as impact on the financial result after taxes and on equity.

31 December 2014	<i>With floating interest %</i>	<i>Interest rate increase</i>	<i>Impact on post-tax financial result</i>	<i>Impact on equity</i>
<i>Financial assets</i>				
BGN	3	0.5	0.01	0.01
<i>Financial liabilities</i>				
EUR	258	0.5	(1)	(1)
BGN	41,559	0.5	(187)	(187)
	<b>41,817</b>		<b>(188)</b>	<b>(188)</b>
<hr/>				
31 December 2013	<i>With floating interest %</i>	<i>Interest rate increase</i>	<i>Impact on post-tax financial result</i>	<i>Impact on equity</i>
<i>Financial assets</i>				
BGN	6	0.5	0.03	0.03
<i>Financial liabilities</i>				
EUR	453	0.5	(2)	(2)
BGN	38,208	0.5	(172)	(172)
	<b>38,661</b>		<b>(174)</b>	<b>(174)</b>

On interest rate decrease by 0.5%, the final impact on Company's post-tax profit would be equal and reciprocal to the stated above. The above table does not include cash and cash equivalents for which the effect of increase or decrease in the floating interest rate would be insignificant.

*Capital risk management*

The capital management objectives of the Company are to build and maintain capabilities to continue its operation as a going concern and to provide return on the investments of shareholders and economic benefits to other stakeholders in its business as well as to maintain an optimal capital structure to reduce the cost of capital.

The Company currently monitors the availability and structure of capital based on the gearing ratio as presented in the table below as at 31 December:

	<i>2014</i>	<i>2013</i>
<b>Total borrowings, including:</b>	<b>41,817</b>	<b>38,661</b>
Loans from banks ( <i>Note 22 and 27</i> )	40,307	36,012
Finance lease liabilities ( <i>Note 23</i> )	207	246
Payables to Bulgargas EAD ( <i>Notes 23 and 29</i> )	1,303	2,403
Less: cash and cash equivalents	246	175
<b>Net debt</b>	<b>41,571</b>	<b>38,486</b>
<b>Total equity</b>	<b>72,082</b>	<b>96,428</b>
<b>Total capital</b>	<b>113,653</b>	<b>134,914</b>
<b>Gearing ratio</b>	<b>36.58%</b>	<b>28.53%</b>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

**34. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Fair value measurement*

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

The financial assets, owned by the Company, represent mainly trade receivables and cash available at current bank accounts and therefore, it has been accepted that their carrying amount is almost equal to their fair value. The financial liabilities, owned by the Company, represent mainly loans with floating interest and trade payables and therefore, it has been accepted that their carrying amount is almost equal to their fair value.

An exception are the available-for-sale investments for which at present neither market is available nor objective conditions to determine reliably their fair value and therefore, they are presented in the annual financial statements at acquisition cost.

The Company's management is of the opinion that the estimates of the financial assets and liabilities presented in the statement of financial position are as reliable, adequate and trustworthy as possible for financial reporting purposes under the existing circumstances.

**35. RELATED PARTY TRANSACTIONS**

Company's related parties are as follows:

<b>Related parties</b>	<b>Type of relation</b>
<i>Shareholders:</i>	
Eco Tech AD	Main shareholding company (24.37 %)
Evro Fert AD	Main shareholding company (24.03 %)
Feboran AD	Main shareholding company (20.30 %) (from 21.12.2013)
Karifert International Offshore S.A.L., Livan	Main shareholding company (17.16 %) (until 20.12.2013)
<i>Subsidiaries:</i>	
Neochim Catering EOOD –in liquidation	100% owned by the Company
Neochim Engineering EOOD	100% owned by the Company
Neochim Protect EOOD	100% owned by the Company
Neochim Ltd. – Turkey	99.83 % owned by the Company
Neochim Tarim Ltd. – Turkey	99.00 % owned by the Company
<i>Other:</i>	
Terrachim–Dimitrovgrad EOOD	100% owned by Evro Fert AD
Neoplod EOOD	100% owned by Evro Fert AD
Neo Kiten EOOD	100% owned by Evro Fert AD

On December 9, 2014 a decision for liquidation of the subsidiary Neochim Engineering EOOD is was taken. As of December 31, 2014 this circumstance is not entered into the Commercial Register, it is entered on 19.02.2015.

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

All amounts are presented in BGN'000 unless otherwise stated

## 35. RELATED PARTY TRANSACTIONS (CONTINUED)

<i>Supplies from related parties</i>	<u>2014</u>	<u>2013</u>
<i>Materials</i>		
Main shareholding company	447	438
Subsidiaries	4	40
Other	2	-
	<u>453</u>	<u>478</u>
<i>Services</i>		
Subsidiaries	2,021	2,523
Main shareholding company	185	205
Other	9	12
	<u>2,215</u>	<u>2,740</u>
<i>Goods</i>		
Main shareholding company	<u>115</u>	<u>153</u>
<i>PPE</i>		
Other	1	993
Subsidiaries	43	116
	<u>44</u>	<u>1,109</u>
<b>Total</b>	<u><u>2,827</u></u>	<u><u>4,480</u></u>
<i>Sales to related parties</i>	<u>2014</u>	<u>2013</u>
<i>Goods</i>		
Main shareholding company	117,036	166,138
Subsidiaries	3,525	16,145
Other	1	2
	<u>120,562</u>	<u>182,285</u>
<i>Services</i>		
Main shareholding company	80	112
Subsidiaries	73	109
Other	4	4
	<u>157</u>	<u>225</u>
<i>PPE</i>		
Main shareholding company	<u>-</u>	<u>3</u>
<i>Other</i>		
Main shareholding company	264	125
Subsidiaries	7	9
	<u>271</u>	<u>134</u>
<b>Total</b>	<u><u>120,990</u></u>	<u><u>182,647</u></u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2014  
 All amounts are presented in BGN'000 unless otherwise stated

### 35. RELATED PARTY TRANSACTIONS (CONTINUED)

The terms and conditions of these transactions do not deviate from the market ones for similar transactions.

*Short-term receivables from related parties* as at 31 December are as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
<i>Receivables under sales in foreign currency</i>		
Subsidiaries	<u>8,588</u>	<u>18,792</u>
<i>Including book value</i>	17,607	18,871
<i>impairment charged</i>	(9,019)	(79)
<i>Other receivables</i>	<u>706</u>	<u>-</u>
Subsidiaries	706	-
<i>Receivables under sales in BGN</i>		
Main shareholding company	3	5
Subsidiaries	3	2
Other	12	6
	<u>18</u>	<u>13</u>
<b>Total</b>	<u><u>9,312</u></u>	<u><u>18,805</u></u>

*Payables to related parties* as at 31 December are as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
<i>Advances received for sale of finished products</i>		
Main shareholding company	<u>24,288</u>	<u>23,036</u>
	<u>31.12.2014</u>	<u>31.12.2013</u>
<i>Payables under supplied assets and services</i>		
Subsidiaries	354	300
Main shareholding company	63	72
Other	-	646
	<u>417</u>	<u>1,018</u>
<i>Deposits</i>		
Subsidiaries	17	13
Other	-	18
	<u>17</u>	<u>31</u>
<b>Total</b>	<u><u>24,722</u></u>	<u><u>24,085</u></u>

#### *Remuneration of key managing personnel:*

The members of the Company's key managing personnel are disclosed in Note 1.

	<u>2014</u>	<u>2013</u>
Salaries and other short-term benefits	847	953

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2014  
All amounts are presented in BGN'000 unless otherwise stated

**36. EVENTS AFTER THE REPORTING DATE**

On February 19, 2015 a decision for liquidation of the subsidiary Neochim Engineering EOOD is entered into the Commercial Register.