

## NEOCHIM AD

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SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013  
All amounts are presented in BGN'000 unless otherwise stated

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## NEOCHIM AD

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### NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

All amounts are presented in BGN'000 unless otherwise stated

#### 1. BACKGROUND CORPORATE INFORMATION

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

• Eco Tech AD	- 24.37 %
• Evro Fert AD	- 24.03 %
• Feboran AD	- 20.30 %
• Agrofer International Establishment, Lichtenstein	- 7.68 %
• Neochim AD (treasury shares)	- 2.58 %
• UPF Saglasie	- 2.34 %
• UPF CCB Sila	- 2.19 %
• ZPAD Allianz Bulgaria	- 1.97 %
• Other	- 14.54 %

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
Zarneni Hrani Bulgaria AD	Member

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 2013, the total number of Company's personnel was 1,284 workers and employees (31 December 2012: 1,235).

##### 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.

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## 1. BACKGROUND CORPORATE INFORMATION (CONTINUED)

### 1.3. Main indicators of the economic environment

The main economic indicators of the business environment that have affected the Company's activities throughout the period 2011 – 2013, are presented in the table below:

Indicator	2011	2012	2013
GDP in million levs	75,308	77,582*	57,565 **
Actual growth of GDP	1.80%	0.80%*	2.10%**
Year-end inflation (ICP)	2.80%	4.20%	-1.60%
Average exchange rate of USD for the year	1.4065	1.5221	1.4736
Exchange rate of the USD at the year-end	1.5116	1.4836	1.4190
Basic interest rate at the year-end	0.22%	0.03%	0.02%
Unemployment rate	10.40%	11.40%	11.80%

Source: BNB

\* preliminary data for year 2012

\*\* preliminary data as at 30 September 2013

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

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

These separate financial statements have been prepared in all material respects in accordance with all International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations for their application issued by the International Financial Reporting Interpretations Committee (IFRIC), accepted by the European Union (EU) and applicable in the Republic of Bulgaria as from 1 January 2013.

#### Amendments to IFRS

##### *Standards and interpretations that have become effective for the current reporting period*

The following standards and amendments to existing standards and interpretations, issued by the International Accounting Standards Board (IASB) and endorsed by the EU, have become effective for the current reporting period and have not caused changes in Company's accounting policies:

- IFRS 13 Fair Value Measurement, endorsed by EU on 11 December 2012 (in force for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - hyperinflation and removal of fixed dates for first-time adopters of IFRS, endorsed by EU on 11 December 2012 (in force for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Government loans, endorsed by EU on 4 March 2013 (in force for annual periods beginning on or after 1 January 2013);

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**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 to IFRS (continued)**

*Standards and interpretations that have become effective for the current reporting period (continued)*

- 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 periods beginning on or after 1 January 2013);
- 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);
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, endorsed by EU on 11 December 2012 (in force for annual periods beginning on or after 1 January 2013).

The following standards and amendments to existing standards and interpretations, issued by the International Accounting Standards Board (IASB) and endorsed by the EU, have become effective for the current reporting period and have caused changes in Company's accounting policies:

- 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 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 various standards IFRS Improvements (2009-2011 Cycle) resulting from the annual project for IFRS improvements (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) intended mainly to remove existing inconsistencies and to clarify formulations (the amendments are applicable for annual periods beginning on or after 1 January 2013).

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

The following IFRS, amendments to existing IFRS and interpretations, have been issued by IASB and endorsed by EU, but are 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);
- 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);

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
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All amounts are presented in BGN'000 unless otherwise stated

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

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

**Amendments to IFRS (continued)**

*Standards and interpretations, issued by IASB and endorsed by EU, but not yet in force (continued)*

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosing of Interest in Other Entities and IAS 27 (revised in 2011) Separate Financial Statements – investment companies, endorsed by EU on 20 November 2013 (in force for annual periods beginning on or after 1 January 2014);
- 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);
- Amendments to IAS 36 Impairment of Assets – Recoverable amount disclosures for non-financial assets (in force for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of derivatives and continuation of hedge accounting (in force for annual periods beginning on or after 1 January 2014).

*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 7 (amended) Financial Instruments: Disclosures – regarding the relief from the requirement to restate comparatives and the related thereto disclosures when applying IFRS 9 (effective date – deferred to 1 January 2015 – not endorsed by EC).
- IFRS 9 Financial Instruments and subsequent amendments (the effective date has not been determined yet);
- Improvements to IAS 19 Employee Benefits – Defined benefit plans: contributions by employees (in force for annual periods beginning on or after 1 January 2014);
- Amendments to various standards IFRS Improvements (2010-2012 Cycle) resulting from the annual project for IFRS improvements (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38) intended mainly to remove existing inconsistencies and to clarify formulations (the amendments are applicable for annual periods beginning on or after 1 January 2014);
- Amendments to various standards IFRS Improvements (2011-2013 Cycle) resulting from the annual project for IFRS improvements (IFRS 1, IFRS 3, IFRS 13, and IAS 40) intended mainly to remove existing inconsistencies and to clarify formulations (the amendments are applicable for annual periods beginning on or after 1 January 2014);
- IFRIC 31 Levies (in force for annual periods beginning on or after 1 January 2014).

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
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All amounts are presented in BGN'000 unless otherwise stated

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

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

**Amendments to IFRS (continued)**

*Standards and interpretations, issued by IASB, but not yet endorsed by EU (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 (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 24 March 2014.

**2.3 Accounting assumptions and estimates**

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

**2.4. Comparatives**

The Company presents in these separate financial statements comparative information for two prior years.

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

In 2013 retrospective restatements and reclassifications were made of the comparative data for 2012 with regard to the following line items – retirement benefit obligations, other comprehensive income (remeasurements of defined benefit pension plans), accumulated profits and a retirement benefit obligations restatement was set aside.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)  
All amounts are presented in BGN'000 unless otherwise stated

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

### **2.4. Comparatives (continued)**

The revised IAS 19 (Note 26) provides the grounds for these restatements and reclassifications. The management assessed the materiality of these changes and concluded that it was necessary a third statement of financial position at the beginning of the prior period (1 January 2012) to be prepared and presented. In addition, the management did not adopt the amendment to IAS 1 for a change in the name of the statement of comprehensive income to statement of profit or loss and other comprehensive income, as far as it was not mandatory.

In 2013 the Company adopted for use also the new IFRS 13. In accordance with its guidance for transition, it presented the required information only for the current year 2013 without making supplementations to the comparative information for 2012.

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

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

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

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

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

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

### **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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)  
All amounts are presented in BGN'000 unless otherwise stated

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

### **2.6. Revenue (continued)**

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.

### **2.8. 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.



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

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

*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.

*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' group are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net within 'Other operating income/(losses), net' on the face of the statement of comprehensive income (within profit or loss for the year).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)  
All amounts are presented in BGN'000 unless otherwise stated

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

**2.9. Intangible assets**

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).

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

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

**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).

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

### **2.10. Investments in subsidiaries (continued)**

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

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

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

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

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

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

### **2.12. Inventories**

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

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

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

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

### 2.12. Inventories (continued)

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

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

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

### 2.13. Trade and other receivables

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

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

### 2.14. Cash and cash equivalents

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

For the purposes of the statement of cash flows:

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
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All amounts are presented in BGN'000 unless otherwise stated

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

**2.15. Trade and other payables**

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

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

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

Interest-bearing loans and other financial resources granted are classified as current ones unless (and for the relevant portion thereof) the Company has unconditionally the right to settle its obligation within 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.

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

**2.17. Borrowing costs (continued)**

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

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

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

**2.18. Leases**

*Finance lease*

*Lessee*

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

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

*Operating lease*

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

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

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

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

**2.19. Employee benefits**

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

*Short-term benefits*

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

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

*Long-term retirement benefits*

*Defined contribution plans*

The major duty of the Company in its capacity as employer is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund, and for health insurance. The rates of the social security and health insurance contributions are defined under the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC) at the ratio 60:40 (2012: 60:40).

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

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

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

### 2.19. Employee benefits (continued)

#### *Defined benefit plans*

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

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

- (a) current and past service costs, interest costs and effects of curtailment and settlements are recognised immediately when incurred and are presented within current profit or loss in the item 'employee benefits expense';
- (b) the effects of obligation remeasurements, which in substance represent actuarial gains and losses, are recognised immediately when incurred and are presented within other comprehensive income in the item 'remeasurements of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

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

#### *Termination benefits*

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

### 2.20. Share capital and reserves

Neochim AD is a joint-stock company and is obliged to register with the Commercial Register a specified share capital, which should serve as a security for the creditors of the Company for execution of their receivables. 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.



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

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

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

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

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

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

The retirement benefit obligations restatement (a defined benefit plan) is set aside from the remeasurements of the payables to personnel, which in substance represent actuarial gains and losses, and are recognised immediately when incurred and presented within other comprehensive income in the item 'remeasurements of defined benefit pension plans'. The Company has set aside this reserve retrospectively as at 1 January 2012 in relation with the amendment to IAS 19.

**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 2013 was 10% (2012: 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.

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

### **2.21. Income taxes (continued)**

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

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

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

The deferred income tax liabilities of the Company as at 31 December 2013 were assessed at a rate, valid for 2014, at the amount of 10%.

### **2.22. Earnings/losses per share**

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

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

In case of a capitalization, 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.

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

### **2.23. Provisions (continued)**

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

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

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

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

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

### **2.25. Financial instruments**

#### **2.25.1. Financial assets**

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

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

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

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

### **2.25. Financial instruments (continued)**

#### **2.25.1. Financial assets (continued)**

##### *Loans and receivables*

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

##### *Available-for-sale financial assets*

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

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

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

#### **2.25.2. Financial liabilities and equity instruments**

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

##### *Financial liabilities*

Financial liabilities include loans 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).

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

**2.25. Financial instruments (continued)**

**2.25.3. Fair value measurement**

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

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

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

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

In accordance with the transitional provisions of IFRS 13, the Company has not applied in these financial statements the disclosure requirements for comparative information presented for the periods prior to the initial application of the standard. Besides the additional disclosures, the application of IFRS 13 does not have a significant influence on the amounts stated in these financial statements.

**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.

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**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.**

*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.

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 the annual separate financial statements and based on the budgeted positive results for the following years, within the period (5 years) defined in the Corporate Income Taxation Act, applicable in Bulgaria, for tax losses carry forward, it will be able to generate sufficient taxable profit for deducting the tax losses for 2010 and 2012 amounting to BGN 7,190 thousand. Therefore, it has taken a decision to recognise deferred tax assets in the separate financial statements for 2013 at the amount of BGN 719 thousand.

*Impairment of receivables*

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

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

### 2.28. Effects of changes in accounting policies

The management has assessed the effects of the amendments to *IAS 19 (revised) (in force for annual periods beginning on or after 1 January 2013 – endorsed by EU)*. The necessary restatements were made in the statement of financial position as at 1 January 2012 and as at 31 December 2012 as well as in the statement of comprehensive income for the period 1 January – 31 December 2012. A restatement component was set aside (Note 2.20).

The effects of the change in the accounting policies in the items 'retained earnings', 'retirement benefit obligations restatement' and 'retirement benefit obligations' are as follows:

(a) in the statement of financial position as at 1 January 2012:

	originally stated 01.01.2012	change in the accounting policies	restated 01.01.2012
Retained earnings	113,167	323	113,490
Retirement benefit obligations restatement	-	(369)	(369)
Retirement benefit obligations	990	46	1,036

(a) in the statement of financial position as at 31 December 2012:

	originally stated 31.12.2012	change in the accounting policies	restated 31.12.2012
Retained earnings	103,568	349	103,917
Retirement benefit obligations restatement	-	(567)	(567)
Retirement benefit obligations	1,101	218	1,319

(c) in the statement of comprehensive income for 2012:

The effects from the changes in the accounting policies in the items 'employee benefits expense', 'net profit for the year' and 'other comprehensive income' in the statement of comprehensive income for 2012 are as follows:

	originally stated 2012 BGN '000	change in the accounting policies	restated 2012 BGN '000
Employee benefits expense	(22,194)	26	(22,168)
Loss for the year	(8,802)	26	(8,776)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit pension plans	-	(198)	(198)
Total comprehensive income for the year	(8,802)	(172)	(8,974)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
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3. REVENUE

	<u>2013</u>	<u>2012</u>
Domestic market sales	169,876	126,567
Export	75,144	122,665
	<u>245,020</u>	<u>249,232</u>

<i>Sales by product – domestic market</i>	<u>2013</u>	<u>2012</u>
Ammonium Nitrate – EC Fertilizer	162,271	119,930
NPK EC Fertilizer	3,714	1,362
Ammonia	1,774	1,865
Sodium Nitrate	1,007	1,055
Ammonia Water	346	373
Nitric Acid	241	410
Carbon Dioxide	173	157
Ammonium Hydrogencarbonate	149	169
Oxygen	52	63
KFS (Ureaformaldehyde Resin)	-	550
Nitrous Oxide	-	344
Formalin	-	143
Other	149	146
	<u>169,876</u>	<u>126,567</u>

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

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

*Sales by product – export for 2012* were as follows:

	<u>Europe</u>	<u>North America</u>	<u>Asia and Africa</u>	<u>Total</u>
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
	<u>62,965</u>	<u>32,645</u>	<u>27,055</u>	<u>122,665</u>



NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
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**3. REVENUE (CONTINUED)***Information on major clients*

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

	<u>2013</u>	<u>2012</u>
Client 1	166,444	122,183
Client 2	14,507	9,840
Client 3	6,138	1,073
Client 4	5,355	1,605
Client 5	-	82,738

**4. OTHER OPERATING INCOME AND LOSSES, NET**

	<u>2013</u>	<u>2012</u>
Sales of goods	189	366
Cost of goods sold	(169)	(320)
<i>Gain on sales of goods</i>	<u>20</u>	<u>46</u>
Sales of materials	476	613
Cost of materials sold	(303)	(355)
<i>Gain on sales of materials</i>	<u>173</u>	<u>258</u>
Sales of PPE	29	171
Carrying amount of PPE sold	(8)	(34)
<i>Gain on sales of PPE</i>	<u>21</u>	<u>137</u>
Sales of services	1,452	1,576
Foreign currency exchange losses	(668)	(51)
Surpluses of assets	353	347
Liabilities written-off	293	21
Liquidation of PPE	226	170
Financing under operational programmes	247	37
Reversed impairment	124	429
Fines and penalties income	71	55
Dispatch	16	64
Sales of emission quotas	10	-
Other	114	162
	<u>2,452</u>	<u>3,251</u>

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

All amounts are presented in BGN'000 unless otherwise stated

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

	<u>2013</u>	<u>2012</u>
<i>Gains on sales of materials include:</i>		
Metal scrap	85	104
Processed oil	65	96
Other	23	58
	<u>173</u>	<u>258</u>
 <i>Sales of services include:</i>		
	<u>2013</u>	<u>2012</u>
Manoeuvre services	864	795
Rental income	261	291
Transport services	92	141
Other	235	349
	<u>1,452</u>	<u>1,576</u>

5. RAW MATERIALS AND CONSUMABLES USED

*Expenses on materials include:*

	<u>2013</u>	<u>2012</u>
Basic raw materials and consumables	179,268	191,538
Fuel and energy	11,942	13,071
Auxiliary materials	1,910	1,787
Spare parts	1,587	2,208
Other materials	772	705
	<u>195,479</u>	<u>209,309</u>

*Basic raw materials and consumables include:*

	<u>2013</u>	<u>2012</u>
Natural gas	166,445	181,372
Packaging	4,102	3,348
Monoammonium phosphate	2,017	652
Perflow	1,310	1,290
Calcinated soda	1,136	991
Magnesit	1,067	1,108
Platinum	683	497
Sodium hydroxide	440	398
Methyldiethanolamine	249	138
Calcium carbonate	219	60
Kalium chloride	185	65
Sulphuric acid	154	193
Quicklime	74	101
Other raw materials and consumables	1,187	1,325
	<u>179,268</u>	<u>191,538</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
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## 6. HIRED SERVICES EXPENSE

	<u>2013</u>	<u>2012</u>
Transportation costs	3,952	5,191
Repairs of PPE	3,323	4,377
Freight	1,873	1,810
Security	1,198	1,198
Taxes and charges	1,006	1,095
Insurance	774	815
Consulting services	588	411
Subscribed servicing and technical control	323	339
Porters' and port costs	279	1,124
Cleaning and planting	224	295
Rental on other assets	200	153
Bank fees and charges	188	199
Metals cutting	99	431
Expenses under operational programmes	98	3
Civil contracts and fees	96	287
Communication costs	95	118
Waste recovery/disposal	78	227
Maintenance of railway facilities	63	195
Training courses	32	48
Advertising	26	35
Shipping services	14	59
Commissions under sales contract	-	12
Other services	268	294
	<u>14,797</u>	<u>18,716</u>

The accrued expenses for the year on statutory audit and other services related thereto amount to BGN 173 thousand (2012: BGN 170 thousand).

## 7. EMPLOYEE BENEFITS EXPENSE

<i>Personnel costs</i> include:	<u>2013</u>	<u>2012</u>
Salaries and other remuneration	19,113	17,145
Social security/health insurance contributions	4,005	3,608
Food for personnel	926	1,114
Accruals for long-term payables to personnel (Note 26)	228	301
	<u>24,272</u>	<u>22,168</u>
<i>Remuneration</i> include:	<u>2013</u>	<u>2012</u>
Current salaries	19,213	17,259
Recovered amounts for unused paid leaves	(100)	(114)
	<u>19,113</u>	<u>17,145</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)  
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## 7. EMPLOYEE BENEFITS EXPENSE (CONTINUED)

<i>Social security/health insurance contributions include:</i>	<u>2013</u>	<u>2012</u>
Social security/health insurance contributions	4,025	3,633
Recovered amounts for state social security on unused paid leaves	(20)	(25)
	<u>4,005</u>	<u>3,608</u>

## 8. IMPAIRMENT OF ASSETS

<i>Impairment of assets is as follows:</i>	<u>2013</u>	<u>2012</u>
PPE	66	497
Receivables	31	11
Materials	26	5
Finished products	10	6
PPE in progress	-	19
	<u>133</u>	<u>538</u>

## 9. OTHER OPERATING EXPENSES

<i>Other operating expenses include:</i>	<u>2013</u>	<u>2012</u>
Carbon emissions	306	-
Pollution penalties	215	258
Fines and penalties to suppliers	207	235
Carrying amount of PPE written-off	177	43
Business trips	98	111
Entertainment costs	27	115
Donations	20	23
Materials and finished products scrapped	16	53
VAT	14	44
Shortage of assets	7	37
Written-off PPE in progress	-	26
Reversed amounts related to provisions, net	(220)	(1)
Other	133	93
	<u>1,000</u>	<u>1,037</u>

## 10. FINANCE COSTS/INCOME, NET

	<u>2013</u>	<u>2012</u>
Interest expense	(2,095)	(1,041)
Interest income	5	43
	<u>(2,090)</u>	<u>(998)</u>

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## 11. INCOME TAX BENEFIT

	<u>2013</u>	<u>2012</u>
<i>Statement of comprehensive income (loss or profit for the year)</i>		
Current income tax expense for the year	-	-
<i>Deferred income taxes</i>		
Related to occurrence and reversal of temporary differences	<u>537</u>	<u>925</u>
<b>Total income tax benefit</b>	<u><u>537</u></u>	<u><u>925</u></u>
<i>Reconciliation of income tax expense applicable to the accounting profit or loss</i>		
	<u>2013</u>	<u>2012</u>
Accounting loss for the year	<u>(5,508)</u>	<u>(9,701)</u>
Income tax benefit - 10% (2012: 10%)	551	970
<i>Unrecognised amounts under tax return</i>		
Related to increases – BGN 220 thousand (2012: BGN 509 thousand)	(22)	(51)
Related to decreases – BGN 75 thousand (2012: BGN 63 thousand)	<u>8</u>	<u>6</u>
<b>Total income tax benefit carried to the statement of comprehensive income (within profit or loss for the year)</b>	<u><u>537</u></u>	<u><u>925</u></u>
Effective tax rate	<u><u>(9.75%)</u></u>	<u><u>(9.54%)</u></u>

## 12. EARNINGS PER SHARE

	<u>2013</u>	<u>2012</u>
Weighted average number of shares based on days	2,585,964	2,585,964
Loss for the year (BGN'000)	(4,971)	(8,776)
<b>Loss per share (BGN)</b>	<b>(1.92)</b>	<b>(3.39)</b>

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FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

All amounts are presented in BGN'000 unless otherwise stated

13. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

	<i>Land and buildings</i>	<i>Machinery and equipment</i>	<i>Motor vehicles</i>	<i>Other</i>	<i>PPE and IA in progress</i>	<i>Total</i>	<i>Intangible assets</i>
<b>Book value</b>							
<b>At 1 January 2012</b>	<b>24,691</b>	<b>106,691</b>	<b>6,444</b>	<b>1,088</b>	<b>9,426</b>	<b>148,340</b>	<b>766</b>
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)	-	-
<b>31 December 2012</b>	<b>22,833</b>	<b>132,162</b>	<b>6,581</b>	<b>1,148</b>	<b>8,697</b>	<b>171,421</b>	<b>773</b>
Additions	74	-	177	-	13,509	13,760	422
Disposals	(4)	(466)	(9)	(10)	-	(489)	(306)
Transfers	34	11,523	1,586	56	(13,199)	-	-
<b>31 December 2013</b>	<b>22,937</b>	<b>143,219</b>	<b>8,335</b>	<b>1,194</b>	<b>9,007</b>	<b>184,692</b>	<b>889</b>
<b>Accumulated depreciation / amortisation</b>							
<b>At 1 January 2012</b>	<b>5,536</b>	<b>43,378</b>	<b>4,158</b>	<b>713</b>	<b>-</b>	<b>53,785</b>	<b>525</b>
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)	-
<b>31 December 2012</b>	<b>6,028</b>	<b>52,388</b>	<b>4,747</b>	<b>783</b>	<b>19</b>	<b>63,965</b>	<b>561</b>
Depreciation / amortisation charge for the year	662	9,127	456	92	-	10,337	29
Accrued impairment	11	55	-	-	-	66	-
Depreciation / amortisation written-off	(2)	(283)	(9)	(10)	-	(304)	-
<b>31 December 2013</b>	<b>6,699</b>	<b>61,287</b>	<b>5,194</b>	<b>865</b>	<b>19</b>	<b>74,064</b>	<b>590</b>
<b>Net carrying amount at 31 December 2012</b>	<b>16,805</b>	<b>79,774</b>	<b>1,834</b>	<b>365</b>	<b>8,678</b>	<b>107,456</b>	<b>212</b>
<b>Net carrying amount at 31 December 2013</b>	<b>16,238</b>	<b>81,932</b>	<b>3,141</b>	<b>329</b>	<b>8,988</b>	<b>110,628</b>	<b>299</b>

The Company's tangible fixed assets as at 31 December 2013 include land at the amount of BGN 3,639 thousand (31 December 2012: BGN 3,605 thousand) and building of carrying amount BGN 12,599 thousand (31 December 2012: BGN 13,200 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.

Analysis was performed in 2012 of Company's buildings and as a result the identified assets were transferred from buildings to plant facilities.

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

Tangible fixed assets as at 31 December 2013 include assets of book value BGN 10,369 thousand, which have been fully depreciated but still in use in the Company's activities (31 December 2012: BGN 6,404 thousand).

As at 31 December 2013, there is an established contractual mortgage of intangible assets of carrying amount BGN 7,195 thousand (31 December 2012: BGN 7,486 thousand).

There is a pledge established at 31 December 2013 as collateral for bank investment-purpose loan of carrying amount BGN 3,907 thousand used for machinery and equipment (31 December 2012: BGN 8,303 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 2,770 thousand (31 December 2012: BGN 3,284 thousand) mainly for the manufacture of a nitrous gas injector, type 1150-42-1, and spare parts for aggregate KMA-2 for Nitric Acid Workshop;
- Device GPP2-1X20/25MV – BGN 2,208 thousand (31 December 2012: BGN 2,208 thousand);
- System for continuous automatic monitoring of ammonium nitrate powder emissions – BGN 1,214 thousand (31 December 2012: none);
- Ammonia-cooling installation to 1st section of X-33 – BGN 719 thousand (31 December 2012: none);
- SAP information system – equipment – BGN 472 thousand (31 December 2012: BGN 472 thousand);
- Office identification No 21052.1016.59.43.9 – BGN 310 thousand (31 December 2012: none);
- Office identification No 21052.1016.59.43.8 – BGN 303 thousand (31 December 2012: none);
- Garage identification No 21052.1016.59.43.11 – BGN 208 thousand (31 December 2012: none);
- Warehouse identification No 21052.1016.59.43.10 – BGN 184 thousand (31 December 2012: none);
- Cooling column VOC – BGN 108 thousand (31 December 2012: none);
- Distribution and transformer sub-station RTP-6 – BGN 75 thousand (31 December 2012: BGN 75 thousand);
- Chemical sewerage on the territory of Neochim AD – BGN 66 thousand (31 December 2012: BGN 66 thousand);
- Distribution and transformer sub-station RTP-8 – BGN 60 thousand (31 December 2012: BGN 60 thousand);
- Shop identification No 21052.1016.59.43.1 – BGN 49 thousand (31 December 2012: none);
- High density polyethylene pipes for water supply from Chernogorovo dam – BGN 29 thousand (31 December 2012: BGN 29 thousand);
- Automatic dosing of finished products – none (31 December 2012: BGN 28 thousand );
- Depot for hazardous and production solid waste on the territory of Neochim AD – unit A – none (31 December 2012: BGN 1,458 thousand);
- Neutralisation unit for cake processing – none (31 December 2012: BGN 486 thousand);
- Assembly of pumps and a heater for magnesium nitrate – none (31 December 2012: BGN 227 thousand);
- System for emissions reduction from the production of Nitric Acid-72 – none (31 December 2012: BGN 158 thousand);
- Heat exchanger for natural gas R-40 – none (31 December 2012: BGN 75 thousand);
- Other projects – BGN 213 thousand (31 December 2012: BGN 52 thousand).

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

As at 31 December 2013, there are capitalised interest expenses and fees related to qualifying assets for capitalisation at the amount of BGN 184 thousand (31 December 2012: BGN 352 thousand).

As at 31 December 2013, the Company purchased 40 thousand tons of emission at the amount of BGN 382 thousand whereby the engagement for 2012 has been covered (shortage of 33 thousand tons of emissions). The available 7 thousand tons of emissions at the amount of BGN 76 thousand will be used to cover the engagement of the state for 2013.

### 14. INVESTMENTS IN SUBSIDIARIES

<i>Company name</i>	<i>Location of registration</i>	<i>Carrying amount</i>		<i>% of interest</i>	
		<i>31.12.2013</i>	<i>31.12.2012</i>		
Neochim Ltd.	Turkey	3,144	3,144	99.83	99.83
Neochim Tarim Ltd.	Turkey	83	83	99.00	99.00
Neochim Engineering EOOD	Bulgaria	1,000	1,000	100	100
Neochim Catering EOOD	Bulgaria	5	5	100	100
Neochim Protect EOOD	Bulgaria	5	5	100	100
		<u>4,237</u>	<u>4,237</u>		

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.

### 15. LONG-TERM RECEIVABLES FROM RELATED PARTIES

	<u>31.12.2013</u>	<u>31.12.2012</u>
Trade receivables in foreign currency	-	3,502
Allowance for impairment	-	(284)
	<u>-</u>	<u>3,218</u>



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15. LONG-TERM RECEIVABLES FROM RELATED PARTIES (CONTINUED)

In accordance with an agreement concluded with Neochim Ltd., Turkey, on 29 December 2006 (re-negotiated on 19 December 2008), trade receivables were rescheduled. As at 31 December 2013, the receivables are short-term and amount to BGN 3,349 thousand (31 December 2012: BGN 5,488 thousand - long-term and short-term receivables) 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 4.810% - the interest rate applied on Company's borrowings.

As at 31 December, the rescheduled debt includes:

- nominal amount of BGN 3,349 thousand – USD 2,360 thousand (31 December 2012: BGN 5,488 thousand – USD 3,699 thousand), including the non-current portion - none (31 December 2012: BGN 3,502 thousand - USD 2,360 thousand);
- amortised cost of BGN 3,270 thousand – USD 2,304 thousand (31 December 2012: BGN 5,149 thousand – USD 3,470 thousand), including the non-current portion - none (31 December 2012: BGN 3,218 thousand – USD 2,169 thousand).

The amount recoverable within one year of BGN 3,270 thousand (31 December 2012: BGN 1,931 thousand) is presented in the statement of financial position as current assets (Note 18).

<i>Movement of the allowance for impairment</i>	<u>2013</u>	<u>2012</u>
Balance at the beginning of the year	284	819
Reversed impairment	(52)	(377)
Effect of revaluation of foreign currency positions	-	(86)
Transfer of impairment to current portion	(232)	(72)
Balance at the end of the year	<u>-</u>	<u>284</u>

16. DEFERRED TAX ASSETS/(LIABILITIES)

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

	<i>Temporary difference</i>	<i>Tax</i>	<i>Temporary difference</i>	<i>Tax</i>
	<u>31.12.2013</u>	<u>31.12.2013</u>	<u>31.12.2012</u>	<u>31.12.2012</u>
Property, plant and equipment	(3,065)	(306)	(13,438)	(1,344)
<b>Total deferred tax liabilities</b>	<u>(3,065)</u>	<u>(306)</u>	<u>(13,438)</u>	<u>(1,344)</u>
Accruals for retirement benefit obligations to personnel	1,222	122	1,101	110
Impairment of receivables	339	34	433	43
Impairment of inventories	601	60	636	64
Provision for emissions	42	4	384	38
Tax loss carryforward	7,190	719	11,744	1,174
Accruals for unused paid leaves	140	14	249	25
Provision for recultivation	343	34	343	34
PPE in progress	20	2	20	2
Accruals for unpaid benefits to local physical persons	107	11	104	11
<b>Total deferred tax assets</b>	<u>10,004</u>	<u>1,000</u>	<u>15,014</u>	<u>1,501</u>
<b>Net balance of deferred income tax assets/(liabilities)</b>	<u>6,939</u>	<u>694</u>	<u>1,576</u>	<u>157</u>

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

The movements within deferred tax (assets)/liabilities are presented below:

<i>Deferred tax assets/(liabilities)</i>	<i>Balance at 1 January 2013</i>	<i>Recognised in profit or loss for the year</i>	<i>Balance at 31 December 2013</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Property, plant and equipment	(1,344)	1,038	(306)
Tax loss carryforward	1,174	(455)	719
Impairment of receivables	43	(9)	34
Impairment of inventories	64	(4)	60
Accruals for unused paid leaves	25	(11)	14
Accruals for retirement benefit obligations to personnel	110	12	122
Accruals for unpaid benefits to local physical persons	11	-	11
Provision for recultivation	34	-	34
PPE in progress	2	-	2
Provision for emissions	38	(34)	4
<b>Total tax assets/(liabilities)</b>	<b>157</b>	<b>537</b>	<b>694</b>

<i>Deferred tax assets/(liabilities)</i>	<i>Balance at 1 January 2012</i>	<i>Recognised in profit or loss for the year</i>	<i>Balance at 31 December 2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
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
<b>Total tax assets/(liabilities)</b>	<b>(768)</b>	<b>925</b>	<b>157</b>

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All amounts are presented in BGN'000 unless otherwise stated

## 17. INVENTORIES

	<u>31.12.2013</u>	<u>31.12.2012</u>
Materials	22,270	21,950
Work-in-progress	4,312	4,118
Finished products	1,766	7,647
Goods	12	12
	<u><b>28,360</b></u>	<u><b>33,727</b></u>
<i>Materials</i> include:	<u>31.12.2013</u>	<u>31.12.2012</u>
Precious metals	7,938	8,235
Spare parts and bearings	4,986	4,719
Auxiliary materials	3,786	3,950
Basic materials	3,460	3,247
Packaging materials	941	706
Catalyzers	752	587
Automobile tyres	62	91
Other materials	345	415
	<u><b>22,270</b></u>	<u><b>21,950</b></u>
<i>Basic materials</i>	<u>31.12.2013</u>	<u>31.12.2012</u>
Magnesit	920	642
Kalium chloride	642	826
Monoammonium phosphate	385	393
Methyldiethanolamine	282	355
Chemicals, catalyzers	262	457
Calcinated soda	219	151
Perflow	202	121
Kalium sulphate	88	22
Calcium carbonate	69	23
Sodium hydroxide	47	44
Quicklime	41	30
MEA solution	37	48
Other	266	135
	<u><b>3,460</b></u>	<u><b>3,247</b></u>
<i>Finished products</i>	<u>31.12.2013</u>	<u>31.12.2012</u>
Ammonium Nitrate – EC Fertilizer	1,565	7,439
Ammonium Hydrogencarbonate	55	75
Sodium Nitrate – technical grade	37	26
Ammonia Water	19	32
Other	90	75
	<u><b>1,766</b></u>	<u><b>7,647</b></u>

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## 17. INVENTORIES (CONTINUED)

	<u>31.12.2013</u>	<u>31.12.2012</u>
<i>Work-in-progress</i>		
Ammonia	3,760	3,642
Nitric Acid	234	230
Ammonium Nitrate	120	87
Ferro-molybdenum catalyzer	56	56
Other	142	103
	<u>4,312</u>	<u>4,118</u>

There are encumbrances established on inventories as at 31 December 2013 as collateral for used bank loans:

- Precious metals – BGN 7,938 thousand (31 December 2012: BGN 8,235 thousand);
- Finished products (ammonium nitrate) – BGN 1,565 thousand (31 December 2012: BGN 7,439 thousand);
- Work-in-progress (ammonia) – BGN 3,760 thousand (31 December 2012: BGN 3,642 thousand).

## 18. RECEIVABLES FROM RELATED PARTIES

	<u>31.12.2013</u>	<u>31.12.2012</u>
Receivables on sales in foreign currency	15,522	8,216
Receivables on sales in BGN	13	2
<i>Total trade receivables</i>	<u>15,535</u>	<u>8,218</u>
Rescheduled debt from a subsidiary (Note 15)	3,349	1,986
Impairment of rescheduled debt	(79)	(55)
	<u>3,270</u>	<u>1,931</u>
Receivables under advances paid in BGN	-	54
Receivables under advances in foreign currency	-	2
	<u>18,805</u>	<u>10,205</u>

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

The receivables from related parties in foreign currency are denominated in USD – USD 13,242 thousand – BGN 18,792 thousand (31 December 2012: USD 6,839 thousand – BGN 10,147 thousand).

As at 31 December 2013, there is a foreclosure imposed to secure the enforced collection of Neochim AD receivables from Neochim Turkey Ltd. at the amount of BGN 2,666 thousand (TRL 4,000 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 8,227 thousand (TRL 12,345 thousand);
- Second ranking foreclosure of real estate located in Istanbul, Turkey, with a fair value of BGN 1,632 thousand (TRL 2,451 thousand).

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18. RECEIVABLES FROM RELATED PARTIES (CONTINUED)

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

	<u>31.12.2013</u>	<u>31.12.2012</u>
up to 30 days	7	13
from 31 to 90 days	-	-
from 91 to 180 days	142	405
from 181 to 365 days	6,844	2,389
	<u>6,993</u>	<u>2,807</u>

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

	<u>31.12.2013</u>	<u>31.12.2012</u>
up to 180 days	4	-
from 181 to 365 days	4,225	4,685
over 365 days	4,313	726
	<u>8,542</u>	<u>5,411</u>

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

*Movement of allowance for impairment:*

	<u>2013</u>	<u>2012</u>
Balance at the beginning of the year	55	3
Transfer from impairment of non-current portion	232	72
Effect of revaluation of foreign currency positions	(153)	(17)
Reversed impairment	(55)	(3)
Balance at the end of the year	<u>79</u>	<u>55</u>

19. TRADE RECEIVABLES AND ADVANCES

	<u>31.12.2013</u>	<u>31.12.2012</u>
Receivables from foreign clients	1,132	2,487
Impairment of receivables from foreign clients	(11)	-
Receivables from local clients	1,105	1,121
Impairment of receivables from local clients	(43)	(38)
	<u>2,183</u>	<u>3,570</u>
Advances granted to local suppliers	1,048	121
Advances granted to foreign suppliers	28	115
	<u>3,259</u>	<u>3,806</u>

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

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#### 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 amounting to BGN 662 thousand (31 December 2012: BGN 1,983 thousand) is: BGN 653 thousand – up to 30 days and BGN 9 thousand – up to 90 days.

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

	<u>31.12.2013</u>	<u>31.12.2012</u>
up to 30 days	660	338
from 31 to 90 days	110	82
from 91 to 180 days	20	92
from 181 to 365 days	178	772
over 365 days	553	303
	<u>1,521</u>	<u>1,587</u>

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. An agreement was signed in 2014 for deferred payment of past due amounts with a supplier, which agrees the repayment to be performed through offsetting with the respective past due receivables. In 2014 the current deals with this trade counterpart are continuing. At the approval date of these financial statements the Company had received / set-off BGN 160 thousand of the presented above past due but not impaired receivables.

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

	<u>31.12.2013</u>	<u>31.12.2012</u>
from 1 to 2 years	21	8
over 2 years	33	30
Allowance for impairment	(54)	(38)
	<u>-</u>	<u>-</u>

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

	<u>2013</u>	<u>2012</u>
Balance at the beginning of the year	38	36
Impairment amount	31	2
Amounts written-off as uncollectable	(4)	-
Reversed impairment	(11)	-
Balance at the end of the year	<u>54</u>	<u>38</u>

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## 19. TRADE RECEIVABLES AND ADVANCES (CONTINUED)

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

	<u>31.12.2013</u>	<u>31.12.2012</u>
Materials	1,040	222
Services	36	14
	<u>1,076</u>	<u>236</u>

## 20. OTHER RECEIVABLES AND PREPAYMENTS

*Other receivables and prepayments* include:

	<u>31.12.2013</u>	<u>31.12.2012</u>
VAT refundable	1,516	4,106
Prepayments	441	397
Receivables under OP "Human Resources Development"	33	-
Receivables from workers and employees	21	23
Court and awarded receivables	12	5
Impairment of court receivables	(2)	(2)
Corporate tax	-	144
Other	73	91
Impairment of other receivables	-	(2)
	<u>2,094</u>	<u>4,762</u>

*Prepayments* are comprised of:

	<u>31.12.2013</u>	<u>31.12.2012</u>
Insurance	416	368
Subscriptions	15	15
Other	10	14
	<u>441</u>	<u>397</u>

## 21. CASH AND CASH EQUIVALENTS

	<u>31.12.2013</u>	<u>31.12.2012</u>
Current accounts	151	5,523
Cash in hand	24	18
<b>Cash and cash equivalents carried to the statement of cash flows</b>	<u>175</u>	<u>5,541</u>
Blocked amounts under bank guarantees (Note 34)	368	365
	<u>543</u>	<u>5,906</u>

## 22. SHARE CAPITAL AND RESERVES

### *Share capital*

As at 31 December 2013, 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 2012: 68,394 shares - BGN 3,575 thousand).

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22. SHARE CAPITAL AND RESERVES (CONTINUED)

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

The *Retirement benefit obligations restatement* was set aside retrospectively in relation with the amendment to IAS 19, effective as of 1 January 2013, which necessitated a change in Company's accounting policy (Note 2.28).

23. LONG-TERM BANK LOANS

	<u>31.12.2013</u>	<u>31.12.2012</u>
<b>Non-current payables under bank loans</b>		
Bank loans	17,049	16,902
Deferred charges for loan management and administration	(2)	(7)
	<u>17,047</u>	<u>16,895</u>
<b>Current portion of long-term bank loans</b>		
Bank loans	4,197	2,737
Deferred charges for loan management and administration	(13)	(63)
	<u>4,184</u>	<u>2,674</u>
<b>Total payables under interest-bearing loans</b>	<u>21,231</u>	<u>19,569</u>

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

Loan	<i>Contracted amount in</i>		<i>Maturity</i>	<i>Interest rate</i>
	<i>31.12.2013</i>	<i>31.12.2012</i>		
	<i>BGN'000</i>	<i>BGN'000</i>	<i>foreign currency</i>	
1	14,527	16,121	BGN 16,344 thousand	20.04.2019 1 M SOFIBOR plus 5 points p.a.
2	4,884	2,221	BGN 5,000 thousand	20.10.2017 1 M SOFIBOR plus 5 points p.a.
3	1,369	-	BGN 4,100 thousand	20.12.2018 1 M SOFIBOR plus 3.9 points p.a.
4	451	645	EUR 376 thousand	20.04.2016 3 M EURIBOR plus 5 points p.a.
5	-	451	EUR 2,000 thousand	16.06.2013 1 M EURIBOR plus 3 points p.a.
6	-	115	EUR 220 thousand	20.08.2013 3 M EURIBOR plus 4 points p.a.
7	-	16	EUR 31 thousand	20.08.2013 3 M EURIBOR plus 4 points p.a.
	<u>21,231</u>	<u>19,569</u>		

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

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

- real estate with carrying amount of BGN 7,195 thousand (31 December 2012: BGN 7,486 thousand) (Note 13);
- equipment with carrying amount of BGN 3,907 thousand (31 December 2012: BGN 8,303 thousand) (Note 13);
- precious metals with carrying amount of BGN 7,938 thousand (31 December 2012: BGN 8,235 thousand) (Note 17);
- finished products (ammonium nitrate) with carrying amount of BGN 1,565 thousand (31 December 2012: BGN 7,439 thousand) (Note 17);
- work-in-progress (ammonia) with carrying amount of BGN 3,760 thousand (31 December 2012: BGN 3,642 thousand) (Note 17);
- proceeds from future receivables under concluded sales contracts at the amount of USD 33,800 thousand (31 December 2012: EUR 33,800 thousand) (Note 29).



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## 24. PAYABLES TO SUPPLIERS

	<u>31.12.2013</u>	<u>31.12.2012</u>
Bulgargaz EAD	1,303	2,403
Finance lease liabilities	174	100
	<u>1,477</u>	<u>2,503</u>

*Payables to Bulgargaz EAD*

On 16 February 2012, an agreement was signed with Bulgargaz 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 2,403 thousand (31 December 2012: BGN 3,503 thousand);

As at 31 December 2013, the liability is presented in the statement of financial position as follows:

- BGN 1,303 thousand – non-current liability distributed in monthly instalments as per repayment schedule from 1 January 2015 to 31 December 2015 (31 December 2012: BGN 2,403 thousand)
- BGN 1,100 thousand – payable until 31 December 2014 (the amount is presented as a current payable to suppliers (31 December 2012: BGN 1,100 thousand) (Note 30).

In case that any instalment of Neochim AD under the repayment schedule is past due by more than 5 days Bulgargaz 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. Bulgargaz EAD is the sole public supplier of natural gas on the territory of Republic of Bulgaria, and the supplied consumables to the Company are 85% from the total amount of the expenses on raw materials and consumables used for 2013 (2012: 87%).

*Finance lease liabilities*

The finance lease liabilities, included in the statement of financial position as at 31 December 2013, are under agreements for acquisition of motor vehicles. They are presented net of the interest due and are as follows:

<i>Term</i>	<u>31.12.2013</u>	<u>31.12.2012</u>
Up to one year	72	189
Over one year	174	100
	<u>246</u>	<u>289</u>

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

<i>Term</i>	<u>31.12.2013</u>	<u>31.12.2012</u>
Up to one year	85	202
Over one year	193	111
	<u>278</u>	<u>313</u>
Future finance costs under finance leases	(32)	(24)
<b>Present value of finance lease liabilities</b>	<u>246</u>	<u>289</u>

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

Payments under finance lease agreements for the acquisition of automobiles due after 31 December 2014 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).

**25. PROVISIONS**

At 31 December the recognised provisions are as follows:

	<u>31.12.2013</u>	<u>31.12.2012</u>
Up to 1 year (current portion) (Note 33)	640	1,058
Over 1 year (non-current portion)	<u>41</u>	<u>40</u>
	<u><b>681</b></u>	<u><b>1,098</b></u>

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 2014 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 2012: BGN 403 thousand) while the amortised value at which it is presented in the statement of financial position is BGN 344 thousand (31 December 2012: BGN 343 thousand), including a non-current portion of BGN 41 thousand (31 December 2012: BGN 40 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 2012: BGN 303 thousand) are presented in the statement of financial position as other current liabilities (Note 33).
- As at 31 December 2013, the company has no recognised provision in relation with an obligation under a contract for supply of catalyser (31 December 2012: BGN 216 thousand) (Note 33).
- In order to cover its engagement for year 2013, the Company needs to purchase additional 4,302 thousand tons of carbon emissions. Following the judgment of the management and based on the exchange indexes for trade in similar emissions, the recognised provision amounts to BGN 42 thousand as at 31 December 2013 (31 December 2012: BGN 384 thousand) (Note 33).
- At 31 December 2013, the Company is subject to one-off penalty imposed for environment pollution resulting as a result of production activities. The Company has accrued provision at the amount of BGN 80 thousand (31 December 2012: BGN 155 thousand) (Note 33).
- As at 31 December 2013, the Company recognises a provision for future liabilities to the Territorial Directorate Large Tax-payers and Insurers with NRA Sofia at the amount of BGN 215 thousand in relation with a tax audit under which the tax assessment notice has not yet been issued. (31 December 2012: none) (Note 32).

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## 26. RETIREMENT BENEFIT OBLIGATIONS

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

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

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

The amount of the payable to personnel upon retirement as at 31 December is as follows:

	<i>31.12.2013</i>	<i>31.12.2012</i>	<i>01.01.2012</i>
Retirement benefit obligations – originally stated	1,672	1,101	990
Adjustment following remeasurements of defined benefit pension plans (actuarial gains and losses) (Note 2.28)	-	218	46
	<u>1,672</u>	<u>1,319</u>	<u>1,036</u>

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

	<u><i>31.12.2013</i></u>	<u><i>31.12.2012</i></u>
Present value of the obligations at 1 January	<u>1,319</u>	<u>1,036</u>
Interest cost	64	63
Current service cost	158	126
Past service costs	-	83
Net actuarial loss/(gain) recognised for the period	6	29
Payments for the period	(108)	(216)
Remeasurement gains or losses for the year, including:	233	198
Actuarial losses arising from changes in financial assumptions	54	80
Actuarial losses arising from experience adjustments	179	118
<b>Liability recognised in the statement of financial position at 31 December</b>	<u><b>1,672</b></u>	<u><b>1,319</b></u>

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26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2013 BGN'000	2012 BGN'000
Current service cost	158	126
Past service costs	-	83
Interest cost	64	63
Net actuarial loss recognised for the period	<u>6</u>	<u>29</u>
<b>Components of defined benefit costs recognised in profit or loss</b>	<b><u>228</u></b>	<b><u>301</u></b>
Remeasurement gains or losses on the retirement benefit obligations:		
Actuarial losses arising from changes in financial assumptions	54	80
Actuarial losses arising from experience adjustments	<u>179</u>	<u>118</u>
<b>Components of defined benefit plan costs recognised in other comprehensive income</b>	<b><u>233</u></b>	<b><u>198</u></b>
<b>Total</b>	<b><u>461</u></b>	<b><u>499</u></b>

The cumulative effect of the difference between the actual experience in 2013 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 2013.

The following actuarial assumptions are used in calculating the present value of the liability as at 31 December 2013:

- 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 2010 - 2012.
- 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  $i = 4.0\%$  (2012:  $i = 4.5\%$ ). The assumption is based on yield data for long-term government securities with 10-year maturity.
- the assumption for the future level of working salaries is based on the information provided by the Company's management and amounts by year as follows:
  - for 2014 – growth of 5% against the level in 2013;
  - for 2015 – growth of 5% against the level in 2014;
  - for 2016 and for each subsequent year – growth of 5% against the prior year level.

The assumption in the previous year was 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.

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## 26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

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

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

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

<i>Change in salary growth</i>	<i>Increase by 1% BGN '000</i>	<i>Decrease by 1% BGN '000</i>
Increase/(decrease) in interest cost and current service cost for 2014	22	(20)
Increase/(decrease) in the present value of the obligation as at 31 December 2013	133	(119)
<i>Change in interest rate</i>	<i>Increase by 1% BGN '000</i>	<i>Decrease by 1% BGN '000</i>
(Decrease)/increase in interest cost and current service cost for 2014	(4)	4
(Decrease)/increase in the present value of the obligation as at 31 December 2013	(118)	135
<i>Change in staff turnover rate</i>	<i>Increase by 1% BGN '000</i>	<i>Decrease by 1% BGN '000</i>
(Decrease)/increase in interest cost and current service cost for 2014	(21)	20
(Decrease)/increase in the present value of the obligation as at 31 December 2013	(127)	120

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## 26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

## 27. GOVERNMENT GRANTS

The obtained financing is under operational programme for projects related with Company's energy efficiency and amounts to BGN 476 thousand (31 December 2012: BGN 468 thousand). The recognised income from financing until 31 December 2013 amounts to BGN 141 thousand while the financing that will be recognised as income in subsequent reporting periods is BGN 335 thousand.

	<u>31.12.2013</u>	<u>31.12.2012</u>
Up to 1 year (current portion) (Note 33)	37	36
Over 1 year (non-current portion)	298	328
	<u>335</u>	<u>364</u>

The current portion of the financing will be recognised as current income over the following 12 months from the date of the statement of financial position and presented in Other current liabilities (Note 33).

## 28. SHORT-TERM BANK LOANS

	<u>31.12.2013</u>	<u>31.12.2012</u>
Bank loans	14,790	13,408
Deferred charges for loan management and administration	(9)	(24)
	<u>14,781</u>	<u>13,384</u>

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

<i>Loan</i>	<u>31.12.2013</u>	<u>31.12.2012</u>	<i>Contracted amount in</i>	<i>foreign currency</i>	<i>Maturity</i>	<i>Interest rate</i>
	<i>BGN'000</i>	<i>BGN'000</i>				
1	14,781	13,384	BGN 24,000 thousand		20.04.2014	1 M SOFIBOR plus 4.2 points p.a.
	<u>14,781</u>	<u>13,384</u>				

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

## 29. PAYABLES TO RELATED PARTIES

	<u>31.12.2013</u>	<u>31.12.2012</u>
Advances received for sale of finished products	23,036	17,616
Payables for supplied materials, fuel and services	1,018	1,077
Deposits received	31	61
Loans received	-	600
Interest under loans received	-	14
	<u>24,085</u>	<u>19,368</u>

The loan received is from a shareholding company and is a revolving one with agreed amount of up to BGN 10,000 thousand, interest 5 % and final term for repayment – 31 December 2014 (Note 36).

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All amounts are presented in BGN'000 unless otherwise stated

## 30. TRADE PAYABLES

	<u>31.12.2013</u>	<u>31.12.2012</u>
Local suppliers	2,775	6,328
Current portion of payables to Bulgargas EAD	1,100	1,100
Advances from customers in foreign currency	922	895
Foreign suppliers	432	1,662
Advances from customers in BGN	37	31
	<u>5,266</u>	<u>10,016</u>

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. As at 31 December, the Company has no current payables to Bulgargas EAD.

## 31. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

	<u>31.12.2013</u>	<u>31.12.2012</u>
Payables to personnel, including:	907	978
<i>Current payables for December</i>	799	770
<i>Accruals for unused paid leaves</i>	108	208
Payables for social security/health insurance, including:	511	500
<i>Current payables for December</i>	490	458
<i>Accruals for unused paid leaves</i>	21	42
	<u>1,418</u>	<u>1,478</u>

## 32. TAX PAYABLES

	<u>31.12.2013</u>	<u>31.12.2012</u>
Tax payables under Personal Income Taxation Act	268	134
Other	47	6
	<u>315</u>	<u>140</u>

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.

Tax audit was assigned in 2013 with a scope covering the following types of obligations and periods:

- VAT – from 1 February 2008 to 30 June 2013;
- Corporate tax – from 1 January 2007 to 31 December 2012;
- Tax under Art. 194, 195 of CITA – from 1 January 2007 to 31 December 2012;
- Tax under Art. 204 of CITA – from 1 January 2007 to 31 December 2012.

At the date of approval for issue of these financial statements, the audit has not been completed yet.

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**33. OTHER CURRENT LIABILITIES**

<i>Other current liabilities</i> include:	<u>31.12.2013</u>	<u>31.12.2012</u>
Current portion of provisions (Note 25)	640	1,058
Water usage charge	546	690
Deductions from work salaries	175	165
Deposits from clients	174	179
Guarantees received	142	382
Current portion of finance lease liabilities	72	189
Dividend payable	37	44
Grant (Note 27)	37	36
Other liabilities	92	111
	<u>1,915</u>	<u>2,854</u>

The received deposits from clients are mainly for packaging.

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

The Company has blocked funds for bank guarantees at the amount of BGN 368 thousand (31 December 2012: BGN 365 thousand), which have been issued to secure the amount of a claim from EPET EOOD, Odrin, against the subsidiary company – Neochim Ltd., Turkey.

***Issued and granted guarantees***

The Company is a co-debtor with its subsidiary Neochim Engineering EOOD under a contract for a multi-purpose revolving credit line at the amount of BGN 250 thousand concluded with UniCredit Bulbank AD. Ultimate repayment term – 17 October 2013. Balance of the debt of Neochim Engineering EOOD as at 31 December 2013 was BGN 150 thousand (31 December 2012: BGN 202 thousand).

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

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

<i>Financial assets</i>	<u>31.12.2013</u>	<u>31.12.2012</u>
Cash and cash equivalents	543	5,906
Loans and receivables, including:	21,121	17,052
<i>Trade receivables from related parties (Notes 15 and 18)</i>	18,805	13,367
<i>Trade and other receivables (Notes 19 and 20)</i>	2,316	3,685
Available-for-sale investments	5	5
	<u>21,669</u>	<u>22,963</u>



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## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

<i>Financial liabilities</i>	<u>31.12.2013</u>	<u>31.12.2012</u>
Financial liabilities at amortised cost, including:	<b>43,908</b>	<b>47,893</b>
<i>Short-term and long-term loans (Notes 23, 28 and 29)</i>	36,012	33,567
<i>Trade and other payables (Notes 24, 29, 30 and 33)</i>	7,896	14,326

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

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

**Market risk***Foreign currency risk*

The Company usually performs its activities with an active exchange with foreign suppliers and clients. The Company is exposed to currency risk mainly in respect of USD. Approximately 87% 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*

<b>31 December 2013</b>	<u>in EUR</u>	<u>in USD</u>	<u>in BGN</u>	<u>Total</u>
	<u>BGN'000</u>	<u>BGN'000</u>	<u>BGN'000</u>	<u>BGN'000</u>
<i>Financial assets</i>				
Cash and cash equivalents	455	13	75	543
Loans and receivables	1,128	18,792	1,201	21,121
Available-for-sale investments	-	-	5	5
	<u>1,583</u>	<u>18,805</u>	<u>1,281</u>	<u>21,669</u>
<i>Financial liabilities</i>				
Financial liabilities at amortised cost	<u>885</u>	<u>-</u>	<u>43,023</u>	<u>43,908</u>

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## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Market risk (continued)**

31 December 2012	<i>in EUR</i> <i>BGN'000</i>	<i>in USD</i> <i>BGN'000</i>	<i>in GBP</i> <i>BGN'000</i>	<i>in BGN</i> <i>BGN'000</i>	<i>Total</i> <i>BGN'000</i>
<i>Financial assets</i>					
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
	<u>2,908</u>	<u>18,805</u>	<u>-</u>	<u>1,250</u>	<u>22,963</u>
<i>Financial liabilities</i>					
Financial liabilities at amortised cost	<u>2,344</u>	<u>193</u>	<u>352</u>	<u>45,004</u>	<u>47,893</u>

*Foreign currency sensitivity analysis*

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

In case of 10% increase in the rate of USD to BGN, the final effect on post-tax profit of the Company would be an increase by BGN 1,692 thousand (2012: BGN 1,675 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.

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### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### *Credit risk*

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

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

Collectability and concentration of receivables are strictly monitored on an ongoing basis by the 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 2013 was performed by three main distributors: Distributor 1 - 19%, Distributor 2 - 8% and Distributor 3 - 8%.

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 (89% of sales receivables), including current receivables on sales – BGN 15,380 thousand and rescheduled debt – BGN 3,270 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.

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## 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

*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 2013	up to 1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	over 5 years	Total
<i>Financial assets</i>								
Cash and cash equivalents	175	-	-	-	-	368	-	543
Loans and receivables	1,373	3,834	15,972	11	13	-	-	21,203
Available-for-sale investments	-	-	-	-	-	-	5	5
	<u>1,548</u>	<u>3,834</u>	<u>15,972</u>	<u>11</u>	<u>13</u>	<u>368</u>	<u>5</u>	<u>21,751</u>
<i>Financial liabilities</i>								
Financial liabilities at amortised cost	<u>19,810</u>	<u>1,792</u>	<u>1,564</u>	<u>3,640</u>	<u>7,533</u>	<u>13,135</u>	<u>-</u>	<u>47,474</u>
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
<i>Financial assets</i>								
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
	<u>15,443</u>	<u>3,565</u>	<u>405</u>	<u>10</u>	<u>3,508</u>	<u>366</u>	<u>5</u>	<u>23,302</u>
<i>Financial liabilities</i>								
Financial liabilities at amortised cost	<u>24,286</u>	<u>704</u>	<u>1,336</u>	<u>3,482</u>	<u>6,394</u>	<u>15,802</u>	<u>-</u>	<u>52,004</u>

The financial liabilities at amortised cost at 31 December 2013, which mature up to one month, represent trade payables and payables under a short-term bank loan (Note 28).

*Risk of interest-bearing cash flows*

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

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

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### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### *Risk of interest-bearing cash flows (continued)*

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*

	<i>Interest-free</i>	<i>With floating interest %</i>	<i>With fixed interest %</i>	<i>Total</i>
<b>31 December 2013</b>				
<i>Financial assets</i>				
Cash and cash equivalents	24	519	-	543
Loans and receivables	21,118	3	-	21,121
Available-for-sale investments	5	-	-	5
	<u>21,147</u>	<u>522</u>	<u>-</u>	<u>21,669</u>
<i>Financial liabilities</i>				
Financial liabilities at amortised cost	<u>5,247</u>	<u>38,661</u>	<u>-</u>	<u>43,908</u>
<b>31 December 2012</b>				
<i>Financial assets</i>				
Cash and cash equivalents	18	5,888	-	5,906
Loans and receivables	17,049	3	-	17,052
Available-for-sale investments	5	-	-	5
	<u>17,072</u>	<u>5,891</u>	<u>-</u>	<u>22,963</u>
<i>Financial liabilities</i>				
Financial liabilities at amortised cost	<u>10,534</u>	<u>36,745</u>	<u>614</u>	<u>47,893</u>

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.

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### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### *Interest analysis (continued)*

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.

<b>31 December 2013</b>	<i>With floating interest %</i>	<i>Interest rate increase</i>	<i>Impact on post-tax financial result</i>	<i>Impact on equity</i>
<i>Financial assets</i>				
BGN	6	0.5	0.03	0.03
<i>Financial liabilities</i>				
EUR	453	0.5	(2)	(2)
BGN	38,208	0.5	(172)	(172)
	<u>38,661</u>		<u>(174)</u>	<u>(174)</u>
<b>31 December 2012</b>	<i>With floating interest %</i>	<i>Interest rate increase</i>	<i>Impact on post-tax financial result</i>	<i>Impact on equity</i>
<i>Financial assets</i>				
BGN	3	0.5	0.01	0.01
<i>Financial liabilities</i>				
EUR	1,227	0.5	(6)	(6)
BGN	35,518	0.5	(160)	(160)
	<u>36,745</u>		<u>(166)</u>	<u>(166)</u>

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.

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### 35. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### *Capital risk management (continued)*

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

	<u>2013</u>	<u>2012</u>
<b>Total borrowings, including:</b>	<b>38,661</b>	<b>37,359</b>
Loans from banks and related parties	36,012	33,567
Finance lease liabilities	246	289
Payables to Bulgargas ( <i>Notes 24 and 30</i> )	2,403	3,503
<b>Less: cash and cash equivalents</b>	<b>175</b>	<b>5,541</b>
<b>Net debt</b>	<b>38,486</b>	<b>31,818</b>
<b>Total equity</b>	<b>96,428</b>	<b>102,694</b>
<b>Total capital</b>	<b>134,914</b>	<b>134,512</b>
<b>Gearing ratio</b>	<b>28.53%</b>	<b>23.65%</b>

#### *Fair value measurement*

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

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

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

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

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### 36. RELATED PARTY TRANSACTIONS

The Company's related parties are as follows:

<b>Related parties</b>	<b>Relation type</b>
<b>Shareholders:</b>	
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 %) (until 20 December 2013)
Feboran AD	Main shareholding company (20.30 %) (as of 21 December 2013)
<b>Subsidiaries:</b>	
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 companies 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	Fertexpo international SAL off Shore
Zemia OOD	Karimex SARL
Agro DT OOD	Shipicom OOD
Consilium EOOD	Shipicom Trade OOD
Lotos OOD	Oil and Gas Exploration and Production AD
MD Invest EOOD	IT Systems Consult EOOD
Zemia Dobrich EOOD	Chimimport Pharma AD
Recap OOD	Texim Trading AD
Sitra Trade EOOD	Slanchevi Lachi Provadia EAD
BCS OOD	Asenova Krepost AD
Evro fert EOOD	Zarneni Hrano Grain EOOD
Terachim-Dimitrovgrad EOOD	Bulchimtrade OOD
Neoplod EOOD	Orgachim Trading 2008 OOD
Neo Kiten EOOD	Rubber Trade OOD
Association FC Dimitrovgrad 1947	VTD Agro OOD
DGT Consult OOD	Chimceltex OOD
Karimex Chemicals Ltd - Cyprus	Port Balchik AD
Karimex Chemicals international SAL Off Shore	Dialisa Bulgaria OOD
Diana"K"Shipping Co.SAL	Chimoil Trade OOD
Fenesta SARL-Lebanon	Omega Finance OOD
Rim "K"Shipping Co.SAL	S.C Karimex International SRL



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## 36. RELATED PARTY TRANSACTIONS (CONTINUED)

<u>Supplies from related parties</u>	<u>2013</u>	<u>2012</u>
<i>Materials</i>		
Main shareholding company	438	663
Subsidiaries	40	845
	<u>478</u>	<u>1,508</u>
<i>Services</i>		
Subsidiaries	2,523	3,351
Main shareholding company	205	288
Other related parties	12	18
	<u>2,740</u>	<u>3,657</u>
<i>Goods</i>		
Main shareholding company	<u>153</u>	<u>124</u>
<i>PPE</i>		
Other related parties	993	-
Subsidiaries	116	122
Main shareholding company	-	744
	<u>1,109</u>	<u>866</u>
<b>Total</b>	<b><u>4,480</u></b>	<b><u>6,155</u></b>
<u>Sales to related parties</u>	<u>2013</u>	<u>2012</u>
<i>Finished products</i>		
Main shareholding company	166,138	121,483
Subsidiaries	16,145	9,002
Other related parties	2	-
	<u>182,285</u>	<u>130,485</u>
<i>Services</i>		
Main shareholding company	112	186
Subsidiaries	109	243
Other related parties	4	7
	<u>225</u>	<u>436</u>
<i>Goods</i>		
Main shareholding company	-	317
Subsidiaries	-	2
	<u>-</u>	<u>319</u>
<i>PPE</i>		
Main shareholding company	3	-
Subsidiaries	-	3
	<u>3</u>	<u>3</u>
<i>Other</i>		
Main shareholding company	125	16
Subsidiaries	9	175
	<u>134</u>	<u>191</u>
<b>Total</b>	<b><u>182,647</u></b>	<b><u>131,434</u></b>

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### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

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 2014
Contracted interest rate:	5%
Collateral:	Promissory note
<b>Balance at 31 December 2013:</b>	<b>none (31 December 2012: BGN 600 thousand)</b>

In 2013 the Company used BGN 26,745 thousand (2012: BGN 34,520 thousand) and respectively, repaid amounts under loans for working capital from Evro Fert AD at the amount of BGN 27,345 thousand (2012: BGN 37,065 thousand) and interest was charged at the amount of BGN 129 thousand (2012: BGN 229 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:

	<i>31.12.2013</i>	<i>31.12.2012</i>
<i>Receivables under sales in foreign currency</i>		
Subsidiaries	<u>18,792</u>	<u>10,147</u>
<i>Including book value</i>	18,871	10,202
<i>impairment charged</i>	(79)	(55)
<i>Receivables under sales in BGN</i>		
Other related parties	6	-
Main shareholding company	5	-
Subsidiaries	<u>2</u>	<u>2</u>
	<u>13</u>	<u>2</u>
<i>Receivables under advances paid in BGN</i>		
Subsidiaries	-	54
<i>Receivables under advances in foreign currency</i>		
Subsidiaries	<u>-</u>	<u>2</u>
<b>Total</b>	<u><b>18,805</b></u>	<u><b>10,205</b></u>

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

	<i>31.12.2013</i>	<i>31.12.2012</i>
<i>Receivables under sales in foreign currency</i>		
Subsidiaries	<u>-</u>	<u>3,218</u>
<i>Including book value</i>	-	3,502
<i>impairment charged</i>	-	(284)

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### 36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	<u>31.12.2013</u>	<u>31.12.2012</u>
<i>Advances received for sale of finished products</i>		
Main shareholding company	23,036	17,603
Other related parties	-	13
	<u>23,036</u>	<u>17,616</u>
<i>Loans</i>		
Main shareholding company	-	600
<i>Interest</i>		
Main shareholding company	-	14
<i>Payables under supplied assets and services</i>		
Other related parties	646	-
Subsidiaries	300	655
Main shareholding company	72	422
	<u>1,018</u>	<u>1,077</u>
<i>Deposits</i>		
Other related parties	18	18
Subsidiaries	13	43
	<u>31</u>	<u>61</u>
<b>Total</b>	<u><b>24,085</b></u>	<u><b>19,368</b></u>

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

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

	<u>2013</u>	<u>2013</u>
Salaries and other short-term benefits	953	966