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1. BACKGROUND CORPORATE INFORMATION

Sopharma AD is a trade company registered in Bulgaria with a seat and address of management at 16, Iliensko Shousse Str., Sofia.

Company was registred in court on 15 November 1991, by Decision No. 1/1991 of Sofia City Court.

1.1. Ownership and management

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

The structure of Company's joint-stock capital as at 31 December 2011 is as follows:

	%
Donev Investment Holding AD	24.56
Telecomplect AD *(formal holder of the shares as per the Registry at the Central Depository (CD) until the entry of Telecomplect Invest AD in the Registry of CD – Note 40)*	20.42
Financial Consulting Company EOOD	16.24
Gramercy Select Master Fund	6.34
Gramercy Emerging Markets Fund	5.89
Other legal persons	23.23
Physical persons	3.32

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

Ognian Donev, PhD	Chairman
Vessela Stoeva	Member
Unipharm through Ognian Palaveev	Member
Alexander Chaushev	Member
Andrey Breshkov	Member

The Company is represented and managed by its Executive Director Ognian Donev, PhD.

The average number of Company's personnel was 1,848 workers and employees as at 31 December 2011 (31 December 2010: 1,775).

1.2. Principal activities

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

- production and trade in medicinal substances and finished drug forms;
- research and development activities in the field of medicinal products.

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 2009 - 2011, are presented in the table below:

Indicator	**2009**	**2010**	**2011**
GDP in million levs	68,322	70,511	75,265
Actual growth of GDP	-5.50%	0.40%	1.70%
Year-end inflation	0.60%	4.50%	2.80%
Average exchange rate of USD for the year	1.40	1.4779	1.4065
Exchange rate of the USD at the year-end	1.36	1.4728	1.5116
Unemployment rate at the year-end	9.10%	9.24%	10.40%
Basic interest rate at the year-end	0.55%	0.18%	0.22%

Source: BNB

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

2.1. Basis for preparation of the separate financial statements

The separate financial statements of Sopharma AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2011 and have been accepted by the Commission of the European Union.

For the current financial year the Company has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which are relevant to its activities.

The adoption of these standards and/or interpretations, effective for annual periods beginning on 1 January 2011, has not resulted in changes in Company's accounting policies, except for some new disclosures and expanding of those already established, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

These standards and interpretations include:

- *IFRS Improvements (May 2010) - improvements in IAS 1, 27, 28, 34, IFRS 1, 3 and 7 and IFRIC 13 (in force for annual period beginning on or after 1 January 2011 (or 1 July 2010) – endorsed by EC).* These improvements introduce partial amendments in the respective standards primarily with a view to remove existing inconsistency in the application rules and requirements of individual standards as well as to set up more precise terminology with regard to: (a) presentation of the analysis of other comprehensive income (by item – in a separate note or in the statement of changes in equity); (b) the approach for a measurement choice of the non-controlling interest, the presentation of the contingent consideration and all share-based payment transactions, which are part of business combinations – from the amendment of IFRS 3 (2008); (c) improvement of the qualitative disclosures on the risks associated with financial instruments together with the quantitative ones and the disclosures on the collateral held; (d) enhanced disclosure requirements for interim financial reporting regarding all significant events and transactions, including changes in fair values, transfers and classification of financial instruments, and financial information update compared to the most recent annual financial statements; (e) corresponding changes for prospective application in associates and joint ventures according to the amendments to IAS 27 (2008); (f) clarification of the term 'fair value' for the purpose of measuring the award credits in customer loyalty programmes.

With regard to the other standards and interpretations, stated below, the management has assessed their possible effect and has decided that they would not have an impact on the accounting policies and respectively, on Company's assets, liabilities, transactions and performance due to the fact that the Company does not possess/operate such items and/or does not perform similar deals and transactions:

- *IAS 24 (amended) "Related Party Disclosures" (in force for annual periods beginning on or after 1 January 2011 – endorsed by EC).* The amendments are focused on improvement of the definition for the scope and types of related parties and introduce a specific rule for a partial exemption from full disclosure regarding related parties, controlled by or under significant influence by government bodies at international, national and local level and other entities owned thereby – with regard to the types of relations, accounts and balances and transactions with them.
- *IAS 32 (amended) "Financial Instruments: Presentation" (in force for annual periods beginning on or after 1 February 2010 – endorsed by EC as from 1 February 2010)* – regarding the classification of issued rights. The amendment is aimed as a clarification of the treatment of rights, options and warrants for acquisition of a fixed number of entity's equity instruments for a *fixed* amount of any currency as equity instruments if they are offered on pro rata basis to all existing owners of the same class non-derivative equity instruments.
- *IFRIC 14 "Prepayments of a Minimum Funding Requirement" under IAS 19 (in force for annual periods beginning on or after 1 January 2011 – endorsed by EC as from 1 January 2011).* The amendment provides clarifications on defining the existing economic benefit of prepayments of minimum funding requirements, available as a reduction in future contributions in the two cases of existence or non-existence of a minimum funding requirement for contributions relating to future service and the possibility such prepayments to be recognised as an asset.
- *IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (in force for annual periods beginning on or after 1 July 2010 – endorsed by EC as from 1 July 2010).* This interpretation sets out clarifications on the accounting treatment of transactions related to settlement, in full or in part, of financial liabilities to creditors through the issue of equity instruments by debtor – measurement of the equity instruments as a consideration paid and treatment of the resulting differences between the

measurement of the equity instruments and that of the financial liability, as well as certain limitations of application.

At the date when these financial statements were approved for issue, there had been several new standards, amended/revised standards and interpretations issued but not yet in force for annual periods beginning on or after 1 January 2011, which were not adopted by the Company for early application. The management has judged that out of them the following are likely to have a potential impact in the future resulting in changes in the accounting policies and the financial statements of the Company for subsequent periods.

- *IAS 1 (amended) "Presentation of Financial Statements" (in force for annual periods beginning on or after 1 July 2012 – not endorsed by EC).* The amendment introduces a requirement for entities to present the components of other comprehensive income in the statement of comprehensive income in two separate categories depending on whether they could be subsequently reclassified or not to current profit or loss in the income statement, including their tax effect.
- *IAS 12 (amended) "Income Taxes" (in force for annual periods beginning on or after 1 January 2012 – not endorsed by EC).* The amendment clarifies explicitly that the assessment of deferred tax (asset or liability) on the underlying asset should be based on the manner in which the respective entity intends to recover the investment in the carrying amount of the asset – though sale or through continuing use. It sets out specific rules for cases of non-current assets measured by applying the revaluation model in IAS 16 but mostly for investment *properties* measured by applying the fair value model in IAS 40, including those acquired in a business combination, i.e. a rebuttable presumption is introduced that deferred tax should be determined on the basis that the carrying amount will normally be recovered through sale. SIC-21 is incorporated in IAS 12 and therefore, it is to be withdrawn as of the date on which the amendment in IAS 12 becomes effective.
- *IAS 19 (amended) "Employee Benefits" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* The amendment changes the accounting for defined benefit plans and termination benefits. The fundamental change is the elimination of the 'corridor' approach and the introduction of the rule that all subsequent remeasurements (referred to so far as actuarial gains or losses) of defined benefit obligations and plan *assets* shall be recognised when occurred in a component of 'other comprehensive income', as well as the accelerated recognition of past service costs.
- *IAS 27 (as revised in 2011) "Separate Financial Statements" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* The standard was reissued with a changed title as the part of it referring to consolidated financial statement was entirely separated in a new standard – IFRS 10 "Consolidated Financial *Statements*". Thus the standard now includes only the rules on accounting for investments in subsidiaries, associates and joint ventures at the level of separate financial statements.
- *IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding transfer of financial assets (in force for annual periods beginning on or after 1 July 2011 – endorsed by EC as from 1 July 2011).* These amendments are related to expanding the requirements for disclosure of data regarding transfer

transactions of financial assets, including *depending* on the circumstances whether the reporting entity continues, at the reporting date, to have involvement in and responsibility to the respective financial asset by assuming certain risks, rights and benefits and regardless of whether the transferred assets are derecognised from the statement of financial position or not.

- *IFRS 9 (issued in November 2009 and October 2010) "Financial Instruments: Classification and Measurement" (in force for annual periods beginning on or after 1 January 2013 and revised effective date – for annual periods beginning on or after 1 January 2010 – not endorsed by EC).* This standard replaces parts of IAS 39 by establishing principles, rules and criteria for the classification, measurement and derecognition of financial assets and liabilities, including hybrid contracts. *It* introduces a requirement that financial assets are to be classified based on entity's business model for their management and the contractual cash flow characteristics of the respective assets. It establishes two primary measurement categories for financial assets: amortised cost and fair value. The new rules will lead to possible changes mainly in the accounting for financial assets as debt instruments and financial liabilities designated as at fair value through current profit or loss (for credit risk).
- *IFRS 10 "Consolidated Financial Statements" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC). This standard replaces a significant part of IAS 27 ("Consolidated and Separate Financial Statements") and SIC-12 ("Consolidation - Special Purpose Entities").* Its main objective is to establish the principles and methods for the preparation and presentation of financial statements when an entity controls one or more other entities. It gives a new definition of control that contains three elements and establishes control as the *sole* basis for consolidation. The standard also sets out the main mandatory rules for the preparation of consolidated financial statements.
- *IFRS 12 "Disclosing of Interest in Other Entities" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* This standard introduces obligations for disclosure in the financial statements and requirements to the *information* included therein with regard to all forms of interests of the reporting entity in other companies and entities, including both the effects and the risks of those interests.
- *IFRS 13 "Fair Value Measurement" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC);* This standard establishes a single source of methodological guidance by providing a precise definition of 'fair value', rules and methods for its measurement as well as more extensive disclosure requirements for fair value and its *measurement* for the purposes of all IFRSs. It applies to both financial instruments and non-financial assets and liabilities when fair value is required or permitted by IFRS.

Additionally, in regard of the stated below new standards, amended/revised standards and new interpretations that have been issued but not yet in force for annual periods beginning on or after 1 January 2011, the management has judged that they are unlikely to have potential impact resulting in changes in the accounting policies and the financial statements of the Company:

- *IAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* The title of the standard has been changed and the standard sets out rules for application of the equity method when accounting for investments in associates as well as in joint ventures, which were previously *included* in the scope of IAS 31 "Interests in Joint Ventures" in line with the new IFRS 11 and IFRS 12. IAS 31 becomes inapplicable starting from 1 January 2013.

- *IAS 32 (amended) "Financial Instruments: Presentation" (in force for annual periods beginning on or after 1 January 2014 – not endorsed by EC)* – regarding the offsetting of financial assets and financial liabilities. These amendments relate to a clarification as to the application of the rules on offsetting financial instruments. They are mainly in four directions: (a) *clarification* of the meaning of 'current legally enforceable right of set-off'; (b) the application of the simultaneous realisation and settlement criterion; (c) offsetting of cash provided as collateral; (d) the unit of account for the application of the offsetting requirements.
- *IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the offsetting of financial assets and financial liabilities (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* These amendments are related to the enhanced disclosures for all financial instruments, which will be netted (offset) in accordance with IAS 32 (par. 42) as well as additional arrangements for offsetting outside the scope of IAS 32.
- *IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the relief from the requirement to restate comparatives and the related thereto disclosures when applying IFRS 9 (in force for annual periods beginning on or after 1 January 2015 – not endorsed by EC).*
- *IFRS 11 "Joint Arrangements" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* This standard replaces IAS 31 "Interests in Joint Ventures", including SIC-13 "Jointly Controlled Entities – Non-monetary Contributions by Venturers". It introduces only two types of joint arrangements – joint operations and joint ventures – whereas the classification criterion used is not the legal form but rather the rights and obligations of each party to an arrangement, i.e. whether they represent rights to the assets and liabilities and respectively, to the *expenses* and revenue from the joint arrangement (joint operation) or rights to the net assets of the joint arrangement (joint venture). The standard removes the option for proportionate consolidation and requires application of the equity method for consolidation of jointly controlled entities.
- *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC).* This interpretation provides clarifications regarding the differentiation of the accounting treatment of the *costs* of mine waste materials removal (stripping) for the purposes of production and the costs of improved access to further quantities of material that will be mined in future periods.

The financial statements have been prepared on a historical cost basis except for property, plant and equipment, investment property and available-for-sale financial instruments, which are measured at revalued amount and respectively, at fair value.

The Company keeps its accounting books in Bulgarian lev (BGN), which is accepted as being its presentation currency. The data in the financial statements and the notes thereto is presented in thousand Bulgarian levs (BGN'000) except where it is explicitly stated otherwise.

The presentation of 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, the amounts of 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.

2.2. Consolidated financial statements of the Company

The Company started the process of preparation of its consolidated financial statements for year 2011 in accordance with IFRS effective for year 2011 whereas these individual financial statements will be included therein. In accordance with the planned dates, the management expects that the consolidated financial statements will be approved for issue by the Board of Directors of the Company not later than 30 April 2012 and after this date the financial statements will be publicly made available to third parties.

2.3. Comparatives

The accompanying financial statements of the Company include comparative information for one prior year.

Where necessary, comparative data is reclassified (and restated) in order to achieve compatibility in view of the current year presentation changes.

2.4. Functional currency and recognition of exchange differences

The functional and reporting (presentation) currency of the Company is the Bulgarian Lev. Starting from 1 July 1997 the Bulgarian Lev was fixed under the Bulgarian National Bank Act to the German Mark at the ratio of BGN 1 : DEM 1, and with the introduction of the Euro as the official currency of the European Union, it has been fixed to the Euro at a ratio of BGN 1.95583 : EUR 1.

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents, receivables and payables, as monetary reporting items, denominated in foreign currency, are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 December, these amounts are presented in BGN at the closing exchange rate of BNB.

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.

Foreign exchange gains or losses arising on the settlement or recording of foreign currency transactions at rates different from those at which they were converted on initial recognition, are recognised in the statement of comprehensive income (within profit or loss for the year) in the period in which they arise and are treated as ‘other operating income/(losses)’ (within profit or loss for the year) and presented net.

2.5. Revenue

Revenue is recognised on accrual basis and to the extent and in the way the economic benefits will flow to the Company and respectively, the business risks are born thereby, and as far as 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 balance sheet date, 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.

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)’.

Revenue from revaluation of investment property to fair value is presented in the statement of comprehensive income (within profit or loss for the year) on the line ‘other operating income/(losses)’. Revenue from investment property leased-out under the terms of operating lease is also accounted for under this item.

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 is comprised of interest income on granted loans and term deposits, gains from investment transactions in available-for-sale securities and/or investments in subsidiaries and associates, including dividends, foreign exchange net gains from revaluation of loans to foreign currency.

2.6. Expenses

Expenses are recognised as they are incurred, following the accrual and matching concepts, to the extent that this would not cause recognition of assets and liabilities that do not the relevant definitions under IFRS.

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

Losses from revaluation of investment property to fair value are presented in the statement of comprehensive income (within profit or loss for the year) on the line ‘other operating income/(losses)’.

Finance costs are presented separately in the statement of comprehensive income (within profit or loss for the year) and are comprised of interest expenses under loans received, bank fees and charges under loans and guarantee, foreign exchange net loss from loans in foreign currencies, expenses/losses from investments available-for-sale securities and/or investments in subsidiaries and associates.

2.7. Property, plant and equipment

Property, plant and equipment (fixed tangible assets) are presented at revalued amount reduced by the accumulated depreciation and impairment losses in value.

Initial acquisition

Upon their initial acquisition, property, plant and equipment are valued at acquisition cost (cost), which comprises the purchase price, including customs duties and any 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.

Upon acquisition of property, plant and equipment under deferred settlement terms, the purchase price is equivalent to the present value of the liability discounted on the basis of the interest level of the attracted by the Company credit resources with analogous maturity and purpose.

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 revaluation model under IAS 16, i.e. measurement at revalued amount less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

It is adopted that the revaluation of property, plant and equipment shall be performed by certified appraisers normally in a period of five years. Where the fair value changes materially in shorter periods, revaluation may be performed more frequently.

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.

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 of the groups of assets is dependent on their physical wear and tear, the characteristic features of the equipment, the future intentions for use and the expected obsolescence.

The useful life per group of assets is as follows:

- buildings – 20-70 years;
- road facilities - 20 years;
- machinery and equipment – 7 - 15 years;
- installations - 7 - 10 years;
- computers – 2 -5 years;
- motor vehicles – 7 - 17 years;
- furniture and fixtures – 6-7 years.

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

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) unless a revaluation reserve has been set aside for the respective asset. Then the impairment is at the expense of this reserve and is presented in the statement of comprehensive income (within other comprehensive income) unless it exceeds the reserve amount whereas in such a case the surplus is included as expense in the statement of comprehensive income (within profit or loss for the year).

Gains and losses on disposal (sale)

Tangible fixed assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of property, plant and equipment are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net under ‘other operating income/(losses), net’ in the statement of comprehensive income (within profit or loss for the year). The part of the ‘revaluation reserve’ component attributable to the sold asset is directly transferred to the ‘retained earnings’ component in the statement of changes in equity.

2.8. Biological assets

Biological assets are measured at fair value less the estimated costs to sell. They are comprised of perennial plants.

The fair value of biological assets is determined on the basis of their present location and condition based on a price quoted in an active market. Gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and changes in fair value less estimated costs to sell is recognised in the statement of comprehensive income (within profit or loss for the year) in the period in which it arises and is presented in ‘other operating income/(losses), net’. When the fair value of a biological asset cannot be reliably measured, it is measured at cost less accumulated depreciation or impairment losses. Subsequently, when the fair value of this biological asset becomes reliably measurable, the Company changes its approach and switches to measuring the asset at fair value less the estimated costs to sell.

2.9. Intangible assets

Intangible assets are stated in the financial statements at acquisition cost (cost) less accumulated amortisation and any impairment losses in value.

The Company applies the straight-line amortisation method for the intangible assets with determined useful life from 5 -10 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 balance sheet when they are permanently disposed of and no future economic benefits are expected from their use 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 under ‘other operating income/(losses), net’ in the statement of comprehensive income (within profit or loss for the year).

2.10. Investment property

Investment property is property lastingly held by the Company to earn rentals and/or for capital appreciation. They are presented in the statement of financial position at fair value. Gains or losses arising from a change in the fair value of investment property are recognised in the statement of comprehensive income (within profit or loss for the year) as ‘other operating income/(losses), net’ for the period in which they arise. The income gained on investment property is presented in the same item.

Investment property is 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 investment property are determined as the difference between the disposal proceeds and the carrying amount of the asset at the date of sale. They are presented under ‘other operating income/(losses), net' in the statement of comprehensive income (within profit or loss for the year).

Transfers to, or from, the group of 'investment property' is made only when there is a change in the function and purpose of a particular property. In case of a transfer from 'investment property' to 'owner-occupied property', the asset is recognised in the new group at deemed cost, which is its fair value at the date of transfer. To the opposite, in case of a transfer from 'owner-occupied property' to 'investment property' the asset is measured at fair value at the date of transfer while the difference to its carrying amount is presented as a component of the statement of comprehensive income (within other comprehensive income) and within 'revaluation reserve – property, plant and equipment' in the statement of changes in equity.

2.11. Investments in subsidiaries and associates

Long-term investments representing shares in subsidiary or associate companies are presented in the financial statements at acquisition cost (cost) being the fair value of the consideration paid for the investment including any directly attributable costs incurred on the acquisition less accumulated impairment.

Most of these investments are not traded in a stock exchange or the sales of shares in a stock exchange are of minimum amount. This circumstance does not provide opportunity for ensuring active market price quotations in order to determine reliably and directly the fair value of these shares.

The investments of the Company in subsidiaries and associates 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) (Note 2.27).

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 respective specific type of 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).

2.12. Available-for-sale investments

Initial measurement

Available-for-sale investments (financial assets) are initially recognised at cost, being the fair value of the consideration given including the direct expenses associated with the investment (financial asset) acquisition (Note 2.23).

Subsequent measurement

Company's investments (financial assets) representing shares in public companies traded in a stock exchange are subsequently measured at fair value commonly determined based on the average prices of realised transactions for the last month of the year unless the Company trades in an insignificant package of these companies' capital and/or has strongly limited volume of transactions with them – then the stock exchange prices are adjusted with the values obtained by applying other valuation methods and prices of similar instruments, including in other capital markets. (Note 2.27).

The effects of subsequent revaluation of securities to fair value are presented in a separate component of the statement of comprehensive income (within other comprehensive income) and recognised in the statement of comprehensive income (within profit or loss for the year) on disposal (sale) of the respective investment by being stated as 'finance income' or 'finance costs'.

Company's investments (financial assets) representing shares in other companies (minority interest), which are not traded in an active market and no market price quotations are available for them while the assumptions for the application of alternative valuation methods are related to high uncertainty in respect of achieving a reliable fair value determination, are measured and presented at cost (Note 2.23).

The available-for-sale investments (financial assets) of the Company are reviewed for impairment at the end of each reporting period and if conditions for permanent impairment are identified, the latter is recognised in the statement of comprehensive income (within profit or loss for the year) under 'finance costs'.

Where conditions for impairment are identified, the latter is determined as the difference between the carrying amount and the recoverable value of the investment and is recognised in the statement of comprehensive income (within profit or loss for the year) unless a positive reserve for this investment was formed in prior periods – then the impairment is at first covered at the account of this reserve and is presented net in the statement of comprehensive income (within other comprehensive income).

When shares are written-off due to sale, the Company uses the method of weighted average price determined at the end of the month in which write-off is made.

Any purchase or sale of available-for-sale investments (financial assets) is recognised on the trade date, i.e. the date when the Company undertakes the engagement to buy or sell the asset.

2.13. Inventories

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

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

- raw materials, materials in finished form and goods – 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 and goods ready for usage/sale;
- 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.

The inclusion of fixed production overheads in the cost of finished and semi-finished products is based on normal production capacity. The Company has chosen to allocate the fixed production overheads to produced items by using direct labour, based on set labour standards.

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

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.

2.14. Trade and other receivables

Trade 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 2.23).

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 'other expenses' on the face of the statement of comprehensive income (within profit or loss for the year).

2.15. Interest-bearing loans and other financial resources granted

All loans and other financial resources granted are initially recognised at cost (nominal amount), which is accepted to be the fair value of the consideration received on the transaction, net of the direct costs related to these loans and granted resources. After the initial recognition, the interest-bearing loans and other granted resources are subsequently measured at amortised cost by applying the effective interest rate method. Amortised cost is calculated by taking into account all types of charges, commissions, and other costs, 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 (interest) or costs throughout the amortisation period, or when the receivables are settled, 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 collect its receivable within a term of more than 12 months after the end of the reporting period (Note 2.23).

2.16. 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 2.23).

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 received investment purpose loans is reported as payments for financial activities while the interest on working capital loans related to current activities is included in the operating activities;
- short-term (up to 3 months) blocked cash is treated as cash and cash equivalents;
- on the existence of bank deposits with original maturity of up to three months they are treated as cash and cash equivalents while the interest received thereon are included in the cash flows from investing activities;
- VAT paid on fixed assets purchased from foreign suppliers is presented on the line 'Taxes paid' while that paid on assets purchased from local suppliers is presented as 'cash paid to suppliers' in the cash flows from operating activities as far as it represents a part of the operating flows of the Company and is recovered therewith in the respective period (month).

2.17. Trade and other payables

Trade and other current amounts payable are carried at original invoice amount (acquisition cost), which is the fair value of the consideration to be paid in the future for goods 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 2.23).

2.18. Interest-bearing loans and other borrowings

All loans and other borrowings are initially 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 costs (interest) or income throughout the amortisation period, or when the liabilities are derecognised or reduced (Note 2.23).

Interest-bearing loans and other borrowings are classified as current ones unless (and for the relevant portion thereof) the Company has unconditionally the right to settle its obligation within a term of more than 12 months after the end of the reporting period.

2.19. Capitalisation of 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. A qualifying asset is an asset that necessarily takes at least a 12-month 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 being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress.

Borrowing costs are also reduced by any investment income earned on the temporary investment of those borrowed funds.

2.20. 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 property, plant and equipment, are recognised as assets in the statement of financial position of the lessee and are presented as leased item of property, plant and equipment at their immediate sale price or, if lower, at the present value of the minimum lease payments. The lease payments are apportioned between the finance cost (interest) and the attributable portion (reduction) of the lease liability (principal) so as to achieve a consistent interest rate on the remaining outstanding principal balance of the lease liability. Interest expense is included in the statement of comprehensive income (within profit or loss for the year) as finance costs (interest) based on the effective interest rate.

Assets acquired under finance lease are depreciated on the basis of their useful economic life and within the lease term.

Lessor

Finance lease where a substantial portion of all risks and rewards incidental to the ownership of the leased asset is transferred outside the Company, is written-off from the goods of the lessor and is presented in the statement of financial position as a receivable at an amount equal to the net investment in the lease. The net investment in the lease agreement represents the difference between the total amount of minimum lease payments under the finance lease agreement and the non-guaranteed residual value, accrued for the lessor and the non-earned financial income. The difference between the carrying amount of the leased asset and the immediate (fair selling) value is recognised in the statement of comprehensive income (within profit or loss for the year) in the beginning of the lease term (when the asset is delivered) as sales income.

The recognition of the earned finance income as current interest income is based on the application of the effective interest rate method.

Operating lease

Lessee

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. Therefore, the asset is not included in the statement of financial position of the lessee.

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.

Lessor

Lessor continues to hold a significant part of all risks and rewards of ownership over the said asset. Therefore the asset is still included in its tangible fixed assets while its depreciation for the period is included in the current expenses of the lessor.

Lease income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.21. Pensions and other payables to personnel under the social security and labour legislation

The employment and social security relations with the employees of Sopharma AD are based on the provisions of the Labour Code and the effective social security legislation.

The major duty of the Company in its capacity of an employer is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund, the Guaranteed Receivables of Workers and Employees (GRWE) Fund and for health insurance. 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).

The social security and pension plans, applied by the Company in its capacity of an employer, are based on the Bulgarian legislation and are defined contributions plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund and GRWE 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 fund at the Company.

Short-term benefits

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

At the end of the reporting period, 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

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

Past service costs are recognised immediately in the statement of comprehensive income (within profit or loss for the year).

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, denominated in Bulgarian levs.

Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments. Those exceeding the 10% corridor of the present value of the defined benefit obligations as at the end of the year are recognised immediately in the statement of comprehensive income (within profit or loss for the year) for the period in which they arise.

The changes in the amount of Company's liabilities to personnel for indemnities upon retirement, including the interest from unwinding of the present value and the recognised actuarial gains or losses, are recognised as employee benefits expense in the statement of comprehensive income (within profit or loss for the year).

Termination benefits

In accordance with the provisions of the Labour Code, the Company in its capacity of employer is obliged, upon termination of the employment contracts prior to retirement, to pay certain types of indemnities.

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 after more than 12 months from the end of the reporting period are discounted and presented in the statement of financial position at their present value.

2.22. Share capital and reserves

The Company is a joint-stock one 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 refunding of this share only in case of liquidation or bankruptcy proceedings. The Company reports its share capital at the nominal value of the shares registered in the court.

According to the requirements of the Commercial Act and the Articles of Association, the Company is obliged to set aside a ***Reserve Fund*** 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 may be decided by the General Meeting of Shareholders;
- any premium received in excess of the nominal value of shares upon their issue (share premium reserve);
- other sources as provided for by a decision of the General Meeting.

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 minimum value specified in the Articles of Association, the excess may be used for increasing share capital.

Treasury shares are presented in the statement of financial position at cost (acquisition cost) whereas Company’s equity is decreased with their amount. Gains or losses on sales of treasury shares are at the account of and carried directly to Company’s equity in the ‘retained earnings’ component.

Revaluation reserve – property, plant and equipment is set aside from:

- gain from the difference between the carrying amount of property, plant and equipment and their fair value at the date of each revaluation; and
- gain from the difference between the carrying amount of property, stated within the group ‘owner occupied property’, and their fair value at the date on which they are transferred to the group ‘investment property’.

Deferred tax effect on the revaluation reserve is directly carried at the account of this reserve.

Revaluation reserve is transferred to the 'accumulated profits' component when the assets are derecognised from the statement of financial position or are fully depreciated.

The revaluation reserve covers the impairment of the assets with which it relates. It may be used in the implementation of Company's dividend and capital policies only after it is transferred to the 'retained earnings' component.

Available-for-sale financial assets reserve is being set aside from the difference between the carrying amount of the available-for-sale financial assets and their fair values at the revaluation date. This reserve is transferred to current profit and loss in the statement of comprehensive income (within profit or loss for the year) when the financial assets are disposed of (sold) by the Company and/or on identified permanent impairment of particular financial assets.

2.23. Financial instruments

2.23.1. 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 in the statement of financial position on the trade date, being the date on which the Company commits to purchase the respective financial assets. All financial assets are measured at their fair value plus the directly attributable transaction costs.

Financial assets are derecognised from the Company’s statement of financial position when the rights to receive cash 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 in its statement of financial position but also recognises a secured liability (a loan) for the consideration received.

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 the group of current assets when having maturity within 12 months or within a common operating cycle of the Company while the remaining ones are carried 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 (Notes 2.14, 2.15 and 2.16). Interest income on loans and receivables is recognised by applying the effective interest rate except for short-term receivables (less than three months) where the recognition of such interest 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 the item ‘finance income’.

At the date of each statement of financial position, the Company assesses whether events and circumstances have occurred that indicate the existence of objective evidence necessitating loans and receivables to be impaired (Note 2.27).

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative assets that are either acquired for the purpose of being sold or are not classified in any other category. These are usually shares or interests in other companies, acquired for investment purposes (available-for-sale investments), 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 (Note 2.12).

Available-for-sale financial assets are measured at

- fair value for companies whose shares are quoted in a stock exchange. The fair value of these assets is determined by applying average stock exchange bid price commonly for the last month at the date of the statement of financial position unless only an insignificant package of the capital of these companies is being traded and/or the volume of transactions with them is very limited – then stock exchange prices are adjusted by applying other valuation methods (Note 2.27), or as an exception,
- at acquisition cost for 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 not possible for the calculation of the fair value of their shares through other alternative valuation methods.

The effects, gains or losses, of revaluation to fair value of the available-for-sale investments are included in the statement of comprehensive income (within other comprehensive income) under the item ‘net change in fair value of available-for-sale financial assets’ and are accumulated to a separate equity component – ‘available-for-sale financial assets reserve’.

Where subsequent permanent impairment is identified or on sale of an available-for-sale investment, the amount of impairment and all previously accumulated losses (net) to the reserve are recognised in the statement of comprehensive income (within profit or loss for the year) as ‘finance costs’ Analogously, on each sale of investment of this type, the unrealised gains accumulated in the reserve are recognised in the statement of comprehensive income (within profit or loss for the year) as ‘finance income’.

The recycling of accumulated effects from change in the fair value of available-for-sale investments are presented with other comprehensive income (in the item ‘net change in fair value of available-for-sale financial assets’), net of those resulting from new revaluations for the period.

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.

The available-for-sale investments are reviewed at each date of the statement of financial position for events or circumstances indicating the existence of objective evidence for impairment of a particular financial asset or group of assets. Financial assets are impaired if their carrying amount is higher than the expected recoverable amount. The recognised impairment loss is equal to the difference between the acquisition cost less the repayments and their recoverable amount, which is accepted to be equal to the present value of the expected future cash flows, discounted at the current interest rate or through the yield for similar financial assets.

2.23.2. 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 on the balance sheet at fair value net of the directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method (Notes 2.17, 2.18, 2.20).

2.24. 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 2011 was 10 % (2010: 10%).

Deferred income taxes are determined using the liability method on all temporary differences, existing at the financial statements date, 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 at each statement of financial position date and reduced to the extent that it is probable that they will reverse and sufficient taxable profit will be generated or taxable temporary differences will occur in the same period, whereby they can be deducted or set-off.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period when the asset will be realised or the liability will be settled (paid), based on the tax laws that are enacted or substantively enacted.

As at 31 December 2011, the deferred income taxes were computed at a tax rate of 10 % (31 December 2010: 10 %).

2.25. Earnings per share

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

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

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

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

2.26. Segment reporting

The Company identifies its reporting segments and discloses segment information in accordance with the organisational and reporting structure used by the management. Operating segments are business components, which are regularly measured by members of the management who take operating decisions by using financial and operating information prepared specifically on the segment for the purposes of current monitoring and assessment of results and allocating Company's resources.

Company's operating segments are currently monitored and directed separately as each of them represents a separate business area that offers various products and bears various business risks and rewards.

Company's operating segments include the business fields by individual lines of medicinal forms production – tablets, ampoules, other.

Information by operating segments

The Company uses one measuring unit – gross margin (profit) for measuring the results in the operating segments and allocation of resources between them. It is defined as the difference between segment revenue and segment expenses directly attributable to the respective segment.

Segment assets, liabilities, respective revenue, expenses and results include those that are and can be directly attributable to the respective segment as well as such that can be allocated on a reasonable basis. Usually they include: (a) for revenue - sales of finished products; (b) for expenses - raw materials and consumables used, depreciation and amortisation and production staff remuneration; (c) for assets - property, plant and equipments and inventories; (d) for liabilities - payables to personnel and for social security. Capital expenses (investments) by business segments are differentiated expenses incurred in the period of acquisition or construction of segment non-current assets, which are expected to be used for more than one period.

The Company manages its investments in securities, trade accounts and financial resources granted/received as well as taxes at entity's level and they are not allocated at segment level.

The results of the operations regarded as accidental ones compared to the main types of operations (activities) of the Company as well as revenue, expenses, liabilities and assets that are not subject to allocation are stated separately in the item 'total at Company level'. In general, these amounts include: other operating income unless originating from the operation of a particular segment, administrative expenses, interest income and expenses, realised and unrealised gains and losses from foreign currency transactions and investments, investments in other companies, trade and other receivables, trade payables and loans received, tax accounts, general-purpose production and administrative equipment.

The applied accounting policy for segment reporting is based on that used by the Company for the preparation of its statutory financial statements for public purposes.

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

Inventories

Normal capacity

The normal production capacity of the Company is determined on the grounds of the monthly weighted average man-hours worked-out in three consecutive reporting periods (years) individually for each type of production and each workshop.

Allowance for impairment

At the end of each financial year, the Company reviews the state, useful life and usability of the existing inventories. Where inventories are identified that are potentially likely to not be realised at their current carrying amount in the following reporting periods, the Company impairs the inventories to net realisable value.

As a result of the reviews and analyses made as at 31 December 2011, impairment of inventories was stated at the amount of BGN 1,297 thousand (2010: BGN 531 thousand) (Note 9).

Actuarial calculations

Calculations of certified actuaries have been used when determining present value of long-term payables to personnel upon retirement on the basis of assumptions for mortality rate, staff turnover rate, future salaries level and discount factor (Note 29).

Revaluation of property, plant and equipment

As at 31 December 2011, the Company performed an overall review and assessment for price changes of property, plant and equipment with the assistance of independent certified appraisers.

The following two major approaches and valuation methods were used in these revaluations to measure the fair value of the different types of tangible fixed assets:

- 'Market-based approach' through the 'market analogues method' – with regard to land and buildings for which actual market were available, analogous properties and deals with them were observed and basis for comparison existed and their market value determined by the comparative method was accepted as fair value;
- 'Approach based on the real value of assets' through the 'method of amortised recoverable amount' – for special-purpose buildings for which there was not available actual market and comparative sales of analogous assets – their amortised recoverable amount was accepted as their fair value and under the hypothesis of their common use in technologically-related production business process (including timeline) and taking into account: physical ware, functional and economic impairment.

As a result of the assessment performed, a revaluation reserve at the amount of BGN 2,706 thousand was recognised net of impairment (Note 15).

The main information sources, used for fair value calculation, assumptions and assessment, with regard to fair values cover: internal data and opinion of Company's management on the functional status of assets, level of capacity utilization, intention for sale of specific assets, general repairs performed, perspectives for assets utilization, public information on the financial, technical and operative status of the Company during the last five years, published prices of realised transactions on real estate markets, information of realised or quoted transactions for sale and purchase of similar assets (Note 15).

Impairment of investments in subsidiaries

At each reporting date, the management makes an assessment about whether indicators for impairment exist in respect of its investments in subsidiaries and associates. The following are accepted as main indicators for impairment: significant volume reduction (over 25%) or termination of activities of the subsidiary where investments have been made; reporting of losses for a longer period of time (over three years) as well as reporting of negative net assets or assets below the registered share capital. The calculations were made by the management with the assistance of independent certified appraisers. As a base for projected pre-tax cash flows, the Company uses financial budgets developed by the respective companies that cover a 4-year period, as well as other average-term and long-term plans and intents for their development, including projections for basic economic ratios at national level and at the level of EU/the Balkans. The key assumptions used in the calculations of recoverable value are as follows:

- growth rate – from 2% to 27%;
- discount rate (based on WACC) – from 9.4 % to 16.1 %.

The discount rate is determined specifically for each company by year and in line with its specific operations, business environment and risks.

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

As a result of the calculations made in 2011, necessity for recognition of impairment of particular investments in subsidiaries was identified at the amount of BGN 863 thousand (2010: BGN 1,818 thousand) (Notes 10, 18).

Subsequent measurement of available-for-sale investments (financial assets) to fair value and treatment of the results of negative revaluation

As at 31 December 2011, the Company made a detailed comparative analysis of the changes and movements of stock-exchange prices in the national stock market with regard to the shares in public companies held thereby.

With regard to the investments in companies whose shares are registered for trading in the Bulgarian Stock Exchange, the management performed research and analysis and is of the opinion that the stock prices are not sufficiently directly indicative for the fair value of the respective securities mainly because of the still significantly decreased volumes. This circumstance lead to its decision to change the valuation approach applied by 31 December 2008 – from direct stock (unadjusted) average prices of realised deals in the stock market for the last month of the financial year (Level 1) to adjusted stock prices (Level 2). The calculations for these adjusted stock prices were made by the management with the assistance of independent certified appraisers using for the purpose share prices of other entities with similar characteristics, quoted on the Bulgarian Stock Exchange and/or other foreign analogous stock exchanges (Notes 14 and 19).

For investments in companies whose shares are registered for trade in foreign stock exchanges and traded in sufficient volume of transaction in the capital market, it was accepted that they can be subsequently measured at fair value determined directly on the basis of average prices of realised deals in the stock exchange in the last month of the financial year (Level 1). The applied prices were additionally analyzed for trends in the behaviour of stock prices of the respective securities at least for the last three months of the year and respectively, to the date of issue of the financial statements. (Notes 14 and 19).

The management also used mandatory alternative valuation methods for additional confirmation of the applied value as fair value for both years.

Specific analysis was also made with regard to all investments in available-for-sale securities of the behavioural graph of their stock exchange prices and the fair values determined by alternative valuation methods for a period of 18 months at 31 December in order to determine whether conditions exist for permanent and significant impairment. As a result of this analysis, the following it was found for part of the investments as at 31 December 2011: (a) a trend of retaining the low level of share prices; (b) continuous decrease against the prior period; (c) prices of analogous entities and/or existence of other valuations of the held shares-investments, determined by alternative valuation methods (e.g. discounted cash flows method, market analogues), which are maintained or decreased compared to the values at the end of the prior year.

These results of the analysis are the grounds for the position of the management to recognise the impairment of these investments and all previously accumulated losses (net) to the reserve in the statement of comprehensive income (within profit or loss for the year) as ‘finance costs’ – at the amount of BGN 2,624 thousand (2010: BGN 4,299 thousand).

Operating lease

The Company has classified a building, leased to a related party under operating lease terms, in the group of ‘property, plant and equipment’. Since a significant part of the building is used thereby in its own operations as well the management has decided that the building shall not be treated as investment property.

Impairment of receivables

The Company estimates the losses from doubtful and bad debts at each balance sheet date on individual basis. Where difficulties in collecting certain receivables are observed, they are subject to analysis in order to determine the actually collectable portion therefrom while the remaining portion to the nominal value is recognised in the statement of comprehensive income (within profit or loss for the year) as impairment (Note 9).

After 180 days of delay it is already considered that indicators for impairment may exist. In the judgment of collectability of receivables, the management performs analysis of the total exposure of each counterparty in order to establish the actual possibility for their collection and not only at the level of past due individual receivables of a counterparty, including the possibilities of collecting interest for delay. When the collectability of a receivable (a group of receivables) is highly uncertain, an assessment is made what part thereof is secured by collateral (pledge, mortgage, warrant, bank guarantee) and thus with ensured collection (through future realisation of the collateral or guarantee payment). Where the management has judged that a very high uncertainty exists as to the collectability of certain receivables or part of them and they are not secured by collateral, the receivables are fully written off.

For 2011, the recognised impairment of receivables (net of the reversals) amounts to BGN 172 thousand (2010: BGN 116 thousand).

Litigation provisions

With regard to the pending litigations against the Company (as a defendant), the management together with Company's lawyers has judged that at this stage the probability and risks of a negative outcome therefrom is still below 50% and therefore, it has not included a provisions for litigation payables in the statement of financial position as at 31 December 2011 (Notes 37).

Deferred tax assets

The Company has not recognised deferred tax assets at the amount of BGN 1,234 thousand related to impairment of investments in subsidiaries because the management is not planning to dispose of these investments and has judged that it is unlikely the temporary difference to be manifested in a foreseeable future. The temporary difference on which no tax asset is recognised amounts to BGN 12,341 thousand (Note 28).

3. REVENUE

The main *revenue* earned from sales of Company's finished products include:

	2011	***2010***
	BGN '000	***BGN '000***
Export	144,398	145,749
Domestic market	65,449	63,310
Total	**209,847**	**209,059**

Sales of products - export	***2011***	***2010***
	BGN '000	***BGN '000***
Tablet dosage forms	116,147	113,778
Syrup dosage forms	11,458	11,477
Ampoule dosage forms	9,830	11,624
Ointments	3,250	4,505
Lyophilic products	3,033	3,597
Suppositories	353	659
Drops	169	109
Infusion solutions	158	-
Total	**144,398**	**145,749**

Sales by product – domestic market	***2011***	***2010***
	BGN '000	***BGN '000***
Tablet dosage forms	38,942	37,557
Ampoule dosage forms	17,982	17,380
Lyophilic products	3,229	3,550
Syrup dosage forms	2,465	2,077
Ointments	1,734	1,747
Drops	700	624
Suppositories	397	375
Total	**65,449**	**63,310**

The breakdown of *sales* by geographic regions is as follows:

	2011 BGN '000	*Relative share*	*2010 BGN '000*	*Relative share*
Europe	126,990	61%	130,438	62%
Bulgaria	65,449	31%	63,310	30%
Other countries	17,408	8%	15,311	8%
Total	**209,847**	**100%**	**209,059**	**100%**

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

	2011 BGN '000	*% of revenue*	*2010 BGN '000*	*% of revenue*
Client 1	77,968	37%	81,972	39%
Client 2	65,260	31%	62,932	30%

4. OTHER OPERATING INCOME AND LOSSES

Company's *other operating income and losses* include:

	2011 BGN '000	*2010 BGN '000*
Sales of materials	*16,001*	*13,988*
Cost of materials sold	*(15,603)*	*(13,747)*
Gain on sales of materials	398	241
Sales of non-current assets	*37*	*159*
Carrying amount of non-current assets sold	*(19)*	*(309)*
Gain/(loss) on sale of non-current assets	18	(150)
Sales of goods	*1,771*	*1,849*
Cost of goods sold	*(1,120)*	*(1,169)*
Gain on sales of goods	651	680
Services rendered	2,634	2,525
Income from penalties	782	-
Losses from revaluation on investment property to fair value	(365)	(353)
Net loss from exchange differences under trade receivables and payables and current accounts	(526)	(89)
Other income	231	246
Total	**3,823**	**3,100**

Income from sales of materials comprises mainly: sales of substances and packaging materials - aluminium foil, vials, tubes etc.

Sales of goods include:

	2011	***2010***
	BGN '000	***BGN '000***
Foodstuffs	752	688
Goods with technical designation	560	755
Cosmetics	279	390
Food supplements	180	16
Total	**1,771**	**1,849**

The *cost of goods sold* by type is as follows:

	2011	***2010***
	BGN '000	***BGN '000***
Foodstuffs	628	573
Cosmetics	252	330
Food supplements	170	12
Goods with technical designation	70	254
Total	**1,120**	**1,169**

Services rendered include:

	2011	***2010***
	BGN '000	***BGN '000***
Rentals	1,731	1,828
Social activities	356	323
Gamma irradiation	158	106
Laboratory analyses	135	123
Regulatory services	75	47
Advertising services	50	-
Royalty	29	-
Transport organisation	27	24
Other	73	74
Total	**2,634**	**2,525**

5. RAW MATERIALS AND CONSUMABLES USED

The *raw materials and consumables* used include:

	2011	*2010*
	BGN '000	*BGN '000*
Basic materials	44,246	41,106
Spare parts, laboratory and technical materials	4,633	3,371
Heat power	3,126	2,712
Electric energy	2,401	1,983
Fuels and lubricating materials	1,233	1,004
Water	719	701
Working clothes	586	522
Impairment of materials	446	102
Scrapped materials	70	26
Total	**57,460**	**51,527**

Expenses on *basic materials* include:

	2011	*2010*
	BGN '000	*BGN '000*
Substances	25,074	23,294
Packaging materials	7,448	6,913
Aluminium and PVC foil, vials, tubes	5,250	4,822
Liquid and solid chemicals	3,382	3,142
Ampoules	2,495	2,328
Herbs	597	607
Total	**44,246**	**41,106**

6. HIRED SERVICES EXPENSE

Hired services expense includes:

	2011	***2010***
	BGN '000	***BGN '000***
Manufacture	35,991	34,440
Advertising	8,788	8,587
Consulting services	3,862	1,310
Commission fees	2,974	3,411
Transport	2,495	2,796
Buildings and equipment maintenance	2,105	1,378
Logistic services – domestic market	1,463	1,229
State and regulatory charges	1,324	1,409
Civil contracts	1,020	879
Insurance	928	938
Logistic services on export	820	905
Rentals	794	495
Security	769	725
Services on drug registration	741	460
Local taxes and charges	697	732
Clinical trials	526	133
Taxes on expenses	497	452
Documentation translation	493	620
Subscription fees	483	452
Medical service	479	428
Announcements and communications	408	546
Vehicles repair and maintenance	367	239
Licence fees and charges	349	178
Fees for servicing of current bank accounts	282	212
Courier services	149	169
Drug destruction costs	143	69
Service fees	25	51
Total	**68,972**	**63,243**

7. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense includes:

	2011	*2010*
	BGN '000	*BGN '000*
Current wages and salaries	25,046	22,596
Tantieme	1,217	-
Social security/health insurance contributions	5,046	4,347
Social benefits and payments	2,014	1,439
Accruals for unused paid leaves	358	320
Social security/health insurance contributions on leaves	62	93
Accruals for long-term payables to personnel	308	370
Total	**34,051**	**29,165**

The accruals for *long-term payables to personnel* (Note 29) include:

	2011	*2010*
	BGN '000	*BGN '000*
Current service costs	206	204
Interest expense	81	80
Net actuarial loss recognised for the period	21	86
Total	**308**	**370**

8. OTHER OPERATING EXPENSES

Other operating expenses include:	*2011*	*2010*
	BGN '000	*BGN '000*
Entertainment events	2,075	2,000
Accrued impairment of finished products and work in progress, net (Note 9)	851	429
Business trips	812	526
Other taxes	347	111
Donations	266	342
Scrapped finished products and work-in-progress	216	368
Receivables written-off	94	-
Scrap and shortages of non-current assets	81	44
Training	67	70
Unrecognised input VAT	46	73
Awarded amounts under litigations	42	77
Scrapped perennial plants	30	106
Accrued impairment of receivables, net (Note 9)	172	116
Other	5	30
Total	**5,104**	**4,292**

9. IMPAIRMENT OF CURRENT ASSETS

Impairment losses on current assets include:	*2011*	*2010*
	BGN ‘000	*BGN ‘000*
Impairment of receivables	*373*	*321*
Reversed impairment of receivables	*(201)*	*(205)*
Net change in receivables write-down	172	116
Impairment of finished products	849	283
Impairment of materials	446	102
Impairment of work-in-progress	2	146
Total	**1,469**	**647**

10. IMPAIRMENT OF NON-CURRENT ASSETS

Impairment losses on non-current assets include:	*2011*	*2010*
	BGN ‘000	*BGN ‘000*
Impairment of investments in subsidiaries	863	1,818
Impairment of property, plant and equipment	12	25
	875	**1,843**

11. FINANCE INCOME

Finance income includes:

	2011	*2010*
	BGN ‘000	*BGN ‘000*
Income from participation	5,444	2,879
Interest income on loans granted	5,264	3,302
Interest income on deposits	283	278
Net gain on transactions with securities	230	-
Net gain from exchange differences on loans	222	67
Total	**11,443**	**6,526**

12. FINANCE COSTS

Finance costs include:

	2011	*2010*
	BGN '000	*BGN '000*
Interest expense on loans received	6,287	6,309
Impairment of available-for-sale investments	2,624	4,299
Bank fees and charges on loans and guarantees	300	294
Interest expense on finance lease	233	225
Net loss on transactions with securities	-	368
Fair value measurement on a merger of an associate in a subsidiary	-	670
Total	**9,444**	**12,165**

13. INCOME TAX EXPENSE

Statement of comprehensive income (profit or loss for the year)	*2011*	*2010*
	BGN '000	*BGN '000*
Tax profit for the year under tax return	49,671	47,957
Revaluation reserve included as an increase in the annual tax return	(87)	(88)
Tax profit for the year	49,584	47,869
Current income tax expense for the year - 10% (2010: 10 %)	4,958	4,787
Deferred income taxes related to:		
Occurrence and reversal of temporary differences	(549)	220
Total income tax expense carried to the statement of comprehensive income (within profit or loss for the year)	**4,409**	**5,007**

Reconciliation of income tax expense applicable to the accounting profit or loss		
Accounting profit for the year	*45,094*	*45,551*
Income tax -10% (2010: 10%)	4,509	4,555
From unrecognised amounts as per tax returns related to:		
increases – BGN 4,264 thousand (2010: BGN 7,826 thousand)	426	783
decreases – BGN 5,262 thousand (2010: BGN 3,335 thousand)	(526)	(334)
Recognised deferred taxes on temporary differences occurred in prior periods	-	3
Total income tax expense carried to the statement of comprehensive income (within profit or loss for the year)	**4,409**	**5,007**

The tax effects regarding other components of comprehensive income are as follows:

	2011 BGN '000			2010 BGN '000		
	Pre-tax amount	Tax benefit/(expense)	Amount net of tax	Pre-tax amount	Tax benefit/(expense)	Amount net of tax
Net change in the fair value of available-for-sale financial assets	314	-	314	3,976	-	3,976
Gain on revaluation of property, plant and equipment	2,706	(271)	2,435	58	(6)	52
Total other comprehensive income for the year	**3,020**	**(271)**	**2,749**	**4,034**	**(6)**	**4,028**

The net change in the fair value of available-for-sale financial assets is related to valuation of shares in public companies, which is not subject to corporate tax according to the Bulgarian tax legislation.

14. COMPONENTS OF OTHER COMPREHENSIVE INCOME – INCOME RECYCLING

Other components of ***comprehensive income*** include:

	2011 BGN '000	*2010 BGN '000*
Change in the fair value of available-for-sale financial assets		
Gains arising during the year	86	477
Less: *Reclassification adjustments for gains/(losses) included in the profit or loss for the current year*	228	3,499
Change in the fair value of property, plant and equipment		
Gains on revaluation of property, plant and equipment, arising during the year	2,706	58
Income tax relating to components of other comprehensive income	(271)	(6)
Other comprehensive income for the year, net of tax	**2,749**	**4,028**

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		*Machinery and equipment*		*Other*		*Assets in progress*		*Total*	
	2011	***2010***	***2011***	***2010***	***2011***	***2010***	***2011***	***2010***	***2011***	***2010***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Book value										
Balance at 1 January	**67,224**	**68,015**	**80,031**	**78,383**	**16,965**	**16,613**	**8,874**	**3,251**	**173,094**	**166,262**
Additions	909	341	1,376	1,669	1,007	996	24,734	6,370	28,026	9,376
Transfer to property, plant and equipment	15	251	645	437	56	59	(716)	(747)	-	-
Transfer to investment property	-	(1,279)	-	-	-	-	-	-	-	(1,279)
Allowance for impairment	-	(2)	(6)	-	(6)	(23)	-	-	(12)	(25)
Disposals	(57)	(102)	(534)	(458)	(209)	(680)	-	-	(800)	(1,240)
Effect of revaluation to fair value	282	-	380	-	-	-	-	-	662	-
Balance at 31 December	**68,373**	**67,224**	**81,892**	**80,031**	**17,813**	**16,965**	**32,892**	**8,874**	**200,970**	**173,094**
Accumulated depreciation										
Balance at 1 January	**3,272**	**1,640**	**48,243**	**43,605**	**9,082**	**7,718**	**-**	**-**	**60,597**	**52,963**
Depreciation charge for the year	1,693	1,729	4,805	5,034	1,542	1,612	-	-	8,040	8,375
Depreciation written-off	(8)	(97)	(504)	(396)	(159)	(248)	-	-	(671)	(741)
Effect of revaluation to fair value	-	-	(2,044)	-	-	-	-	-	(2,044)	-
Balance at 31 December	**4,957**	**3,272**	**50,500**	**48,243**	**10,465**	**9,082**	**-**	**-**	**65,922**	**60,597**
Carrying amount at 31 December	**63,416**	**63,952**	**31,392**	**31,788**	**7,348**	**7,883**	**32,892**	**8,874**	**135,048**	**112,497**
Carrying amount at 1 January	**63,952**	**66,375**	**31,788**	**34,778**	**7,883**	**8,895**	**8,874**	**3,251**	**112,497**	**113,299**

As at 31 December 2011 the Company's tangible fixed assets include: land amounting to BGN 27,150 thousand (31 December 2010: BGN 26,010 thousand) and buildings of carrying amount BGN 36,266 thousand (31 December 2010: BGN 37,942 thousand).

Tangible fixed assets in progress as at 31 December include:

- expenses on construction of new production buildings – BGN 27,539 thousand (31December 2010: BGN 8,665 thousand);
- buildings reconstruction – BGN 1,164 thousand (31 December 2010: BGN 103 thousand);
- advances granted at the amount of BGN 4,151 thousand (31 December 2010: BGN 103 thousand);
- other – BGN 38 thousand (31 December 2010: BGN 3 thousand).

The amount of other assets as at 31 December 2011 includes also biological assets – Golden Chain (Laburnum anagyroides) plantation at the amount of BGN 140 thousand (31 December 2010: BGN 160 thousand).

Operating lease

The Company leased tangible fixed assets with carrying amount of BGN 8,141 thousand as at 31 December 2011 to related parties (31 December 2010: BGN 10,086 thousand). In addition, tangible fixed assets at carrying amount of BGN 74 thousand were leased to third parties as at 31 December 2011 (31 December 2010: BGN 2,054 thousand).

Finance lease

As at 31 December 2011, assets at the carrying amount of BGN 604 were acquired under finance lease contracts (31 December 2010: BGN 549 thousand).

Other data

The book value of fully depreciated tangible fixed assets, used in the Company's activities according to their groups, is as follows:

- machinery and equipment – BGN 19,327 thousand (31 December 2010: BGN 25,386 thousand);
- motor vehicles – BGN 541 thousand (31 December 2010: BGN 200 thousand);
- furniture and fixtures – BGN 3,039 thousand (31 December 2010: BGN 2,514 thousand).

The following encumbrances have been constituted on tangible fixed assets of the Company as at 31 December 2011 in relation to received loans:

- Land and buildings with carrying amount of BGN 11,545 thousand and BGN 35,638 thousand, respectively (31 December 2010: respectively, BGN 11,393 thousand and BGN 18,862 thousand) (Notes 27 and 31);
- Pledge on facilities with carrying amount of BGN 734 thousand (31 December 2010: BGN 780 thousand) (Notes 27 and 31).
- Pledges on equipment – BGN 20,887 thousand (31 December 2010: BGN 6,889 thousand) (Notes 27 and 31).

16. INTANGIBLE ASSETS

	Intellectual property rights		*Software*		*Assets in progress*		*Total*	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*
Book value	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Balance at 1 January	**822**	**745**	**1 735**	**1,038**	**503**	**777**	**3,060**	**2,560**
Additions	4	22	347	328	1,597	150	1,948	500
Transfer	314	55		369	(314)	(424)	-	-
Balance at 31 December	**1,140**	**822**	**2,082**	**1,735**	**1,786**	**503**	**5,008**	**3,060**
Accumulated amortisation								
Balance at 1 January	**355**	**223**	**755**	**653**	**-**	**-**	**1,110**	**876**
Amortisation charge for the year	153	132	359	102	-	-	512	234
Balance at 31 December	**508**	**355**	**1,114**	**755**	**-**	**-**	**1,622**	**1,110**
Carrying amount at 31 December	**632**	**467**	**968**	**980**	**1,786**	**503**	**3,386**	**1,950**
Carrying amount at 1 January	**467**	**522**	**980**	**385**	**503**	**777**	**1,950**	**1,684**

The rights on intellectual property include mainly products of development activities.

Intangible assets in progress as at 31 December include:

- expenses on software implementation – BGN 1,086 thousand (31 December 2010: BGN 61 thousand);
- expenses on permits for use of medicinal products – BGN 700 thousand (31 December 2010: BGN 442 thousand).

17. INVESTMENT PROPERTY

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Balance at 1 January	**19,535**	**18,552**
Fair value measured as at 31 December, carried to the statement of comprehensive income	(365)	(353)
Transfer from property, plant and equipment	-	1,279
Fair value measurement, carried to the statement of changes in equity on the transfer to the group of investment property	-	57
Balance at 31 December	**19,170**	**19,535**

Investment property represents differentiated parts of buildings for independent use, intended for long-term lease to subsidiaries and third parties.

18. INVESTMENTS IN SUBSIDIARIES

The carrying amount of the investments by company is as follows:

		31.12.2011 BGN '000	*Interest %*	*31.12.2010 BGN '000*	*Interest %*
Sopharma Trading AD	Bulgaria	32,273	81.33	32,738	82.50
Unipharm AD	Bulgaria	19,449	49.99	19,448	49.99
Bulgarian Rose Sevtopolis AD	Bulgaria	8,729	49.99	8,729	49.99
Briz OOD	Latvia	6,262	51.00	6,262	51.00
Vitamina AD	Ukraine	6,187	99.56	6,187	99.56
Ivanchich and sons	Serbia	5,739	51.00	5,739	51.00
Biopharm Engineering AD	Bulgaria	3,451	69.43	3,921	69.43
Momina Krepost AD	Bulgaria	2,891	49.85	3,079	49.66
Pharmalogistica AD	Bulgaria	1,911	76.54	1,911	76.54
Sopharma Buildings REIT	Bulgaria	1,128	42.64	1,093	40.87
Electroncommerce EOOD	Bulgaria	384	100.00	384	100.00
Extab Corporation	USA	47	80.00	108	80.00
Sopharma Warsaw EOOD	Poland	7	100.00	7	100.00
Rostbalkanpharm AD	Russia	4	51.00	4	51.00
Sopharma Zdrovit AD	Poland	-	50.01	124	50.01
Sopharma Poland Ltd.	Poland	-	60.00	10	60.00
Sopharma USA	USA	-	100.00	-	100.00
		88,462		**89,744**	

Sopharma AD has direct or indirect control on the above-mentioned companies.

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

- Pharmalogistica AD – Scope of activities: secondary packaging and real estate leases. Date of acquisition – 15 August 2002.
- Rostbalkanpharm AD – Scope of activities: manufacture and trade in pharmaceuticals. Date of acquisition – 27 July 2001.
- Bulgarian Rose-Sevtopolis AD – Scope of activities: manufacture of finished drug forms. Date of acquisition – 22 April 2004.
- Electroncommerce EOOD – Scope of activities: trade, transportation and packaging of radioactive materials and nuclear equipment, household electronics and electrical equipment. Date of acquisition – 9 August 2005.
- Sopharma Poland Ltd. – Scope of activities: market and public opinion research. Date of acquisition – 16 October 2003. The company is in a procedure of liquidation.
- Sopharma USA – Scope of activities: trade in pharmaceuticals and food supplements. Date of acquisition – 25 April 1997.
- Sopharma Trading AD – Scope of activities: trade in pharmaceuticals. Date of acquisition – 8 June 2006.
- Biopharm Engineering AD – Scope of activities: manufacture and trade in solutions for infusion. Date of acquisition – 10 March 2006.
- Sopharma Zdrovit AD – Scope of activities: research and development activities in the field of

medical science and pharmacy, wholesale in pharmaceuticals. Date of acquisition – 27 September 2007. The company is in a procedure of liquidation.

- Vitamina AD – Scope of activities: production and trade in pharmaceuticals. Date of acquisition – 18 January 2008.
- Ivanchich and sons OOD – Scope of activities: production and trade in pharmaceuticals. Date of acquisition – 10 April 2008.
- Sopharma Buildings REIT – Scope of activities: investment of funds, accumulated by issuance of securities, in real estate (securitisation of real estate) through purchase of title and other real rights over real estate, rent-out, lease, and/or sale. Date of acquisition – 4 August 2008.
- Momina Krepost AD – Scope of activities: development, implementation and production of medical goods for human and veterinary medicine. Date of acquisition – 1 January 2008.
- Briz OOD – Scope of activities: trade in pharmaceuticals; Date of acquisition – 10 November 2009.
- Extab Corporation – Scope of activities: management of financial assets and investment portfolios. Date of acquisition – 5 August 2009.
- Unipharm AD – Scope of activities: production and trade in pharmaceuticals. Date of acquisition – 27 October 2010.
- Sopharma Warsaw EOOD – Scope of activities: market and public opinion research. Date of acquisition – 23 November 2010.

The shares of Bulgarian Rose Sevtolopis AD are traded on the stock exchange, the average monthly price of realized transactions for December 2011 being BGN 1.28 per share (December 2010: BGN 1.37). The earnings per share based on accounting net assets for 2011 are BGN 1.72 (2010: BGN 1.65).

The shares of Sopharma Trading AD are traded on the stock exchange, the average monthly price of realized transactions for December 2011 being BGN 1.65 per share (December 2010: BGN 1.46). The earnings per share based on net assets for 2011 are BGN 1.72 (2010: BGN 1.71).

The shares of Momina Krepost AD are traded on the stock exchange, the average monthly price of realized transactions for December 2011 being BGN 2.89 per share (December 2010: BGN 2.23). The earnings per share based on net assets for 2011 are BGN 2.92. (2010: BGN 2.98).

The shares of Sopharma Buildings REIT are traded on the stock exchange at a limited amount, for December 2011 being BGN 2.97: December 2010: no transactions) The earnings per share based on net assets for 2011 are BGN 2.26 (2010: BGN 2.24).

The shares of Unipharm AD are traded on the stock exchange, the average monthly price of realized transactions for December 2011 being BGN 5.00 per share (December 2010: BGN 5.16). The earnings per share based on net assets for 2011 are BGN 2.92 (December 2010: BGN 2.73).

The movement of investments in subsidiaries is presented below:

	Investments in subsidiaries	
	31.12.2011	***31.12.2010***
Acquisition cost (cost)	***BGN '000***	***BGN '000***
Balance at 1 January	**101,222**	**81,993**
Direct acquisition	45	19,471
Acquisition through a merge-in of an associate	-	1,206
Disposals	(464)	(1,448)
Balance at 31 December	**100,803**	**101,222**
Accrued impairment		
Balance at 1 January	**11,478**	**9,660**
Accrued impairment	863	1,818
Balance at 31 December	**12,341**	**11,478**
Carrying amount at 31 December	**88,462**	**89,744**
Carrying amount at 1 January	**89,744**	**72,333**

In 2011, the Company did not acquire new subsidiaries (2010: Unipharm AD and Sopharma Warsaw OOD).

19. AVAILABLE-FOR-SALE INVESTMENTS

The *available-for-sale investments* (financial assets) at carrying amount include the participation (shares) in the following companies:

	31.12.2011 ***BGN '000***	***Interest %***	***31.12.2010*** ***BGN '000***	***Interest %***
Doverie United Holding AD	12,870	14.86	14,630	13.78
Medica AD	2,420	10.13	2,492	9.45
Olainfarm AD - Latvia	703	0.77	617	0.77
Lavena AD	426	4.99	-	-
Maritzatex AD	146	3.68	247	8.01
Sopharma Properties AD	115	0.36	-	-
Hydroizomat AD	51	3.74	44	2.93
Todorov AD	46	4.97	-	-
Ecobulpack AD	7	1.48	7	1.48
Bulgarian Stock Exchange – Sofia AD	4	0.03	-	-
UniCredit Bulbank AD	3	0.001	3	0.001
Aroma AD	1	0.03	-	-
Total	**16,792**		**18,040**	

All above companies except for Olainfarm AD, Latvia, have their seat and operations in Bulgaria.

The investments in Ecobulpack AD and UniCredit Bulbank AD are valued and presented at acquisition price. The remaining investments are measured at fair value based on: (a) adjusted stock exchange prices for shares traded on the Bulgarian Stock Exchange (Level 2), and (b) average stock exchange prices for the month of December for shares traded on a foreign stock exchange (Level 1) (Notes 2.27 and 14).

	31.12.2011			31.12.2010		
	Number of shares held	*Fair value per share*	*Fair value as per the statement of financial position*	*Number of shares held*	*Fair value per share*	*Fair value as per the statement of financial position*
		BGN	*BGN*		*BGN*	*BGN*
Doverie United Holding AD	2,081,067	6.18	12,870	1,930,665	7.58	14,630
Medica AD	1,019,550	2.37	2,420	951,929	2.62	2,492
Olainfarm AD - Latvia	108,500	6.48	703	108,500	5.68	617
Lavena AD	9,989	42.63	426	-	-	-
Maritzatex AD	16,270	8.96	146	37,561	6.59	247
Sopharma Properties AD	46,866	2.46	115	100	2.5	-
Hydroizomat AD	48,572	1.04	51	38,075	1.15	44
Todorov AD	168,998	0.27	46	-	-	-
Bulgarian Stock Exchange – Sofia AD	1,700	2.60	4	-	-	-
Aroma AD	4,000	0.37	1	-	-	-
			16,782			**18,030**

20. LONG-TERM LOANS GRANTED TO RELATED PARTIES

Long-term loans granted to related parties are as follows:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Subsidiaries	15,340	9,059
Companies under a common control through key managing personnel	729	121
Companies – main shareholders	-	3,074
Total	**16,069**	**12,254**

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

Currency	*Contracted amount*	*Maturity*	*Interest %*	*31.12.2011*		*31.12.2010*	
	'000			*BGN'000*	*BGN'000 including interest*	*BGN'000*	*BGN'000 including interest*
to subsidiaries							
USD	3,000	25.01.2015	9.80%	5,845	*1,311*	5,555	*1,137*
EUR	2,770	21.01.2013	6.10%	5,732	*314*	-	-
USD	1,000	25.01.2015	9.80%	2,022	*510*	1,889	*416*
USD	3,000	25.01.2015	9.80%	1,741	*381*	1,615	*290*
to companies under a common indirect control through key managing personnel							
BGN	1,100	31.12.2014	8.08%	729	*1*	-	-
BGN	120	10.07.2012	8.08%	-	-	121	*1*
to companies – main shareholders							
EUR	1,500	10.08.2012	5.50%	-	-	3,074	*140*
				16,069	***2,517***	**12,254**	***1,984***

The long-term loans granted to related parties are not secured by collateral.

21. INVENTORIES

Company's *inventories* include:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Materials	21,949	20,705
Finished products	22,054	17,277
Semi-finished products	3,813	4,950
Work-in-progress	3,054	3,501
Goods	46	74
Total	**50,916**	**46,507**

Materials by type are as follows:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Basic materials	18,647	17,908
Materials in a process of delivery	2,335	1,726
Technical materials	398	353
Auxiliary materials	300	349
Spare parts	116	209
Other	153	160
Total	**21,949**	**20,705**

Basic materials by type are as follows:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Substances	11,928	10,704
Vials, tubes and ampoules	3,667	3,176
Chemicals	1,222	1,114
Packaging materials	888	895
PVC and aluminium foil	792	1,294
Herbs	150	725
Total	**18,647**	**17,908**

Finished products existing at 31 December include:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Tablet dosage forms	13,940	12,044
Ampoule dosage forms	4,266	3,173
Syrups	1,683	535
Other	2,165	1,525
Total	**22,054**	**17,277**

Pledges were established on Company's inventories amounting to BGN 37,825 thousand as at 31 December 2011 as collateral to bank loans received (31 December 2010: BGN 15,213 thousand) (Notes 27 and 31).

22. RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Receivables from subsidiaries	*73,840*	*47,139*
Impairment of uncollectible receivables	*(641)*	*(641)*
	73,199	46,498
Receivables from companies under a common control through key managing personnel	36,088	18,783
Receivables from companies – main shareholders	14,468	13,003
Receivables from companies under a common indirect control	*13,478*	*14,109*
Impairment of uncollectible receivables	*(2,129)*	*(1,786)*
	11,349	12,323
Total	**135,104**	**90,607**

The receivables from related parties by type are as follows:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Receivables on sales of finished products and materials	72,520	46,748
Trade loans granted	61,767	43,859
Dividend receivable	817	-
Total	**135,104**	**90,607**

The receivables on sales are interest-free and BGN 52,760 thousand of them are denominated in BGN (31 December 2010: BGN 36,350 thousand) and in EUR – BGN 19,760 thousand (31 December 2010: BGN 10,398 thousand).

The receivables from a subsidiary with principal activities in the field of trade in pharmaceuticals are the most significant and amounted to BGN 50,088 thousand as at 31 December 2011 or 69.07 % of all receivables on sales of finished products and materials to related parties (31 December 2010: BGN 35,640 thousand - 76.2 %).

The Company usually negotiates with its subsidiaries payment terms of 180 days for receivables on sales of finished products and up to 90 days for receivables on sales of materials (incl. substances).

The Company determined a credit period of up to 270 days for which no interest was charged to sales counterparts - related parties and this was in line with the specifics of the end users – hospitals, Health Insurance Fund and other. Any delay after this period is regarded by the Company as an indicator for impairment. The management judges collectability on an individual basis by analyzing the specific receivables and circumstances related to delay in order that impairment is charged.

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

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
up to 30 days	17,530	9,501
from 31 to 90 days	19,276	14,453
from 91 to 180 days	22,652	16,861
from 181 to 270 days	-	45
from 271 to 360 days	-	100
Total	**59,458**	**40,960**

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

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
from 31 to 90 days	474	1,228
from 91 to 180 days	577	681
from 180 to 365 days	10,470	2,477
from 1 to 2 years	1,541	1,402
Total	**13,062**	**5,788**

The past due but not impaired receivables are mainly from subsidiaries, which are in a process of implementing the purposes of the Group for expanding its market share in the territory in which they operate.

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

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
over 1 years	987	931
Allowance for impairment	(987)	(931)
	-	-

Movement of the allowance for impairment

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Balance at the beginning of the year	**931**	**875**
Stated impairment of receivables from companies under common control	56	56
Balance at the end of the year	**987**	**931**

Loans granted to related parties by type of related party are as follows:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Receivables from companies under common control through key managing personnel	36,088	18,783
Companies – main shareholders	14,458	12,999
Companies under a common indirect control	12,737	13,368
Impairment of trade loans	*(1,783)*	*(1,497)*
	10,954	11,871
Subsidiaries	267	206
Total	**61,767**	**43,859**

The *granted loans* are as follows:

Currency	*Contracted amount '000*	*Maturity*	*Interest %*	*31.12.2011*		*31.12.2010*	
				BGN'000	*BGN'000 including interest*	*BGN'000*	*BGN'000 including interest*
to companies under a common indirect control through key managing personnel							
BGN	14,287	31.12.2012	8.30%	14,492	*662*	13,493	*563*
EUR	7,200	25.10.2012	4,50%	14,164	*82*	-	-
EUR	1,581	31.12.2012	5,50%	3,387	*295*	-	-
BGN	2,477	31.12.2012	8.08%	2,669	*288*	2,477	*96*
BGN	945	31.12.2012	8.08%	1,011	*211*	945	*146*
BGN	190	31.12.2012	8.08%	211	*21*	196	*6*
BGN	120	10.07.2012	8.08%	101	-	-	-
BGN	500	31.12.2012	8.08%	53	*3*	-	-
BGN	1,100	31.12.2011	8.08%	-	-	1,115	*15*
BGN	540	31.12.2011	8.08%	-	-	557	*17*
to companies – main shareholders							
EUR	4,035	30.09.2012	4.80%	7,991	*99*	-	-
BGN	18,495	31.08.2012	8.08%	6,467	-	6,214	-
EUR	1,686	30.09.2012	5.50%	-	-	3,344	*47*
EUR	1,500	26.01.2012	5.50%	-	-	3,081	*147*
EUR	179	30.06.2012	5.50%	-	-	360	*10*
to companies under a common indirect control							
EUR	7,000	28.12.2012	4.50%	10,604	-	-	-
BGN	570	15.03.2012	8.08%	350	-	-	-
BGN	4,374	31.12.2011	8.08%	-	-	3,945	-
EUR	1,581	01.04.2011	5.50%	-	-	3,217	*125*
EUR	12,286	31.12.2011	5.50%	-	-	2,783	-
BGN	5,701	31.12.2011	8.08%	-	-	1,875	*13*
BGN	350	30.06.2012	8.08%	-	-	51	-
to subsidiaries							
BGN	600	02.12.2012	7.00%	151	*1*	-	-
USD	30	31.12.2012	3.50%	45	-	-	-
USD	25	31.12.2012	3.50%	39	*1*	-	-
USD	20	31.12.2012	3.50%	32	*2*	30	-
BGN	400	31.01.2011	8.08%	-	-	151	*1*
PLN	50	31.08.2011	4.00%	-	-	25	-
				61,767	***1,665***	**43,859**	***1,186***

There are special pledges on receivables from related parties at the amount of BGN 10,450 thousand, established at 31 December 2011 as collateral for bank loans received (31 December 2010: BGN 12,450 thousand).

23. TRADE RECEIVABLES

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Receivables from clients	26,827	38,310
Impairment of uncollectible receivables	(39)	(297)
	26,788	38,013
Advances granted	2,601	1,318
Impairment of uncollectible receivables	(6)	(20)
	2,595	1,298
Total	**29,383**	**39,311**

The *receivables from clients* are interest-free and BGN 141 thousand of them are denominated in BGN (31 December 2010: BGN 135 thousand), in USD – BGN 962 thousand (31 December 2010: BGN 1,826 thousand), in EUR – BGN -25,602 thousand (31 December 2010: BGN 36,052 thousand) and in PLN – BGN 83 thousand (31 December 2010: none).

About 86.49 % of the receivables from clients are attributable to three main counterparts of the Company (for 2010: 72%).

Generally, the Company agrees with its clients a term from 60 to 180 days for the payment of receivables under sales.

The Company has set a common credit period of 180 days for which no interest is charged to clients. 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.

Special pledges on trade receivables at the amount of BGN 31,492 thousand were established at 31 December 2011 as collateral to bank loans (31 December 2010: BGN 29,492 thousand) (Notes 27 and 31).

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

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
up to 30 days	2,884	24,836
from 31 to 90 days	21,490	5,578
from 91 to 180 days	1,399	2,272
Total	**25,773**	**32,686**

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

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
from 31 to 90 days	65	4610
from 91 to 180 days	45	393
from 181 to 365 days	632	324
from 1 to 2 years	273	-
Total	**1,015**	**5,327**

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

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
over 1 year	39	297
Allowance for impairment	(39)	(297)
	-	**-**

The *movements of the allowance for impairment* are as follows:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Balance at the beginning of the year	**297**	**585**
Stated impairment	30	134
Amounts written-off as uncollectable	(108)	(255)
Reversal of impairment	(180)	(167)
Balance at the end of the year	**39**	**297**

The *advances granted to suppliers* as at 31 December are for the purchase of:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Raw and other materials	2,020	937
Services	575	361
Total	**2,595**	**1,298**

The *advances granted* are regular. They include: in BGN - BGN 811 thousand (31 December 2010: BGN 669 thousand), in EUR – BGN 531 thousand (31 December 2010: BGN 53 thousand), in USD – BGN 1,032 thousand (31 December 2010: BGN 575 thousand), in PLN – BGN 218 thousand (31 December 2010: none) and in other currencies – BGN 3 thousand (31 December 2010: BGN 1 thousand).

24. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Taxes refundable	5,189	3,474
Loans granted to third parties	937	1,226
Court and awarded receivables	2,622	399
Impairment of court receivables	*(142)*	*(394)*
	2,480	5
Prepayments	1,245	735
Amounts granted to an investment intermediary	197	58
Receivables on deposits placed as guarantees	191	179
Other	94	165
Total	**10,333**	**5,842**

Taxes refundable include:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Excise duties	2,758	1,906
VAT	2,065	1,459
Corporate tax	314	-
Withholding taxes	52	109
Total	**5,189**	**3,474**

The terms and conditions of the *loans granted to third parties* are as follows:

Currency	*Contracted amount*	*Maturity*	*Interest %*	*31.12.2011*		*31.12.2010*	
	'000			*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
					including interest		*including interest*
BGN	800	27.12.2012	7.00%	801	1	-	-
BGN	100	31.12.2012	8.08%	103	*3*	101	*1*
BGN	31	08.09.2012	6.00%	31	-	-	-
BGN	25	01.06.2012	8.08%	2	-	7	-
EUR	1,000	04.04.2011	10.80%	-	-	1,118	*29*
				937	**4**	**1,226**	**30**

Prepayments include:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Insurance	431	388
Subscriptions	255	142
Licence and patent fees	188	58
Advertising	167	101
Vouchers	111	-
Rentals	52	15
Other	41	31
Total	**1,245**	**735**

Deposits placed as guarantees include:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Guarantees under contracts for fuel supply	86	86
Guarantees under communication service contracts	31	31
Guarantees for medicinal products supply	26	16
Other	48	46
Total	**191**	**179**

Other non-current assets, amounting to BGN 272 thousand as at 31 December 2011 (31 December 2010: none) include receivables under guarantees granted under a long-term rental contract with validity expiring in 2016.

25. CASH AND CASH EQUIVALENTS

Cash includes:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Deposits with original maturity of up to one month	9,901	2,912
Cash at current bank accounts	8,075	27,583
Cash in hand	62	487
Total	**18,038**	**30,982**

The cash at current bank accounts is denominated as follows: in BGN – BGN 7,232 thousand (31 December 2010: BGN 23,464 thousand), in EUR – BGN 90 thousand (31 December 2010: BGN 2,933 thousand), in USD – BGN 753 thousand (31 December 2010: BGN 1,153 thousand) and in other currency – none (31 December 2010: BGN 33 thousand).

The achieved average interest rate was between 0.2% and 0.10% (31 December 2010: between 0.4 % and 0.12%).

Cash in hand is mainly denominated in BGN.

The deposits as at 31 December 2011 were agreed in EUR – BGN 9,901 thousand (31 December 2010: BGN 1,912 thousand) and in BGN – none (31 December 2010: BGN 1,000 thousand). They are presented at amortised cost.

The effective interest rate of the deposit agreed in EUR was 6.5%. (31 December 2010: for the deposit in BGN – 4.8% and for the deposit in EUR – 5.5%).

26. EQUITY

Share capital

As at 31 December 2011, the registered share capital of Sopharma AD amounted to BGN 132,000 thousand distributed in 132,000,000 shares of nominal value BGN 1 each.

The shares are ordinary, non-cash, with right of dividend and liquidation share and are registered for trade in the Bulgarian Stock Exchange – Sofia AD and Warsaw Stock Exchange.

Ordinary shares issued and fully paid

	Shares	*Share capital net of treasury shares*
	number	*BGN '000*
Balance at 1 January 2010	**132,000,000**	**132,000**
Treasury shares	(607,428)	(2,381)
Expense on treasury shares	-	(11)
Balance at 31 December 2010	**131,392,572**	**129,608**
Balance at 1 January 2011	**131,392,572**	**129,608**
Treasury shares	(1,961,181)	(7,606)
Expense on treasury shares	-	(38)
Balance at 31 December 2011	**129,431,391**	**121,964**

The treasury shares were 2,568,609 at the amount of BGN 10,036 thousand as at 31 December 2011 (31 December 2010: 607,428 at the amount of BGN 2,392 thousand). In the current year the Company purchased 1,961,181 shares and in 2010 - 607,428 shares through an investment intermediary.

As at 31 December 2010, Company's ***shares held by its subsidiaries*** were as follows:

- in Sopharma Trading AD – 144,388 shares (31 December 2010: 352,021 shares)
- in Unipharm AD - 221,166 shares (31 December 2010: 221,166 shares).

Company's ***reserves*** are summarised in the table below:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Statutory reserves	21,855	17,788
Property, plant and equipment revaluation reserve	25,360	23,031
Available-for-sale financial assets reserve	2	(312)
Additional reserves	110,696	85,172
Total	**157,913**	**125,679**

The ***statutory reserves*** amounting to BGN 21,855 thousand (31 December 2010: BGN 17,788 thousand) were set aside from allocation of profit and included all amounts for the Reserve Fund.
The movements of statutory reserves are as follows:

	2011	***2010***
	BGN '000	***BGN '000***
Balance at 1 January	**17,788**	**14,428**
Distribution of profit	4,067	3,360
Balance at 31 December	**21,855**	**17,788**

The ***Property, plant and equipment*** revaluation reserve amounting to BGN 25,360 thousand (31 December 2010: BGN 23,031 thousand), was set aside from the positive difference between the carrying amount of property, plant and equipment and their fair value at the date of the respective revaluation. The deferred tax effect on the revaluation reserve is directly carried to this reserve.

The movements of property, plant and equipment revaluation reserve are as follows:

	2011	***2010***
	BGN '000	***BGN '000***
Balance at 1 January	**23,031**	**23,107**
Gain on revaluation of property, plant and equipment	2,706	58
Deferred tax liability arising on revaluation	(271)	(6)
Transfer to retained earnings	(106)	(128)
Balance at 31 December	**25,360**	**23,031**

The ***available-for-sale financial assets reserve*** was a positive figure amounting to BGN 2 thousand as at 31 December 2011 (31 December 2010: a negative figure amounting to BGN 312 thousand) and was set aside from the effects of subsequent revaluation of available-for-sale investments to fair value.

The movements of available-for-sale financial assets reserve are as follows:

	2011	*2010*
	BGN '000	*BGN '000*
Balance at 1 January	**(312)**	**(4,288)**
Net gain arising on revaluation of available-for-sale financial assets	84	477
Cumulative loss on revaluation reclassified to current profit or loss on sale of available-for-sale financial assets	-	352
Cumulative loss on revaluation reclassified to current profit or loss on impairment of available-for-sale financial assets	230	3,147
Balance at 31 December	**2**	**(312)**

The ***additional reserves*** amounting to BGN 110,696 thousand (31 December 2010: BGN 85,172 thousand) were set aside from distribution of profits under a decision of shareholders and could be used for payment of dividend, share capital increase as well as to cover losses.

The movements of additional reserves are as follows:

	2011	*2010*
	BGN '000	*BGN '000*
Balance at 1 January	**85,172**	**54,938**
Distributed profit in the year	25,524	30,234
Balance at 31 December	**110,696**	**85,172**

The movements of ***retained earnings*** are as follows:

	2011	*2010*
	BGN '000	*BGN '000*
Balance at 1 January	**40,672**	**33,594**
Distribution of profit for reserves	(29,591)	(33,594)
Payment of dividend	(11,081)	-
Transfer from property, plant and equipment revaluation reserve	106	128
Current profit for the year	40,685	40,544
Balance at 31 December	**40,791**	**40,672**

Basic earnings per share

	31.12.2011	*31.12.2010*
Weighted average number of shares	130,330,455	131,843,881
Net profit for the year (BGN'000)	40,685	40,544
Basic earnings per share (BGN)	**0.31**	**0.31**

27. LONG-TERM BANK LOANS

Currency	*Contracted loan amount*	*Maturity*	*31.12.2011* *Non-current portion*	*Current portion*	*Total*	*31.12.2010* *Non-current portion*	*Current portion*	*Total*
	'000		*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Investment-purpose loans								
EUR	32,000	15.04.2021	18,737	37	**18,774**	-	-	-
Credit lines								
EUR	12,000	31.01.2012	-	22,583	**22,583**	23,202	57	**23,259**
EUR	5,000	31.08.2012	-	9,774	**9,774**	-	9,779	**9,779**
EUR	3,000	25.08.2012	-	5,863	**5,863**	-	5,864	**5,864**
EUR	2,500	31.08.2012	-	2,192	**2,192**	-	3,211	**3,211**
BGN	18,000	30.06.2012	-	286	**286**	-	17,983	**17,983**
USD	4,000	30.09.2012	-	-	**-**	3,929	1,964	**5,893**
EUR	1,000	20.09.2011	-	-	**-**	-	503	**503**
			18,737	**40,735**	**59,472**	**27,131**	**39,361**	**66,492**

The loans received in EUR have been agreed at interest rate based on 3-month EURIBOR plus a mark-up of up to 2.8 points while these in BGN – on monthly SOFIBOR plus a mark-up of up to 4.75 points (2010: monthly EURIBOR plus a mark-up of up to 5.5 points while for those in USD – 3-month LIBOR plus a mark-up of up to 6 points).

The following collateral has been established in favour of the creditor banks:

- Mortgages of real estate – BGN 47,183 thousand (31 December 2010: BGN 30,255 thousand) (Note 15);
- Special pledges on:
  - machinery and equipment – BGN 21,621 thousand (31 December 2010: BGN 7,669 thousand) (Note 15);
  - receivables from related parties – BGN 2,500 thousand (31 December 2010: BGN 1,950 thousand) (Note 22);
  - trade receivables – BGN 7,000 thousand (31 December 2010: BGN 7,000 thousand) (Note 23);
  - inventories – BGN 2,800 thousand (31 December 2010: BGN 2,500 thousand) (Note 21).

28. DEFERRED TAX LIABILITIES

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

	temporary difference	*tax*	*temporary difference*	*tax*
	31.12.2011	***31.12.2011***	***31.12.2010***	***31.12.2010***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	52,791	5,279	49,583	4,958
including revaluation reserve	*24,530*	*2,453*	*21,942*	*2,194*
Total deferred tax liabilities	**52,791**	**5,279**	**49,583**	**4,958**
Accruals for liabilities	(91)	(9)	-	-
Receivables	(6,552)	(655)	(2,856)	(285)
Payables to personnel	(2,562)	(256)	(1,660)	(166)
Intangible assets	(2,522)	(253)	(2,300)	(230)
Inventories	(1,613)	(162)	(818)	(82)
Investment property	(791)	(79)	(426)	(42)
Biological assets	(14)	(1)	(8)	(1)
Total deferred tax assets	**(14,145)**	**(1,415)**	**(8,068)**	**(806)**
Deferred income tax liabilities, net	**38,646**	**3,864**	**41,515**	**4,152**

On recognising deferred tax assets, the probability of a reversal of the individual differences and the abilities of the Company to generate sufficient taxable profit in the future, had been taken into account.

The Company did not recognise deferred taxes at the amount of BGN 1,234 thousand (31 December 2010: BGN 1,148 thousand) related to impairment of investments in subsidiaries totalling BGN 12,341 thousand (31 December 2010: BGN 11,478 thousand) (Note 18).

The change in the balance of deferred taxes for the year is as follows:

Deferred tax (liabilities)/ assets	***Balance at 1 January 2011***	***Recognised in the statement of comprehensive income***	***Recognised in equity***	***Recognised in the statement of changes in equity and the current tax return***	***Balance at 31 December 2011***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	(4,958)	(58)	(271)	8	(5,279)
Accruals for liabilities	-	9			9
Receivables	285	370	-	-	655
Payables to personnel	166	90	-	-	256
Intangible assets	230	22	-	-	253
Inventories	82	79	-	-	162
Investment property	42	37	-	-	79
Biological assets	1	-	-	-	1
Total	**(4,152)**	**549**	**(271)**	**8**	**(3,864)**

Deferred tax (liabilities)/ assets	*Balance at 1 January 2010*	*Recognised in the statement of comprehensive income*	*Recognised in equity*	*Recognised in the statement of changes in equity and the current tax return*	*Balance at 31 December 2010*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Property, plant and equipment	(4,775)	(191)	-	8	(4,958)
Receivables	333	(48)	-	-	285
Payables to personnel	160	6	-	-	166
Intangible assets	269	(39)	-	-	230
Inventories	68	14	-	-	82
Investment property	13	35	(6)	-	42
Biological assets	(2)	3	-	-	1
Total	**(3,934)**	**(220)**	**(6)**	**8**	**(4,152)**

29. RETIREMENT BENEFIT OBLIGATIONS

Long-term employee benefits include the present value of the Company's liability at the end of the reporting period to pay indemnities to its employees upon retirement. In accordance with the Labour Code 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 for the same employer – six gross monthly salaries at the time of retirement.

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 change in Company's obligation for payment of defined benefits to its personnel on retirement, recognised in the statement of financial position, is as follows:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Present value of the obligations at 1 January	*1,400*	*1,276*
Unrecognised actuarial loss at 1 January	*(133)*	*(122)*
Liability recognised in the statement of financial position at 1 January	**1,267**	**1,154**
Expense recognised in the statement of comprehensive income for the period	308	370
Payments for the period	(306)	(257)
Liability recognised in the statement of financial position at 31 December	**1,269**	**1,267**
Unrecognised actuarial gain/(loss) at 31 December	*29*	*(133)*
Present value of the obligations at 31 December	*1,240*	*1,400*

The change in the present value of retirement benefit obligations to personnel and the calculation of actuarial (gain)/loss is as follows:

	31.12.2011 *BGN '000*	*31.12.2010* *BGN '000*
Present value of the obligations at 1 January	**1,400**	**1,276**
Interest expense for the period	81	80
Current service costs for the period	206	204
Payments for the period	(306)	(257)
Actuarial (gain)/loss for the period	(141)	97
Present value of the obligations at 31 December	**1,240**	**1,400**

The following actuarial assumptions are used in calculating the present value of the liabilities as at 31 December 2011:

- The discount factor is calculated by using 5.7 % annual interest rate as basis (2010: 6.5 %). The assumption is based on yield data for long-term government securities with 10-year maturity;
- The assumption for the future level of the salaries is based on the information provided by the Company's management and amounts to 5 % annual growth compared to the prior reporting period (2010: 5 %);
- 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 2008 - 2010 (2010: 2007 - 2009);
- Staff turnover rate – from 0 % to 16 % for the five age groups formed (2010: from 0% to 20 %).

30. FINANCE LEASE LIABILITIES

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

Term	*31.12.2011* *BGN '000*	*31.12.2010* *BGN '000*
Up to one year	273	150
Over one year	304	323
Total	**577**	**473**

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

Term	***31.12.2011*** ***BGN '000***	***31.12.2010*** ***BGN '000***
Up to one year	409	281
Over one year	490	479
	899	**760**
Future finance costs under finance leases	(322)	(287)
Present value of finance lease liabilities	**577**	**473**

The lease payments due within the next 12 months are presented in the statement of financial position as 'other current liabilities' (Note 36).

31. SHORT-TERM BANK LOANS

Currency	***Contracted amount*** ***'000***	***Maturity***	***31.12.2011*** ***BGN'000***	***31.12.2010*** ***BGN'000***
Bank loans				
EUR	20,000	31.05.2012	39,095	-
EUR	12,000	27.01.2012	23,595	-
EUR	12,500	14.01.2012	15,127	22,879
BGN	10,000	31.12.2012	10,003	-
EUR	5,000	30.11.2012	8,789	9,789
USD	4,000	31.01.2012	6,027	-
EUR	3,000	28.09.2012	5,864	2,931
EUR	5,000	31.01.2012	3,508	9,777
EUR	12,000	31.01.2011	-	23,717
EUR	5,000	30.09.2011	-	9,776
Total			**112,008**	**78,869**

The loans received in EUR are contracted at an interest rate based on 3-month EURIBOR plus a mark-up of up to 4.5 points, the loans in USD – 3-month LIBOR plus a mark-up of up to 3.85 points, and the loans in BGN – monthly SOFIBOR plus a mark-up of up to 2 points. (2010: 3-month EURIBOR plus a mark-up of 4.5 points). Loans are intended for providing working capital.

The following pledges have been established as collateral for the above loans in favour of the creditor banks:

- receivables from related parties – BGN 7,950 thousand (31 December 2010: BGN 10,500 thousand) (Note 22);
- trade receivables – BGN 24,492 thousand (31 December 2010: BGN 22,492 thousand) (Note 23);
- inventories – BGN 33,025 thousand (31 December 2010: BGN 12,713 thousand) (Note 22).

32. TRADE PAYABLES

Trade payables include:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Payables to suppliers	16,330	13,784
Advances received	214	263
Total	**16,544**	**14,047**

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Payables to foreign suppliers	8,184	5,371
Payables to local suppliers	8,146	8,413
Total	**16,330**	**13,784**

The payables to suppliers are regular, interest-free and refer to supplies of materials and services. The payables in foreign currency amount to BGN 8,184 thousand (31 December 2010: BGN 5,371 thousand). They include: in EUR - BGN 4,970 thousand (31 December 2010: BGN 2,818 thousand), in USD – BGN 3,212 thousand (31 December 2010: BGN 2,552 thousand) and in other currency – BGN 2 thousand (31 December 2010: BGN 1 thousand).

The common credit period for which no interest is charged for trade payables is 180 days. The Company has no past due trade payables.

The Company has placed deposits as collateral (Note 24) for payables to suppliers under commercial transactions at the amount of BGN 463 thousand (31 December 2010: BGN 179 thousand).

33. PAYABLES TO RELATED PARTIES

The *payables to related parties* refer to:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Payables to subsidiaries	2,998	1,989
Payables to companies – main shareholders	1,486	934
Payables to companies under a common indirect control	750	672
Payables to companies under a common control through key management personnel	2	-
Total	**5,236**	**3,595**

The *payables to related parties by type* are as follows:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Services	3,786	3,543
Payables for construction of new production facilities	1,450	-
Payables for supply of inventories and goods	-	52
Total	**5,236**	**3,595**

The trade payables to related parties are regular, denominated in BGN and EUR and are not additionally secured by the Company. At 31 December 2011, the payables in BGN amounted to BGN 5,195 thousand (31 December 2010: BGN 3,543 thousand) and those in EUR – BGN 41 thousand (31 December 2010: BGN 52 thousand).

34. TAX PAYABLES

Tax payables include:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Individual income taxes payable	251	182
Withholding taxes	11	37
Corporate tax	-	355
Total	**262**	**574**

The following inspections and audits were performed by the date of issue of these financial statements:

- under VATA – covering the period until 31 October 2008;
- full-scope tax audit – covering the period till 31 December 2007;
- National Social Security Institute – until 31 October 2008.

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

By order No 1200019 of 16 January 2012 inspections were assigned by type and period as follows:

- under VATA – for the period from 1 November 2008 to 30 November 2011;
- full-scope tax audit – for the period from 1 January 2008 to 31 December 2010.

35. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

Payables to personnel and for social security are as follows:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Payables to personnel, including:	2,207	1,144
current liabilities	*903*	*739*
tantieme	*811*	-
accruals on unused compensated leaves	*493*	*405*
Payables for social security/health insurance, including:	541	471
current liabilities	*457*	*403*
accruals on unused compensated leaves	*84*	*68*
Total	**2,748**	**1,615**

36. OTHER CURRENT LIABILITIES

Other current liabilities include:

	31.12.2011	*31.12.2010*
	BGN '000	*BGN '000*
Finance lease liabilities	273	150
Deductions from work salaries	189	74
Dividend liabilities	102	104
Awarded amounts under litigations	4	32
Other	30	16
Total	**598**	**376**

37. CONTINGENT LIABILITIES AND COMMITMENTS

Litigations

On 28 July 2011, Sopharma started arbitrary proceedings before the International Chamber of Commerce in Paris against a client in relation with unpaid supplies of goods at the amount of EUR 1,034 thousand (BGN 2,022 thousand). On his part, the client filed a counter-claim for damages caused by unjustifiable termination of a distribution contract by Sopharma at the amount of EUR 2,426 thousand (BGN 4,745 thousand). According to Company's lawyers, the claim of Sopharma is well-grounded and it is supposed to be confirmed in favour of the Company while the counter-claim will be rejected and therefore, no provision has been included under this case.

At the date of the annual financial statements, Sopharma AD is a defendant under a case initiated by a supplier for unpaid supplies received by its subsidiary at the amount of BGN 597 thousand (USD 352 thousand principal and USD 43 thousand – interest for delay). The Company has lodged higher claims against the claimant related to intellectual property protection, for violations under the Trademarks and Geographical Names Act in particular, i.e. unlawful use of trademarks belonging to the Company. In accordance with the information from Company's lawyers, the prospects are that the case will be closed with a final rejection of the claim and therefore, no provisions were recognised.

Issued guarantees

The Company is a co-debtor under received bank loans and a guarantor of the following pharmaceutical trading companies before banks:

	Maturity	Currency	Amount Original currency	Amount BGN'000	Status of the debt 31.12.2011 BGN'000
Sopharma Properties REIT	29.12.2020	EUR	30,000	58,675	58,675
Sopharma Trading AD	31.12.2012	EUR	10,000	19,558	19,558
Sopharma Trading AD	31.12.2012	EUR	8,434	16,495	16,472
SCS Franchise AD	30.06.2012	EUR	2,500	4,889	4,889
Sopharma Trading AD	31.12.2012	BGN	3,732	3,732	3,148
SIA BRIZ	31.01.2012	LVL	1,054	2,947	2,947
Sopharma Trading AD	28.09.2012	EUR	2 000	3,912	2,442
Bulgarian Rose Sevtopolis AD	31.01.2015	EUR	1,617	3,163	1,476
Sopharma Trading AD	30.04.2012	EUR	2,000	3,912	1,043
Sopharma Trading AD	25.10.2016	EUR	432	846	822
Energoinvestment AD	28.08.2012	BGN	2,000	2,000	500
Mineralcommerce AD	20.03.2017	EUR	100	196	196
Sopharma Trading AD	25.05.2016	EUR	89	174	156
Sopharma Trading AD	25.03.2013	EUR	2,000	3,912	155
Sopharma Trading AD	31.12.2012	EUR	66	129	129
Sopharma Trading AD	25.07.2016	EUR	63	124	115
Sopharma Trading AD	30.06.2012	EUR	2,050	4,009	108
Unipharm AD	22.02.2013	EUR	50	98	98
Sopharma Trading AD	28.02.2012	EUR	530	1,036	87
Sopharma Trading AD	25.05.2016	EUR	41	80	86
Sopharma Trading AD	30.06.2013	EUR	1,675	3,276	63
Mineralcommerce AD	19.01.2014	EUR	25	49	49
Sopharma Trading AD	25.09.2016	EUR	22	42	48
Sopharma Trading AD	25.06.2016	EUR	23	45	41
Sopharma Trading AD	25.06.2016	EUR	22	43	39
Sopharma Trading AD	25.09.2016	EUR	15	29	27
Sopharma Trading AD	25.04.2012	EUR	3,000	5,867	-
				139,238	113,369

Goods under safe custody

As at 31 December 2011, the value of third party's assets (goods under safe custody) available in the warehouses of Sopharma AD was BGN 1,238 thousand (31 December 2010: none).

Significant irrevocable agreements and commitments

Sopharma AD concluded a contract with a supplier for the purchase and implementation of an integrated information system Microsoft Dynamics AX for the amount of BGN 3,700 thousand (EUR 1,892 thousand). The final term for implementation of the information system is 2012.

In 2011, the Company assumed a self-participation commitment at the amount of BGN 3,997 thousand under a contract for financing under Operating Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 2013. The execution of the contract is envisaged to last 24 months and is related with financing the purchase of machinery and equipment.

Operating lease receivables

As at 31 December, the main contracts for lease-out of property owned by Sopharma AD represent revocable contracts as follows:

2011	**2010**
Pharmaceuticals warehouse – the leased area is 5,000 sq.m. with a contractual term of 5 years.	Pharmaceuticals warehouse – the leased area is 5,000 sq.m. with a contractual term of 5 years.

The expected rental payments under all concluded rental contracts are as follows:

	2011	***2010***
	BGN '000	***BGN '000***
Within 1 year	1,206	1,711
For a period of one to five years	2,813	3,026
Total	**4,019**	**4,737**

Other

The Company has met its obligations under the Waste Management Act (WMA) and therefore, has not included a product charge liability in the statement of financial position as at 31 December 2011 regardless of the fact that the official document evidencing that Ecobulpack (the organization in which the Company is a member) has fulfilled its commitments under WMA, has not been issued yet at the date of preparation of these financial statements.

38. FINANCIAL RISK MANAGEMENT

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 might 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 finished products and services 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 is currently performed by the Company's management following the policy adopted by the Board of Directors. The latter has approved the basic principles of general financial risk management, on the basis of which specific procedures have been established for management of the separate specific types of risk such as currency, price, interest, credit and liquidity risk and the risk of use of non-derivative instruments.

Categories of financial instruments:

Financial assets	***31.12.2011 BGN '000***	***31.12.2010 BGN '000***
Available-for-sale financial assets	***16,792***	***18,040***
Available-for-sale investments (in shares)	*16,792*	*18,040*
Loans and receivables	***199,925***	***173,261***
Long-term loans granted to related parties	*16,069*	*12,254*
Short-term receivables from related parties	*135,104*	*90,607*
Trade receivables	*26,788*	*38,013*
Other receivables	*3,654*	*1,405*
Other non-current assets (long-term receivables)	272	-
Cash and cash equivalents	*18,038*	*30,982*
Total	***216,717***	***191,301***

Financial liabilities	***31.12.2011 BGN '000***	***31.12.2010 BGN '000***
Financial liabilities at amortised cost	***193,740***	***163,351***
Long-term bank loans	18,737	27,131
Short-term bank loans	*112,008*	*78,869*
Current portion of long-term bank loans	*40,735*	*39,361*
Trade payables to related parties	*5,236*	*3,595*
Trade payables	*16,330*	*13,784*
Other liabilities	*694*	*611*
Total	***193,740***	***163,351***

Currency risk

The Company performs its activities with an active exchange with foreign suppliers and clients. Therefore, it is exposed to currency risk mainly in respect of USD. Part of Company's revenue is earned from export of finished products contracted as payable in USD. At the same time, the Company supplies part of its raw and other materials in USD as well. 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.

The remaining part of company operations are usually denominated in BGN and/or EUR.

To control foreign currency risk, the Company has introduced a system for planning import supplies, sales in foreign currency as well as procedures for daily monitoring of US dollar exchange rate movements and control on pending payments.

The assets and liabilities denominated in BGN and foreign currency are presented as follows:

31 December 2011	**in USD**	**in EUR**	**in BGN**	**in other currency**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Available-for-sale financial assets	-	-	16,089	703	16,792
Receivables and loans granted	10,686	89,781	80,520	900	181,887
Cash and cash equivalents	753	9,991	7,291	3	18,038
Total financial assets	**11,439**	**99,772**	**103,900**	**1,606**	**216,717**
Bank loans	6,027	155,164	10,289	-	171,480
Other liabilities	3,211	5,012	13,458	579	22,260
Total financial liabilities	**9,238**	**160,176**	**23,747**	**579**	**193,740**

31 December 2010	**in USD**	**in EUR**	**in BGN**	**in other currency**	**Total**
	BGN ‘000	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*
Available-for-sale financial assets	-	-	17,423	617	18,040
Receivables and loans granted	10,916	63,477	67,861	25	142,279
Cash and cash equivalents	1,153	4,845	24,951	33	30,982
Total financial assets	**12,069**	**68,322**	**110,235**	**675**	**191,301**
Bank loans	5,893	139,468	-	-	145,361
Other liabilities	2,552	2,870	12,092	476	17,990
Total financial liabilities	**8,445**	**142,338**	**12,092**	**476**	**163,351**

Foreign currency sensitivity analysis

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

		USD	
		31.12.2011 BGN '000	31.12.2010 BGN '000
Financial result	+	198	326
Accumulated profits	+	198	326
Financial result	-	(198)	(326)
Accumulated profits	-	(198)	(326)

In case of 10% increase in the rate of USD to BGN, the final effect on post-tax profit of the Company for 2011 would be an increase by BGN 198 thousand (0.5 %). For 2010, the final effect on Company's post-tax profit would be an increase by BGN 326 thousand (0.8 %). The effect in terms of value on Company's equity – through the component 'retained earnings' – would be the same. The loans granted to related parties have the greatest impact for this increase for 2010 and 2011.

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

The impact of the remaining currencies (other than USD) on 10% increase in their exchange rates to BGN on Company's (post-tax) profit is insignificant. The ultimate effect thereon for 2011 is an increase by BGN 45 thousand (2010: decrease at the amount of BGN 7 thousand). The effect on equity is of the same amount and in a direction of increase / decrease and reflects in the component 'retained earnings'.

In management's opinion, the presented above currency sensitivity analysis based on the balance sheet structure of foreign currency denominated assets and liabilities is representative for the currency sensitivity of the Company for the year.

Price risk

On the one hand, the Company is exposed to price risk due to two main factors:

(a) a contingent increase of supplier prices of raw and other materials, since more than 80% of the raw and starting materials are imported and they represent 50% on the average of all production costs; and

(b) the growing competition on the Bulgarian pharmaceutical market is also reflected in drug prices.

For the purpose of mitigating this influence, the Company applies a strategy aimed at optimization of production costs, validation of alternative suppliers that offer beneficial commercial conditions, expanding product range by means of new generic products development and last but not least, adoption of a flexible marketing and price policy. Price policy is a function of three main factors – structure of expenses, prices of competitors and purchasing capacity of customers.

On the other hand, the Company is exposed to a price risk related to the held thereby shares, classified as available-for-sale investments. For this purpose, the management monitors and analyses all changes in security markets and also uses consulting services of one of the most authoritative in the country investments intermediaries. In addition, at this stage, because of the economic and financial crisis, the management has taken a decision for a significant reduction in its operations on stock markets, retaining of the purchased shares for longer periods with current monitoring of the reported by the respective issuer financial and business indicators as well as the development of the operations in the environment of crisis.

The sensitivity analysis of the Company to the fair value of the shares held thereby is based on the state and structure of the available-for-sale investments as at 31 December. The effect of 25% increase in prices would result in increase in the other components of the statement of comprehensive income and respectively, in equity ('available-for-sale financial assets reserve') by BGN 4,192 thousand (2010: BGN 4,434 thousand). On interest rate decrease by 25 %, the final effect stated in equity would be equal and reciprocal to the presented above.

Credit risk

Credit risk is the risk that any of the Company's clients will fail to discharge in full and within the normally envisaged terms the amounts due under trade receivables. The latter are presented in the balance sheet 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.

In the years of its trade experience, the Company has implemented different schemes of distribution to reach its efficient approach of today, in conformity with the market conditions, using various ways of payment as well as relevant trade discounts. The Company works on its main markets with counterparts with history of their relations on main markets, which include over 70 licensed Bulgarian and foreign traders of pharmaceuticals.

The cooperation with the National Health Insurance Fund and the state hospitals also require the implementation of deferred payments policy. In this sense, regardless of credit risk concentration, it is controlled through the choice of trade counterparts, current monitoring of their liquidity and financial stability as well as direct communication with them and search of prompt measures on first indications for existing problems.

The Company has concentration of receivables from other companies of Sopharma Group (trade receivables and loans) as follows:

	31.12.2011	***31.12.2010***
	BGN '000	***BGN '000***
Client 1	37 %	39 %
Client 2	15 %	13 %
Client 3	14 %	21 %

The Company has concentration of trade receivable from a single client, which is outside Sopharma Group, and is accountable for 65.99 % of all trade receivables (31 December 2010: 59.79 %).

Deferred payments (credit sales) are offered only to clients having long account of business relations with the Company, good financial position and no history of credit terms violations.

Collectability of receivables is controlled directly by the Executive Director, Finance Director and Commercial Director. Their responsibility is to provide operating control and regulate receivables in conformity with the actual market situation and the needs of the Company.

The Company has developed policy and procedures to assess the creditworthiness of its counterparts and to assign credit rating and credit limits by groups of clients.

The financial resources of the Company as well as the settlement operations are concentrated in different first-class banks. To distribute cash flows among them, Company management takes into consideration a great number of factors, as the amount of capital, reliability, liquidity, the credit potential of the bank etc.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally its obligations within their maturity.

The Company generates and maintains a sufficient volume of liquid funds. An internal source of liquid funds for the Company is its main economic activity generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. Company's liquidity could be significantly affected by USD exchange rate fluctuations with regard to our US dollar positions on the Russian market and market dynamics, if this rate deviates from our forecasts. To isolate any possible liquidity risk, the Company implements a system of alternative mechanisms of acts and prognoses, the final aim being to maintain good liquidity and, respectively, ability to finance its economic activities. This is complemented by the monitoring of due dates and maturity of assets and liabilities as well as control of cash outflows.

Maturity analysis

The table below presents the financial non-derivative assets and liabilities of the Company, grouped by remaining term to maturity, determined against the contractual maturity at the end of the reporting period. 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 2011	**up to 1 month** *BGN '000*	**1 to 3 months** *BGN '000*	**3 to 6 months** *BGN '000*	**6 to 12 months** *BGN '000*	**1 to 2 years** *BGN '000*	**2 to 5 years** *BGN '000*	**over 5 years** *BGN '000*	**Total** *BGN '000*
Available-for-sale financial assets	-	-	-	-	16,792	-	-	16,792
Receivables and loans granted	25,000	24,794	21,978	97,077	6,079	13,011	-	187,939
Cash and cash equivalents	18,038	-	-	-	-	-	-	18,038
Total assets	**43,038**	**24,794**	**21,978**	**97,077**	**22,871**	**13,011**	**-**	**222,769**
Bank loans	71,646	615	46,157	37,248	787	2,360	21,394	180,207
Other liabilities	8,673	8,895	4,313	191	224	265	-	22,561
Total liabilities	**80,319**	**9,510**	**50,470**	**37,439**	**1,011**	**2,625**	**21,394**	**202,768**

31 December 2010	**up to 1 month** *BGN '000*	**1 to 3 months** *BGN '000*	**3 to 6 months** *BGN '000*	**6 to 12 months** *BGN '000*	**1 to 2 years** *BGN '000*	**2 to 5 years** *BGN '000*	**over 5 years** *BGN '000*	**Total** *BGN '000*
Available-for-sale financial assets	-	-	-	-	18,040	-	-	**18,040**
Receivables and loans granted	20,690	39,969	32,551	39,642	13,258	-	-	**146,110**
Cash and cash equivalents	30,982	-	-	-	-	-	-	**30,982**
Total assets	**51,672**	**39,969**	**32,551**	**39,642**	**31,298**	**-**	**-**	**195,132**
Bank loans	47,486	1,814	11,233	50,049	39,203	-	-	**149,785**
Other liabilities	4,199	7,453	5,895	271	396	83	-	**18,297**
Total liabilities	**51,685**	**9,267**	**17,128**	**50,320**	**39,599**	**83**	**-**	**168,082**

Risk of interest-bearing cash flows

Interest-bearing assets are presented in the structure of Company's assets by cash, bank deposits and loans granted, which are with fixed interest rate. On the other hand, Company's borrowings in the form of long-term and short-term loans are usually with a floating interest rate. This circumstance makes the cash flows of the Company partially dependent on interest risk. This risk is covered in two ways:

(a) optimisation of the sources of credit resources for achieving relatively lower price of attracted funds; and

(b) the combined structure of interest rates on loans, which consists of two components – a permanent one and a variable one, the correlation between them, as well as their absolute value, can be achieved and maintained in a proportion favorable for the Company. The permanent component has a relatively low absolute value and sufficiently high relative share in the total interest rate. This circumstance eliminates the probability of a significant change in interest rate levels in case of variable component updating. Thus the probability for an unfavourable change of cash flows is reduced to a minimum.

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, and alternative financing. Based on these scenarios, the impact of a defined interest rate shift, expressed in points or percentage, on the financial result and equity is calculated. For each simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

Interest analysis

31 December 2011	**Interest-free**	**With floating interest %**	**With fixed interest %**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Available-for-sale financial assets	16,792	-	-	16,792
Receivables and loans granted	107,299	-	74,588	181,887
Cash and cash equivalents	184	8,075	9,779	18,038
Total financial assets	**124,275**	**8,075**	**84,367**	**216,717**
Bank loans	419	171,061	-	171,480
Other liabilities	21,683	577	-	22,260
Total financial liabilities	**22,102**	**171,638**	**-**	**193,740**

31 December 2010	**Interest-free**	**With floating interest %**	**With fixed interest %**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Available-for-sale financial assets	18,040	-	-	18,040
Receivables and loans granted	88,139	-	54,140	142,279
Cash and cash equivalents	487	30,495	-	30,982
Total financial assets	**106,666**	**30,495**	**54,140**	**191,301**
Bank loans	499	144,862	-	145,361
Other liabilities	17,517	473	-	17,990
Total financial liabilities	**18,016**	**145,335**	**-**	**163,351**

The table below demonstrates the Company's sensitivity to possible changes in interest rates by 50 points 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.

2011	*Increase / decrease in interest rate*	*Impact on post-tax financial result – profit/(loss)*	*Impact on equity - increase/(decrease)*
EUR	Increase	(696)	(696)
BGN	Increase	(46)	(46)
USD	Increase	(27)	(27)
UAH	Increase	(2)	(2)
EUR	Decrease	696	696
BGN	Decrease	46	46
USD	Decrease	27	27
UAH	Decrease	2	2

2010	*Increase / decrease in interest rate*	*Impact on post-tax financial result – profit/(loss)*	*Impact on equity - increase/(decrease)*
EUR	Increase	(625)	(625)
USD	Increase	(27)	(27)
UAH	Increase	(2)	(2)
EUR	decrease	625	625
USD	decrease	27	27
UAH	decrease	2	2

Capital risk management

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

The Company currently monitors capital availability and structure on the basis of the gearing ratio.

In 2011, the strategy of the Company management was to maintain the ratio within 30 - 35% (2010: 25 – 30%).

The table below shows the gearing ratios based on capital structure as at 31 December:

	2011 BGN '000	*2010* BGN '000
Total borrowings, including:	**172,057**	**145,834**
bank loans	*171,480*	*145,361*
finance lease liabilities	*577*	*473*
Less: Cash and cash equivalents	**(18,038)**	**(30,982)**
Net debt	**154,019**	**114,852**
Total equity	**320,668**	**295,959**
Total capital	**474,687**	**410,811**
Gearing ratio	**0.32**	**0.28**

The liabilities included in the table above are disclosed in Notes 27, 30, 31 and 36.

Fair values

Fair value is generally the amount for which an asset could be exchanged, or a liability settled in an arm's length transaction between independent, willing and knowledgeable parties. The Company's policy is to disclose in its financial statements mostly the fair value of these assets and liabilities for which market quotations are available.

The fair value of financial instruments, which are not traded in active markets, is determined through valuation methods based on various valuation techniques and management assumptions made in accordance with the market circumstances as at the balance sheet date.

The fair value concept presumes realisation of the financial instruments through sales. However, in most cases especially in regard of trade receivables and payables as well as loans and deposits, the Company expects to realise these financial assets also through their total refund or respectively, settlement over time. Therefore, they are presented at their amortised cost.

In addition, a large part of the financial assets and liabilities are either short-term in their nature (trade receivables and payables, short-term loans) or are presented in the statement of financial position at market value (deposits placed with banks, investments in securities) and therefore, their fair value is almost equal to their carrying amount. The investments in subsidiaries and associates (and part of the investments in other companies with minority interest) represent an exception to this rule and they are presented at cost.

As far as no sufficient market experience, stability and liquidity exist in regard of purchases and sales of certain financial assets and liabilities, no adequate and reliable quotes of market prices are available thereof, which is additionally complicated at the present stage by the financial crisis occurring in the country.

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

39. SEGMENT REPORTING

Company's segment reporting is organised on the basis of the production of main groups of finished products:

- Tablet dosage forms
- Ampoule dosage forms
- Other dosage forms.

The other dosage forms include mainly: lyophilic products, ointments, syrups, drops, suppositories, etc.

Segment revenue, expenses and results include:

	Tablet dosage forms		*Ampoule dosage forms*		*Other dosage forms*		*Total*	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Segment revenue	155,089	151,335	27,812	29,004	26,946	28,720	209,847	209,059
Segment cost	(72,516)	(70,515)	(12,050)	(12,222)	(18,886)	(19,406)	(103,452)	(102,143)
Segment result	**82,573**	**80,820**	**15,762**	**16,782**	**8,060**	**9,314**	**106,395**	**106,916**
Non-allocated operating income							3,823	3,100
Non-allocated operating expenses							(66,248)	(56,983)
Profit from operations							**43,970**	**53,033**
Impairment of non-current assets							(875)	(1,843)
Finance income/(costs), net							1,999	(5,639)
Profit before income tax							**45,094**	**45,551**
Income tax expense							(4,409)	(5,007)
Net profit for the year							**40,685**	**40,544**

Segment assets and liabilities include:

	Tablet dosage forms		*Ampoule dosage forms*		*Other dosage forms*		*Total*	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Property, plant and equipment	2,570	2,449	21,286	21,968	13,516	14,245	37,372	38,662
Inventories	26,891	22,215	10,087	8,070	10,590	13,351	47,568	43,636
Segment assets	**29,461**	**24,664**	**31,373**	**30,038**	**24,106**	**27,596**	**84,940**	**82,298**
Non-allocated assets							**438,033**	**384,971**
Total assets							**522,973**	**467,269**

	Tablet dosage forms		*Ampoule dosage forms*		*Other dosage forms*		*Total*	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Payables to personnel	127	142	86	77	177	198	390	417
Social security payables	38	56	23	31	50	71	111	158
Segment liabilities	**165**	**198**	**109**	**108**	**227**	**269**	**501**	**575**
Non-allocated liabilities							201,804	170,735
Total liabilities							**202,305**	**171,310**

	Tablet dosage forms		*Ampoule dosage forms*		*Other dosage forms*		*Total*	
	2011	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Capital expenditures	18,861	8,554	-	1	1,020	148	19,881	8,703
Depreciation/amortisation	496	715	1,802	1,841	1,393	1,427	3,691	3,983
Non-monetary expenses, other than depreciation / amortisation	454	452	35	18	808	61	1,297	531

40. RELATED PARTY TRANSACTIONS

Related parties	*Relation type*	*Relation period*
Telecomplect AD** (formal holder of the shares as per the Registry at the Central Depository (CD) until the entry of Telecomplect Invest AD in the Registry of CD – Note 40)	Company – main shareholder	2011
Telecomplect AD	Company – main shareholder	2010
Donev Investments AD	Company – main shareholder	2010 and 2011
Sopharma Trading AD	Subsidiary company	2010 and 2011
Pharmalogistica AD	Subsidiary company	2010 and 2011
Bulgarian Rose Sevtopolis AD	Subsidiary company	2010 and 2011
Sopharma Poland OOD	Subsidiary company	2010 and 2011
Sopharma Zdrovit AD	Subsidiary company	2010 and 2011
Rostbalkanpharm AD	Subsidiary company	2010 and 2011
Sopharma USA	Subsidiary company	2010 and 2011
Electroncommerce EOOD	Subsidiary company	2010 and 2011
Biopharm Engineering AD	Subsidiary company	2010 and 2011
Vitamina AD	Subsidiary company	2010 and 2011
Ivanchich and Sons OOD	Subsidiary company	2010 and 2011
Sopharma Buildings REIT	Subsidiary company	2010 and 2011
Momina Krepost AD	Subsidiary company	2010 and 2011
Extab Corporation	Subsidiary company	2010 and 2011
Briz OOD	Subsidiary company	2010 and 2011
Brititrade SOOO	Subsidiary through Briz OOD	2010 and 2011
Tabina OOO	Subsidiary through Briz OOD	as from 8.04.2011
Superlats OOO	Subsidiary through Briz OOD	as from 25.05.2011
ZAO Interpharm	Subsidiary through Briz OOD	from 21.12.2011
	Associate through Briz OOD	from 1.01. to 20.12.2011
Unipharm AD	Subsidiary company	from 27.10.2010 and 2011
	Company under a common indirect control in the group	until 26.10.2010
Sopharma Warsaw	Subsidiary company	from 23.11.2010 and 2011
Sopharma Logistica AD	Associate	until 03.09.2010
Pharmachim Holding EAD	Company under a common indirect control in the group	2010 and 2011
NIHFI AD	Company under a common indirect control in the group	2010 and until 05.08.2011
Kaliman RT AD	Company under a common indirect control	2010 and 2011
Seiba Pharmacies and Drugstores AD	Company under a common indirect control	2010 and 2011
Mineralcommerce AD	Company under a common indirect control	2010 and 2011
SCS Franchise AD	Company under a common indirect control	until 03.05.2010
Sopharma Properties REIT	Company under a common indirect control in the group	2010 and 2011
Sofia Inform AD	Company under a common indirect control	2010 and 2011
Sofprint Group AD	Company under a common indirect control	2010 and 2011
Sofconsult Group AD	Company under a common indirect control	2010 and 2011
Elpharma AD	Company under a common indirect control	2010 and 2011
Telso AD	Company under common control through key management personnel	2010 and 2011
Media Group Bulgaria – Holding	Companies under joint control through key management personnel	from 09.04.2011
DOH Group	Companies under common control through key management personnel	2010 and 2011

** According to the plan for transformation of Telecomplect AD under the procedure of the Commercial Act (Art. 262a, para 2) through spin-off through establishing a new company - Telecomplect Invest AD (entered in the Commercial Register under No 164905 of 29 July 2011), the title on 26,948,052 shares of the capital of Sopharma AD is transferred to the newly established company.

At the date of issue of these separate annual financial statements, the transfer of the shares to Telecomplect Invest AD has not been registered yet in Central Depository AD.

For the purpose of disclosing the deals, transactions and balances with related parties, we have accepted the rule of giving priority to the formal legal criteria for ownership and disposal of shares held by a particular person, regardless of the economic substance and intent of the parties. For this reason, the transactions and balances with Telecomplect AD for the whole year 2011 are presented as type of relationship "company – main shareholder".

In 2011, Sopharma AD did not perform deals with Telecomplect Invest AD and had no outstanding balances therewith as at 31 December 2011.

Supplies from related parties:	***2011***	***2010***
	BGN ‘000	***BGN ‘000***
Supply of inventories from:		
Companies under a common indirect control	9,196	9,371
Subsidiaries	2,464	2,617
Companies – main shareholders	231	222
Companies under a common indirect control through key managing personnel	23	23
	11,914	**12,233**
Supply of services from:		
Subsidiaries	26,500	15,044
Companies – main shareholders	2,728	2,780
Companies under a common indirect control through key managing personnel	450	418
Companies under a common indirect control	276	7,060
	29,954	**25,302**
Supply of tangible fixed assets from:		
Companies – main shareholders	56	295
Companies under a common indirect control	-	5
	56	**300**
Supplies for acquisition of non-current assets:		
Companies – main shareholders	16,549	5,856
Companies under a common indirect control	488	-
	17,037	**5,856**
Total	**58,961**	**43,691**

Sales to related parties	*2011*	*2010*
	BGN '000	*BGN '000*
Sales of finished products to:		
Subsidiaries	98,297	74,834
Companies under a common indirect control	185	378
	98,482	**75,212**
Sales of services to:		
Subsidiaries	1,719	1,418
Companies under a common indirect control	80	412
Companies – main shareholders	51	64
	1,850	**1,894**
Sales of goods and materials to:		
Subsidiaries	15,435	9,063
Companies under a common indirect control	965	5,639
Companies – main shareholders	56	28
Companies under a common indirect control through key managing personnel	2	-
	16,458	**14,730**
Sales of property, plant and equipment to:		
Subsidiaries	11	69
Companies – main shareholders	5	8
Companies under a common indirect control	-	28
	16	**105**
Total	**116,806**	**91,941**

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

The accounts and balances with related parties are disclosed in Notes 20, 22 and 33.

The members of the key personnel are disclosed in Note 1.

Salaries and other short-term benefits of key managing personnel amount to BGN 1,010 thousand (2010: BGN 604 thousand), including:

- current wages and salaries – BGN 604 thousand (2010: BGN 604 thousand);
- tantieme – BGN 406 thousand (2010: none).

41. EVENTS AFTER THE REPORTING PERIOD

On 31 January 2012, the subsidiary company Briz OOD – Latvia acquired 18 % of the capital of OOO Vivaton Plus in Belarus. The prospects are that the remaining 57 % shall be acquired in line with a concluded contract in the period 2012 – 2013.

On 15 February 2012, the subsidiary Briz OOD – Latvia sold its interest in the subsidiary OOO Superlats.