NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
All amounts are presented in BGN'000 unless otherwise stated

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1. BACKGROUND CORPORATE INFORMATION

Neochim AD (the 'Company') was established in 1951. It was registered as a joint-stock company in July 1997. The Company has a seat and registered address at: Himkombinatska St., 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 12 February 2015. On 2 July 2015, an entry was made in the Commercial Register for extending the managing mandate of the Board of Directors until 22 June 2018.

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 2015 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	- 2.48 %
• UPF Saglasie	- 2.39 %
• UPF CCB Sila	- 2.19 %
• Other	- 13.98 %

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

Dimcho Staikov Georgiev	Chairman
Elena Simeonova Shopova	Deputy Chairperson
Dimitar Stefanov Dimitrov	Member
Tosho Ivanov Dimov	Member
Vasil Jivkov Grancharov	Member
Victoria Ilieva Cenova	Member
Zarneni Hrani Bulgaria AD	Member
Hubert Puchner	Member
Tarunjeev Singh Puri	Member (as from 30 January 2015)
Arvind Kumar Aggarwal	Member (from 20 June 2015 to 30 January 2015)

The Company is represented and managed by Dimitar Stefanov Dimitrov – Executive Director.

As at 31 December 2015, the total number of Company's personnel was 1,012 workers and employees (31 December 2014: 1,162).

1.2. Principal activities

The principal activities of the Company include the following types of transactions and deals:

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

1. BACKGROUND CORPORATE INFORMATION (CONTINUED)

1.3. Main indicators of the economic environment

The main economic indicators of the business environment that affected Company's activities throughout the period 2013 – 2015, are presented in the table below:

Indicator	2013	2014	2015
GDP in million levs	81,971	83,612	86,650
Actual growth of GDP *	1.3%	1.6%	3.0%
Year-end inflation	-1.6%	-1.2%	-0.9%
Average exchange rate of USD for the year	1.47	1.47	1.76
Exchange rate of the USD at year-end	1.42	1.61	1.79
Unemployment rate at year-end *	11.8%	10.7%	10.0%
Basic interest rate at year-end	0.02	0.02	0.01

** Data as at 30 September 2015*

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.

Initial application of new amendments to existing standards and interpretations that have come into force in the current reporting period

The following new amendments to existing standards and new interpretations, issued by the International Accounting Standards Board (IASB) and endorsed by the EU, have become effective for the current reporting period:

- Amendments to various standards IFRS Improvements (2011-2013 Cycle) resulting from the annual project for IFRS improvements (IFRS 1, IFRS 3, IFRS 13, and IAS 40) intended mainly to remove existing inconsistencies and to clarify formulations – endorsed by EU on 18 December 2014 (the amendments are applicable for annual periods beginning on or after 1 January 2015);
- IFRIC 21 Levies, endorsed by EU on 13 June 2014 (in force for annual periods beginning on or after 1 June 2014).

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

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

Amendments to existing standards, issued by IASB and endorsed by EU, but not yet effective

At the date when these separate financial statements, there are several new standards and interpretations as well as amended standards and interpretations, issued but not yet in force for annual periods beginning on or after 1 January 2015, which have not been adopted by the Company for early application.

Company's management has done research and has concluded that these amendments would not affect materially the accounting policies, and the value and classification of Company's assets, liabilities, transactions and performance, except for the following standard, which could have an impact:

- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative – endorsed by EU on 18 December 2015 (in force for annual periods beginning on or after 1 January 2016).

In addition, with regard to the stated below new standards, amended/revised standards and new interpretations, the management has concluded that they are unlikely to have a potential impact for changes in the accounting policies, and in the classification and value of reporting items in Company's financial statements, namely:

- Amendments to various standards IFRS Improvements (2010-2012 Cycle) resulting from the annual project for IFRS improvements (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 40) intended mainly to remove existing inconsistencies and to clarify formulations – endorsed by EU on 17 December 2014 (the amendments are applicable for annual periods beginning on or after 1 February 2015);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants – endorsed by EU on 23 November 2015 (in force for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation – endorsed by EU on 2 December 2015 (in force for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions – endorsed by EU on 17 December 2014 (in force for annual periods beginning on or after 1 February 2015);
- Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations – endorsed by EU on 24 November 2015 (in force for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements – endorsed by EU on 18 December 2015 (in force for annual periods beginning on or after 1 January 2016);
- Amendments to various standards IFRS Improvements (2012-2014 Cycle) resulting from the annual project for IFRS improvements (IFRS 5, IFRS 7, IFRS 19, and IAS 34) intended mainly to remove existing inconsistencies and to clarify formulations – endorsed by EU on 15 December 2015 (the amendments are applicable for annual periods beginning on or after 1 January 2016).

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

New standards and interpretations, issued by IASB, but not yet endorsed by EU

At the date when these separate financial statements, there are several new standards and interpretations as well as amended standards and interpretations, issued but not yet endorsed by the EU, which have not been adopted by the Company for early application

Company's management has done research and has concluded that these amendments would not affect materially the accounting policies, and the value and classification of Company's assets, liabilities, transactions and performance, except for the following, which could have an impact:

- IFRS 15 Revenue from Contracts with Customers (in force for annual periods beginning on or after 1 January 2018);
- Amendment to IAS 7 Statement of Cash Flows – regarding Disclosure Initiative (in force for annual periods beginning on or after 1 January 2017).

In addition, with regard to the stated below new standards, amended/revised standards and new interpretations, the management has concluded that the following are unlikely to have a potential impact for changes in the accounting policies, and in the classification and value of reporting items in Company's financial statements, namely:

- IFRIC 9 Financial Instruments (in force for annual periods beginning on or after 1 January 2018);
- IFRS 7 Financial Instruments: Disclosures (in force for annual periods beginning on or after 1 January 2018);
- IFRS 14 Regulatory Deferral Accounts (in force for annual periods beginning on or after 1 January 2016) – the European Commission has taken a decision to not start the endorsement process for this interim standard and to wait for the final standard;
- IFRS 16 Leases (in force for annual periods beginning on or after 1 January 2019);
- 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 (in force for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities – Applying the Consolidation Exception (in force for annual periods beginning on or after 1 January 2016);
- IAS 12 Income Taxes (in force for annual periods beginning on or after 1 January 2017).

The Company anticipates that the adoption of these standards and amendments to existing standards would not impact materially its financial statements in the period of their initial application.

At the same time the hedge accounting, referring to the portfolios of financial assets and liabilities whose principles have not been endorsed by the EU yet, is still not regulated.

According to the judgment of the Company, the adoption of hedge accounting of portfolios of financial assets and liabilities in accordance with IAS 39 Financial Instruments: Recognition and Measurement, would not impact materially the financial statements if applied at the reporting date.

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 also prepares consolidated financial statements.

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

In these separate financial statements the Company presents 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 a 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 have been initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the transaction date and are not subsequently revalued at the closing exchange rate.

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

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 result 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 any impairment losses in value.

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.

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 assets that satisfy the conditions of IAS 23, etc. Components acquired together with or as addition to other specific tangible fixed assets, but have not yet been installed thereto, are capitalised to the amount of the basic item and depreciated using its residual useful life.

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

2.8. Property, plant and equipment (continued)

Upon self-construction of tangible fixed assets, the acquisition cost includes all direct costs related to the resources through which the respective items are constructed (salaries and insurances, raw materials and consumables, hired services, etc.).

The Company has set a value threshold of BGN 500, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the time 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 in value.

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 has been determined considering: 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.

The useful life per group of assets is as follows:

- buildings – 10-50 years;
- machinery and equipment – 2-25 years;
- computers – 2-5 years;
- motor vehicles – 3-15 years;
- furniture and fixtures – 2-15 years.

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 for 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 costs 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 revised 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.

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 permanently 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.

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

2.8. Property, plant and equipment (continued)

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 the item '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 emission quotas under EU emissions trading scheme and units of reduced emissions.

The Company classifies the emission quotas as current ones when it expects to realise them within one reporting period and as non-current ones – all others.

The Company applies the straight-line amortisation method for the intangible assets with determined useful life of 5 years, except for the non-current emission quotas, which are written-off when used.

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).

EU emissions trading scheme and units of reduced emissions

On initial acquisition the allocated quotas for harmful gases are recognised as intangible assets at nominal value (zero value). The purchased quotas are recognised on initial acquisition at cost and are classified as current or non-current ones depending of the intents for their use. The Company has chosen to apply the cost model for subsequent measurement of non-current emission quotas, i.e. costs less accumulated impairment losses. Current emission quotas are recognised within expenses (cost of finished products) when they are written-off within the current reporting period (Note 9). In addition, 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.

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

2.9. Intangible assets (continued)

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 24).

The Company applies a method of expensing its quotas for harmful gases on the basis of the actually used quotas for the period.

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.

In accordance with the requirements of IFRS 10 Consolidated Financial Statements the Company controls other entities if and only if it has achieved all of the following:

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

Following the above, the Company has concluded that it controls all entities in which it holds 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 the cost of investments acquisition and the present value of expected future cash flows, discounted at the end of reporting period. Impairment losses are recognised in the item 'Impairment of non-current assets' on the face of the statement of comprehensive income (within profit or loss for the year).

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 due to existing legal grounds for that and thus the control over the economic benefits from the investments is being lost. The gains/(losses) on their sale or liquidation are presented respectively as 'Finance income' or 'Finance costs' in the statement of comprehensive income (within profit or loss for the year).

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

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 amount of the recognised impairment loss is equal to the difference between the carrying amount and the 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:

- Commercially available raw and other materials – 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.

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 method (Note 2.25).

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

2.13. Trade and other receivables (continued)

An estimate allowance for doubtful and bad debts is made when significant uncertainty exists as to the collectability 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 particular trade receivable is assessed as uncollectable, 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 under received working capital loans is included as payment in the operating activities;
- interest on investment purpose loans received (also stated as current expense and capitalised in qualifying assets) 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;
- payments for purchase of emission quotas, classified as current ones, are included as payment for operating activities (cash paid to suppliers);
- permanently blocked funds are not treated as cash and are not included in the cash flow statement.

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 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, interest-bearing loans and other borrowings are subsequently measured at amortised cost by applying the effective interest method. 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.

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

2.16. Interest-bearing loans and other borrowings (continued)

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 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. This period for the Company is 12 months.

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.

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).

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

2.18. Leases (continued)

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 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.

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 have 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 the annual 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 an 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.

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

2.19. Employee benefits (continued)

The rates of 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 (2014: 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 means 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 fund 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.

Defined benefit plans

In accordance with the Labour Code, the Company in its capacity as an employer in Bulgaria is obliged to pay an indemnity to its personnel when coming of age for retirement, at an amount which, depending on the length of service with the entity, varies between two and six gross monthly salaries at the employment termination date. 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) current and past service costs, interest costs and effects of curtailment and settlements are recognised immediately when incurred and are presented within current profit or loss in the item 'employee benefits expense';

(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.

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

2.19. Employee benefits (continued)

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. Shareholders are liable for the obligations of the Company up to the amount of the capital share 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.

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 component from restatement of retirement benefit obligations (defined benefits plan) is set aside from the remeasurements of the payables to personnel upon retirement, 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. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

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 2015 was 10% (2014: 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) at the transaction date.

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 utilised, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit/(loss) at the transaction date.

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.

Deferred taxes, related to items that are accounted for as other components of comprehensive income or an 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.

Company's deferred income taxes at 31 December 2015 were assessed at a rate, valid for 2016, i.e. 10%.

2.22. Earnings/losses per share

Basic earnings/losses 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.

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

2.22. Earnings/losses per share (continued)

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 capitalisation, bonus issue or splitting, 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/losses 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.

The estimate is discounted if the obligation is long-term. When part of the resources required to settle the obligation are expected to be recovered by 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 (credit) 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 Company's financial assets 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 it 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 though 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).

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

2.25. Financial instruments (continued)

2.25.1. Financial assets (continued)

Financial assets are derecognised from 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).

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 depending on the substance and the conditions of the contractual arrangements with the respective counterpart regarding these instruments.

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

2.25. Financial instruments (continued)

2.25.2. Financial liabilities and equity instruments (continued)

Financial liabilities

Financial liabilities include loans and 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 method (Note 2.15).

2.25.3. Fair value measurement

The Company applied 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

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)

- 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.

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.

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.

Recognition of tax assets

At the issue date of the annual separate financial statements and based on the budgeted positive results for the following years, Company's management has judged that the Company will be able to generate sufficient taxable profit for deducting the tax losses for 2012 amounting to BGN 349 thousand and for 2014 amounting to BGN 4,374 thousand within the applicable in Bulgaria period for tax losses carry forward (5 years) as defined in the Corporate Income Taxation Act. Therefore, it has taken a decision to recognise deferred tax assets on tax losses in the separate financial statements for 2015 at the amount of BGN 473 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 receivables assessed as uncollectable are impaired 100%. 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 a subsequent reversal of impairment loss, it is stated as other income against a decrease in the allowance account. When a particular receivable is assessed as uncollectable, it is written-off against the allowance account.

Impairment of inventories

At the end of each financial year, the companiyperform a review of the state, useful life and usability of the existing inventories. In case of identified inventories the assessment of which shows that it is highly probable for them to be not realised at their current carrying amount in the following reporting periods, these inventories are impaired to net realisable value.

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)

Impairment of property, plant and equipment

As a result of the review of property, plant and equipment as at 31 December 2015, the company recognised net impairment at the amount of BGN 89 thousand (Note 15) (2014: BGN 265 thousand): of buildings – BGN 91 thousand, of machinery and equipment – BGN 17 thousand and written-off impairment of PPE in progress – BGN 19 thousand (2014: machinery and equipment – BGN 264 thousand and furniture and fixtures – BGN 1 thousand).

Actuarial calculations

Calculations of certified actuaries have been used every year when determining present value of long-term payables to personnel upon retirement on the basis of assumptions for mortality rate, staff turnover rate, future salaries level and discount factor *(Note 25)*.

3. REVENUE

	2015	*2014*
Domestic market sales	165,294	156,416
Export	119,829	77,282
	285,123	**233,698**

Sales by product – domestic market

	2015	*2014*
Ammonium Nitrate – EC Fertilizer	156,691	146,923
NPK EC Fertilizer	4,049	5,168
Ammonia	2,136	2,368
Sodium Nitrate	1,089	1,024
Carbon Dioxide	590	172
Nitric Acid	220	219
Ammonia Water	194	224
Ammonium Hydrogencarbonate	158	152
Oxygen	35	48
Other	132	118
	165,294	**156,416**

Sales by product – export for 2015 are as follows:

	Europe	**North America**	**Asia and Africa**	**Total**
Ammonium Nitrate – EC Fertilizer	61,041	7,762	11,811	80,614
Ammonia	34,608	-	1,102	35,710
Ammonium Hydrogencarbonate	1,520	-	679	2,199
Sodium Nitrate	278	-	885	1,163
Carbon Dioxide	71	-	-	71
Ammonia Water	67	-	-	67
NPK	5	-	-	5
	97,590	7,762	14,477	119,829

All amounts are presented in BGN'000 unless otherwise stated

3. REVENUE (CONTINUED)

Sales by product – export for 2014 are as follows:

	Europe	North America	Asia and Africa	Total
Ammonium Nitrate – EC Fertilizer	52,846	9,038	4,740	66,624
Ammonia	5,494	-	1,949	7,443
Ammonium Hydrogencarbonate	1,261	-	700	1,961
Sodium Nitrate	152	-	978	1,130
Ammonia Water	20	-	-	20
Carbon Dioxide	104	-	-	104
	59,877	9,038	8,367	77,282

Information on major clients

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

	2015	*2014*
Client 1	121,941	117,443
Client 2	67,088	56,664
Client 3	17,003	3,884
Client 4	12,836	6,704
Client 5	10,386	709
Client 6	7,785	9,038
Client 7	6,748	7,430

4. OTHER OPERATING INCOME AND LOSSES, NET

	2015	*2014*
Sales of goods	342	164
Cost of goods sold	(324)	(140)
Gain on sales of goods	18	24
Sales of materials	989	406
Cost of materials sold	(540)	(322)
Gain on sales of materials	449	84
Sales of PPE	654	77
Carrying amount of PPE sold	(159)	(23)
Gain on sales of PPE	495	54
Foreign exchange gain/(loss)	1,435	2,138
Sales of services	962	1,364
Indemnities received	357	11
Liquidation of PPE	83	164
Surpluses of assets	56	20
Reversed impairment	48	57
Financing under operational programmes	37	37
Fines and penalties income	22	45
Other	179	212
	4,141	4,210

All amounts are presented in BGN'000 unless otherwise stated

4. OTHER OPERATING INCOME AND LOSSES, NET (CONTINUED)

Gain on sales of materials includes:

	2015	*2014*
Metal scrap	364	23
Processed oil	41	31
Other	44	30
	449	84

Sales of services include:

		2014
Manoeuvre services	446	817
Rental income	232	248
Transportation services	64	73
Other	220	226
	962	1,364

5. RAW MATERIALS AND CONSUMABLES USED

Expenses on materials include:

	2015	*2014*
Basic raw materials and consumables	196,947	189,635
Fuel and energy	14,213	12,298
Auxiliary materials	1,195	1,397
Spare parts	1,037	1,378
Other materials	455	536
	213,847	205,244

Basic raw materials and consumables include:

	2015	*2014*
Natural gas	182,617	175,014
Packaging	4,757	4,719
Monoammonium phosphate	2,144	2,816
Calcinated soda	1,260	1,131
Lubricants	1,229	1,287
Magnesit	1,148	1,059
Platinum	957	613
Methyldiethanolamine	402	327
Sodium hydroxide	343	272
Kalium chloride	290	279
Calcium carbonate	192	303
Sulphuric acid	181	165
Ammonium sulphate	131	182
Quicklime	64	74
Other raw materials and consumables	1,232	1,394
	196,947	189,635

All amounts are presented in BGN'000 unless otherwise stated

6. HIRED SERVICES EXPENSE

	2015	*2014*
Transportation	7,539	5,409
Freight	2,874	2,448
Repairs of PPE	1,845	1,891
Security	1,043	1,198
Taxes and charges	862	917
Insurance	842	801
Porters' and port costs	532	357
Subscribed servicing and technical control	367	346
Consulting services	333	444
Operating lease	253	262
Bank fees and charges	164	146
Cleaning and planting	163	190
Commissions under sales contract	140	103
Fire safety	115	-
Cargo handling costs	108	-
Communications	93	98
Civil contracts and fees	89	160
Waste recovery/disposal	84	77
Commodity inspection costs	62	55
Metals cutting	58	56
Training courses	50	39
Forwarding services	25	17
Other services	177	293
	17,818	**15,307**

The accrued expenses for the year on statutory audit and other services related thereto amount to BGN 183 thousand (2014: BGN 180 thousand).

7. EMPLOYEE BENEFITS EXPENSE

Personnel costs include:	*2015*	*2014*
Salaries and other remuneration	17,871	18,168
Social security contributions	3,691	3,844
Food for personnel	1,119	994
Accruals for long-term payables to personnel (Note 25)	186	59
	22,867	**23,065**

Remuneration costs include:	*2015*	*2014*
Current wages and salaries	17,861	18,222
Accrued/(recovered) amounts for unused paid leaves	10	(54)
	17,871	**18,168**

Social security contributions include:	*2015*	*2014*
Social security contributions	3,688	3,854
Accrued/(recovered) amounts for state social security on unused paid leaves	3	(10)
	3,691	**3,844**

All amounts are presented in BGN'000 unless otherwise stated

8. IMPAIRMENT OF CURRENT AND NON-CURRENT ASSETS

Impairment of current assets is as follows:	*2015*	*2014*
Receivables (including from related parties) – Note 17	8,661	8,938
Inventories	170	42
	8,831	8,980

Impairment of non-current assets comprises:	*2015*	*2014*
Impairment of investments in subsidiaries – Note 14	1,257	2,887
Impairment of property, plant and equipment	89	265
Other	1	-
	1,347	3,152

9. OTHER OPERATING EXPENSES

Other operating expenses include:	*2015*	*2014*
Carbon emissions (quotas for harmful gases), including	2,650	39
written-off current carbon emission (quotas for harmful gases)	*1,631*	*34*
provision for carbon emissions (quotas for harmful gases)	*1,019*	*5*
Fines and penalties to suppliers	105	395
Accrued/(reversed) amounts related to provisions, net	98	(189)
Business trip costs	47	84
Shortage of assets	40	56
Pollution penalties	33	168
VAT	30	42
Entertainment costs	17	19
Carrying amount of PPE written-off	12	94
Materials and finished products scrapped	9	82
Other	111	88
	3,152	878

10. FINANCE COSTS/INCOME, NET

	2015	*2014*
Interest expense	(2,012)	(2,301)
Income from liquidation shares in subsidiaries	139	-
Interest income	1	6
Income from equity investments	-	560
	(1,872)	(1,735)

The income from liquidation shares in subsidiaries is from Neochim Engineering EOOD – a deleted trader and Neochim Catering EOOD – a deleted trader at the amount of BGN 124 thousand and BGN 15 thousand, respectively. The shareholding income for 2014 amounting to BGN 560 thousand is from the subsidiaries Neochim Protect EOOD and Neochim Catering EOOD – in liquidation.

11. INCOME TAX BENEFIT

	2015	2014
Statement of comprehensive income (loss or profit for the year)		
Current income tax expense for the year	-	-
Deferred income taxes		
Related to origination and reversal of temporary differences	(1447)	1,350
Total income tax (expense)/benefit	(1,447)	1,350

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

	2015	2014
Accounting profit/(loss) for the year	5,966	(25,725)
Income tax (expense)/benefit – 10% (2014: **10%**)	**(597)**	2,573
Non-deductible amounts under tax return		
Related to increases – BGN 1,061 thousand (2014: BGN 12,247 thousand)	(1,066)	(1,225)
Related to decreases – BGN 2,168 thousand (2014: BGN 20 thousand)	216	2
Total income tax expense/(benefit) carried to the statement of comprehensive income (within profit or loss for the year)	**(1,447)**	**1,350**
Effective tax rate	24.25%	(5.25%)

12. EARNINGS/(LOSSES) PER SHARE

	2015	2014
Weighted average number of shares based on days	2,585,964	2,585,964
Profit/(loss) for the year (BGN'000)	4,519	(24,375)
Earning/(loss) per share (BGN)	**1.75**	**(9.43)**

All amounts are presented in BGN'000 unless otherwise stated

13. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

	Land and buildings	*Plant and equipment*	*Motor vehicles*	*Other*	*PPE and IA in progress*	*Total*	*Intangible assets*
Book value							
At 1 January 2014	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)
Transferred	-	9,149	-	13	(9,162)	-	-
31 December 2014	22,923	152,112	8,225	1,191	4,925	189,376	944
Additions	-	-	50	-	5,459	5,509	-
Disposals	(159)	(152)	(146)	(14)	-	(471)	(105)
Transferred	-	5,655	-	17	(5,672)	-	-
31 December 2015	22,764	157,615	8,129	1,194	4,712	194,414	839
Accumulated depreciation							
At 1 January 2014	6,699	61,287	5,194	865	19	74,064	590
Depreciation charge for the year	663	9,228	747	89	-	10,727	29
Impairment charged	-	264	-	1	-	265	-
Impairment written-off	-	(19)	-	-	-	(19)	-
Depreciation written-off	(8)	(145)	(291)	(16)	-	(460)	-
31 December 2014	7,354	70,615	5,650	939	19	84,577	619
Depreciation charge for the year	662	9,665	644	79	-	11,050	30
Impairment charged	91	17	-	-	-	108	
Impairment written-off	-	-	-	-	(19)	(19)	-
Depreciation written-off	(55)	(141)	(92)	(13)	-	(301)	-
31 December 2015	8,052	80,156	6,202	1,005	-	95,415	649
Net carrying amount at 31 December 2014	**15,569**	**81,497**	**2,575**	**252**	**4,906**	**104,799**	**325**
Net carrying amount at 31 December 2015	**14,712**	**77,459**	**1,927**	**189**	**4,712**	**98,999**	**190**

Company's tangible fixed assets as at 31 December 2015 include land at the amount of BGN 3,630 thousand (31 December 2014: BGN 3,639 thousand) and buildings of carrying amount BGN 11,082 thousand (31 December 2014: BGN 11,930 thousand).

Tangible fixed assets as at 31 December 2015 include assets of book value BGN 15,882 thousand, which have been fully depreciated but still in use in Company's activities (31 December 2014: BGN 12,778 thousand).

As at 31 December 2015, there is an established contractual mortgage of immovable property at carrying amount of BGN 6,459 thousand (31 December 2014: BGN 6,718 thousand).

There is a pledge on machinery and equipment of carrying amount BGN 8,157 thousand established at 31 December 2015 as collateral for used bank investment-purpose loan (31 December 2014: BGN 9,091 thousand).

The tangible fixed 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 a presented respectively as tangible or intangible assets in the statement of financial position. The fixed assets in progress as at 31 December include:

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

- Device GPP2-1X20/25MV – BGN 2,061 thousand (31 December 2014: BGN 2,208 thousand);
- Offices, garage, storage and shop– BGN 1,539 thousand (31 December 2014: BGN 1,531 thousand);
- SAP information system – equipment – BGN 472 thousand (31 December 2014: BGN 472 thousand);
- Distribution and transformer sub-station RTP-6 – BGN 75 thousand (31 December 2014: BGN 75 thousand);
- Chemical sewerage on the territory of Neochim AD – BGN 66 thousand (31 December 2014: BGN 66 thousand);
- Distribution and transformer sub-station RTP-8 – BGN 60 thousand (31 December 2014: BGN 60 thousand);
- High density polyethylene pipes for water supply from Chernogorovo dam – BGN 29 thousand (31 December 2014: BGN 29 thousand);
- Advances granted to suppliers – BGN 67 thousand (31 December 2014: BGN 9 thousand);
- Other projects - BGN 343 thousand (31 December 2014: BGN 456 thousand).

As at 31 December 2015, there are no capitalised interest expenses and fees related to assets qualifying for capitalisation (31 December 2014: BGN 112 thousand).

As at 31 December 2015, the company purchased 242 thousand tons of emission at the amount of BGN 1,526 thousand (31 December 2014: 5 thousand tons of emission at the amount of BGN 63 thousand).

	2015	*2014*
	BGN '000	*BGN '000*
Balance at the beginning of the year	105	76
Newly acquired	1,526	63
Written-off as expense (Note 9)	(1,631)	(34)
Balance at the end of the year	-	105

14. INVESTMENTS IN SUBSIDIARIES

Company name	*Location of registration*	*Carrying amount*	*% of interest*	*Carrying amount*	*% of interest*
		31.12.2015		*31.12.2014*	
Neochim Tarim Ltd.	Turkey	83	99.00	83	99.00
Neochim Protect EOOD	Bulgaria	5	100	5	100
Neochim Gübre Ltd.	Turkey	-	99.83	1,257	99.83
Neochim Engineering EOOD – deleted trader	Bulgaria	-	-	-	100
Neochim Catering EOOD – deleted trader	Bulgaria	-	-	5	100
		88		1,350	

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

- Neochim Gübre 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 – deleted trader, Dimitrovgrad – design and construction activities; production of and trading in organic and inorganic chemical products and others. Date of acquisition – 27 December 2000; discontinued trading activities on 19 February 2015 and deleted as a trader on 15 December 2015;
- Neochim Catering EOOD – deleted trader, 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; discontinued trading activities on 19 December 2014 and deleted as a trader on 23 September 2015;
- 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 makes an assessment about whether indicators for impairment exist in respect of its investments in subsidiaries. The following are accepted as main indicators for impairment: significant volume reduction (over 25%) or termination of activities of the subsidiary where investments have been made; reporting of losses for a longer period of time (over three years) as well as reporting of negative net assets or assets below the registered share capital.

The tests and assumptions of the management for impairment of investments are made through the prism of its projections and intents on the future economic benefits, which are expected from the subsidiaries, including trade and production experience, ensuring position in foreign markets, expectations for future sales, etc.

As at 31 December 2015, a performed review proved the necessity for recognising impairment on the investment in the subsidiary Neochim Gübre Ltd., Turkey, at the amount of BGN 3,144 thousand (31 December 2014: BGN 1,887 thousand) (Note 8).

At 31 December 2014, impairment was stated also on Neochim Engineering EOOD at the amount of BGN 1,000 thousand.

	2015	*2014*
	BGN '000	*BGN '000*
Balance at the beginning of the year	1,350	4,237
Impaired	(1,257)	(2,887)
Written-off	(5)	-
Balance at the end of the year	88	1,350

15. DEFERRED TAX ASSETS/(LIABILITIES)

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

	temporary difference 31.12.2015	*tax 31.12.2015*	*temporary difference 31.12.2014*	*tax 31.12.2014*
Property, plant and equipment	(2,304)	(231)	7,938	794
Total deferred tax (liabilities)/assets	**(2,304)**	**(231)**	**7,938**	**794**
Tax loss to be carried forward	4,723	473	10,127	1,013
Provision for emissions (quotas for harmful gases)	1,019	102	5	1
Accruals for retirement benefit obligations to personnel	840	84	885	88
Impairment of inventories	757	76	599	60
Provision for recultivation	319	32	307	31
Impairment of receivables	290	29	328	33
Accruals for unpaid benefits to physical persons	228	22	143	14
Accruals for unused paid leaves	78	8	65	6
Provision for landfills	21	2	21	2
PPE in progress	-	-	20	2
Total deferred tax assets	**8,275**	**828**	**12,500**	**1,250**
Net balance of deferred income tax assets/(liabilities)	**5,971**	**597**	**20,438**	**2,044**

Deferred taxes at the amount of BGN 2,073 thousand have not been recognised (31 December 2014: BGN 1,182 thousand). They are related to impairment of investments in and receivables from subsidiaries as the management has concluded that there is no probability for the temporary difference to reverse in the foreseeable future. The temporary difference on which no tax asset is recognised amounts to BGN 20,733 thousand (31 December 2014: BGN 11,816 thousand).

The movements within deferred tax assets are presented below:

Deferred tax (liabilities)/ assets	***Balance at 1 January 2015 BGN '000***	***Recognised in profit or loss for the year***	***Balance at 31 December 2015***
Property, plant and equipment	794	(1,025)	(231)
Tax loss to be carried forward	1,013	(540)	473
Provision for emissions (quotas for harmful gases)	1	101	102
Accruals for retirement benefit obligations to personnel	88	(4)	84
Impairment of inventories	60	16	76
Provision for recultivation	31	1	32
Impairment of receivables	33	(4)	29
Provision for remuneration of foreign individuals	5	9	14
Accruals for unused paid leaves	6	2	8
Accruals for unpaid benefits to local physical persons	9	(1)	8
Provision for landfills	2	-	2
PPE in progress	2	(2)	-
Total tax assets/(liabilities)	**2,044**	**(1,447)**	**597**

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

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

16. INVENTORIES

	31.12.2015	*31.12.2014*
Materials	19,557	21,993
Work in progress	3,489	3,083
Finished products	3,161	6,911
Goods	9	10
	26,216	31,997

Materials **include:**	*31.12.2015*	*31.12.2014*
Precious metals	7,925	8,294
Spare parts and bearings	5,010	5,177
Auxiliary materials	3,358	3,790
Basic materials	1,876	2,543
Packaging materials	703	964
Catalysers	299	861
Automobile tyres	56	66
Other materials	330	298
	19,557	21,993

All amounts are presented in BGN'000 unless otherwise stated

16. INVENTORIES (CONTINUED)

Basic materials	*31.12.2015*	*31.12.2014*
Kalium chloride	347	142
Magnesit	305	538
Chemicals, catalysers	199	252
Calcinated soda	168	164
Monoammonium phosphate	162	52
Ammonium sulphate	148	290
Lubricant	124	122
Calcium carbonate	83	88
Methyldiethanolamine	69	473
Sodium hydroxide	32	34
Quicklime	26	14
MEA solution	8	23
Kalium sulphate	2	46
Other	203	305
	1,876	**2,543**

Finished products	*31.12.2015*	*31.12.2014*
Ammonium Nitrate – EC Fertilizer	2,835	6,753
Ammonium Hydrogencarbonate	159	29
Sodium Nitrate – technical grade	87	38
Ammonia Water	23	15
Other	57	76
	3,161	**6,911**

Work in progress	*31.12.2015*	*31.12.2014*
Ammonia	3,108	2,572
Nitric Acid	228	369
Ferro-molybdenum catalyser	56	56
Ammonium Nitrate	26	32
Other	71	54
	3,489	**3,083**

There are encumbrances established on inventories as at 31 December 2015 as collateral for used bank loans:

- Precious metals – BGN 7,925 thousand (31 December 2014: BGN 8,294 thousand);
- Finished products (Ammonium Nitrate) – BGN 2,835 thousand (31 December 2014: BGN 6,753 thousand);
- Work in progress (Ammonia) – BGN 3,108 thousand (31 December 2014: BGN 2,572 thousand).

As at 31 December 2015, the Company has inventories at the amount of BGN 7 thousand (31 December 2014: BGN 20 thousand) measured at fair value less the costs to sell.

17. RECEIVABLES FROM RELATED PARTIES

	31.12.2015	*31.12.2014*
Receivables on sales in foreign currency	20,588	17,607
Receivables on sales in foreign currency	(18,619)	(9,019)
Other receivables	-	706
Receivables on sales in BGN	18	18
Receivables on sales in foreign currency	(11)	-
	1,976	**9,312**

All amounts are presented in BGN'000 unless otherwise stated

17. RECEIVABLES FROM RELATED PARTIES (CONTINUED)

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 assesses collectability by analysing 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 1,100 thousand – BGN 1,969 thousand); (31 December 2014: USD 5,779 thousand – BGN 9,294 thousand).

The management performed a review for impairment of receivables from related parties as at 31 December 2015. It established that there were indications for impairment of receivables due to a significant reduction in the volume the activity of Neochim Gübre Ltd., Turkey and parts of Neochim Tarim Ltd., Turkey, as well as reported losses for a longer period of time. In addition, the management of Neochim AD took a decision for liquidation of Neochim Gübre Ltd. An estimate was made regarding the recoverable amount of receivables from and investment in both subsidiaries, by analysing the expected cash flows for the period 2016-2019.

As a result of the analysis, Company's management took a decision for impairment of the receivables from subsidiaries in Turkey at the amount of BGN 8,649 thousand (2014: BGN 8,929 thousand).

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

	31.12.2015	*31.12.2014*
up to 30 days	2	151
from 31 to 90 days	-	706
from 91 to 180 days	307	418
from 181 to 365 days	275	1,726
	584	**3,001**

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

	31.12.2015	*31.12.2014*
up to 180 days	4	129
from 181 to 365 days	504	3
over 365 days	884	6,179
	1,392	**6,311**

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

Movement of allowance for impairment:	*2015*	*2014*
Balance at the beginning of the year	**9,019**	**79**
Impairment amount	8,660	8,929
Effect of revaluation of foreign currency positions	951	11
Balance at the end of the year	**18,630**	**9,019**

In 2016, until the date of financial statements approval, the Company received payments for sale of finished products from Neochim Tarim Ltd., Turkey, at the amount of BGN 319 thousand.

All amounts are presented in BGN'000 unless otherwise stated

18. TRADE RECEIVABLES AND ADVANCES

	31.12.2015	*31.12.2014*
Receivables on sales to foreign clients	1,227	809
Impairment of receivables from foreign clients	(1)	-
Receivables on sales to local clients	212	215
Impairment of receivables from local clients	(4)	(14)
	1,434	*1,010*
Advances granted to local suppliers	79	17
Advances granted to foreign suppliers	-	7
	1,513	**1,034**

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 analysing 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 1,278 thousand (31 December 2014: BGN 909 thousand), is up to 30 days.

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

	31.12.2015	*31.12.2014*
up to 30 days	59	74
from 31 to 90 days	77	18
from 91 to 180 days	3	3
from 181 to 365 days	6	6
over 365 days	11	-
	156	**101**

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

	31.12.2015	*31.12.2014*
1 to 2 years	1	9
over 2 years	4	5
Allowance for impairment	(5)	(14)
	-	-

Movement of allowance for impairment:

	2015	*2014*
Balance at the beginning of the year	14	54
Impairment amount	1	9
Transfer to impairment of other receivables	-	(28)
Amounts written-off as uncollectable	(2)	(4)
Reversed impairment	(8)	(17)
Balance at the end of the year	5	14

The ***advances granted*** as at 31 December are regular and are for the purchase of:

	31.12.2015	*31.12.2014*
Materials	2	16
Services	77	8
	79	24

All amounts are presented in BGN'000 unless otherwise stated

19. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:

	31.12.2015	*31.12.2014*
VAT refundable	1,081	5,928
Prepayments	684	466
Receivable from Bulgargas for excise duty paid in excess	555	555
Court and awarded receivables	7	45
Impairment of court receivables	-	(30)
Other	47	56
	2,374	**7,020**

On 12 February 2016, the amount of refundable VAT was remitted to Company's accounts.

Prepayments are comprised of:

	31.12.2015	*31.12.2014*
Insurance	645	452
Subscriptions	22	14
Other	17	-
	684	**466**

The Company has a receivable from Bulgargas under an excise duty paid in excess for basic raw materials (gas) at the amount of BGN 555 thousand (31 December 2014: BGN 555 thousand). The management of the company has undertaken the necessary measures – through a legal procedure – for the recovery of this amount.

20. CASH AND CASH EQUIVALENTS

	31.12.2015	*31.12.2014*
Current accounts	418	222
Cash in hand	26	24
Cash and cash equivalents carried to the statement of cash flows	444	246
Blocked amounts under bank guarantees (Note 33)	116	114
	560	**360**

21. SHARE CAPITAL AND RESERVES

Share capital

As at 31 December 2015 and 2014, the registered share capital of Neochim AD amounted to BGN 2,654 thousand, distributed in 2,654,358 ordinary, registered shares with right of vote, dividend and liquidation share with nominal value of BGN 1 per share.

The ***treasury shares*** are 68,394 at the amount of BGN 3,575 thousand (31 December 2014: 68,394 shares – BGN 3,575 thousand).

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

The ***component from remeasurement of defined benefit pension plan obligation*** is formed in relation with the requirements of IAS 19 (Note 25).

22. LONG-TERM BANK LOANS

	31.12.2015	*31.12.2014*
Non-current payables under bank loans		
Bank loans	13,553	17,760
Deferred charges for loan management and administration	-	(1)
	13,553	17,759
Current portion of long-term bank loans		
Bank loans	8,258	7,622
Deferred charges for loan management and administration	(11)	(27)
	8,247	7,595
Total payables under interest-bearing loans	21,800	25,354

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

Loan	*31.12.2015 BGN '000*	*31.12.2014 BGN '000*	*Contracted amount in currency*	*Maturity*	*Interest rate*
1	9,076	11,802	BGN 16,344 thousand	20.04.2019	1 M SOFIBOR plus 5 points p.a.
2	4,100	5,602	BGN 6,000 thousand	20.04.2017	3 M SOFIBOR plus 4 points p.a.
3	2,334	3,607	BGN 5,000 thousand	20.10.2017	1 M SOFIBOR plus 5 points p.a.
4	3,064	4,085	BGN 4,100 thousand	20.12.2018	1 M SOFIBOR plus 3.9 points p.a.
5	3,162	-	BGN 4,000 thousand	20.04.2020	3 M SOFIBOR plus 3.75 points p.a.
6	64	258	EUR 376 thousand	20.04.2016	3 M EURIBOR plus 5 points p.a.
	21,800	25,354			

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 6,459 thousand (31 December 2014: BGN 6,718 thousand) (Note 13);
- equipment with carrying amount of BGN 8,157 thousand (31 December 2014: BGN 9,091 thousand) (Note 13);
- precious metals with carrying amount of BGN 7,925 thousand (31 December 2014: BGN 8,294 thousand (Note 16);
- finished products (ammonium nitrate) with carrying amount of BGN 2,835 thousand (31 December 2014: BGN 6,753 thousand) (Note 16);
- work in progress (ammonia) with carrying amount of BGN 3,108 thousand (31 December 2014: BGN 2,572 thousand) (Note 16);
- proceeds from future receivables under concluded sales contracts at the amount of up to BGN 30,000 thousand (31 December 2014: BGN 30,000 thousand).

All amounts are presented in BGN'000 unless otherwise stated

23. LONG-TERM PAYABLES TO SUPPLIERS

	31.12.2015	*31.12.2014*
Finance lease liabilities	**85**	**149**

Finance lease liabilities

The finance lease liabilities, included in the statement of financial position as at 31 December 2015, are under agreements for acquisition of motor vehicles. They are presented net of the interest due and are as follows:

Term	*31.12.2015*	*31.12.2014*
Up to one year	64	58
Over one year	85	149
	149	**207**

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

Term	*31.12.2015*	*31.12.2014*
Up to one year	72	69
Over one year	89	161
	161	230
Future finance costs under finance leases	(12)	(23)
Present value of finance lease liabilities	**149**	**207**

Payments under finance lease agreements for the acquisition of automobiles due after 31 December 2016 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:

	2015	2014
Balance at 1 January	**333**	**681**
Accrued	1,052	21
Released	(26)	(369)
Balance at 31 December	**1,359**	**333**
including non-current portion	*156*	*305*
including current portion	*1,203*	*28*

All amounts are presented in BGN'000 unless otherwise stated

24. PROVISIONS (CONTINUED)

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 374 thousand (31 December 2014: BGN 376 thousand) while the amortised value at which it is presented in the statement of financial position is BGN 319 thousand (31 December 2014: BGN 307 thousand), including a non-current portion of BGN 156 thousand (31 December 2014: BGN 305 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 163 thousand (31 December 2014: BGN 2 thousand) are presented in the statement of financial position as other current liabilities (Note 32);
- As at 31 December 2015, the Company has a recognised provision for carbon emissions at the amount of BGN 1,019 thousand, classified as current (31 December 2014: BGN 5 thousand). On the basis of the manufactured quantity of finished products and the calculations for shortage of emission quotas, Company's management has included a provision for 66 thousand tons of quotas at the price of EUR 7.90 per ton (Note 32);
- At 31 December 2015, the Company has recognised a provision for penalty imposed for environment pollution resulting as a result of production activities at the amount of BGN 21 thousand (31 December 2014: BGN 21 thousand).

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, every employee is entitled to an indemnity on retirement at the amount of two gross monthly salaries, and if he or she has worked for at least the last 10 years of the service period 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:

	31.12.2015	*31.12.2014*
Present value of the obligations at 1 January	1,307	1,672
Interest cost	51	67
Current service cost	146	194
Recovered past service cost	-	(163)
Net actuarial gain recognised for the period	(11)	(39)
Payments for the period	(231)	(395)
Remeasurement gains or losses for the year, including:	297	(29)
Actuarial losses/(gains) arising from changes in financial assumptions	*79*	*(114)*
Actuarial losses arising from experience adjustments	*39*	*88*
Loss/(gain) for the period arising from changes in demographic assumptions	*179*	*(3)*
Liability recognised in the statement of financial position at 31 December	1,559	1,307

All amounts are presented in BGN'000 unless otherwise stated

25. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2015	*2014*
Current service cost	146	194
Past service cost recovered	-	(163)
Interest cost	51	67
Net actuarial gain recognised for the period	(11)	(39)
Components of defined benefit plan costs recognised in profit or loss	186	59
Actuarial losses/(gains) arising from changes in financial assumptions	79	(114)
Loss/(gain) for the period arising from changes in demographic assumptions	179	(3)
Actuarial losses arising from experience adjustments	39	88
Components of defined benefit plan costs recognised in other comprehensive income	297	(29)
Total	483	30

The cumulative effect of the difference between the actual experience in 2015 and the actuarial assumptions made in the previous assessment is an increase in the present value of the liability and formation of actuarial loss for 2015.

The following actuarial assumptions are used in calculating the present value of the liability as at 31 December 2015:

- 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 2012 – 2014.
- 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 = 2.8 % (2014: i = 3.8 %). 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:
  - for 2016 – growth of 10% against the level in 2015;
  - for 2017 – growth of 1% against the level in 2016;
  - for 2018 – growth of 1% against the level in 2017;
  - for 2019 – growth of 1% against the level in 2018;
  - for 2020 – growth of 1% against the level in 2019;

The assumption in the previous year was as follows:

- for 2015 – growth of 0% against the level in 2014;
- for 2016 – growth of 1% against the level in 2015;
- for 2017 – growth of 2% against the level in 2016;
- for 2018 – growth of 3% against the level in 2017;
- for 2019 – growth of 4% against the level in 2018;

All amounts are presented in BGN'000 unless otherwise stated

25. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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 increase 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;
- 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.

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 2015:

Change in salary growth	***Increase by 1%***	***Decrease by 1%***
Increase/(decrease) in interest cost and current service cost for 2016	18	(17)
Increase/(decrease) in the present value of the obligation as at 31 December 2015	118	(106)

Change in interest rate	***Increase by 1%***	***Decrease by 1%***
(Decrease)/increase in interest cost and current service cost for 2016	(1)	1
(Decrease)/increase in the present value of the obligation as at 31 December 2015	(105)	120

Change in staff turnover rate	***Increase by 1%***	***Decrease by 1%***
(Decrease)/increase in interest cost and current service cost for 2016	(18)	20
(Decrease)/increase in the present value of the obligation as at 31 December 2015	(112)	127

The average duration of the long-term payable to personnel under the defined benefit plan is 7.3 years (2014: 8.4 years).

The expected payments as indemnities upon retirement under the defined benefit plan for the next 5 years amount to BGN 946 thousand, including BGN 198 thousand for 2016.

All amounts are presented in BGN'000 unless otherwise stated

25. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

For 2014:

Change in salary growth	*Increase by 1%*	*Decrease by 1%*
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 December 2014	112	(89)

Change in interest rate	*Increase by 1%*	*Decrease by 1%*
(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 December 2014	(98)	112

Change in staff turnover rate	*Increase by 1%*	*Decrease by 1%*
(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 December 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.

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 2014: BGN 476 thousand). The recognised income from financing until 31 December 2015 amounts to BGN 215 thousand while the financing that will be recognised as income in subsequent reporting periods is BGN 261 thousand.

	31.12.2015	*31.12.2014*
Up to 1 year (current portion) (Note 32)	37	37
Over 1 year (non-current portion)	224	261
	261	**298**

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

	31.12.2015	*31.12.2014*
Bank loans	3,950	14,970
Deferred charges for loan management and administration	(37)	(17)
	3,913	**14,953**

27. SHORT-TERM BANK LOANS (CONTINUED)

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

Loan	*31.12.2015 BGN '000*	*31.12.2014 BGN '000*	*Contracted amount in currency*	*Maturity*	*Interest rate*
1	3,913	10,951	BGN 30,000 thousand	20.04.2016	1 M SOFIBOR plus 3.5 points p.a.
2	-	4,002	BGN 5,000 thousand	20.04.2015	1 M SOFIBOR plus 4 points p.a.
	3,913	14,953			

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

28. PAYABLES TO RELATED PARTIES

	31.12.2015	*31.12.2014*
Advances received for sale of finished products	12,739	24,288
Payables for supplied materials, fuel and services	202	417
Deposits received	-	17
	12,941	24,722

29. TRADE PAYABLES

	31.12.2015	*31.12.2014*
Local suppliers	4,381	3,971
Advances from customers in BGN	3,649	9,175
Advances from customers in foreign currency	2,506	1,188
Foreign suppliers	614	409
Current portion of payables to Bulgargas EAD	-	1,303
	11,150	16,046

The advances (in BGN and in foreign currency) received are for supply of finished products.

As 31 December 2015, the Company has repaid its obligation to Bulgargas EAD in line with an agreement dated 16 February 2012. 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.

At 31 December 2015, the current payables to Bulgargas EAD amount to BGN 1,581 thousand (31 December 2014: BGN 1,551 thousand).

30. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

	31.12.2015	*31.12.2014*
Payables to personnel, including:	1,055	1,080
Current payables for December	*992*	*1,026*
Accruals for unused paid leaves	*63*	*54*
Payables for social security/health insurance, including:	527	523
Current payables for December	*513*	*511*
Accruals for unused paid leaves	*14*	*12*
	1,582	1,603

All amounts are presented in BGN'000 unless otherwise stated

31. TAX PAYABLES

	31.12.2015	*31.12.2014*
Tax payables under Personal Income Taxation Act	243	258
Other	35	41
	278	299

The tax payables are regularly settled.

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

- VAT – 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.

32. OTHER CURRENT LIABILITIES

Other current liabilities include:	*31.12.2015*	*31.12.2014*
Current portion of provisions (Note 24)	1,203	28
Water usage charge	420	460
Guarantees received	189	62
Deposits from clients	172	175
Deductions from work salaries	157	162
Remuneration payable to foreign physical persons	144	53
Current portion of finance lease liabilities (Note 23)	64	58
Government grants (Note 26)	37	37
Dividend payable	33	34
Other liabilities	106	95
	2,525	1,164

33. CONTINGENT LIABILITIES AND COMMITMENTS

Blocked amounts for bank guarantees

The Company has blocked funds for bank guarantees at the amount of BGN 116 thousand (31 December 2014: BGN 114 thousand), which have been issued to secure the amount of a claim from EPET EOOD, Odrin, against the subsidiary company – Neochim Gübre Ltd., Turkey.

Guarantees granted

As at 31 December 2015, the Company has bank guarantees at the amount of BGN 127 thousand issued in favour of trade counterparts (31 December 2014: BGN 194 thousand).

All amounts are presented in BGN'000 unless otherwise stated

34. FINANCIAL RISK MANAGEMENT

Categories of financial instruments:

Financial assets	*31.12.2015*	*31.12.2014*
Cash and cash equivalents	560	360
Loans and receivables, including:	4,019	10,951
Trade receivables from related parties (Note 17)	*1,976*	*9,312*
Trade and other receivables (Notes 18 and 19)	*2,043*	*1,639*
Available-for-sale investments	4	4
	4,583	11,315

Financial liabilities	*31.12.2015*	*31.12.2014*
Financial liabilities at amortised cost, including:	**31,979**	**47,457**
Short-term and long-term loans (Notes 22 and 27)	*25,713*	*40,307*
Trade and other payables (Notes 23, 28, 29 and 32)	*6,266*	*7,150*

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 50% 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.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency structure analysis

31 December 2015	*in EUR*	*in USD*	*in GBP*	*in BGN*	*Total*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Financial assets					
Cash and cash equivalents	186	344	-	30	560
Loans and receivables	1,226	1,969	-	824	4,019
Available-for-sale investments	-	-	-	4	4
	1,412	2,313	-	858	4,583
Financial liabilities					
Financial liabilities at amortised cost	676	-	3	31,300	31,979

31 December 2014	*in EUR*	*in USD*	*in TRY*	*in BGN*	*Total*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Financial assets					
Cash and cash equivalents	153	118	-	89	360
Loans and receivables	808	8,589	706	848	10,951
Available-for-sale investments	-	-	-	4	4
	961	8,707	706	941	11,315
Financial liabilities					
Financial liabilities at amortised cost	667	-	-	46,790	47,457

Foreign currency sensitivity analysis

The risk concentration for the Company is mainly in the exposure to USD. The effect of Company's sensitivity to 10% increase/decrease in current exchange rates of BGN to USD, based on the structure of 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 208 thousand (2014: BGN 784 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.

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. In 2015, the price of natural gas shows globally a trend of decrease, which leads to the reduction of this risk for the Company in the period. 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 analysed 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.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 through distributors, including:

- For the domestic market – two distributors: Distributor 1 –72%, Distributor 2 – 24%. It is an usual practice is to agree 100% advance payment of the transaction amount;
- In 2015, 57 % of the export made by the Company is performed with main clients: Client 1 – 23%, Client 2 – 14%, Client 3 – 11% and Client 4 – 9%.

The Company's management currently monitors and analyses the trade practices established with the main distributors and clients. On the basis of experience, the sales to Neochim Gübre 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 receivables from Neochim Gübre Ltd., Turkey, and Neochim Tarim Ltd., Turkey (58% of the receivables under sales) are assessed by the management as concentration of credit risk.

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 analysed for the purpose of efficient use of funds.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally all of its obligations within their maturity. The liquidity management policy of the Company 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.

All amounts are presented in BGN'000 unless otherwise stated

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis

The table below presents the financial non-derivative liabilities of the Company at the reporting 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.

31 December 2015	**up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**Total**
Financial liabilities							
Financial liabilities at amortised cost	8,828	2,875	2,142	5,486	7,132	7,310	**33,773**

31 December 2014	**up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-2 years**	**2-5 years**	**Total**
Financial liabilities							
Financial liabilities at amortised cost	20,892	2,335	2,400	5,272	8,282	10,885	**50,066**

The financial liabilities at amortised cost at 31 December 2015, 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 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 2015	***Interest-free***	***With floating interest %***	***Total***
Financial assets			
Cash and cash equivalents	26	534	560
Loans and receivables	4,019	-	4,019
Available-for-sale investments	4	-	4
	4,049	534	4,583
Financial liabilities			
Financial liabilities at amortised cost	6,117	25,862	31,979

All amounts are presented in BGN'000 unless otherwise stated

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2014	*Interest-free*	*With floating interest %*	*Total*
Financial assets			
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
Financial liabilities			
Financial liabilities at amortised cost	5,640	41,817	47,457

The Company's management currently monitors and analyses 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 impact of a defined interest rate shift, expressed in points, on the financial result and equity is calculated.

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 2015	*With floating interest %*	*Interest rate increase*	*Impact on post-tax financial result*	*Impact on equity*
Financial assets				
BGN	-	0.5	-	-
Financial liabilities				
EUR	65	0.5	-	-
BGN	25,797	0.5	(116)	(116)
	25,862		(116)	(116)

31 December 2014	*With floating interest %*	*Interest rate increase*	*Impact on post-tax financial result*	*Impact on equity*
Financial assets				
BGN	3	0.5	0.01	0.01
Financial liabilities				
EUR	258	0.5	(1)	(1)
BGN	41,559	0.5	(187)	(187)
	41,817		(188)	(188)

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 and participants in its business as well as to maintain an optimal capital structure to reduce the cost of capital.

All amounts are presented in BGN'000 unless otherwise stated

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	2015	*2014*
Total borrowings, including:	**25,862**	**41,817**
Bank loans *(Notes 22 and 27)*	25,713	40,307
Finance lease liabilities *(Note 23)*	149	207
Payables to Bulgargas EAD *(Notes 23 and 29)*	-	1,303
Less: cash and cash equivalents (excluding blocked funds)	444	246
Net debt	25,418	41,571
Total equity	76,304	72,082
Total capital	101,722	113,653
Gearing ratio	*24.99%*	*36.58%*

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 to this 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.
Company's management believes that the values of 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

The Company's related parties are as follows:

Related parties	Relation type
Shareholders:	
Eco Tech AD	Main shareholding company (24.37 %)
Evro Fert AD	Main shareholding company (24.03 %)
Feboran AD	Main shareholding company (20.30 %)
Subsidiaries:	
Neochim Catering EOOD – deleted trader	100 % owned by the Company till 23.09.2015
Neochim Engineering EOOD – deleted trader	100 % owned by the Company till 15.12.2015
Neochim Protect EOOD	100 % owned by the Company
Neochim Gübre Ltd. – Turkey	99.83 % owned by the Company
Neochim Tarim Ltd. – Turkey	99.00 % owned by the Company
Other:	
Terachim – 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

All amounts are presented in BGN'000 unless otherwise stated

35. RELATED PARTY TRANSACTIONS (CONTINUED)

Supplies from related parties	*2015*	*2014*
Materials		
Main shareholding company	234	447
Subsidiaries	82	4
Other related parties	-	2
	316	453
Services		
Subsidiaries	1,011	2,021
Main shareholding company	163	185
Other related parties	5	9
	1,179	2,215
Goods		
Main shareholding company	72	115
PPE		
Subsidiaries	53	43
Main shareholding company	2	-
Other related parties	-	1
	55	44
Total	1,622	2,827

Sales to related parties	*2015*	*2014*
Finished products		
Main shareholding company	121,464	117,036
Subsidiaries	4,311	3,525
Other related parties	1	1
	125,776	120,562
Services		
Main shareholding company	58	80
Subsidiaries	51	73
Other related parties	2	4
	111	157
Goods		
Main shareholding company	234	-
Other		
Main shareholding company	183	264
Subsidiaries	3	7
	186	271
Total	126,307	120,990

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:

	31.12.2015	*31.12.2014*
Receivables on sales in foreign currency		
Subsidiaries	1,969	8,588
Including book value	*20,588*	*17,607*
impairment charged	*(18,619)*	*(9,019)*
Other receivables		
Subsidiaries	-	706
	-	706
Receivables on sales in BGN		
Main shareholding company	2	3
Subsidiaries	1	3
Other related parties	4	12
	7	18
Total	1,976	9,312

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

	31.12.2015	*31.12.2014*
Advances received for sale of finished products		
Main shareholding company	12,723	24,288
Subsidiaries	16	-
	12,739	24,288
Payables under supplied assets and services		
Subsidiaries	180	354
Main shareholding company	22	63
	202	417
Deposits		
Subsidiaries	-	17
Total	12,941	24,722

Remuneration of key managing personnel:

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

	2015	*2014*
Salaries and other short-term benefits	808	847