SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
All amounts are presented in BGN'000 unless otherwise stated

NOTES TO THE FINANCIAL STATEMENTS

All amounts are presented in BGN'000 unless otherwise stated

1. BACKGROUND CORPORATE INFORMATION

Neochim AD (the 'Company') was established in 1951. It was registered as a joint-stock company in July 1997. Company's registered office and address of management is at Himkombinatska Str., East Industrial Zone, Dimitrovgrad and it has been entered in the Commercial Register under UIC 836144932. The latest changes in the Articles of Association were entered in the Register of Commercial Companies on 19 June 2009. The latest changes in the managing bodies were entered in the Commercial Register on 5 March 2013.

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 2012 is as follows:

- Eco Tech AD - 24.37 %
- Evro Fert AD - 24.03 %
- Karifert International Offshore S.A.L., Lebanon - 17.16 %
- Agrofer International Establishment, Lichtenstein - 7.68 %
- Neochim AD (treasury shares) - 2.58 %
- Forucom AD - 2.36 %
- UPF Saglasie - 2.33 %
- UPF CCB Sila - 2.19 %
- Other - 17.30 %

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

Dimcho Staikov Georgiev	Chairman
Mohamed Hasan Mohamad Karabibar	Deputy Chairman
Dimitar Stefanov Dimitrov	Member
Tosho Ivanov Dimov	Member
Vasil Jivkov Grancharov	Member
Djamal Ahmad Hamud	Member
Victoria Ilieva Cenova	Member
Elena Simeonova Shopova	Member
Chimimport Group EAD	Member – until 19 December 2012
Zarneni Hrani Bulgaria AD	Member – as of 19 December 2012

Chimimport Group EAD was transformed through the merge-in of Zarneni Hrani Bulgaria AD and this merger was entered in the Commercial Register on 19 December 2012. As of that date, Chimimport Group EAD was deleted and its rights and obligations were assumed by Zarneni Hrani Bulgaria AD.

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

As at 31 December 2012, the total number of Company's personnel was 1,235 workers and employees (31 December 2011: 1,227).

1. BACKGROUND CORPORATE INFORMATION (CONTINUED)

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 have affected the Company's activities throughout the period 2010 - 2012, are presented in the table below:

Indicator	**2010**	**2011**	**2012**
GDP in million levs	70,511	75,265	56,445*
Actual growth of GDP	0.39%	1.7%	0.9%*
Year-end inflation (HICP)	4.45%	2.04%	2.76%
Year-end inflation (ICP)	4.53%	2.75%	4.25%
Average exchange rate of USD for the year	1.4774	1.4065	1.5221
Exchange rate of the USD at the year-end	1.4728	1.5116	1.4836
Basic interest rate at the year-end	0.18%	0.22%	0.03%
Unemployment rate at the year-end (National Employment Agency)	9.2%	10.4%	11.4%

** data as at 30 September 2012, source BNB*

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

2.1. Basis for preparation of the separate financial statements

These separate financial statements have been prepared in all material respects in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations for their application issued by the International Financial Reporting Interpretations Committee (IFRIC), accepted by the European Union (EU) and applicable in the Republic of Bulgaria as from 1 January 2012.

Amendments in IFRS

Standards and interpretations that have become effective in the current reporting period

The following amendments to existing standards, issued by IASB and endorsed by EU, came into force for the current reporting period:

- Amendments of IFRS 7 Financial Instruments: Disclosures – transfer of financial assets, endorsed by EU on 22 November 2011 (in force for annual periods beginning on or after 1 July 2011, practically applicable as from 1 January 2012).

The adoption of these amendments to the existing standards has not resulted in changes in Company's accounting policy.

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

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

Amendments in IFRS (continued)

Standards and interpretations, issued by IASB and endorsed by EU, but not yet in force

The following IFRS, amendments to IFRS and interpretations were endorsed by EU but not yet in force at the date of approval of the current financial statements:

- IFRS 10 Consolidated Financial Statements, endorsed by EU on 11 December 2012 (in force for annual periods beginning on or after 1 January 2014),
- IFRS 11 Joint Arrangements, endorsed by EU on 11 December 2012 (in force for annual periods beginning on or after 1 January 2014),
- IFRS 12 Disclosing of Interest in Other Entities, endorsed by EU on 11 December 2012 (in force for annual periods beginning on or after 1 January 2014),
- IFRS 13 Fair Value Measurement, endorsed by EU on 11 December 2012 (in force for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) Separate Financial Statements, endorsed by EU on 11 December 2012 (in force for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) Investments in Associates and Joint Ventures, endorsed by EU on 11 December 2012 (in force for annual periods beginning on or after 1 January 2014),
- Amendments of IFRS 7 Financial Instruments: Disclosures – offsetting of financial assets and financial liabilities, endorsed by EU on 13 December 2012 (in force for annual financial periods beginning on or after 1 January 2013);
- Amendments to IAS 1 Presentation of Financial Statements – presentation of items of other comprehensive income, endorsed by EU on 5 June 2012 (in force for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 Income Taxes – deferred taxes: recovery of underlying assets, endorsed by EU on 11 December 2012 (in force for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 Employee Benefits – improvements in the accounting for post employment benefits, endorsed by EU on 5 June 2012 (in force for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 32 Financial Instruments: Presentation – offsetting of financial assets and financial liabilities, endorsed by EU on 13 December 2012 (in force for annual financial periods beginning on or after 1 January 2014);
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, endorsed by EU on 11 December 2012 (in force for annual financial periods beginning on or after 1 January 2013).

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

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

Amendments in IFRS (continued)

The Company has chosen to not adopt these standards, amendments and interpretations before their effective date. The Company anticipates that the adoption of these standards, amendments to existing standards and interpretations will not have a significant effect on Company's financial statements in the period of their initial application except for IAS 19 (amended) Employee Benefits \in force for annual periods beginning on or after 1 January 2013 – endorsed by EC). The amendment changes the accounting for defined benefit plans and termination benefits. The fundamental change is the elimination of the 'corridor' approach and the introduction of the rule that all subsequent remeasurements (referred to so far as actuarial gains or losses) of defined benefit obligations and plan assets shall be recognised when occurred in a component of 'other comprehensive income', as well as the accelerated recognition of past service costs. The management has done research and has concluded that this amendment has an impact on the accounting policies and on the value and classification of Company's liabilities, transactions and performance, with regard to the accounting for remeasurements. The changes in the statement of financial position as at 31 December 2012 on the application of this amendment will include: an increase in 'retirement benefit obligations' at the amount of BGN 218 thousand, increase in 'accumulated profits' at the amount of BGN 349 thousand and creation of a separate equity component – a negative figure at the amount of BGN 567 thousand.

Standards and interpretations, issued by IASB, but not yet endorsed by EU

At present, the IFRS endorsed by EU do not differ materially from those approved by IASB except for the following standards, amendments to existing standards and interpretations, not yet endorsed by EU at the date of approval of these financial statements:

- IFRS 9 Financial Instruments (in force for annual periods beginning on or after 1 January 2015);
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure – mandatory effective date and transient disclosures,
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosing of Interest in Other Entities – transitional guidance (in force for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS Disclosing of Interest in Other Entities and IAS 27 Separate Financial Statements – investment companies (in force for annual periods beginning on or after 1 January 2014);
- Amendments to various standards IFRS Improvements (2012) resulting from the annual project for IFRS improvements, published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) intended mainly to remove the existing inconsistency and clarifying the formulation (the amendments are applicable for annual periods beginning on or after 1 January 2013).

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

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

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

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

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

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 (see Note 14) and therefore, in accordance with the requirements of the Bulgarian Accountancy Act and based on IAS 27 Consolidated and Separate Financial Statements, it has also prepared consolidated financial statements approved for issue by the Board of Directors on 21 March 2013.

2.3 Accounting assumptions and estimates

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

2.4. Comparatives

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

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

2.5. Functional currency and recognition of exchange differences

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

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

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

2.5. Functional currency and recognition of exchange differences (continued)

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

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

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

2.6. Revenue

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

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

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

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

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

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

2.7. Expenses

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

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

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

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

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, etc.

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

Subsequent measurement

The chosen by the Company approach for subsequent measurement of property, plant and equipment, is the cost model under IAS 16, i.e. cost less any accumulated depreciation and any accumulated impairment losses 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 is subject to their physical wear, the characteristic features of the equipment, the intentions for future use and the expected obsolescence.

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

Subsequent costs

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

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

2.8. Property, plant and equipment (continued)

Impairment of assets

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

2.9. Intangible assets

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

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

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

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

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

2.9. Intangible assets (continued)

EU emissions trading scheme and units of reduced emissions

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

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.

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).

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

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

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

2.11. Available-for-sale investments

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

The available-for-sale securities, owned by the Company, are reviewed for impairment at each statement of financial position date. If any such conditions are identified, the impairment is reported in the statement of comprehensive income (within profit or loss for the year). Available-for-sale investments are impaired if their carrying amount is higher than the expected recoverable amount. The recognised impairment loss is equal to the difference between the acquisition cost less the principal repayments and their recoverable amount, which is the present value of the expected future cash flows, discounted with the current interest rate for a similar financial asset.

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

2.12. Inventories

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

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

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

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

2.13. Trade and other receivables

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

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

2.14. Cash and cash equivalents

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

For the purposes of the statement of cash flows:

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

2.15. Trade and other payables

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

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

2.16. Interest-bearing loans and other borrowings

All loans (granted and received) and other borrowings are recognised at cost (nominal amount), which is accepted to be the fair value of the consideration received on the transaction, netted of the direct costs related to these loans and borrowings. After the initial recognition, the interest-bearing loans and other borrowings are subsequently measured at amortised cost by applying the effective interest rate method. The amortised cost is calculated by taking into account all types of charges, commissions and other costs, including any discount or premium on settlement associated with these loans. Gains and losses are recognised in the statement of comprehensive income (within profit or loss for the year) as finance income or costs throughout the amortisation period, or when the liabilities are derecognised or reduced.

Interest-bearing loans and other financial resources granted are classified as current ones unless (and for the relevant portion thereof) the Company has unconditionally the right to settle its obligation within 12 months after the statement of financial position date (Note 2.25).

2.17. Borrowing costs

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

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

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

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

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

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

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 (reduction) of the lease liability (principal) so as to achieve a consistent interest rate on the remaining outstanding principal balance of the lease liability. Interest expenses are recognised in the statement of comprehensive income (within profit or loss for the year).

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

Operating lease

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

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

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

2.19. Employee benefits

In accordance with the Bulgarian legislation, the Company is obliged to pay contributions to social security health insurance funds. The employment relations with the workers and employees of the Company, in its capacity of an employer, are based on the provisions of the Labour Code and the Collective Labour Agreement.

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

2.19. Employee benefits (continued)

The major duty of the employer is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) to an Universal Pension Fund (for individuals born after 31 December 1959), to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund, and for health insurance. The individuals working under the terms of the second category of employment are subject to also SMPS to a Professional Pensions Fund (PPF) entirely at employer's account.

The rates of the mandatory social security contribution and the ratio at which they shall be apportioned between an employer and an employee are provided for in the Social Security Code (SSC).

The 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 monthly contributions to the government funds as follows: Pensions Fund, General Diseases and Maternity (GDM) Fund, Unemployment Fund, Labour Accident and Professional Diseases (LAPD) Fund as well as for supplementary mandatory pension security (universal and professional pension funds) – on the basis of rates fixed by law, and has no other legal or constructive obligation to pay any additional amounts to the funds in the future. The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security scheme at the Company.

Short-term benefits

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

At the date of each set of 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 remunerations and the statutory social security contributions due by the employer thereon.

Long-term retirement benefits

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

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

2.19. Employee benefits (continued)

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 are included in the statement of financial position, adjusted with the amount of the unrecognised actuarial gains and losses, and respectively, the change in their value including the recognised actuarial gains and losses is included in the statement of comprehensive income (within profit or loss for the year).

At the end of each reporting period, the Company assigns 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, denominated in Bulgarian Levs.

Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments. One-fifth of the actuarial gains and losses, representing the excess that falls outside the 10% corridor at the statement of financial position date, is recognised currently in the statement of comprehensive income (within profit or loss for the year). Starting from year 2013, the 'corridor' approach shall be eliminated and the rule of recognising all subsequent remeasurements (referred to so far as actuarial gains or losses) through a component of 'other comprehensive income' shall be introduced. This will lead to recalculation of the item 'retirement benefit obligations' as at 31 December 2012 in increase by BGN 218 thousand, increase of accumulated profits by BGN 349 thousand and creation of a separate component of equity – a negative figure at the amount of BGN 567 thousand.

Termination benefits

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

2.20. Share capital and reserves

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

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

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.

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

2.20. Share capital and reserves (continued)

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.

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 2012 was 10% (2011: 10%).

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period when the asset will be realised or the liability will be settled (paid), based on the tax laws that are enacted or substantively enacted. The tax rate applied as at 31 December 2010 was 10% (31 December 2011: 10%).

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

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

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

2.23. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. The measurement of provisions is based on the best estimate, made by the management at the date of the statement of financial position, concerning the expenses that will be incurred for the settlement of the particular obligation. The estimate is discounted if the obligation is long-term. When part the resources required to settle the obligation are expected to be recovered from a third party, the Company recognises a receivable if it is virtually certain that reimbursement will be received, its amount can be reliably measured and income is recognised in the same item of the statement of comprehensive income (within profit or loss for the year) where the provision itself is presented.

2.24. Long-term financing (grant from public institutions)

Long-term financing (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.

Long-term financing (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.

Long-term financing (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. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES (CONTINUED)

2.25. Financial instruments

2.25.1. Financial assets

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

The Company usually recognises its financial assets on the statement of financial position on the trade date, being the date on which the Company commits (undertakes an ultimate engagement) to purchase the respective financial assets. All financial assets are initially measured at their fair value plus the directly attributable transaction costs except for the assets at fair value 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 the Company's statement of financial position when the rights to receive cash (flows) from these assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership of the asset to another entity (person). If the Company retains substantially all risks and rewards associated with the ownership of a particular transferred financial asset, it continues to recognise the transferred asset on its statement of financial position but also recognises a secured liability (a loan) for the consideration received (Notes 2.13 and 2.14).

Loans and receivables

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

Available-for-sale financial assets

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

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

2.25. Financial instruments (continued)

2.25.1. Financial assets (continued)

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

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

2.25.2. Financial liabilities and equity instruments

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

Financial liabilities

Financial liabilities include loans 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 rate method (Note 2.15).

2.26. Segment reporting

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

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

Recognition and evaluation of provisions

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

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

All amounts are presented in BGN'000 unless otherwise stated

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

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

In order to determine the amount of the provision, the Company has assigned certified experts-ecologists to prepare an estimate of costs by type of activity necessary for the execution of the obligation and to issue a special purpose report and a budget account. The amounts, expected to be utilised over a period longer than one year, are discounted (Note 25).

Under a contract for catalyser supply, the Company recognised a provision for future payments calculated per ton of finished products manufactured (Note 25).

At the end of each reporting period, the Company reports issued quantities of quotas for greenhouse gases. In case of shortage of quotas, the Company recognises a provision. (Note 25).

Recognition of tax assets

The Company's management has judged that, at the date of issue of these separate financial assets and based on the budgeted positive results for the following years, within the period (5 years) defined in the Corporate Income Taxation Act, applicable in Bulgaria, for tax losses carry forward, it will be able to generate sufficient taxable profit for deducting the tax losses for 2010 and 2012 amounting to BGN 11,744 thousand. Therefore, it has taken a decision to recognise deferred tax assets in the separate financial statements for 2012 at the amount of BGN 1,174 thousand.

3. REVENUE

	2012	*2011*
Domestic market sales	126,567	154,502
Export	122,665	121,448
	249,232	**275,950**

Sales by product – domestic market	*2012*	*2011*
Ammonium Nitrate – EC Fertilizer	119,930	145,938
Ammonia	1,865	1,957
NPK EC Fertilizer	1,362	1,657
Sodium Nitrate	1,055	1,150
KFS (Ureaformaldehyde Resin)	550	410
Nitric Acid	410	450
Ammonia Water	373	446
Nitrous Oxide	344	273
Ammonium Hydrogencarbonate	169	147
Carbon Dioxide	157	246
Formalin	143	10
Oxygen	63	98
Royalty	-	1,605
Other	146	115
	126,567	**154,502**

All amounts are presented in BGN'000 unless otherwise stated

3. REVENUE (CONTINUED)

Sales by product – export for 2012 were as follows:

	Europe	North America	Asia and Africa	Total
Ammonium Nitrate – EC Fertilizer	58,262	32,645	24,252	115,159
Ammonia	3,767	-	979	4,746
Ammonium Hydrogencarbonate	691	-	703	1,394
Sodium Nitrate	150	-	1,121	1,271
Carbon Dioxide	77	-	-	77
KFS (Ureaformaldehyde Resin)	18	-	-	18
	62,965	**32,645**	**27,055**	**122,665**

Sales by product – export for 2011 were as follows:

	Europe	North America	Asia and Africa	Total
Ammonium Nitrate – EC Fertilizer	71,930	12,119	27,418	111,467
Ammonia	4,400	-	2,699	7,099
Ammonium Hydrogencarbonate	913	-	447	1,360
Sodium Nitrate	262	-	1,007	1,269
Carbon Dioxide	253	-	-	253
	77,758	**12,119**	**31,571**	**121,448**

The Company received royalties at the amount of BGN 1,605 thousand as at 31 December 2011, determined as a percentage of the profit of the main distributor Evro Fert AD for providing the exclusive right for sales of Ammonium Nitrate – fertilizer quality with the trade mark Neofert on the territory of the Republic of Bulgaria under an agreement of 1 September 2001. On 31 August 2011 the agreement was terminated. A contract for the distribution of Ammonium Nitrate – fertilizer quality is in force as from 1 September 2011.

Information on major clients

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

	2012	*2011*
Client 1	122,183	150,319
Client 2	82,738	-
Client 3	-	55,000
Client 4		19,770

All amounts are presented in BGN'000 unless otherwise stated

4. OTHER OPERATING INCOME AND LOSSES, NET

	2012	*2011*
Sales of goods	366	299
Cost of goods sold	(320)	(263)
Gain on sales of goods	**46**	**36**
Sales of materials	613	948
Cost of materials sold	(355)	(442)
Gain on sales of materials	**258**	**506**
Sales of PPE	171	102
Carrying amount of PPE sold	(34)	(24)
Gain on sales of PPE	**137**	**78**
Sales of services	1,576	1,602
Foreign exchange (losses)/gains	(51)	816
Reversed impairment	429	373
Surpluses of assets	347	23
Liquidation of PPE	170	260
Dispatch	64	-
Fines and penalties income	55	21
Financing – energy efficiency projects	25	21
Liabilities written-off	21	81
Financing – Labour Conditions Fund	12	-
Sales of emission quotas	-	4,368
Payments for rights over trademarks	-	80
Other	162	181
	3,251	**8,446**

Sales of goods generally represent re-sale of imported and locally produced articles, which are not manufactured by the Company.

Gains on sales of materials *include:*	*2012*	*2011*
Metal scrap	104	437
Processed oil	96	30
Other	58	39
	258	**506**

Sales of services *include:*	*2012*	*2011*
Manoeuvre services	795	888
Rental income	291	282
Transport services	141	114
Other	349	318
	1,576	**1,602**

All amounts are presented in BGN'000 unless otherwise stated

5. RAW MATERIALS AND CONSUMABLES USED

Expenses on materials include*:*

	2012	*2011*
Basic raw materials and consumables	191,538	205,034
Fuel and energy	13,071	14,803
Spare parts	2,208	1,198
Auxiliary materials	1,787	1,079
Other materials	705	653
	209,309	**222,767**

Basic raw materials and consumables *include:*

	2012	*2011*
Natural gas	181,372	192,087
Packaging	3,348	4,907
Perflow	1,290	1,500
Magnesit	1,108	1,450
Calcinated soda	991	953
Monoammonium phosphate	652	838
Platinum	497	788
Sodium hydroxide	398	408
Carbamide	269	141
Sulphuric acid	193	165
Methyldiethanolamine	138	-
Quicklime	101	107
Kalium chloride	65	93
Zeolite	60	90
Monoethanolamine	18	276
Other raw materials and consumables	1,038	1,231
	191,538	**205,034**

All amounts are presented in BGN'000 unless otherwise stated

6. HIRED SERVICES EXPENSE

	2012	*2011*
Transportation costs	5,191	5,056
Repairs of PPE	4,377	1,850
Freight	1,810	7
Porters' and port costs	1,124	1,284
Security	1,198	1,197
Taxes and charges	1,095	503
Insurance	815	765
Metals cutting	431	16
Consulting services	411	198
Subscribed servicing and technical control	339	309
Cleaning and planting	295	373
Civil contracts and fees	287	-
Waste recovery/disposal	227	101
Bank fees and charges	199	120
Maintenance of railway facilities	195	168
Rental on other assets	153	169
Communication costs	118	126
Shipping services	59	68
Training courses	48	36
Advertising	35	84
Commissions under sales contract	12	217
Railway tanks rentals	11	68
Other services	286	399
	18,716	**13,114**

The accrued expenses for the year on statutory audit and other services related thereto amount to BGN 170 thousand (2011: BGN 162 thousand).

7. EMPLOYEE BENEFITS EXPENSE

Personnel costs include:	*2012*	*2011*
Salaries and other remuneration	17,171	17,999
Social security/health insurance contributions	3,608	3,642
Food for personnel	1,114	1,182
Accruals for long-term payables to personnel	301	281
	22,194	**23,104**

The accruals for *long-term payables to personnel* (Note 26) include:

	2012	*2011*
Interest expense	63	79
Current service costs	126	174
Past service costs	83	33
Net actuarial loss/(gain) recognised for the period	29	(5)
	301	**281**

All amounts are presented in BGN'000 unless otherwise stated

7. EMPLOYEE BENEFITS EXPENSE (CONTINUED)

Remuneration include:	***2012***	***2011***
Current salaries	17,285	18,110
Recovered amounts for unused paid leaves	(114)	(111)
	17,171	**17,999**

Social security/health insurance contributions *include:*	***2012***	***2011***
Social security/health insurance contributions	3,633	3,660
Recovered amounts for state social security on unused paid leaves	(25)	(18)
	3,608	**3,642**

8. IMPAIRMENT OF ASSETS

Impairment of assets is as follows:	***2012***	***2011***
PPE	497	26
PPE in progress	20	-
Receivables	11	27
Finished products	6	51
Materials	4	122
	538	**226**

9. OTHER OPERATING EXPENSES

Other operating expenses include:	***2012***	***2011***
Fines and penalties to suppliers	235	28
Entertainment costs	115	167
Business trips	111	114
Pollution penalties	258	48
Materials and finished products scrapped	53	57
VAT	44	29
Carrying amount of PPE written-off	43	117
Shortage of assets	37	32
Donations	23	14
Written-off PPA in progress	26	186
(Reversed)/accrued amounts related to provisions, net	(1)	686
Other	93	96
	1,037	**1,574**

10. FINANCE COSTS/INCOME, NET

	2012	***2011***
Interest expense	(1,041)	(1,041)
Interest income	43	58
Gains on transactions with financial assets and instruments	-	413
	(998)	**(570)**

11. INCOME TAX BENEFIT/(EXPENSE)

	2012	*2011*
Statement of comprehensive income (loss or profit for the year)		
Current income tax expense for the year	-	-
Deferred income taxes		
Related to occurrence and reversal of temporary differences	925	(2,204)
Total income tax benefit/(expense)	**925**	**(2,204)**

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

	2012	*2011*
Accounting (loss)/profit for the year	(9,727)	21,848
Income tax benefit/(expense) – 10% (2011: 10%)	973	(2,185)
Unrecognised amounts under tax return		
Related to increases – BGN 509 thousand (2011: BGN 213 thousand)	(51)	(21)
Related to decreases – BGN 37 thousand (2011: BGN 17 thousand)	3	2
Total income tax benefit/(expense) carried to the statement of comprehensive income (loss or profit for the year)	**925**	**(2,204)**
Effective tax rate	**(9.51%)**	**10.09%**

12. EARNINGS PER SHARE

	2012	*2011*
Weighted average number of shares based on days	2,585,964	2,585,964
(Loss)/profit for the year (BGN'000)	(8,802)	19,644
(Loss)/earnings per share (BGN)	**(3.40)**	**7.59**

All amounts are presented in BGN'000 unless otherwise stated

13. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

	Land and buildings	*Machinery and equipment*	*Motor vehicles*	*Other*	*PPE and IA in progress*	*Total*	*Intangible assets*
Book value							
At 1 January 2011	**25,037**	**101,268**	**6,416**	**1,036**	**4,728**	**138,485**	**687**
Additions	25	-	51	-	10,342	10,418	79
Disposals	(70)	(269)	(23)	(14)	(187)	(563)	-
Transfers	(301)	5,692	-	66	(5,457)	-	-
31 December 2011	**24,691**	**106,691**	**6,444**	**1,088**	**9,426**	**148,340**	**766**
Additions	-	1,453	144	-	21,847	23,444	10
Disposals	(38)	(268)	(7)	(22)	(28)	(363)	(3)
Transfer	(2,573)	2,573	-	-	-	-	-
Transfers	753	21,713	-	82	(22,548)	-	-
31 December 2012	**22,833**	**132,162**	**6,581**	**1,148**	**8,697**	**171,421**	**773**
Accumulated depreciation / amortisation							
At 1 January 2011	**4,946**	**35,408**	**3,577**	**644**	**-**	**44,575**	**433**
Depreciation / amortisation charge for the year	615	8,120	604	79	-	9,418	92
Accrued impairment	-	26	-	-	-	26	-
Impairment written-off	(3)	(19)	-	-	-	(22)	-
Depreciation / amortisation written-off	(22)	(157)	(23)	(10)	-	(212)	-
31 December 2011	**5,536**	**43,378**	**4,158**	**713**	**-**	**53,785**	**525**
Depreciation / amortisation charge for the year	712	8,525	593	91	-	9,921	36
Accrued impairment	-	497	-	-	19	516	-
Transfer	(206)	206	-	-	-	-	-
Impairment written-off	-	(84)	-	(3)	-	(87)	-
Depreciation / amortisation written-off	(14)	(134)	(4)	(18)	-	(170)	-
31 December 2012	**6,028**	**52,388**	**4,747**	**783**	**19**	**63,965**	**561**
Net carrying amount at 31 December 2011	**19,155**	**63,313**	**2,286**	**375**	**9,426**	**94,555**	**241**
Net carrying amount at 31 December 2012	**16,805**	**79,774**	**1,834**	**365**	**8,678**	**107,456**	**212**

The Company's tangible fixed assets as at 31 December 2012 include land at the amount of BGN 3,605 thousand (31 December 2011: BGN 3,605 thousand) and building of carrying amount BGN 13,200 thousand (31 December 2011: BGN 15,550 thousand).

The transfer of assets from buildings to plant facilities represents transfer of production structures – part of Company's overall industrial system. As far as they had been constructed as part of the buildings, they were initially included in their value.

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

Analysis was performed in 2012 of Company's buildings and as a result the identified assets were transferred from buildings to plant facilities. Tangible fixed assets as at 31 December 2012 include assets of book value BGN 6,404 thousand, which have been fully depreciated but still in use in the Company's activities (31 December 2011: BGN 3,204 thousand).

There is an established mortgage of real estate amounting to BGN 21,344 thousand at 31 December 2012 (31 December 2011: none).

There is a pledge on machinery and equipment of carrying amount BGN 8,303 thousand at 31 December 2012 established as collateral for used investment-purpose bank loan (31 December 2011:BGN 19,117 thousand).

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

- Advances granted to suppliers – BGN 3,284 thousand (31 December 2011: BGN 646 thousand) mainly for the manufacture of a gas turbine for Nitric Acid Workshop;
- Device GPP2-1X20/25MV – BGN 2,208 thousand (31 December 2011: BGN 2,208 thousand);
- Depot for hazardous and production solid waste on the territory of Neochim AD – unit A – BGN 1,458 thousand (31 December 2011: BGN 61 thousand);
- Neutralisation unit for cake processing – BGN 486 thousand (31 December 2011: BGN 475 thousand);
- SAP information system – equipment – BGN 472 thousand (31 December 2011: BGN 472 thousand);
- Assembly of pumps and a heater for magnesium nitrate – BGN 227 thousand (31 December 2011: BGN 227 thousand);
- System for emissions reduction from the production of Nitric Acid-72 – BGN 158 thousand (31 December 2011: BGN 155 thousand);
- Heat exchanger for natural gas R-40 – BGN 75 thousand (31 December 2011: BGN 75 thousand);
- Distribution and transformer sub-station RTP-6 – BGN 75 thousand (31 December 2011: BGN 36 thousand);
- Chemical sewerage on the territory of Neochim AD – BGN 66 thousand (31 December 2011: BGN 64 thousand);
- Distribution and transformer sub-station RTP-8 – BGN 60 thousand (31 December 2011: none);
- High density polyethylene pipes for water supply from Chernogorovo dam – BGN 29 thousand (31 December 2011: BGN 29 thousand);
- Automatic dosing of finished products – BGN 28 thousand (31 December 2011 none);
- Increasing the energy efficiency and reduction of the emission of carbon dioxide – none (31 December 2011: BGN 3,202 thousand);
- Automation of a steam system – none (31 December 2011: BGN 1,012 thousand);
- Sulphuric acid warehouse – none (31 December 2011: BGN 217 thousand);
- Installation for individual start-up through hydrogen charging – none (31 December 2011: BGN 148 thousand);
- Automated feeding of anti-packing additive in workshop 158 – none (31 December 2011: BGN 37 thousand);
- System for continuous automated monitoring of emission of waste gases from the production of 43% Nitric Acid – none (31 December 2011: BGN 210 thousand);
- Other projects – BGN 52 thousand (31 December 2011: BGN 152 thousand).
- For 2012, there are capitalised interest expenses and fees related to qualifying assets for capitalisation at the amount of BGN 351 thousand (31 December 2011: none).

All amounts are presented in BGN'000 unless otherwise stated

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

In 2011, the Company earned revenue at the amount of BGN 4,368 thousand (see Note 4) for the sale of 140 thousand tons of the existing quantities (EUA emissions) in accordance with the National Plan for Distribution of Quotas for Greenhouse Gas Emissions Trade from prior periods.

In 2012, the total expected EUA emission to be declared by Neochim AD according to preliminary calculations were 229 thousand tons. The allocated quantity for 2012 was 236 thousand tons while the existing quantity as at 31 December 2012 was BGN 196 thousand tons. In order to cover the engagement for the year, it was necessary to purchase 33 thousand tons of emissions (31 December 2011: 40 thousand tons) for which a provision at the amount of BGN 384 thousand was recognised as at 31 December 2012 (31 December 2011: BGN 628 thousand) (Note 25).

As at 31 December 2012, Neochim AD has also 105 thousand ERU emission units for which there is a concluded contract for sale in 2013 with Vertis Environment Finance Ltd for BGN 33 thousand.

14. INVESTMENTS IN SUBSIDIARIES

Company name	*Location of registration*	*Carrying amount*	*% of interest*	*Carrying amount*	*% of interest*
		31.12.2012		***31.12.2011***	
Neochim Ltd.	Turkey	3,144	99.83	3,144	99.83
Neochim Tarim Ltd.	Turkey	83	99.00	-	-
Neochim Engineering EOOD	Bulgaria	1,000	100	1,000	100
Neochim Catering EOOD	Bulgaria	5	100	5	100
Neochim Protect EOOD	Bulgaria	*5*	100	*5*	100
		4,237		**4,154**	

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

- Neochim Ltd., Odrin, Turkey – import, export and local trade in all types of chemical fertilizers. Date of acquisition - 13 August 2002;
- Neochim Tarim Ltd., Odrin, Turkey – import, export and local trade in all types of chemical fertilizers. Date of acquisition – 15 October 2012. The company was acquired through incorporation;
- Neochim Engineering EOOD, Dimitrovgrad – design and construction activities; production of and trading in organic and inorganic chemical products and others. Date of acquisition - 27 December 2000;
- Neochim Engineering EOOD, Dimitrovgrad – purchase of goods and other articles for the purpose of resale either in their initial form or after processing or finishing; sale of goods manufactured by the company and others. Date of acquisition – 27 December 2000. Temporary discontinued production activities for an undefined period as from 1 December 2012;
- 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.

All amounts are presented in BGN'000 unless otherwise stated

15. LONG-TERM RECEIVABLES FROM RELATED PARTIES

	31.12.2012	***31.12.2011***
Trade receivables in foreign currency	3,502	5,591
Allowance for impairment	(284)	(819)
	3,218	**4,772**

In accordance with an agreement concluded with Neochim Ltd., Turkey, on 29 December 2006 (re-negotiated on 19 December 2008), trade receivables were rescheduled. The non-current and current receivables amount to BGN 5,488 thousand (31 December 2011: BGN 5,667 thousand) and are due until 30 June 2014. There is no interest to be paid on instalments. For the purpose of debt measurement, its amortised cost was determined on the basis of all future cash instalments, discounted at 5.648% - the interest rate applied on Company's borrowings.

As at 31 December, the rescheduled debt includes:

- nominal amount of BGN 5,488 thousand – USD 3,699 (31 December 2011: BGN 5,667 thousand – USD 3,749 thousand), including the non-current portion of BGN 3,502 thousand – USD 2,360 thousand (31 December 2011: BGN 5,591 thousand - USD 3,699 thousand);
- amortised cost of BGN 5,149 thousand – USD 3,470 (31 December 2011: BGN 4,845 thousand – USD 3,205 thousand), including the non-current portion of BGN 3,218 thousand – USD 2,169 thousand (31 December 2011: BGN 4,772 thousand – USD 3,157 thousand).

The amount recoverable within one year of BGN 1,931 thousand (31 December 2011: BGN 73 thousand) is presented in the statement of financial position as current assets (Note 18).

Movement of the allowance for impairment	***2012***	***2011***
Balance at the beginning of the year	**819**	**1,139**
Reversed impairment	(377)	(338)
Effect of revaluation of foreign currency positions	(86)	21
Transfer of impairment to current portion	(72)	(3)
Balance at the end of the year	**284**	**819**

16. DEFERRED TAX ASSETS/(LIABILITIES)

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

	Temporary difference	*Tax*	*Temporary difference*	*Tax*
	31.12.2012	***31.12.2012***	***31.12.2011***	***31.12.2011***
Property, plant and equipment	(13,438)	(1,344)	(12,202)	(1,220)
Total deferred tax liabilities	**(13,438)**	**(1,344)**	**(12,202)**	**(1,220)**
Accruals for retirement benefit obligations to personnel	1,101	110	990	99
Impairment of receivables	433	43	810	81
Impairment of inventories	636	64	690	69
Provision for emissions	384	38	628	63
Tax loss carryforward	11,744	1,174	560	56
Accruals for unused paid leaves	249	25	389	39
Provision for recultivation	343	34	339	34
PPE in progress	20	2	-	-
Accruals for unpaid benefits to local physical persons	104	11	118	11
Total deferred tax assets	**15,014**	**1,501**	**4,524**	**452**
Net balance of deferred income tax assets/(liabilities)	**1,576**	**157**	**(7,678)**	**(768)**

The movements within deferred tax assets are presented below:

Deferred tax assets/(liabilities)	***Balance at 1 January 2012***	***Recognised in profit or loss for the year***	***Balance at 31 December 2012***
	BGN '000	***BGN '000***	***BGN '000***
Property, plant and equipment	(1,220)	(124)	(1,344)
Tax loss carryforward	56	1,118	1,174
Impairment of receivables	81	(38)	43
Impairment of inventories	69	(5)	64
Accruals for unused paid leaves	39	(14)	25
Accruals for retirement benefit obligations to personnel	99	11	110
Accruals for unpaid benefits to local physical persons	11	-	11
Provision for recultivation	34	-	34
PPE in progress	-	2	2
Provision for emissions	63	(25)	38
Total tax assets/(liabilities)	**(768)**	**925**	**157**

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

Deferred tax (liabilities)/ assets	*Balance at 1 January 2011*	*Recognised in profit or loss for the year*	*Balance at 31 December 2011*
	BGN '000	***BGN '000***	***BGN '000***
Property, plant and equipment	(337)	(883)	(1,220)
Tax loss carryforward	1,419	(1,363)	56
Impairment of receivables	112	(31)	81
Impairment of inventories	58	11	69
Accruals for unused paid leaves	52	(13)	39
Accruals for retirement benefit obligations to personnel	90	9	99
Accruals for unpaid benefits to local physical persons	9	2	11
Provision for recultivation	33	1	34
Provision for emissions	-	63	63
Total tax (liabilities)/ assets	**1,436**	**2,204**	**(768)**

17. INVENTORIES

	31.12.2012	*31.12.2011*
Materials	21,950	19,533
Finished products	7,647	10,066
Work-in-progress	4,118	2,828
Goods	12	107
	33,727	**32,534**

Materials include:	*31.12.2012*	*31.12.2011*
Precious metals	8,235	7,175
Spare parts and bearings	4,719	4,268
Auxiliary materials	3,950	3,699
Basic materials	3,247	1,998
Packaging materials	706	860
Catalyzers	587	869
Automobile tyres	91	92
Other materials	415	572
	21,950	**19,533**

All amounts are presented in BGN'000 unless otherwise stated

17. INVENTORIES (CONTINUED)

Basic materials	***31.12.2012***	***31.12.2011***
Kalium chloride	826	160
Magnesit	642	551
Chemicals, catalyzers	457	315
Monoammonium phosphate	393	417
Methyldiethanolamine	355	-
Calcinated soda	151	199
Perflow	121	86
MEA solution	48	-
Sodium hydroxide	44	58
Quicklime	30	22
Zeolite	19	29
Carbamide	-	70
Other	161	91
	3,247	**1,998**

Finished products	***31.12.2012***	***31.12.2011***
Ammonium Nitrate – EC Fertilizer	7,439	9,763
Ammonium Hydrogencarbonate	75	43
Ammonia Water	32	21
Sodium Nitrate – technical grade	26	51
Ureaformaldehyde Resin	-	30
Other	75	158
	7,647	**10,066**

Work-in-progress	***31.12.2012***	***31.12.2011***
Ammonia	3,642	2,318
Nitric Acid	230	333
Ammonium Nitrate	87	33
Ferro-molybdenum catalyzer	56	56
Other	103	88
	4,118	**2,828**

There are encumbrances established on inventories as at 31 December 2012 as collateral for used bank loans:

- Precious metals – BGN 8,235 thousand (31 December 2011: BGN 7,175 thousand);
- Finished products (Sodium Nitrate) – BGN 7,439 thousand (31 December 2011: BGN 9,763 thousand);
- Work-in-progress (ammonia) – BGN 3,642 thousand (31 December 2011: BGN 2,318 thousand).

All amounts are presented in BGN'000 unless otherwise stated

18. RECEIVABLES FROM RELATED PARTIES

	31.12.2012	***31.12.2011***
Receivables on sales in foreign currency	8,216	8,633
Receivables on sales in BGN	2	104
Total trade receivables	*8,218*	*8,737*
Rescheduled debt from a subsidiary (Note 15)	1,986	76
Impairment of rescheduled debt	(55)	(3)
	1,931	*73*
Receivables under advances paid in BGN	54	25
Receivables under advances in foreign currency	2	-
Receivables under loans granted in foreign currency	-	1,814
Receivables as interest and penalties under loans granted in foreign currency	-	52
	10,205	**10,701**

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

The receivables from related parties in foreign currency are denominated in USD – USD 6,839 thousand – BGN 10,147 thousand (31 December 2011 USD 6,994 thousand – BGN 10,572 thousand).

As at 31 December 2012, a foreclosure was imposed to secure the enforced collection of Neochim AD receivables from Neochim Turkey Ltd. at the amount of BGN 3,317 thousand. The foreclosure was imposed on real estate owned by Neochim Turkey Ltd. as follows:

- Third ranking foreclosure of real estate located in Odrin, Turkey, with a fair value of BGN 6,825 thousand;
- Second ranking foreclosure of real estate located in Istanbul, Turkey, with a fair value of BGN 1,493 thousand.

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

	31.12.2012	***31.12.2011***
up to 30 days	13	1,362
from 31 to 90 days	-	412
from 91 to 270 days	2,794	5,049
	2,807	**6,823**

18. RECEIVABLES FROM RELATED PARTIES (CONTINUED)

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

	31.12.2012	***31.12.2011***
up to 270 days	-	15
from 270 to 365 days	4,685	1,899
over 365 days	726	-
	5,411	**1,914**

The past due unimpaired receivables are mainly from a subsidiary in a process of restructuring.

Movement of allowance for impairment:

	2012	***2011***
Balance at the beginning of the year	**3**	**3**
Transfer from impairment of non-current portion	72	3
Effect of revaluation of foreign currency positions	(17)	-
Reversed impairment	(3)	(3)
Balance at the end of the year	**55**	**3**

The terms and conditions of the short-term loan granted to related parties are as follows:

Loan	***31.12.2012 BGN'000***	***31.12.2011 BGN'000***	***Contracted Amount***	***Maturity***	***Interest rate***
1	-	1,814	USD 1,200	15.12.2011	8%
	-	**1,814**			

The short-term loan granted to related parties in not secured.

19. TRADE RECEIVABLES AND ADVANCES

	31.12.2012	***31.12.2011***
Receivables from foreign clients	2,487	4,495
Receivables from local clients	1,121	618
Impairment of receivables from local clients	(38)	(36)
	3,570	*5,077*
Advances granted to foreign suppliers	115	49
Advances granted to local suppliers	121	272
	3,806	**5,398**

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

All amounts are presented in BGN'000 unless otherwise stated

19. TRADE RECEIVABLES AND ADVANCES (CONTINUED)

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

The *age structure* of non-matured (regular) trade receivables amounts to BGN 1,983 thousand (31 December 2011: BGN 4,495 thousand) is up to 30 days.

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

	31.12.2012	***31.12.2011***
up to 30 days	338	192
from 31 to 90 days	82	184
from 91 to 180 days	92	193
from 181 to 365 days	772	13
over 365 days	303	-
	1,587	**582**

The Company believes that the past due amounts mentioned above are collectable. The receivables past due by more than 365 days are from a long-term trade counterpart of the Company and in 2012 an agreement was signed with it for deferred payment of the overdue amounts and in parallel – continuing current transactions with this counterpart. At the approval date of these financial statements the Company had received BGN 426 thousand of the above past due but not impaired receivables.

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

	31.12.2012	***31.12.2011***
from 1 to 2 years	8	27
over 2 year	30	9
Allowance for impairment	(38)	(36)
	-	**-**

Movement of allowance for impairment:

	2012	***2011***
Balance at the beginning of the year	**36**	**9**
Impairment amount	2	27
Amounts written-off as uncollectable	-	-
Balance at the end of the year	**38**	**36**

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

	31.12.2012	***31.12.2011***
Services	14	281
Materials	222	40
	236	**321**

All amounts are presented in BGN'000 unless otherwise stated

20. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:

	31.12.2012	*31.12.2011*
VAT refundable	4,106	6,769
Prepayments	397	408
Corporate tax	144	120
Receivables from workers and employees	23	23
Deposits	9	10
Rentals receivable from residential apartments and garages	6	14
Court and awarded receivables	5	5
Impairment of court receivables	(2)	(2)
Other	76	40
Impairment of other receivables	(2)	(2)
	4,762	**7,385**

Prepayments are comprised of:

	31.12.2012	*31.12.2011*
Insurance	368	380
Subscriptions	15	17
Other	14	11
	397	**408**

21. CASH AND CASH EQUIVALENTS

	31.12.2012	*31.12.2011*
Current accounts	5,523	161
Cash in hand	18	21
Cash and cash equivalents carried to the statement of cash flows	5,541	182
Blocked amounts under bank guarantees (Note 34)	365	2,871
	5,906	**3,053**

22. SHARE CAPITAL AND RESERVES

Share capital

As at 31 December 2012, 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 2011: 68,394 shares - BGN 3,575 thousand).

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

23. LONG-TERM BANK LOANS

	31.12.2012	*31.12.2011*
Non-current payables under bank loans		
Bank loans	16,902	1,236
Deferred charges for loan management and administration	(7)	(11)
	16,895	**1,225**
Current portion of long-term bank loans		
Bank loans	2,737	1,985
Deferred charges for loan management and administration	(63)	(9)
	2,674	**1,976**
Total payables under interest-bearing loans	**19,569**	**3,201**

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

Loan	*31.12.2012*	*31.12.2011*	*Contracted amount in foreign currency*	*Maturity*	*Interest rate*
	BGN'000	*BGN'000*			
1	16,121	-	BGN 16,344 thousand	20.04.2019	1 M SOFIBOR plus 5 points p.a.
2	2,221	-	BGN 5,000 thousand	20.10.2017	1 M SOFIBOR plus 5 points p.a.
3	645	725	EUR 376 thousand	20.04.2016	3 M EURIBOR plus 5 points p.a.
4	451	1,351	EUR 2,000 thousand	16.06.2013	1 M EURIBOR plus 3 points p.a.
5	115	286	EUR 220 thousand	20.08.2013	3 M EURIBOR plus 4 points p.a.
6	16	40	EUR 31 thousand	20.08.2013	3 M EURIBOR plus 4 points p.a.
7	-	799	EUR 5,500 thousand	20.03.2012	1 M EURIBOR plus 3 points p.a.
	19,569	**3,201**			

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

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

- real estate at the amount of BGN 21,344 thousand (31 December 2011: none) (Note 13); equipment of carrying amount BGN 8,303 thousand at 31 December 2012 (31 December 2011: BGN 19,117 thousand) (Note 13);
- precious metals of book value BGN 8,235 thousand at 31 December 2012 (31 December 2011: BGN 7,175 thousand) (Notes 17 and 28).
- finished products – Ammonium Nitrate with book value of BGN 7,439 thousand at 31 December 2012 (31 December 2011: BGN 9,763 thousand) (Notes 17 and 28);
- work in progress – Ammonia of book value BGN 3,642 thousand at 31 December 2012 (31 December 2011): BGN 2,318 thousand) (Notes 17 and 28);
- proceeds from future receivables under concluded sales contracts at the amount of USD 33,800 thousand (31 December 2011: USD 39,260 thousand) (Note 8).

24. PAYABLES TO SUPPLIERS

	31.12.2012	*31.12.2011*
Bulgargaz EAD	2,403	2,203
Finance lease liabilities	100	179
	2,503	**2,382**

All amounts are presented in BGN'000 unless otherwise stated

24. PAYABLES TO SUPPLIERS (CONTINUED)

Payables to Bulgargas EAD

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

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

In case of a default of any of the due instalments under the repayment schedule within the set term, the interest shall amount to the BIR plus 10 points on the respective sum until the date of its final payment. The total obligation amounts to BGN 3,503 thousand (31 December 2011: BGN 4,403 thousand)

As at 31 December 2012, the liability is presented in the statement of financial position as follows:

- BGN 2,403 thousand – non-current liability distributed in monthly instalments as per repayment schedule from 1 January 2014 to 31 December 2015 (31 December 2011: BGN 2,203 thousand).
- BGN 1,100 thousand – payable until 31 December 2013 (the amount is presented as a current payable to suppliers (31 December 2011: BGN 2,200 thousand) (Note 30).

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

Finance lease liabilities

The finance lease liabilities, included in the statement of financial position as at 31 December 2012, are under agreements for acquisition of motor vehicles. They are presented net of the interest due and are as follows:

Term	***31.12.2012***	***31.12.2011***
Up to one year	189	215
Over one year	100	179
	289	**394**

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

Term	***31.12.2012***	***31.12.2011***
Up to one year	202	234
Over one year	111	185
	313	419
Future finance costs under finance leases	(24)	(25)
Present value of finance lease liabilities	**289**	**394**

Payments under finance lease agreements for the acquisition of automobiles due after 31 December 2013 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).

All amounts are presented in BGN'000 unless otherwise stated

25. PROVISIONS

Provisions include:

- Amounts accrued for closing-down of production waste repositories used by the Company in prior periods and for recultivation of the terrains. The final term for performing the major recultivation procedures is year 2013 with continuing monitoring until year 2040. 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 403 thousand (31 December 2011: BGN 403 thousand) while the amortised cost at which it is presented in the statement of financial position is BGN 343 thousand (31 December 2011: BGN 338 thousand), including a non-current portion of BGN 40 thousand (31 December 2011: BGN 37 thousand). The amortised cost has been calculated on the basis of the present value of all future cash payments discounted with interest of 5.648%. The payments due for a period of up to one year amount to BGN 303 thousand (31 December 2011: BGN 301 thousand) are presented in the statement of financial position as other current liabilities (Note 33).
- At 31 December 2012 the Company included a provision in relation with an obligation under a contract for supply of catalyser at the amount of BGN 216 thousand (31 December 2011: BGN 51 thousand), representing payments per ton of manufactured 100% Nitric Acid at the amount of BGN 11 thousand, and expenses related with the reduction of emissions at the amount of BGN 205 thousand (Note 33).
- At 31 December 2012, the Company reported excessive use of emission quotas for trade in emissions of greenhouse gases – 32 thousand tons. Following the judgment of the management and the unit prices of the exchange indexes for trade in similar emissions, the recognised provision amounts to BGN 384 thousand as at 31 December 2012 (31 December 2011: BGN 628 thousand) (Note 33).
- At 31 December 2012, the Company was subject to one-off penalty imposed for environment pollution resulting from its production. The Company accrued provision at the amount of BGN 155 thousand (Note 33).

	31.12.2012	***31.12.2011***
Up to 1 year (current portion) (Note 33)	1,058	301
Over 1 year (non-current portion)	40	716
	1,098	**1,017**

26. RETIREMENT BENEFIT OBLIGATIONS

The retirement benefit obligations include the present value of the Company's liability as at 31 December 2012 to pay indemnities to its employees upon coming of age for retirement. According to the provisions of the Labor Code and the Collective Labour Agreement of the Company, the employer is to pay an indemnity to its workers and employees upon retirement at the amount of two to six gross monthly salaries depending on the length of service with the Company.

For the purpose of establishing the amount of the long-term payables to personnel, the Company has assigned an actuarial valuation by using the services of a certified actuary.

All amounts are presented in BGN'000 unless otherwise stated

26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The obligation is formed as follows:

	31.12.2012	*31.12.2011*
Present value of the obligations at 1 January	1,069	1,320
Unrecognised actuarial loss at 1 January	(79)	(416)
Liability recognised in the statement of financial position at 1 January	**990**	**904**
Expense recognised in the statement of comprehensive income for the period (Note 7)	301	281
Payments for the period	(190)	(195)
Present value of the obligations at 31 December	1,319	1,069
Unrecognised actuarial loss at 31 December	(218)	(79)
Liability recognised in the statement of financial position at 31 December	**1,101**	**990**

The change in the present value of the liability is as follows:

	31.12.2012	*31.12.2011*
Present value of the obligations at 1 January	**1,069**	**1,320**
Interest expense for the period	63	79
Current service costs for the period	126	174
Payments for the period	(190)	(195)
Past service costs	83	33
Actuarial (gain)/loss for the period	168	(342)
Present value of the obligation at 31 December	**1,319**	**1,069**

The cumulative effect of the difference between the actual experience in 2012 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 2012.

The following actuarial assumptions are used in calculating the present value of the liability as at 31 December 2012:

- 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 2009 -2011.
- 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 = 4.5 % (2011: i = 5.7 %). It is grounded on the market yield on the long-term government securities (of 10-year maturity). Considering that the average term to pensioning is longer than 10 years, the effective annual interest rate used as discount rate has been established through extrapolation.
- 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 2013 – growth of 5% against the level in 2012;
  - for 2014 – growth of 5% against the level in 2013;
  - for 2015 and for each subsequent year – growth of 5% against the prior year level.

26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The assumption in the previous year was as follows:

- for 2012 – growth of 5% against the level in 2011;
- for 2013 – growth of 5% against the level in 2012;
- for 2014 – growth of 5% against the level in 2013;
- for 2015 and for each subsequent year – growth of 5% against the prior year level.

27. LONG-TERM FINANCING

The obtained financing refers to projects related with Company's energy efficiency and amounts to BGN 468 thousand (31 December 2011: BGN 293 thousand). The recognised income from financing until 31 December 2012 amounts to BGN 104 thousand and financing that will be recognised in subsequent reporting periods – BGN 364 thousand.

	31.12.2012	*31.12.2011*
Up to 1 year (current portion)	36	20
Over 1 year (non-current portion)	328	194
	364	**214**

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).

28. SHORT-TERM BANK LOANS

	31.12.2012	*31.12.2011*
Bank loans	13,408	14,791
Deferred charges for loan management and administration	(24)	(19)
	13,384	**14,772**

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

Loan	*31.12.2012*	*31.12.2011*	*Contracted amount in foreign currency*	*Maturity*	*Interest rate*
	BGN'000	*BGN'000*			
1	13,384	14,772	BGN 15,000 thousand	21.04.2013	1 M SOFIBOR plus 4.2 points p.a.
	13,384	**14,772**			

The collateral provided for the loans is disclosed in Note 23.

All amounts are presented in BGN'000 unless otherwise stated

29. PAYABLES TO RELATED PARTIES

	31.12.2012	*31.12.2011*
Advances received for sale of finished products	17,616	10,645
Payables for supplied materials, fuel and services	1,077	371
Loans received	600	3,145
Deposits received	61	45
Interest under loans received	14	13
	19,368	**14,219**

The loan received is from a shareholding company and is a revolving one with agreed amount of up to BGN 10,000 thousand, interest 6% and final term for repayment – up to 31 December 2013 (Note 36).

30. TRADE PAYABLES

	31.12.2012	*31.12.2011*
Local suppliers	6,328	6,457
Foreign suppliers	1,662	988
Current portion of payables to Bulgargas EAD	1,100	2,200
Advances from customers in foreign currency	895	329
Advances from customers in BGN	31	16
	10,016	**9,990**

The current portion of the payables to Bulgargas EAD includes the amounts due by the end of the following 12 months as instalments under the rescheduled debt as per an agreement dated 16 February 2012 (Note 24). In accordance with the terms and conditions for the supply of natural gas the Company should pay the current supplies in advance as per the submitted order and additional payment within 10 days. After this date, Bulgargas EAD charges the statutory interest.

The Company has no payables that are past due as at 31 December.

31. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

	31.12.2012	*31.12.2011*
Payables to personnel, including:	978	1,086
Current payables for December	*770*	*764*
Accruals for unused paid leaves	*208*	*322*
Payables for social security/health insurance, including:	500	603
Current payables for December	*458*	*536*
Accruals for unused paid leaves	*42*	*67*
	1,478	**1,689**

32. TAX PAYABLES

	31.12.2012	*31.12.2011*
Tax payables under Personal Income Taxation Act	134	218
Other	6	6
	140	**224**

All amounts are presented in BGN'000 unless otherwise stated

32. TAX PAYABLES (CONTINUED)

The tax payables are regularly settled.

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

- under VATA – until 31 January 2008;
- full scope tax audit – until 31 December 2006;
- National Social Security Institute – until 31 March 2009.

33. OTHER CURRENT LIABILITIES

Other current liabilities include:	***31.12.2012***	***31.12.2011***
Current portion of provisions (Note 25)	1,058	301
Water usage charge	690	46
Guarantees received	382	129
Current portion of finance lease liabilities	189	215
Deposits from clients	179	158
Deductions from work salaries	165	161
Dividend payable	44	39
Financing (Note 27)	36	20
Other liabilities	111	75
	2,854	**1,144**

The received deposits from clients are mainly for packaging.

34. CONTINGENT LIABILITIES AND COMMITMENTS

Significant irrevocable agreements and commitments

In 2011, the Company received reports for energy efficiency investigation. As at 31 December 2011 the process was finalised. According to the issued documents, the Company should perform measures to increase the energy efficiency, the total investment being estimated to BGN 469 thousand. In 2011, the Company started activities for the execution of the necessary investments.

According to Art. 1, par. 3(1) of the Energy Efficiency Act, Neochim AD is not subject to mandatory assessment of energy efficiency. The building that have been subject to the performed investigation are not subject to certification as they are a part of an integrated industrial system. The obligation for executing the energy efficiency measures was dropped out in 2012.

Blocked amounts for bank guarantees

The Company has blocked amounts for bank guarantees at the amount of BGN 365 thousand (31 December 2011: BGN 2,871 thousand), which have been issued to secure the amount of a claim from EPET EOOD, Odrin, against the subsidiary company – Neochim Ltd., Turkey.

All amounts are presented in BGN'000 unless otherwise stated

34. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Issued and granted guarantees

The Company is a co-debtor with its subsidiary Neochim Engineering EOOD under a contract for a multi-purpose revolving credit line at the amount of BGN 250 thousand concluded with UniCredit Bulbank AD. Ultimate repayment term – 17 October 2013. Balance of the debt of Neochim Engineering EOOD as at 31 December 2012 was BGN 202 thousand (31 December 2011: BGN 245 thousand).

As at 31 December 2012, the Company issued bank guarantees at the amount of BGN 1,538 thousand in favour of trade counterparts and a promissory note at the amount of BGN 772 thousand.

35. FINANCIAL RISK MANAGEMENT

Categories of financial instruments:

Financial assets	***31.12.2012***	***31.12.2011***
Cash and cash equivalents	5,906	3,053
Loans and receivables, including:	17,052	20,615
Trade receivables from related parties (Notes 15 and 18)	*13,367*	*15,448*
Trade and other receivables (Notes 19 and 20)	*3,685*	*5,167*
Available-for-sale investments	5	5
	22,963	**23,673**

Financial liabilities	***31.12.2012***	***31.12.2011***
Financial liabilities at amortised cost, including:	**47,893**	**35,414**
Short-term and long-term loans (Notes 23, 28 and 29)	*33,567*	*21,131*
Trade and other payables (Notes 24, 29, 30 and 33)	*14,326*	*14,283*

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.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Currency risk

The Company usually performs its activities with an active exchange with foreign suppliers and clients. The Company is exposed to currency risk mainly in respect of USD. Approximately 82% 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 2012	***in EUR***	***in USD***	***in GBP***	***in BGN***	***Total***
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Financial assets					
Cash and cash equivalents	409	5,440	-	57	5,906
Loans and receivables	2,499	13,365	-	1,188	17,052
Available-for-sale investments	-	-	-	5	5
	2,908	**18,805**	**-**	**1,250**	**22,963**
Financial liabilities					
Financial liabilities at amortised cost	**2,344**	**193**	352	**45,004**	**47,893**

31 December 2011	***in EUR***	***in USD***	***in BGN***	***Total***
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***
Financial assets				
Cash and cash equivalents	2,910	19	124	3,053
Loans and receivables	4,503	15,344	768	20,615
Available-for-sale investments	-	-	5	5
	7,413	**15,363**	**897**	**23,673**
Financial liabilities				
Financial liabilities at amortised cost	**4,189**	**-**	**31,225**	**35,414**

Foreign currency sensitivity analysis

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

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency sensitivity analysis (continued)

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 1,675 thousand (2011: BGN 1,382 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 analyzed and discussed for revision and update in accordance with the market changes.

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

Credit risk

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

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

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

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

- For the domestic market – the main distributor for the Company is Evro Fert AD and the common practice is to negotiate 100% advance payment of the transaction amount;
- Company's export in 2012 was performed by three main distributors: Distributor 1 - 67%, Distributor 2 - 10% and Distributor 3 - 8%.

All amounts are presented in BGN'000 unless otherwise stated

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The Company's management currently monitors and analyzes the trade practices established with the main distributors and clients. On the basis of experience, the sales to Neochim Ltd., Turkey, have been regarded as bearing higher risk due to the economic environment in this country and therefore, these receivables are subject to specific current consideration and assessment. The management judges as concentration of credit risk the receivables from Neochim Ltd., Turkey (79% of sales receivables), including current receivables on sales – BGN 8,216 thousand and rescheduled debt – BGN 5,149 thousand.

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

Liquidity risk

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

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

Maturity analysis

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

31 December 2012	up to 1 month	1-3 months	3-6 months	6-12 months	1 -2 years	2 -5 years	over 5 years	Total
Financial assets								
Cash and cash equivalents	5,541	-	-	-	-	365		5,906
Loans and receivables	9,902	3,565	405	10	3,508	1	-	17,391
Available-for-sale investments	-	-	-	-	-	-	5	5
	15,443	**3,565**	**405**	**10**	**3,508**	**366**	**5**	**23,302**
Financial liabilities								
Financial liabilities at amortised cost	**24,286**	**704**	**1,336**	**3,482**	**6,394**	**15,802**	**-**	**52,004**

All amounts are presented in BGN'000 unless otherwise stated

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

31 December 2011	up to 1 month	1-3 months	3-6 months	6-12 months	1 -2 years	2 -5 years	over 5 years	Total
Financial assets								
Cash and cash equivalents	182	-	-	2,871	-	-	-	3,053
Loans and receivables	8,567	4,517	1,096	1,659	2,029	3,569	-	21,437
Available-for-sale investments	-	-	-	-	-	-	5	5
	8,749	**4,517**	**1,096**	**4,530**	**2,029**	**3,569**	**5**	**24,495**
Financial liabilities								
Financial liabilities at amortised cost	**10,569**	**17,291**	**750**	**2,938**	**3,932**	**507**	**30**	**36,017**

Risk of interest-bearing cash flows

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

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

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

Interest analysis

31 December 2012	***Interest-free***	***With floating interest %***	***With fixed interest %***	***Total***
Financial assets				
Cash and cash equivalents	18	5,888	-	5,906
Loans and receivables	17,049	3	-	17,052
Available-for-sale investments	5	-	-	5
	17,072	**5,891**	**-**	**22,963**
Financial liabilities				
Financial liabilities at amortised cost	**10,534**	**36,745**	**614**	**47,893**

All amounts are presented in BGN'000 unless otherwise stated

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest analysis (continued)

31 December 2011	*Interest-free*	*With floating interest %*	*With fixed interest %*	*Total*
Financial assets				
Cash and cash equivalents	21	3,032	-	3,053
Loans and receivables	18,743	6	1,866	20,615
Available-for-sale investments	5	-	-	5
	18,769	**3,038**	**1,866**	**23,673**
Financial liabilities				
Financial liabilities at amortised cost	**9,486**	**22,770**	**3,158**	**35,414**

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

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

31 December 2012	*With floating interest %*	*Interest rate increase*	*Impact on post-tax financial result*	*Impact on equity*
Financial assets				
BGN	3	0.5	0.01	0.01
Financial liabilities				
EUR	1,227	0.5	(6)	(6)
BGN	35,518	0.5	(160)	(160)
	36,745		(166)	(166)

31 December 2011	*With floating interest %*	*Interest rate increase*	*Impact on post-tax financial result*	*Impact on equity*
Financial assets				
BGN	6	0.5	0.03	0.03
Financial liabilities				
EUR	3,201	0.5	(14)	(14)
BGN	19,569	0.5	(88)	(88)
	22,770		(102)	(102)

All amounts are presented in BGN'000 unless otherwise stated

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest analysis (continued)

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:

	2012	***2011***
Total borrowings, including:	**37,359**	**25,928**
Loans from banks and related parties	33,567	21,131
Finance lease liabilities	289	394
Payables to Bulgargas *(Notes 24 and 30)*	3,503	4,403
Less: cash and cash equivalents	**5,541**	**182**
Net debt	**31,818**	**25,746**
Total equity	**102,912**	**112,511**
Total capital	**134,730**	**138,257**
Gearing ratio	***23.62%***	***18.62%***

Fair values

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 investments in subsidiaries 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.

All amounts are presented in BGN'000 unless otherwise stated

36. RELATED PARTY TRANSACTIONS

The Company's related parties are as follows:

Related parties	Relation type
Shareholders:	
Ecotech OOD	Main shareholding company (24.37 %)
Evro Fert AD	Main shareholding company (24.03 %)
Karifert International Offshore S.A.L., Lebanon	Main shareholding company (17.16 %)
Subsidiaries:	
Neochim Catering EOOD	100% owned by the Company
Neochim Engineering EOOD	100% owned by the Company
Neochim Protect EOOD	100% owned by the Company
Neochim Ltd. – Turkey	99.83 % owned by the Company
Neochim Tarim Ltd. – Turkey	99.00 % owned by the Company

Companies owned by Main shareholding companys and companies in which individuals who exercise control over Neochim AD directly or indirectly hold a significant share (other related parties) are as follows:

Bettran AD
Zemia OOD
Agro DT OOD
Consilium EOOD
Lotos OOD
MD Invest EOOD
Zemia Dobrich EOOD
Recap OOD
Sitra Trade EOOD
BCS OOD
Evro fert EOOD
Terachim-Dimitrovgrad EOOD
Neoplod EOOD
Neo Kiten EOOD
Association FC Dimitrovgrad 1947
DGT Consult OOD
Karimex Chemicals Ltd - Cyprus
Karimex Chemicals international SAL Off Shore
Fertexpo international SAL off Shore
Karimex SARL
Diana"K"Shipping Co.SAL
Fenesta SARL-Lebanon
Rim "K"Shipping Co.SAL
Shipicom OOD
Shipcom Trade OOD
Inofert 2001 OOD
Oil and Gas Exploration and Production AD
IT Systems Consult EOOD
Petrolchim Trade EAD
Chimimport Pharma AD
Texim Trading AD
Slanchevi Lachi Provadia EAD
Asenova Krepost AD
Zarneni Hrano Grain EOOD
TAB Real Estate OOD
Bulchimtrade OOD
Orgachim Trading 2008 OOD
Medical Centre – Health Medica OOD
Rubber Trade OOD
Fertilisers Trade OOD
Chimceltex OOD
Chimtrans OOD
Dialisa Bulgaria OOD
Chimoil Trade OOD
Omega Finance OOD
S.C Karimex International SRL

All amounts are presented in BGN'000 unless otherwise stated

36. RELATED PARTY TRANSACTIONS (CONTINUED)

Supplies from related parties	***2012***	***2011***
Materials		
Subsidiaries	845	1,007
Main shareholding company	663	737
Other related parties	-	2,164
	1,508	**3,908**
Services		
Subsidiaries	3,351	2,373
Main shareholding company	288	259
Other related parties	18	667
	3,657	**3,299**
Goods		
Main shareholding company	**124**	**44**
PPE		
Main shareholding company	744	51
Subsidiaries	122	112
Other related parties	-	4
	866	**167**
Total	**6,155**	**7,418**

Sales to related parties	***2012***	***2011***
Finished products		
Main shareholding company	121,483	148,417
Subsidiaries	9,002	10,726
Other related parties	-	74,769
	130,485	**233,912**
Payments for rights over trademarks and royalties		
Main shareholding company	**-**	**1,685**
Services		
Subsidiaries	243	305
Main shareholding company	186	176
Other related parties	7	22
	436	**503**
Goods		
Main shareholding company	317	-
Subsidiaries	2	18
	319	**18**
PPE		
Subsidiaries	3	-
Main shareholding company	-	4
	3	**4**
Other		
Subsidiaries	175	34
Main shareholding company	16	20
Other related parties	-	4
	191	**58**
Total	**131,434**	**236,180**

All amounts are presented in BGN'000 unless otherwise stated

36. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company received royalty income at the amount of BGN 1,605 thousand as at 31 December 2011 (Note 3) and granted to Evro Fert AD the exclusive right of use of the trademark Neofert (Reg. No. 33171, date of registration 8 May 1998) for a period ending on 31 August 2011 by virtue of a Contract of 4 June 2001 and an Annex thereto of 29 May 2006. The revenue earned on this right for year 2011 amounted to BGN 80 thousand and were presented as other operating income (Note 4). On 31 August 2011 the contract was terminated. A contract for the distribution of Ammonium Nitrate – fertilizer quality is in force as from 1 September 2011.

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

Loan agreement was concluded with Evro Fert AD under the following terms and conditions:

Purpose of the loan:	For working capital
Contracted amount:	BGN 10,000 thousand
Maturity:	31 December 2013
Contracted interest rate:	6%
Collateral:	Promissory note
Balance at 31 December 2012:	**BGN 600 thousand (31 December 2011: BGN 3,145 thousand)**

In 2012 the Company used BGN 34,520 thousand (2011: BGN 51,117 thousand) and respectively, repaid amounts under loans for working capital from Evro Fert AD at the amount of BGN 37,065 thousand (2011: BGN 47,971 thousand) and interest was charged at the amount of BGN 229 thousand (2011: BGN 207 thousand). The Company issued a promissory note at the amount of BGN 10,000 thousand as loan collateral.

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

	31.12.2012	***31.12.2011***
Receivables on sales in foreign currency		
Subsidiaries	**10,147**	**8,706**
Including book value	*10,202*	*8,709*
accrued impairment	*(55)*	*(3)*
Receivables on sales in BGN		
Main shareholding company	-	81
Subsidiaries	2	22
Other related parties	-	1
	2	**104**
Receivables under advances paid in BGN		
Subsidiaries	54	2
Other related parties	-	23
	54	**25**
Receivables under advances in foreign currency		
Subsidiaries	**2**	**-**

All amounts are presented in BGN'000 unless otherwise stated

36. RELATED PARTY TRANSACTIONS (CONTINUED)

Receivables under loans granted in foreign currency		
Subsidiaries	**-**	**1,814**
Receivables as interest and penalties under loans granted in foreign currency		
Subsidiaries	**-**	**52**
Total	**10,205**	**10,701**

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

	31.12.2012	*31.12.2011*
Receivables on sales in foreign currency		
Subsidiaries	**3,218**	**4,772**
Including book value	*3,502*	*5,591*
accrued impairment	*(284)*	*(819)*

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

	31.12.2012	*31.12.2011*
Advances received for sale of finished products		
Main shareholding company	17,603	10,645
Other related parties	13	-
	17,616	**10,645**
Loans		
Main shareholding company	**600**	**3,145**
Interest		
Main shareholding company	**14**	**13**
Payables for supplied materials, fuel and services		
Subsidiaries	655	277
Main shareholding company	422	49
Other related parties	-	45
	1,077	**371**
Deposits		
Subsidiaries	43	25
Other related parties	18	19
Main shareholding company	-	1
	61	**45**
Total	**19,368**	**14,219**

Remuneration of key managing personnel:

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

	2012	*2011*
Salaries and other short-term benefits	966	1,044

37. EVENTS AFTER THE REPORTING PERIOD

At the date when the financial statements were approved for issue, the Company paid within the set terms the monthly instalments for January and February 2013, amounting to BGN 300 thousand and interest of BGN 25 thousand, due under the agreement for deferred payment of a liability to Bulgargas EAD (Note 24).

By an Annex, dated 11 January 2013, to a contract for assuming credit engagements under a revolving credit line for working capital, the credit amount was amended to BGN 24,000 thousand and the term was changed to 20 April 2014.

In January and February 2013 the Company purchased 40 thousand tons quotas for emissions (EUA).