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 29 June 2017. An extension of the term of office of the Board of Directors until 22 June 2018 was entered in the Commercial Register on 2 July 2015.

1.1. Ownership and management

Neochim AD is a public company under the Public Offering of Securities Act.
The structure of Company's share capital as at 31 December 2017 was as follows:

- Eco Tech AD - 24.28 %
- Evro Fert AD - 24.03 %
- Feboran OOD - 20.30 %
- Agrofer International Establishment, Lichtenstein - 7.68 %
- Neochim AD (treasury shares) - 2.58 %
- UPF Saglasie - 2.39 %
- ZPAD Allianz Bulgaria - 2.30 %
- UPF CCB Sila - 2.19 %
- Other - 14.25 %

Neochim AD has one-tier management system with a Board of Directors. The Board of Directors consists of 9 members as follows:

Dimcho Staikov Georgiev	Chairperson
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 (from 29.06.2017)
Martina Michaela Auberger	Member (from 29.06.2017)
Feboran OOD	Member (until 28.06.2017)
Feboran Prim EOOD	Member (until 28.06.2017)

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

The management of Neochim AD is performed by the Board of Directors. Some of the operating functions are delegated to the Executive Director.
The Audit Committee supports the work of the Board of Directors and has the role of those charged with governance, performing monitoring and supervision over Neochim AD, including the Company's financial reporting process.

The members of the Audit Committee are as follows:

Tanya Dimitrova Kovanlashka
Nikolina Zheleva Delcheva
Iordanka Atanasova Nikolova

As at 31 December 2017, the total number of Company's personnel was 969 workers and employees (31 December 2016: 989).

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.

1.3. Main indicators of the economic environment

The main economic indicators of the business environment that affected Company's activities throughout the period 2014 – 2017 are presented in the table below:

Indicator	**2014**	**2015**	**2016**	**2017**
GDP in million levs	83,634	88,571	94,130	99,080 *
Actual growth of GDP	1.3%	3.6 %	3.9%	3.8%*
Year-end inflation (HICP)	-2.0%	-0.9%	-0.5%	1.8%
Average exchange rate of USD for the year	1.47	1.76	1.77	1.73
Exchange rate of the USD at year-end	1.61	1.80	1.86	1.63
Basic interest rate at year-end	0.02	0.01	0.00	0.00
Unemployment rate at year-end	10.7%	10.0%	8.0%	7.1%

** BNB forecast for 2017; Source: BNB*

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for preparation of the separate financial statements

The separate financial statements of Neochim AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2017 and have been accepted by the Commission of the European Union**.** IFRS endorsed by EU is the generally accepted name of the general purpose framework – the basis of accounting equivalent to the framework introduced with the definition in § 1, p. 8 of the Additional Provisions of the Accountancy Act under the name of "International Accounting Standards" (IASs).

For the current financial year the Company has adopted all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities. The adoption of these standards and/or interpretations, *practically effective in the European Union for annual periods beginning on 1 January 2017, and respectively – for Bulgarian entities*, has not caused changes in Company's accounting policies, except for some new disclosures and the expansion of those already adopted, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

The new and/or amended standards and interpretations include:

- *IAS 12 (amended) "Income Taxes" (in force for annual periods beginning on or after 1 January 2017 – endorsed by EC) – recognition of deferred tax assets for unrealised losses*. This amendment clarifies deferred tax assets in cases where an asset is measured at fair value and that fair value is below the tax base. The amendment clarifies that: (a) temporary differences arise regardless of whether the carrying amount of the asset is less than its tax base; (b) the respective entity should assess, when estimating its future taxable profits, whether it could deduct an amount higher than the carrying amount of the asset or not; (c) if, according to the tax legislation, there are restrictions for the use of taxable profits against which particular deferred tax assets can be recovered, the review and assessment of deferred tax assets recoverability should be made in combination with the remaining deferred tax assets of the same type; and (d) the deductions for tax purposes resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. The management has done research and has concluded that at this stage it is not necessary to make additional extended disclosures and/or restatement of its deferred tax assets related to the cases described herein above.
- *IAS 7 (amended) "Statement of Cash Flows" – regarding disclosure initiative (in force for annual periods beginning on or after 1 January 2017 – endorsed by EC).* This amendment is an important clarification of the standard itself with a focus on the information provided to the users of financial statements in order to improve their understanding of the liquidity and the financing activities of the entity. The amendment requires that additional disclosures and clarifications be prepared in regards to the changes of liabilities of the entity from: (a) changes arising from financing activities as a result of transactions leading to changes in cash flows; or (b) changes resulting from non-cash transactions such as acquisitions and disposals, interest accrual, foreign currency exchange gains and losses, changes in fair values and other similar. Changes in the financial assets should be included in this disclosure if the resulting cash flows are presented under financing activities (e.g. in certain hedge transactions). It is allowable to include also changes in other items as part of the disclosure if they are presented separately. The management has done research and has made the necessary additional disclosure (Note 22), including for the previous year 2016.

At the date when these financial statements have been approved for issue, 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 2017, which have not been adopted by the Company for early application. The 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.

- *Annual Improvements to IFRSs 2014-2016 Cycle (December 2016) – improvements to IFRS 12 (in force for annual periods beginning on or after 1 January 2017 – endorsed by EC), IFRS 1 and IAS 28 (in force for annual periods beginning on or after 1 January 2018 – not endorsed by EC).* These improvements introduce partial amendments to and editions of the respective standards primarily with a view to remove the existing inconsistency or ambiguities in the application of the rules and requirements of individual standards as well as to set out more precise terminology. These amendments are basically focused on the following items or transactions:(a) the scope and requirements to the disclosures under IFRS 12 shall apply also to entities that are classified under IFRS as held for sale, as held for distribution or as discontinued operations, with the exception of aggregate financial information; (b) removal of certain exemptions in the application of IFRS 1 with regards to IFRS 7, IAS 19 and IFRS 10; and (c) the choice of venture capital funds or other similar entities to measure their investments in associates or joint ventures at fair value through profit or loss should be made for each individual investment in associates or joint ventures upon initial recognition (IAS 28).

- *IFRS 9 "Financial Instruments" (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).* This is a new standard for financial instruments. It is ultimately intended to replace IAS 39 in its entirety. The replacement project has passed through three phases: Phase 1: Classification and measurement of financial assets and financial liabilities; Phase 2: Hedge accounting; and Phase 3: Impairment methodology. At present, IFRS 9 has been issued four times: in November 2009, October 2010, November 2013 and finally in July 2014. Phase 1: Classification and measurement of financial assets and financial liabilities – by the first issues it replaces those parts of IAS 39 that refer to the classification and measurement of financial instruments. It sets out new principles, rules and criteria for classification, measurement and derecognition of financial assets and liabilities, including hybrid contracts. IFRS 9 introduces a requirement that financial assets are to be classified based on entity's business model for their management and on the contractual cash flow characteristics of the respective assets. It establishes two primary measurement categories for financial assets: amortised cost and fair value. The new rules will lead to changes mainly in the accounting for financial assets as debt instruments and financial liabilities designated at fair value through current profit or loss (for credit risk). A specific feature of the classification and the measurement model for financial assets at fair value is the addition of a new category – fair value through other comprehensive income (for certain debt and capital instruments). Phase 2: Hedge accounting – a new chapter to IFRS 9 has been added for this purpose whereby a new hedge accounting model is introduced that permits consistent and complete reflection of all financial and non-financial risk exposures, subject to hedge transactions, and also, better presentation of risk management activities in the financial statements and especially, their relation to hedge transactions, and the scope and type of documentation to be used. In addition, the requirements to the structure, contents and presentation approach for hedge disclosures have been improved. Furthermore, an option is introduced fair value changes of own debts, measured at fair value through profit or loss, in the part thereof due to changes in the entity's own credit quality, to be presented in other comprehensive income rather than in profit or loss. Phase 3: Impairment methodology – the amendment introduces the application of the 'expected loss' model. Under this model all expected credit losses of an amortisable financial instrument (asset) shall be recognised in three stages, depending on its credit quality change, and not only if a trigger event has occurred as per the current model under IAS 39. The three stages are: upon the initial recognition of the financial asset – impairment for the 12-month period or for the full lifetime of the asset; and respectively, upon the incurrence of the actual impairment. They also set out how to measure impairment losses and respectively the application of the effective interest rate. The impairment of debt instruments measured at fair value through the other comprehensive income is determined and measured by applying the same methodology which is used for financial assets at amortised cost. The management does not expect the guidance of the new IFRS 9 to have a substantial impact on the classification or measurement of its financial instruments, nor on the disclosures related thereto (Note 35.1);

- *IFRS 9 (amended) "Financial Instruments" – regarding prepayment features with negative compensation (in force for annual periods beginning on or after 1 January 2019 – endorsed by EC).* This change covers two aspects: (a) it amends the existing requirements in IFRS 9 by enabling entities to measure at amortised cost some financial assets and their passing of the "contractual cash flow characteristics" test, despite the availability of "prepayment features with negative compensation". Negative compensation exists when the terms of the contract allow the debtor to make an early repayment of the instrument prior to its maturity, and the amount repaid may differ from the outstanding principal and interest, but this negative compensation should be reasonable and relevant to the early termination of the contract. Prepayment itself is not a sufficient assessment indicator, i.e. depending on the interest rate prevailing at the time of termination a payment may also be made in favour of the contracting party effecting the early repayment. The calculation approach of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain. Moreover, the respective asset should belong to the category of assets "held to collect contractual cash flows" according to the entity's business model; b) it confirms that when a financial liability measured at amortised cost is modified but not derecognised, the effect of the modification should be recognised in the profit or loss. The effect is measured as the difference between the original negotiated cash flows and the ones, following the modification, discounted at the original effective interest rate. The management does not expect the guidance of the new IFRS 9 to have a substantial impact on the classification or measurement of its financial instruments, nor on the disclosures related thereto (Note 35.1);

- *IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the relief from the requirement to restate comparatives and the related thereto disclosures when applying IFRS 9 (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).* The amendment is related to a relief from the requirement to restate the comparative financial statements and the option to present modified disclosures on the transition from IAS 39 to IFRS 9 as at the date of the standard application by the Company and whether it chooses the option to restate prior periods. The management has chosen modified retrospective application of IFRS 9 on its adoption and will not restate comparative information. (Note 35.1);

- *IFRS 15 "Revenue from Contracts with Customers" (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).* This is an entirely new standard. It introduces a single complex of principles, rules and approaches for recognition, accounting for and disclosure of information about the nature, amount, timing and uncertainties related to revenue and cash flows arising from contracts with customers. It will supersede all current standards related to revenue recognition, mainly IAS 18 and IAS 11 and the interpretations thereto. The main principle of the new standard is to provide a stepwise model whereby revenue amount and timing reflect the obligation characteristics and performance of each of the parties to the transaction. The key components include: (a) contracts with customers that are commercial in their substance and assessment of the probability for collecting contractual amounts by the entity in line with the terms and conditions of the particular contract; (b) identification of the separate performance obligations under the contract for providing of a good or service, that is distinct from the other assumed contractual commitments/promises, from which the customer would obtain benefits; (c) transaction price determination – the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer – special attention is paid to the variable component of price, the financing component, as well as the non-cash consideration; (d) allocation of the transaction price to separate performance obligations under the contract – usually on a stand-alone sale price of each component; and (e) the point of time or the period of revenue recognition – when an entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur at a point in time or over time. Clarifications are provided regarding: (a) identification of the performance obligations based on specific promises for the delivery of goods or services; (b) determining whether an entity acts as principal or agent in the provision of goods or services, and (c) license transfers. The expectation is that the introduction of this standard may lead to the more material changes: (a) in complex contracts with bundled sales of goods and services a clear distinction will be required between the goods and services of each component and provision of the contract; (b) probability for a change in the time of sale recognition; (c) expanding of disclosures; and (d) introduction of additional rules for recognising the revenue from a particular type of contracts – licences; consignment; one-time collection of preliminary fees; guarantees and other similar. The standard allows a full retrospective approach or a modified retrospective approach from the beginning of the current reporting period with particular disclosures for prior periods. The management has done research and has concluded that the changes made through the new standard will not have an impact on the accounting policies, and on the value and classification of Company's assets, liabilities, transactions and performance with regard to its operating revenue and/or receivables, in as far as no change is expected in the business model or in the time horizon for transfer of control to customers with regards to the Company’s services or sales of finished products and goods (Note 35.2);

- *IFRS 16 "Leases" (in force for annual periods beginning on or after 1 January 2019 – endorsed by EC).* This standard has an entirely new concept. It establishes new principles for the recognition, measurement and presentation of a lease by introducing a new model with the objective to ensure a more faithful and adequate representation of such transactions both for lessee and lessor. The standard will supersede the effective so far standard related to leases – IAS 17. (a) The main principle of the new standard is the introduction of a single lessee accounting model in the statement of financial position – an asset will be recognised for all contracts with duration of more than 12 months in the form of a 'right-of-use', which will be subsequently depreciated over the duration of the contract, and respectively, a financial liability will be stated for the lease liability under the contracts. This is the significant change in the current accounting practice. The standard allows an exception and retaining the current practice for leases of low-value assets and short-term leases. (b) There would not be any significant changes for lessors and they would continue to account for leases as per the old standard IAS 17 – as operating and finance lease. As far as the new standard introduces a more thorough concept, a more detailed analysis of contractual terms should be carried out on their part as well and it is possible that grounds for reclassification of particular lease transactions may occur for them (lessors), too. The new standard requires more extensive disclosures. The management has analysed the potential impact of this standard on the Company's financial statements, and in particular on the items disclosed in Note 35.3. The management has selected to apply the modified retrospective transition approach and not restate comparatives. The effect of the analyses made are disclosed in Note 35.3;

- *IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (in force for annual periods beginning on or after 1 January 2018 – not endorsed by EC).* This Interpretation applies to the accounting for a foreign currency transaction or part of it on the receipt of advance consideration before the entity recognises the related asset, expense or income. In these cases the entities shall recognise first a non-monetary asset for the advance consideration (advance consideration paid on supply of assets or services) or a non-monetary liability for deferred income (advance consideration received from clients on sales). Upon receipt of such advance consideration in a foreign currency, the transaction date shall be used to determine the exchange rate while in case of multiple payments the entity shall determine a date of the transaction for each individual payment. Following this, the interpretation clarified that upon the initial recognition of the respective asset, expense or income, as a result of the payment or receipt of advance consideration or a series of payments or receipts in a foreign currency, the transaction date is the date of initial recognition of the non-monetary asset or liability (in case of one-off payment/receipt) or the date of each separate payment/receipt. This Interpretation may be applied on a fully retrospective basis or prospectively, either: (a) from the beginning of the reporting period in which it is first applied; or (b) from the beginning of the period preceding the period in which the entity first applies the interpretation. The management is still considering the potential impact of this interpretation on the Company's financial statements;

- *IFRIC 23 (amended) "Uncertainty over Income Tax Treatments" (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).* This Interpretation provides guidance on the accounting for income tax when tax treatments involve uncertainty that affects the application of IAS 12. It does not apply to taxes or other state levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation addresses the following: (a) whether an entity considers uncertain tax treatments separately; (b) the assumptions an entity makes about the examination and assessment of tax treatments by taxation authorities; (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; (d) how an entity considers and treats changes in facts and circumstances; and (e) an entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The management is still considering the potential impact of this interpretation on the Company's financial statements;

- *IFRS 10 (amended) – "Consolidated Financial Statements" and IAS 28 (amended) – "Investments in Associates and Joint Ventures" – regarding the sale or contribution of assets between an investor and its associates or joint ventures (postponed effective* *date, to be determined by the IASB).* These amendments address the accounting treatment of the sale or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets sold or contributed constitute in substance a business as defined in IFRS 3. If these assets as an aggregate do not meet the definition of a business, then the investor shall recognise gain or loss only to the extent of other unrelated investor's interests in the associate or joint venture. In cases of sale or contribution of assets, which as an aggregate constitute a business, the investor shall recognise the full gain or loss on the transaction. The amendments will be applied on a prospective basis. IABS postponed the initial date of application of these amendments for an indefinite period.

- *Annual improvements to IFRSs 2015-2017 Cycle (December 2017) – improvements to IAS 23, IAS 12 and IFRS 3 in relation to IFRS 11 (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).* These improvements introduce partial amendments to and editions of the respective standards primarily with a view to remove the existing inconsistency or ambiguities in the application of the rules and requirements of individual standards as well as to set out more precise terminology. These amendments are basically focused on the following items and transactions: (a) they clarify that when an entity acquires control over a business which constitutes a joint venture, it should restate its previous holding in the business under IFRS 3. It is further clarified that when an entity acquires a joint control over a business which constitutes a joint venture, it should not restate its previous holding in the business under IFRS 11; (b) they clarify that all tax consequences on dividend income (i.e. upon profit distribution) should be stated within profit or loss irrespective of how they occurred – upon the application of IFRS 12; and (c) they clarify if under special-purpose loans concluded to finance a specific asset remain outstanding after the asset is ready for its intended use or disposal, these loans become part of general-purpose financing, and capitalisation rate is calculated under IAS 23. The management is still considering the potential impact of these amendments on the Company’s financial statements.
- *IAS 19 (amended) – "Plan Amendment, Curtailment or Settlement" (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).* This plan clarifies that in case of a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Additionally, with regard to the stated below new standards, amended/revised standards and new interpretations that have been issued but not yet in force for annual periods beginning on 1 January 2017, the management has judged that they are unlikely to have a potential impact resulting in changes in the accounting policies and the financial statements of the Company:

- *IAS 28 (amended) “Investments in Associates and Joint Ventures” – regarding long term interests in associates and joint ventures (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).* The amendment clarifies that an entity applies IFRS 9 including its impairment requirements regarding long term interests in associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. A change in the intents and plans of the management are not regarded as evidence for a change in use.
- *IFRS 17 "Insurance Contracts" (in force for annual periods beginning on or after 1 January 2021 – not endorsed by EC).* This is an entirely new accounting standard on all

types of insurance contracts, including some guarantees and financial instruments, and includes rules on recognition and measurement, presentation and disclosure. The standard will supersede the effective so far standard related to insurance contracts – IFRS 4. It establishes an entirely new overall model for insurance contracts' accounting, covering all relevant accounting aspects. It is not applicable to the Company's operations.

- *IFRS 2 (amended) "Share-based Payment" – Classification and measurement of share-based payment transactions (in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).* These amendments clarify three major issues: (a) the treatment of the conditions and effects related to obtaining vested rights in the measurement and accounting for cash-settled share-based payment transactions; (b) approach for the classification of share-based payment transactions with net settlement features for the purposes of withholding personal tax for entity's employees (in the form of equity instruments) – by introducing an exception from the common rule in order to achieve a facilitation in the practice, these transactions shall be classified in a way as if in the absence of the net share settlement feature; and (c) a new rule of accounting whereby a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.
- *IFRS 4 (amended) "Insurance Contracts" in force for annual periods beginning on or after 1 January 2018 – endorsed by EC).* This amendment is related to the need to synchronise the reporting of entities that issue insurance contracts and which fall within the scope of IFRS 9, but prior to the adoption of the future IFRS 17. It defines two approaches – the overlay approach and the temporary deferral approach (subject to certain conditions) under IFRS 9. Both approaches are valid until the entry into force of the new IFRS 17. It is not applicable to the Company's operations.

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 15) 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 Bulgarian Lev has been fixed to Euro, under the BNB Act, at the ratio BGN 1.95583:EUR 1

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 thousand levs (BGN'000).

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.

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 (within profit or loss for the year) when incurred and comprise: interest expenses related to received loans as well as bank charges and other direct expenses on 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 qualifying assets, satisfying the requirements of IAS 23 and other. 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.

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 determined 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 of their period of use, the latter is adjusted as from the date of change.

Subsequent costs

Repair and maintenance costs are recognised as current expenses as incurred. Subsequent 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. 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 and write-off 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 a 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 greenhouse gases from the National register for trade with greenhouse gas emissions in relation to the third period from the EU emissions trading scheme (EU ETS) 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. 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. The liability is measured at the acquisition cost of purchased quotas – until reaching the level of the quotas held by the Company, and are revalued at current 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).

The company applies a method for writing-off the harmful gas quotas on the basis of the quotas actually used 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.

Base on the above criteria, 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 and write-off 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.

2.11. Available-for-sale investments

Investments in the form of available-for-sale financial assets are non-derivative financial assets representing shares in the capital of other companies (minority interest), held for a long term.

Initial measurement

Available-for-sale investments (financial assets) are initially recognised at cost, being the fair value of the consideration given including the direct expenses associated with the investment (financial asset) acquisition *(Note 2.24)*.

Subsequent measurement

The Company's investments, representing shares in other companies (minority interest), are measured and included in the statement of financial position at acquisition 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), unless a positive reserve for this investment was formed in prior periods – then the impairment is at first covered at the account of this reserve and is presented net in the statement of comprehensive income (within other comprehensive income). 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).

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 current 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.
- the grant received for electric energy in relation to the expenses on energy from renewable sources is included in the cash flows from financing activities.

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.

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 (qualifying assets).

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).

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. 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 (2016: 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.

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. They are presented within other comprehensive income in the item 'remeasurements of defined benefit pension plans'.

2.21. Income taxes

Current income taxes are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal income tax rate for year 2017 was 10% (2016: 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 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.

The deferred income tax liabilities of the Company as at 31 December 2017 were assessed at a rate valid for 2018, at the amount of 10%.

2.22. Earnings per share

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

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

In case of a 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 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)

Government grants are different forms of grants from the state (local and central authorities and institutions) and/or international agreements and organizations.

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 or if it has been legally determined and obtained in a subsequent period – in this period.

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 the Company commits (undertakes an ultimate engagement) to purchase the respective financial assets. All financial assets are initially measured at their fair value plus the

directly attributable transaction costs except for the assets at fair value 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).
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, net'.

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.

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 and Note 2.16).

2.25.3. Fair value measurement

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*.

Some of Company's assets and liabilities are measured and presented and/or just disclosed at fair value for financial reporting purposes. Such are: on a recurring (annual) basis – *certain trade and other receivables and payables, finance lease receivables and payables.*

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.

All assets and liabilities that are measured and/or disclosed in the financial statements at fair value are categorised within the following fair value hierarchy, namely:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques that use inputs other than directly quoted prices but are observable, either directly or indirectly, including where the quoted prices are subject to significant adjustments; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In accordance with Company's accounting policy, at the end of each reporting period the specifically designated individual, engaged with measurements, performs a general analysis of collected in advance information about the movement in the values of assets and liabilities that are subject to valuation or to a disclosure at fair value, the type of available data and the possible factors for the observed changes, and proposes for approval to the Executive Director the approach for measuring the fair value of the respective assets and liabilities at that date.

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

Production waste repositories
The Company has recognised a provision for closing-down of industrial waste repositories (landfills) 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 repositories and other equipment and installations for waste recovery and disposal; and
- plan for rendering the repository in line with the legal requirements, which has been approved in terms of types of activities and terms and forecasted values by the Ministry of Environment and Water in accordance with the requirements of the above Ordinance.

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.

Quotas for greenhouse gases
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 for the current liability for settlement of verified quotas. The provision amount is determined as the quantity of shortage (the difference between the free quotas and the actual emissions of gases for the reporting period) of quotas, verified via a special document – Report on annual emission quotas, are valued at current market price at the reporting date while the changes in the liability amount are recognised in the statement of comprehensive income (within profit or loss for the year).

Recognition of tax assets

As at 31 December 2017, there are unrecognised deferred tax assets at the amount of BGN 2,139 thousand (31 December 2016: BGN 2,101 thousand), related to impairment of investments in and receivables from subsidiaries, because the management has assessed as unlikely for the temporary difference to reverse in the foreseeable future.

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. For this purpose, different scenarios of the forecasts are done, which incorporate differing assumptions for the risks, uncertaintities and probabilities for the future realization of the cash flows. These scenarios are carefully analyzed by the Management and the results from them are weighted in the calculations of the recoverable value of the overdue receivables.

The receivables assessed as uncollectable are 100% impaired. 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 Company reviews the state, useful life and usability of the existing inventories. When the companies identify 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.

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)

Impairment of investments in subsidiaries

At each reporting date, the management makes an analysis and an assessment on whether indications for impairment of Company's investments in subsidiaries exist. The following are accepted as indicators for impairment: significant reduction in the volume or discontinuing of investee's operations; reporting of losses for a longer period of time, as well as stating of negative net assets or assets at an amount below the registered share capital.

The tests and assessments of the management on the impairment of investments have been made through the prism of its plans and intents as to the future economic benefits, which are expected from the subsidiaries, including trade benefits and production experience, position on foreign markets, expectations for future sales, etc.

For this purpose, different scenarios of the forecasts are done, which incorporate differing assumptions for the risks, uncertaintities and probabilities for the future realization of the cash flows and earnings from these investments. These scenarios are carefully analyzed by the Management and the results from them are weighted in the calculations of the recoverable value of the investments.

Impairment of intangible assets

As at 31 December 2017 conducted a review for existence of impairment indicators for intangible assets. As a result, the management has concluded that there were conditions for impairment, and recognised an expense for impairment of intangible assets in the statement of comprehensive income (within profit or loss for the year) (Notes 8 and 14).

3. REVENUE

	2017	***2016***
	BGN '000	***BGN '000***
Domestic market sales	117,419	148,936
Export	110,268	91,781
	227,687	**240,717**

Sales by product – domestic market

	2017	***2016***
	BGN '000	***BGN '000***
Ammonium Nitrate – EC Fertilizer	110,470	142,214
Ammonia	2,406	1,633
NPK EC Fertilizer	1,937	2,723
Sodium Nitrate	1,453	1,020
Carbon Dioxide	463	656
Nitric Acid	233	220
Ammonia Water	190	199
Ammonium Hydrogencarbonate	158	159
Oxygen	16	14
Other	93	98
	117,419	**148,936**

Sales by product – export	***2017***	***2016***
	BGN '000	***BGN '000***
Ammonium Nitrate – EC Fertilizer	73,320	56,970
Ammonia	32,199	30,056
Ammonium Hydrogencarbonate	2,761	2,522
Sodium Nitrate	1,783	2,205
Ammonia Water	199	6
Other	6	22
	110,268	**91,781**

Information on major clients

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

Client	***2017***	***2016***
	BGN '000	***BGN '000***
Client 1	85,677	115,797
Client 2	51,832	43,471
Client 3	21,242	7,321
Client 4	12,269	5,795
Client 5	8,466	9,515
Client 6	5,475	8,729
Client 7	4,632	4,060

The distribution of sales per markets is as follows:

	2017	***2016***
	BGN'000	***BGN'000***
Europe (including Bulgaria)	216,532	223,345
Asia and Africa	11,155	17,372
	227,687	**240,717**

4. OTHER OPERATING INCOME/(LOSS), NET

	2017	***2016***
	BGN '000	***BGN '000***
Government grants	2,427	3,159
Sales of services	447	410
Sales of PPE	*361*	*355*
Carrying amount of PPE sold	*(9)*	*(38)*
Gain on sale of PPE	352	317
Liquidation of PPE	114	124
Sales of materials	*200*	*340*
Carrying amount of materials sold	*(87)*	*(267)*
Gain on sale of materials	113	73
Surplus of assets	102	76
Sale of goods	*86*	*101*
Carrying amount of goods sold	*(65)*	*(78)*
Gain on sale of goods	21	23
Reversed amounts related to ptovisions	33	-
Reversed impairment	11	57
Indemnities received	9	19
Foreign exchange (losses)/gains	(382)	126
Other	106	40
	3,353	**4,424**

Government grants comprise:

- Energy grant to the amount of BGN 2,390 thousand (31 December 2016 – BGN 3,122 thousand) – a state aid for reducing the burden of renewable energy costs, for which the Company was an applicant under the Ordinance on Reducing the Burden of Renewable Energy Costs (Note 19).
- Funding under Operational Programmes for sites in relation to the Company's energy efficiency, to the amount of BGN 37 thousand (31 December 2016 – BGN 37 thousand) (Note 26).

Sales of services include*:*	***2017***	***2016***
	BGN '000	***BGN '000***
Rental income	209	181
Manoeuvre services	57	30
Transport services	22	26
Other	159	173
	447	**410**

The sold non-current assets include mainly accommodation facilities and motor vehicles owned by the Company.

Gain on sales of materials includes:	***2017***	***2016***
	BGN '000	***BGN '000***
Metal scrap	53	8
Processed oil	7	13
Other	53	52
	113	**73**

5. RAW MATERIALS AND CONSUMABLES USED

Expenses on materials include:

	2017	***2016***
	BGN '000	***BGN '000***
Basic raw materials and consumables	138,234	131,872
Fuel and energy	13,788	13,355
Spare parts	1,433	1,234
Auxiliary materials	1,227	1,415
Other materials	656	401
	155,338	**148,277**

Basic raw materials and consumables include:	***2017***	***2016***
	BGN '000	***BGN '000***
Natural gas	126,776	119,961
Packaging	4,287	4,531
Magnesit	1,112	1,076
Lubricants	1,088	1,131
Platinum	1,024	758
Monoammonium phosphate	1,000	1,362
Calcinated soda	933	1,242
Sodium hydroxide	511	342
Methyldiethanolamine	477	193
Catalysts	258	166
Sulphuric acid	217	200
Kalium chloride	138	191
Calcium carbonate	116	214
Quicklime	84	72
Ammonium sulphate	12	42
Other raw materials and consumables	201	391
	138,234	**131, 872**

6. HIRED SERVICES EXPENSE

Hired services expense includes:

	2017	***2016***
	BGN '000	***BGN '000***
Transportation	10,532	8,038
Repairs of PPE	3,918	3,439
Freight	1,918	1,719
Insurance	1,112	1,149
Security	1,076	931
Taxes and charges	684	1,017
Fire safety	684	665
Cargo handling costs	640	387
Subscribed servicing and technical control	381	437
Porters' and port costs	354	341
Consulting services	316	443
Operating lease	293	231
Cleaning and planting	236	201
Bank fees and charges	151	144
Communications	84	69
Commodity inspection costs	74	53
Waste recovery/disposal	61	272
Training courses	32	65
Civil contracts and fees	20	24
Other services	251	280
	22,817	**19,905**

The accrued expenses for the year on statutory audit amount to BGN 172 thousand (2016: BGN 187 thousand), agreed upon procedures under Ordinance No Е-РД-04-06 dated 28.09.2016 on reducing the financial burden related to expenses on energy from renewable sources for the third pricing period at the amount of BGN 3 thousand (2016: BGN 10 thousand, for the first and second pricing period), services regarding review for correspondence of translations – BGN 3 thousand (2016: BGN 3 thousand), and tax services – none (2016: BGN 1 thousand).

7. EMPLOYEE BENEFITS EXPENSE

Personnel costs include:	***2017***	***2016***
	BGN '000	***BGN '000***
Salaries and other remuneration	20,698	20,466
Social security contributions	4,205	4,150
Food for personnel	1,151	849
Accruals for long-term payables to personnel (Note 25)	361	233
	26,415	**25,698**

Remuneration costs include:	***2017***	***2016***
	BGN '000	***BGN '000***
Current wages and salaries	20,634	20,462
Accrued/(recovered) amounts for unused paid leaves	64	4
	20,698	**20,466**

Social security contributions include:	***2017***	***2016***
	BGN '000	***BGN '000***
Social security contributions	4,190	4,151
Accrued/(recovered) amounts for state social security on unused paid leaves	15	(1)
	4,205	**4,150**

8. IMPAIRMENT OF CURRENT AND NON-CURRENT ASSETS

Impairment of current assets is as follows:	***2017***	***2016***
	BGN '000	***BGN '000***
Inventories (Note 16)	397	143
Trade and other receivables (Note 18 and Note 19)	1	2
	398	**145**

Impairment and write-off of non-current assets comprises:	***2017***	***2016***
	BGN '000	***BGN '000***
Write-off of Fixed Assets in progress (Note 13)	514	314
Impairment of PPE in progress (Note 14)	148	-
Impairment of PPE in progress	-	1,708
Impairment of property, plant and equipment	-	31
	662	**2,053**

9. OTHER OPERATING EXPENSES

Other operating expenses include:	***2017***	***2016***
	BGN '000	***BGN '000***
Carbon emissions (quotas for harmful gases) (Note 14), including	3,341	2,496
current expense on carbon emissions (quotas for harmful gases)	*3,645*	*1,641*
carbon emissions (quotas for harmful gases - this year) written-off	*5*	*1,015*
carbon emissions (quotas for harmful gases - last year) written-off	*1,332*	*859*
provision for carbon emissions (quotas for harmful gases - last year)	*(1,641)*	*(1,019)*
Remuneration to BD members	142	144
Business trip costs	82	69
Materials and finished products scrapped	80	10
Pollution penalties	60	39
Entertainment costs	52	42
Unrecognized VAT credits	32	15
Carrying amount of PPE written-off	20	21
Accrued amounts related to provisions	5	17
Shortage of assets	1	38
Electric energy excise expenses under a Tax Assessment Notice	-	218
Other	52	67
	3,867	**3,176**

10. FINANCE COSTS

The finance costs in 2017 comprise interest costs at the amount of BGN 643 thousand (2016: interest costs on received loans, at the amount of BGN 1,136 thousand).

11. INCOME TAX EXPENSE

Statement of comprehensive income (profit or loss for the year)	*2017 BGN '000*	*2016 BGN '000*
Tax profit for the year as per return	16,273	23,019
Current income tax for the year – 10% (2016: 10%)	(1,627)	(2,302)
Deferred income taxes		
Related to origination and reversal of temporary differences	30	(831)
Total income tax expense recognised in the statement of comprehensive income (profit or loss for the year)	**(1,597)**	**(3,133)**

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

	2017 BGN '000	*2016 BGN '000*
Accounting profit for the year	*15,142*	*31,160*
Income tax expense – 10% (2016: 10%)	(1,514)	(3,116)
Non-deductible amounts under tax return		
Related to increases – BGN 162 thousand (2016: BGN 174 thousand)	(16)	(17)
Unrecognised deferred tax assets	(1,525)	-
Recognition of amounts for which no deferred tax asset was recognised	1,458	-
Total income tax expense carried to the statement of comprehensive income (within profit or loss for the year)	**(1,597)**	**(3,133)**
Effective tax rate	**10.55%**	**10.05%**

12. NET EARNINGS PER SHARE

	2017 BGN '000	*2016 BGN '000*
Weighted average number of shares based on days	2,585,964	2,585,964
Profit for the year (BGN'000)	13,545	28,027
Earnings per share (BGN)	**5.24**	**10.84**

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		*Plant and equipment*		*Motor vehicles*		*Other*		*FA in progress and advances*		*Total*	
	2017	***2016***	***2017***	***2016***	***2017***	***2016***	***2017***	***2016***	***2017***	***2016***	***2017***	***2016***
	BGN ‘000	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***
Book value												
Balance at 1 January	**22,698**	**22,764**	**162,326**	**157,615**	**8,894**	**8,129**	**1,194**	**1,194**	**2,918**	**4,712**	**198,030**	**194,414**
Additions	78	31	-	-	69	1,202	-	-	6,969	5,374	7,116	6,607
Disposals	(52)	(97)	(298)	(190)	(279)	(437)	(34)	(21)	(514)	(2,193)	(1,177)	(2,938)
Transfer	463	-	4,309	4,901	-	-	32	21	(4,804)	(4,975)	-	(53)
Balance at 31 December	**23,187**	**22,698**	**166,337**	**162,326**	**8,684**	**8,894**	**1,192**	**1,194**	**4,569**	**2,918**	**203,969**	**198,030**
Accumulated depreciation and impairment												
Balance at 1 January	**8,651**	**8,052**	**90,184**	**80,156**	**6,544**	**6,202**	**1,051**	**1,005**	**-**	**-**	**106,430**	**95,415**
Depreciation charge for the year	730	652	9,881	10,175	722	778	48	65	-	-	11,381	11,670
Impairment charged	-	7	-	24	-	-	-	-	-	1,708	-	1,739
Impairment written-off	-	-	(3)	(1)	-	-	-	-	-	(1,708)	(3)	(1,709)
Depreciation written-off	(39)	(60)	(279)	(170)	(279)	(436)	(34)	(19)	-	-	(631)	(685)
Balance at 31 December	**9,342**	**8,651**	**99,783**	**90,184**	**6,987**	**6,544**	**1,065**	**1,051**	**-**	**-**	**117,177**	**106,430**
Carrying amount on 31 December	**13,845**	**14,047**	**66,554**	**72,142**	**1,697**	**2,350**	**127**	**143**	**4,569**	**2,918**	**86,792**	**91,600**
Carrying amount on 1 January	**14,047**	**14,712**	**72,142**	**77,459**	**2,350**	**1,927**	**143**	**189**	**2,918**	**4,712**	**91,600**	**98,999**

Company's tangible fixed assets as at 31 December 2017 include land at the amount of BGN 3,630 thousand (31 December 2016: BGN 3,630 thousand) and buildings of carrying amount BGN 10,215 thousand (31 December 2016: BGN 10,417 thousand).

Tangible fixed assets as at 31 December 2017 include assets of book value BGN 29,440 thousand, which have been fully depreciated but still in use in Company's activities (31 December 2016: BGN 25,165 thousand).

As at 31 December 2017, there are contractual mortgages of immovable property with a carrying amount of BGN 5,801 thousand (31 December 2016: BGN 6,122 thousand) and a pledge on machinery and equipment with a carrying amount of BGN 10,559 thousand (31 December 2016: BGN 10,190 thousand) established as collateral under used bank loans (Note 22).

As at 31 December 2017, the expenses on acquisition of fixed assets include advances to suppliers at the amount of BGN 2,255 thousand (31 December 2016: BGN 361 thousand) and ongoing projects at the amount of BGN 2,314 thousand (31 December 2016: BGN 2,557 thousand).

The ongoing projects are as follows:	***31.12.2017*** ***BGN '000***	***31.12.2016*** ***BGN '000***
Offices, garage, warehouse and shop	1,579	1,551
Purification of infiltrate from a repository for harmful solid production waste at the Neutralisation Unit	351	212
Development of a human resource management system based on the BORA BUSINESS SUITE software	62	-
Power distribution and transformer sub-station RTP-8	60	60
SAP information system – equipment (Note 8)	-	472
Conveying ammonia water from gasholder (k.301) to AM-76 workshop (CTA)	-	40
High density polyethylene pipes for water supply from Chernogorovo dam	-	29
Other	262	193
	2,314	**2,557**

In 2017 projects were written off, with regards to which a decision was made by the management to suspend implementation, at the total amount of BGN 514 thousand (2016: BGN 314 thousand), of which BGN 388 thousand for consulting and engineering services related to SAP ERP implementation (Note 8).

14. INTANGIBLE ASSETS

	Software	*Carbon emissions*	*Total*
Book value			
On 1 January 2016	**839**	**-**	**839**
Additions	-	1,874	1,874
Disposals	-	(1,874)	(1,874)
Transfer	53	-	53
31 December 2016	**892**	**-**	**892**
Additions	98	1,337	1,435
Disposals	-	(1,337)	(1,337)
31 December 2017	**990**	**-**	**990**
Accumulated amortisation			
On 1 January 2016	**649**	**-**	**649**
Amortisation charge for the year	37	-	37
Amortisation written-off	-	-	-
31 December 2016	**686**	**-**	**686**
Amortisation charge for the year	41	-	41
Amortisation impairment for the year	148	-	148
Amortisation written-off	-	-	-
31 December 2017	**875**	**-**	**875**
Carrying amount on 31 December 2016	**206**	**-**	**206**
Carrying amount on 31 December 2017	**115**	**-**	**115**

Greenhouse gas emissions

As at 31 December 2017, the Company purchased 134 thousand tons of emission of greenhouse gases at the amount of BGN 1,337 thousand (31 December 2016: 681 thousand tons of emission at the amount of BGN 1,874 thousand).

	31.12.2017 *BGN '000*	*31.12.2016* *BGN '000*
Balance at the beginning of the year	**-**	**-**
Newly acquired	1,337	1,874
Written-off as expense (Note 9)	(5)	(1,015)
Written-off in relation to provision (Note 9)	(1,332)	(859)
Balance at the end of the year	**-**	**-**

As at 31 December 2017, impairment was accrued for SAP software license at the amount of BGN 148 thousand (Note 8).

15. INVESTMENTS IN SUBSIDIARIES

Company name	***Location of registration***	***Carrying amount***	***% of interest***	***Carrying amount***	***% of interest***
		31.12.2017		***31.12.2016***	
		BGN '000		***BGN '000***	
Neochim Tarim Ltd.	Turkey	83	99.00	83	99.00
Neochim Protect EOOD	Bulgaria	5	100	5	100
Neochim Gübre Ltd.	Turkey	-	99.93	-	99.83
		88		**88**	

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 – 1 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 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.

In 2017 Neochim AD increased its interest in the subsidiary Neochim Gübre Ltd. through transforming trade receivables at the amount of BGN 15,242 thousand (USD 8,726 thousand), which were fully impaired in previous reporting periods. The impairment of trade receivables was accordingly transformed into impairment of the investment.

16. INVENTORIES

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Materials	21,209	20,757
Finished products	5,021	1,159
Work in progress	2,734	2,195
Goods	9	387
	28,973	**24,498**

Materials include:	***31.12.2017*** ***BGN '000***	***31.12.2016*** ***BGN '000***
Precious metals	8,767	8,122
Spare parts and bearings	5,057	5,014
Auxiliary materials	3,609	3,449
Basic materials	2,483	2,674
Packaging materials	727	955
Catalysers	269	251
Automobile tyres	39	50
Other materials	258	242
	21,209	**20,757**

Basic materials	***31.12.2017*** ***BGN '000***	***31.12.2016*** ***BGN '000***
Ammonium sulphate	1,021	1,033
Magnesit	485	380
Methyldiethanolamine	179	133
Calcinated soda	150	198
Monoammonium phosphate	128	78
Lubricant	124	124
Chemicals, catalysts	93	258
Calcium carbonate	85	95
Sodium hydroxide	47	39
Quicklime	25	30
Kalium chloride	18	156
Other	128	150
	2,483	**2,674**

Finished products	***31.12.2017*** ***BGN '000***	***31.12.2016*** ***BGN '000***
Ammonium Nitrate – EC Fertilizer	4,916	925
Ammonium Hydrogencarbonate	75	106
Ammonia Water	17	16
Sodium Nitrate – technical grade	4	101
Other	9	11
	5,021	**1,159**

Work in progress	***31.12.2017*** ***BGN '000***	***31.12.2016*** ***BGN '000***
Ammonia	2,407	1,963
Nitric Acid	243	177
Ammonium Nitrate	6	18
Other	78	37
	2,734	**2,195**

There are established pledges on inventories as at 31 December 2017 as collateral for used bank loans as follows:

- Precious metals – BGN 8,767 thousand (31 December 2016: BGN 8,122 thousand);
- Finished products (Ammonium Nitrate) – BGN 4,916 thousand (31 December 2016: BGN 925 thousand);
- Work in progress (Ammonia) – BGN 2,407 thousand (31 December 2016: BGN 1,963 thousand).

As at 31 December 2017, the Company does not have inventories measured at fair value less the costs to sell (31 December 2016: BGN 4 thousand).

17. RECEIVABLES FROM RELATED PARTIES

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Receivables on sales in foreign currency	3,618	20,677
Impairment of receivables on sales in foreign currency	(2,733)	(19,299)
Receivables on sales in BGN	16	15
Impairment of receivables on sales in BGN	(11)	(11)
	890	**1,382**

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 543 thousand – BGN 885 thousand); (31 December 2016: USD 742 thousand – BGN 1,378 thousand).

The management performed a review for impairment of receivables from related parties as at 31 December 2017. It was found that no indications were available for additional impairment of the receivables.

The impaired receivables are from the subsidiary Neochim Tarim Ltd. In Turkey, at the amount of BGN 2,733 thousand (31 December 2016: BGN 3,109 thousand). In 2017, the fully impaired receivables from the subsidiary Neochim Gübre Ltd were transferred into investment in subsidiary, at the amount of BGN 15,242 thousand (Note 15).

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

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
up to 30 days	344	47
from 31 to 90 days	465	76
	809	**123**

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

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
up to 180 days	81	204
from 181 to 365 days	-	187
over 365 days	-	868
	81	**1,259**

The past due unimpaired receivables are mainly from the subsidiary Neochim Tarim Ltd., Turkey – BGN 79 thousand, and others – BGN 2 thousand.

Movement of allowance for impairment:

	31.122017	***31.12.2016***
	BGN '000	***BGN '000***
Balance at the beginning of the year	**19,310**	**18,630**
Transformation of impairment of trade receivables into impairment of investment in a subsidiary (Note 15)	(15,242)	-
Effect of revaluation of foreign currency positions	(1,324)	680
Balance at the end of the year	**2,744**	**19,310**

18. TRADE RECEIVABLES AND ADVANCES

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Receivables on sales to foreign clients	1,688	2,164
Impairment of receivables from foreign clients	(1)	(3)
Receivables on sales to local clients	165	169
Impairment of receivables from local clients	(1)	(1)
	1,851	*2,329*
Advances granted to local suppliers	357	238
Advances granted to foreign suppliers	936	68
	3,144	**2,635**

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).

Trade receivables and advances granted per currency type are as follows:

- in BGN – BGN 521 thousand (31 December 2016: BGN 406 thousand);
- in EUR – BGN 2,476 thousand (EUR 1,266 thousand), (31 December 2016: BGN 1,996 thousand (EUR 1,020 thousand));
- in USD – BGN 96 thousand (USD 59 thousand), (31 December 2016: BGN 178 thousand (USD 96 thousand)).
- in RUB – BGN 51 thousand (RUB 1,816 thousand), (31 December 2016: BGN 55 thousand (RUB 1,816 thousand)).

The age structure of non-matured (regular) trade receivables amounting to BGN 1,207 thousand (31 December 2016: BGN 1,302 thousand), is up to 30 days.

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

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
up to 30 days	412	734
from 31 to 90 days	185	285
from 91 to 180 days	38	1
from 181 to 365 days	9	1
over 365 days	-	6
	644	**1,027**

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

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
1 to 2 years	-	2
over 2 year	2	2
Allowance for impairment	(2)	(4)
	-	**-**

Movement of allowance for impairment:

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Balance at the beginning of the year	**4**	**5**
Impairment amount	-	2
Amounts written-off as uncollectable	-	(3)
Reversed impairment	(2)	-
Balance at the end of the year	**2**	**4**

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

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Materials	946	262
Services	347	44
	1,293	**306**

19. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
VAT refundable	1,294	-
Receivable under electric energy grant	943	889
Prepayments	600	540
Court and awarded receivables	11	10
Impairment of court and awarded receivables	(1)	-
Receivables from Bulgargas under overpaid excise duty	-	555
Other	79	79
	2,926	**2,073**

Prepayments are comprised of:

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Insurance	526	504
Prepaid commission on unabsorbed bank loan	46	-
Subscriptions	19	22
Other	9	14
	600	**540**

20. CASH AND CASH EQUIVALENTS

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Current accounts	26,695	52,619
Cash in hand	26	25
	26,721	**52,644**

Cash in current account is as follows: in BGN – BGN 6,717 thousand (31 December 2016: BGN 31,098 thousand), in EUR – BGN 14,856 thousand (31 December 2016: BGN 21,166 thousand) and in USD – BGN 5,122 thousand (31 December 2016: BGN 355 thousand). Cash in hand is only in BGN.

21. SHARE CAPITAL AND RESERVES

Share capital

As at 31 December 2017, 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 2016: 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, 2.19).

22. LONG-TERM BANK LOANS

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Non-current payables under bank loans		
Bank loans	**4,538**	**6,990**
Current portion of long-term bank loans		
Bank loans	5,487	7,413
Deferred charges for loan management and administration	(25)	(21)
	5,462	**7,392**
Total payables under interest-bearing loans	**10,000**	**14,382**

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

Loan	***31.12.2017***	***31.12.2016***	***Contracted***	***Maturity***	***Interest rate***
	BGN '000	***BGN '000***	***amount in currency***		
1	3,627	6,350	BGN 16,344 thousand	20.04.2019	1 M SOFIBOR plus 3.25 points p.a.
2	2,331	3,332	BGN 4,000 thousand	20.04.2020	3 M SOFIBOR plus 3.25 points p.a.
3	1,021	2,042	BGN 4,100 thousand	20.12.2018	1 M SOFIBOR plus 3.25 points p.a.
4	-	1,060	BGN 5,000 thousand	20.10.2017	1 M SOFIBOR plus 3.25 points p.a.
5	-	1,598	BGN 6,000 thousand	20.04.2017	3 M SOFIBOR plus 3.75 points p.a.
6	3,021	-	BGN 5,900 thousand	20.06.2022	3 M EURIBOR plus 2.60 points p.a.
	10,000	**14,382**			

The funds were granted primarily for the purpose of renewal and reconstruction of production facilities for Ammonia in the Company.

Reconciliation of liabilities arising from financial activities

The table below details changes in liabilities arising from financial activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	01/01/2017	**Changes in cash flow from financing activities**	**Non-cash changes** New liabilities under finance lease agreements and dividend accruals	**Other changes**	31/12/2017
	BGN‘000	**BGN‘000**	**BGN‘000**		**BGN‘000**
Bank loans, including short-term (Note 28)	27,139	(17,179)	-	40*	10,000
Finance lease (Note 23)	81	(59)	29	4	55
Dividends (Note 33)	66	(3,301)	3,362	(35)	92
	27,286	**(20,539)**	**3,391**	**9**	**10,147**

*”Other changes” include interest accruals and payments and accrued bank charges and payments.

	01/01/2016	**Changes in cash flow from financing activities**	**Non-cash changes** New liabilities under finance lease agreements and dividend accruals	**Other changes**	31/12/2016
	BGN'000	**BGN'000**	**BGN'000**		**BGN'000**
Bank loans, including short-term (Note 28)	25,713	1,442	-	(16)*	27,139
Finance lease (Note 23)	149	(75)	-	7	81
Dividends (Note 33)	33	(2,020)	2,068	(15)	66
	25,895	**(653)**	**2,068**	**(24)**	**27,286**

*"Other changes" include interest accruals and payments and accrued bank charges and payments.

The long-term and short-term loans (Note 22 and Note 28) are secured with the following assets owned by the Company:

- real estate with carrying amount of BGN 5,801 thousand (31 December 2016: BGN 6,122 thousand)
  (Note 13);
- equipment with carrying amount of BGN 10,559 thousand (31 December 2016: BGN 10,190 thousand)
  (Note 13);
- precious metals with carrying amount of BGN 8,767 thousand (31 December 2016: BGN 8,122 thousand) (Note 16);
- finished products (ammonium nitrate) with carrying amount of BGN 4,916 thousand (31 December 2016: BGN 925 thousand) (Note 16);
- work in progress (ammonia) with carrying amount of BGN 2,407 thousand (31 December 2016: BGN 1,963 thousand) (Note 16);
- proceeds from future receivables under concluded sales contracts at the amount of up to BGN 60,000 thousand (31 December 2016: BGN 60,000 thousand).

23. LONG-TERM PAYABLES TO SUPPLIERS

The long-term finance lease liabilities, included in the statement of financial position as at 31 December 2017, amounting to BGN 23 thousand (31 December 2016: BGN 31 thousand), are under agreements for acquisition of motor vehicles. They are presented net of the interest due and are as follows:

Term	***31.12.2017***	***31.12.2016***
	BGN '000	***BGN '000***
Up to one year	32	50
Over one year	23	31
	55	**81**

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

Term	***31.12.2017***	***31.12.2016***
	BGN '000	***BGN '000***
Up to one year	33	53
Over one year	24	32
	57	85
Future finance costs under finance leases	(2)	(4)
Present value of finance lease liabilities	**55**	**81**

Payments under finance lease agreements for the acquisition of automobiles due after 31 December 2018 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 33).

24. PROVISIONS

At 31 December the recognised provisions are as follows:

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Balance at 1 January	**1,998**	**1,359**
Accrued	3,671	1,679
Released	(1,695)	(1,040)
Balance at 31 December	**3,974**	**1,998**
including non-current portion	*34*	*30*
including current portion	*3,940*	*1,968*

Provisions include:

- provision for a liability 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 2018 with continuing monitoring until year 2048. 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 337 thousand (31 December 2016: BGN 371 thousand) while the amortised value at which it is presented in the statement of financial position is BGN 308 thousand (31 December 2016: BGN 336 thousand), including a non-current portion of BGN 34 thousand (31 December 2016: BGN 336 thousand). The amortised cost has been calculated on the basis of the present value of all future cash payments discounted with interest of 3.154%. The payments due for a period of up to one year amount to BGN 274 thousand (31 December 2016: BGN 306 thousand) are presented in the statement of financial position as other current liabilities (Note 33);

- provision for a liability for carbon emissions, classified as current one, at the amount of BGN 3,645 thousand (31 December 2016: BGN 1,641 thousand) (Note 33);
- provision for penalty imposed for environment pollution resulting as a result of production activities at the amount of BGN 21 thousand (31 December 2016: BGN 21 thousand) (Note 33).

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 the same employer during the last 10 years of their service the indemnity amounts to 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:

	31.12.2017 ***BGN '000***	***31.12.2016*** ***BGN '000***
Present value of the obligations at 1 January	**1,764**	**1,559**
Interest cost	46	45
Current service cost	217	181
Net actuarial loss recognised for the period	98	7
Payments for the year	(267)	(247)
Remeasurement gains or losses for the year, including:	1,027	219
Actuarial losses arising from changes in financial assumptions	*722*	*135*
Actuarial losses arising from experience adjustments	*297*	*80*
Actuarial losses for the year arising from changes in demographic assumptions	*8*	*4*
Liability recognised in the statement of financial position at 31 December	**2,885**	**1,764**

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

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Current service cost	217	181
Interest cost	46	45
Net actuarial gain recognised for the year	98	7
Components of defined benefit plan costs recognised in profit or loss	**361**	**233**
Actuarial losses arising from changes in financial assumptions	722	135
Loss for the year arising from changes in demographic assumptions	8	4
Actuarial losses arising from experience adjustments	297	80
Components of defined benefit plan costs recognised in other comprehensive income	**1,027**	**219**
Total	**1,388**	**452**

The cumulative effect of the difference between the actual experience in 2017 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 2017.

The following actuarial assumptions are used in calculating the present value of the liability as at 31 December 2017:

- 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 2014 – 2016.
- 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 = 1.4% (2016: i = 2.5%). 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 2018 – growth of 24% against the level in 2017;
  - for 2019 – growth of 5% against the level in 2018;
  - for 2020 – growth of 5% against the level in 2019;
  - for 2021 – growth of 5% against the level in 2020;
  - for 2022 – growth of 5% against the level in 2021.

The assumption in the previous year was as follows:

- for 2017 – growth of 10% against the level in 2016;
- for 2018 – growth of 5% 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;
- for 2021 – growth of 1% against the level in 2020.

The change in the assumption for growth in remuneration in 2018 as compared to 2017 is due to the planned gradual increase of the Company's employees.

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:

	2017		***2016***	
	Increase	***Decrease***	***Increase***	***Decrease***
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Change in salary growth	229	(203)	128	(115)
Change in interest rate	(210)	243	(114)	130
Change in staff turnover	(222)	254	(121)	136

The effects of a change (increase or decrease) by 1% in salary growth and interest rate on the total amount of current length of service and interest expense is as follows:

	2017		***2016***	
	Increase	***Decrease***	***Increase***	***Decrease***
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Change in salary growth	34	(30)	21	(19)
Change in interest rate	(4)	3	(1)	1
Change in staff turnover	(33)	38	(20)	22

The average duration of the long-term payable to personnel under the defined benefit plan is 7.8 years (31 December 2016: 7.0 years).

The expected payments as indemnities upon retirement under the defined benefit plan for the next 5 years amount to BGN 1,464 thousand, including BGN 457 thousand for 2018.

26. GOVERNMENT GRANTS

The obtained financing is under operational programmes for projects related to Company's energy efficiency and amounts to BGN 476 thousand (31 December 2016: BGN 476 thousand). The recognised income from financing until 31 December 2017 amounts to BGN 290 thousand while the financing that will be recognised as income in subsequent reporting periods is BGN 186 thousand.

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Up to 1 year (current portion) (Note 33)	37	37
Over 1 year (non-current portion)	149	187
	186	**224**

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 33).

27. DEFERRED TAX LIABILITIES

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

	temporary difference	*tax*	*temporary difference*	*tax*
	31.12.2017 BGN '000	***31.12.2017 BGN '000***	***31.12.2016 BGN '000***	***31.12.2016 BGN '000***
Property, plant and equipment	(10,839)	(1,084)	(8,386)	(838)
Total deferred tax (liabilities)/assets	**(10,839)**	**(1,084)**	**(8,386)**	**(838)**
Impairment of inventories	2,821	282	2,469	247
Provision for emissions (quotas for harmful gases)	3,645	365	1,641	164
Accruals for retirement benefit obligations to personnel	920	92	826	83
Accruals for unpaid benefits to physical persons	920	92	379	38
Provision for repositories recultivation	308	31	336	33
Impairment of receivables	2	-	287	29
Accruals for unused paid leaves	160	16	81	8
Provision for repository costs	21	2	21	2
Total deferred tax assets	**8,797**	**880**	**6,040**	**604**
Net balance of deferred income tax – (liabilities)/assets	**(2,042)**	**(204)**	**(2,346)**	**(234)**

There are unrecognised deferred tax assets at the amount of BGN 2,139 thousand (31 December 2016: BGN 2,101 thousand) related to impairment of investments in and receivables from subsidiaries. The temporary difference on which no tax asset is recognised respectively amounts to BGN 21,386 thousand (31 December 2016: 21,006 thousand).

The movements within deferred tax assets and liabilities are presented below:

Deferred tax (liabilities)/ assets	***Balance at 1 January 2017***	***Recognised in profit or loss for the year***	***Balance at 31 December 2017***
	BGN '000	***BGN '000***	***BGN '000***
Property, plant and equipment	(838)	(246)	(1,084)
Provision for emissions (quotas for harmful gases)	164	201	365
Accruals for retirement benefit obligations to personnel	83	9	92
Impairment of inventories	247	35	282
Provision for repositories recultivation	33	(2)	31
Impairment of receivables	29	(29)	-
Provision for remuneration of foreign physical and legal persons	22	2	24
Accruals for unused paid leaves	8	8	16
Accruals for unpaid benefits to local physical persons	16	52	68
Provision for repository costs	2	-	2
Total tax (liabilities)/assets	**(234)**	**30**	**(204)**

Deferred tax (liabilities)/ assets	***Balance at 1 January 2016***	***Recognised in profit or loss for the year***	***Balance at 31 December 2016***
	BGN 000	***BGN 000***	***BGN 000***
Property, plant and equipment	(231)	(607)	(838)
Tax loss to be carried forward	473	(473)	-
Provision for emissions (quotas for harmful gases)	102	62	164
Accruals for retirement benefit obligations to personnel	84	(1)	83
Impairment of inventories	76	171	247
Provision for repositories recultivation	32	1	33
Impairment of receivables	29	-	29
Provision for remuneration of foreign natural and legal persons	14	8	22
Accruals for unused paid leaves	8	-	8
Accruals for unpaid benefits to local physical persons	8	8	16
Provision for repository costs	2	-	2
Total tax assets/(liabilities)	**597**	**(831)**	**(234)**

28. SHORT-TERM BANK LOANS

	31.12.2017	*31.12.2016*
	BGN '000	***BGN '000***
Bank loans	-	12,800
Deferred charges for loan management and administration	-	(43)
	-	**12,757**

The Company has been granted a credit line under a revolving loan agreement at the amount of up to BGN 30,000 thousand, expiring on 20 April 2018, interest rate – 1 M SOFIBOR plus 1.9 points p.a. As at 31 December 2017, the Company had no outstanding debt (31 December 2016: BGN 12,757 thousand).

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

29. PAYABLES TO RELATED PARTIES

	31.12.2017	*31.12.2016*
	BGN '000	***BGN '000***
Advances received for sale of finished products	4,903	22,980
Payables for supplied materials, fuel and services	258	196
	5,161	**23,176**

30. TRADE PAYABLES

	31.12.2017	*31.12.2016*
	BGN '000	***BGN '000***
Advances from customers in BGN	5,713	9,648
Local suppliers	3,277	2,932
Advances from customers in foreign currency	2,505	852
Foreign suppliers	539	118
	12,034	**13,550**

The payables to suppliers are regular and interest-free. BGN-denominated payables amount to BGN 8,990 thousand (31 December 2016: BGN 12,580 thousand), EUR-denominated payables amount to BGN 2,063 thousand (31 December 2016: BGN 956 thousand), and USD-denominated payables amount to BGN 981 thousand (31 December 2016: BGN 14 thousand).

The Company has no past due trade payables.

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

In accordance with the terms and conditions for the supply of natural gas from Bulgargas EAD, 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.

31. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Payables to personnel, including:	1,289	1,231
Current payables for December	*1,158*	*1,163*
Accruals for unused paid leaves	*131*	*68*
Payables for social security/health insurance, including:	814	639
Current payables for December	*786*	*625*
Accruals for unused paid leaves	*28*	*14*
	2,103	**1,870**

32. TAX PAYABLES

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Tax payables under Personal Income Taxation Act	349	303
Income tax	246	392
VAT payable	-	946
Other	24	27
	619	**1,668**

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;
- Customs Agency – excise duty liabilities for natural gas – until 29 February 2016;
- Customs Agency – excise duty liabilities for electric energy – until 5 June 2016.

Tax audit is performed within a 5-year period after the end of the year when the tax return for the respective liability has been submitted. The tax audit confirms ultimately the tax liability of the respective company — tax liable person except in the cases explicitly stated by law.

33. OTHER CURRENT LIABILITIES

Other current liabilities include:	***31.12.2017*** ***BGN '000***	***31.12.2016*** ***BGN '000***
Provision for liabilities to the Ministry of Environment and Water for carbon emissions	3,645	1,641
Guarantees received	337	243
Current portion of provisions (Note 24)	274	306
Remuneration payable to foreign and local natural persons	261	226
Deductions from work salaries	162	169
Water usage charge	148	464
Dividend payable	92	66
Deposits from clients	62	66
Government grants (Note 26)	37	37
Current portion of finance lease liabilities (Note 23)	32	50
Other liabilities	148	144
	5,198	**3,412**

The other non-current liabilities at the amount of BGN 43 thousand (31 December 2016: BGN 25 thousand) represent a part of accrued one-off additional remuneration to the Executive Director, deferred for payment after 1 January 2019 as per a decision of the Board of Directors.

34. CONTINGENT LIABILITIES AND COMMITMENTS

Guarantees granted

As at 31 December 2017, the Company has bank guarantees at the amount of BGN 123 thousand issued in favour of trade counterparts (31 December 2016: BGN 147 thousand).

35. POTENTIAL IMPACT OF THE ADOPTION OF NEW IFRS

35.1. IFRS 9 FINANCIAL INSTRUMENTS

The Company’s assessment of the effect of this new standard is presented below:

Classification:

IRFS 9 (2014) introduces 3 principal categories of financial assets: classified at amortised cost, classified at fair value through other comprehensive income, or classified at fair value through profit or loss.

The Company’s management has reviewed its financial assets and liabilities with regards to the impact from the adoption of the new standard on 1 January 2018. The main financial assets that the Company recognises are trade receivables (Note 18), receivables from related parties (Note 17), other short-term receivables and other assets (Note 19), cash and cash equivalents (Note 20).

The Company does not expect the guidance of the new IFRS 9 to affect the classification and measurement of its financial assets.

The Company does not expect any changes and impact on the accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement*, and have not been changed.

Impairment:

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain other financial guarantee contracts.

The Company has found that as the date of adoption of the new IFRS 9 adjustments resulting from the new model for recognising expected credit losses would not be material and would have insignificant impact on already recognised indicators related to trade receivables and receivables from related parties. Detailed information on trade receivables as at 31 December 2017 and on receivables from related parties is presented in Note 18 and Note 17 to the financial statements.

The Company has reviewed and analysed the credit risk impact on its cash and cash equivalents, respectively whether and for which instruments there is a substantial increase following their initial recognition, as well as initial measurement of the expected credit losses. As a result of the analyses performed the Company has determined that, in as far as it has a practice of only using banks with a high rating, there would be an insignificant (if any) impact on the indicators recognised as per the new model for recognising credit losses under IFRS 9, in effect as of 1 January 2018. Detailed information on the financial instrument (cash and cash equivalents) as at 31 December 2017 is presented in Note 20 to the financial statements.

Disclosures:

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments, particularly in the year of the adoption of the new standard – 2018. The Company expects the process of developing and implementing the policies, models and procedures for the classification and measurement of financial instruments under IFRS 9 to be completed in the first half of 2018.

Date of adoption by Company:

IFRS 9 is mandatory for financial years commencing on or after 1 January 2018. The Company intends to adopt the standard using modified retrospective approach. Comparatives for 2017 will not be restated.

35.2. IFRS 15 REVENUES FROM CONTRACTS WITH CUSTOMERS

The new standard is based on the principle that revenue is recognised when contract performance obligations are satisfied, i.e. control of a good or service transfers to a customer. The Company's assessment of the effect of these new standards is presented below:

Revenue from the sale of products and goods:

The Company sells finished products and goods which include inorganic and organic chemical products and goods for end customers. The Company has determined that the revenue from the sale of its finished products (goods) will be recognised following the "point in time" method under IFRS 15, when control over the finished products (goods) transfers to a customer. The Company presently observes the same rules under IAS 18.

Service revenue:

The Company's services include rental, transportation and manoeuvre services. Based on the preliminary analyses, the Company will continue to use the "point in time" for service revenue recognition, which reflects the manner of service rendering, respectively – consumption.

Advances from clients:

The Company usually receives short-term advance payments from clients, which do not have a significant financing component. Upon the adoption of IRFS 15, the presentation of these advance payments in the statement of financial position will be changed from deferred income/trade payables to liabilities under contracts with customers.

Presentation and disclosure requirements:

IFRS 15 provides presentation and disclosure requirements that are to a certain extent different and more detailed than those under current IFRS. The Company will continue testing the respective systems, internal controls, policies and procedures needed to collect and maintain the information needed for the purpose of disclosures under IFRS 15.

Date of adoption by Company:

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Company intends to adopt the standard using the modified retrospective approach, as of 1 January 2018. Comparatives for 2017 will not be restated.

35.3. IFRS 16 LEASES

IFRS 16 establishes principles and rules for the recognition, measurement and presentation of a lease. As a result of its application, lessees will account for all leases using a uniform model that requires their recognition in the balance sheet, analogous to the accounting for finance leases under IAS 17 (the distinction between finance and operating lease is removed). The Company's assessment of the effect of these new standards is presented below:

Potential effect of adopting IFRS 16:

The standard will affect primarily the operating leases in which the Company is a lessee. As at the reporting date, the Company has operating lease commitments of BGN 505 thousand for a period of between one and five years.

However, the Company is still in the process of making analyses, assessments and clarifications on what other adjustments, if any, are necessary to its accounting policy, including because of the change in the definition of the lease term and the different treatment of variable lease payments and of the extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Company's retained earnings reserve.

Date of adoption by Company:

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. The Company has decided not to adopt the standard before its effective date. It has selected to apply the modified retrospective transition approach, as of 1 January 2019. Comparative amounts for the year prior to first adoption (2018) will not be restated.

36. FINANCIAL RISK MANAGEMENT

Categories of financial instruments:

Financial assets	***31.12.2017***	***31.12.2016***
	BGN '000	***BGN '000***
Cash and cash equivalents	26,721	52,644
Loans and receivables, including:	2,829	4,355
Trade receivables from related parties (Note 17)	*890*	*1,382*
Trade and other receivables (Notes 18 and 19)	*1,939*	*2,973*
Available-for-sale investments	4	4
	29,554	**57,003**

Financial liabilities	***31.12.2017***	***31.12.2016***
	BGN '000	***BGN '000***
Financial liabilities at amortised cost, including:	**14,914**	**31,428**
Short-term and long-term loans (Notes 22 and 28)	*10,000*	*27,139*
Trade and other payables (Notes 23, 29, 30 and 33)	*4,914*	*4,289*

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 in respect of USD. Approximately 20% of Company's financial assets are formed from receivables related to export of finished products contracted as payable in USD. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognised assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.
Currency structure analysis

31 December 2017	***in EUR***	***in USD***	***in BGN***	***Total***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Financial assets				
Cash and cash equivalents	14,856	5,122	6,743	26,721
Loans and receivables	1,687	885	257	2,829
Available-for-sale investments	-	-	4	4
	16,543	**6,007**	**7,004**	**29,554**
Financial liabilities				
Financial liabilities at amortised cost	**539**	**-**	**14,375**	**14,914**

31 December 2016	***in EUR***	***in USD***	***in BGN***	***Total***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Financial assets				
Cash and cash equivalents	21,166	355	31,123	52,644
Loans and receivables	1,983	1,556	816	4,355
Available-for-sale investments	-	-	4	4
	23,149	**1,911**	**31,943**	**57,003**
Financial liabilities				
Financial liabilities at amortised cost	**118**	**-**	**31,310**	**31,428**

Foreign currency sensitivity analysis

The Company's risk is 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 541 thousand (2016: BGN 172 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. 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.

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 –73%, Distributor 2 – 23%. It is an usual practice is to agree 100% advance payment of the transaction amount;
- In 2017, 60% of the export made by the Company is performed with main clients: Client 1 – 22%, Client 2 – 19%, Client 3 – 11% and Client 4 – 8%.

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 Tarim 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 Tarim Ltd., Turkey (32% of the receivables under sales) are assessed by the management as concentration of credit risk, in as far as they include payables past due, also repaid in the reporting period.

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.

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 2017	**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	4,637	982	1,233	3,729	3,464	1,176	**15,221**

31 December 2016	**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	17,085	2,343	2,012	3,367	4,961	2,283	**32,051**

The financial liabilities at amortised cost at 31 December 2017, which mature in up to one month, represent trade payables and payables under the current portion of an investment bank loan.

Risk of interest-bearing cash flows

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

Interest risk concentration of the Company refers to its 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 2017	***Interest-free***	***With floating interest %***	***Total***
Financial assets			
Cash and cash equivalents	26	26,695	26,721
Loans and receivables	2,829	-	2,829
Available-for-sale investments	4	-	4
	2,859	**26,695**	**29,554**
Financial liabilities			
Financial liabilities at amortised cost	**4,859**	**10,055**	**14,914**

31 December 2016	***Interest-free***	***With floating interest %***	***Total***
Financial assets			
Cash and cash equivalents	25	52,619	52,644
Loans and receivables	4,355	-	4,355
Available-for-sale investments	4	-	4
	4,384	**52,619**	**57,003**
Financial liabilities			
Financial liabilities at amortised cost	**4,208**	**27,220**	**31,428**

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 2017	***With floating interest %***	***Interest rate increase***	***Impact on post-tax financial result***	***Impact on equity***
Financial assets				
BGN	-	0.5	-	-
Financial liabilities				
EUR	-	0.5	-	-
BGN	10,055	0.5	(45)	(45)
	10,055		**(45)**	**(45)**

This is a translation from Bulgarian of the separate financial statements of Neochim AD for year 2017.

31 December 2016	***With floating interest %***	***Interest rate increase***	***Impact on post-tax financial result***	***Impact on equity***
Financial assets				
BGN	-	0.5	-	-
Financial liabilities				
EUR	-	0.5	-	-
BGN	27,220	0.5	(122)	(122)
	27,220		**(122)**	**(122)**

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.

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:

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Total borrowings, including:	**10,055**	**27,220**
Bank loans *(Notes 22 and 28)*	10,000	27,139
Finance lease liabilities *(Note 23)*	55	81
Less: cash and cash equivalents	**26,721**	**52,644**
Net debt	**(16,666)**	**(25,424)**
Total equity	**111,200**	**102,044**
Total capital	**94,534**	**76,620**
Gearing ratio	***(17.63)%***	***(33.18)%***

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.

37. RELATED PARTY TRANSACTIONS

The Company's related parties are as follows:

Related parties	Relation type
Shareholders:	
Eco Tech AD	Main shareholding company (24.28%)
Evro Fert AD	Main shareholding company (24.03%)
Feboran OOD	Main shareholding company (20.30%)
Subsidiaries:	
Neochim Protect EOOD	100% owned by the Company
Neochim Gübre Ltd. – Turkey	99.93% owned by the Company
Neochim Tarim Ltd. – Turkey	99.00 % owned by the Company
Other:	
Terachim – Dimitrovgrad EOOD	100% owned by Evro Fert AD
Neo Kiten EOOD	100% owned by Evro Fert AD
Neoplod EOOD	100% owned by Evro Fert AD

Supplies from related parties	***2017***	***2016***
	BGN '000	***BGN '000***
Materials		
Main shareholding company	88	115
Subsidiaries	-	31
Other related parties	-	1
	88	**147**
Services		
Subsidiaries	1,065	900
Main shareholding company	92	99
Other related parties	1	5
	1,158	**1,004**

Goods		
Subsidiaries	-	365
Main shareholding company	-	57
	-	**422**
Total	**1,246**	**1,573**

<u>Sales to related parties</u>	***2017***	***2016***
	BGN '000	***BGN '000***
Finished products		
Main shareholding company	85,640	115,533
Subsidiaries	2,626	1,465
Other related parties	1	1
	88,267	**116,999**
Services		
Main shareholding company	53	44
Subsidiaries	37	40
	90	**84**
Other		
Main shareholding company	2	215
Subsidiaries	3	3
	5	**218**
Total	**88,362**	**117,301**

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

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

	31.12.2017	***31.12.2016***
Receivables on sales in foreign currency	***BGN '000***	***BGN '000***
Subsidiaries	**885**	**1,378**
Including book value	*3,618*	*20,677*
impairment charged	*(2,733)*	*(19,299)*
Receivables on sales in BGN		
Main shareholding company	4	1
Subsidiaries	1	3
	5	**4**
Total	**890**	**1,382**

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

	31.12.2017	***31.12.2016***
	BGN '000	***BGN '000***
Advances received for sale of finished products		
Main shareholding company	**4,903**	**22,980**
Payables under supplied assets and services		
Subsidiaries	242	180
Main shareholding company	16	16
	258	**196**
Total	**5,161**	**23,176**

Remuneration of key management personnel:

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

	2017	***2016***
Salaries and other short-term benefits	987	983