SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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.

The 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 2013 was as follows:

	%
Donev Investment Holding AD	25.45
Telecomplect Invest AD	20.42
Rompharm Company OOD	14.11
Universal Pension Fond Doverie AD	6.75
Sopharma AD (treasury shares)	4.14
Other legal persons	25.60
Physical persons	3.53

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

Ognian Donev, PhD	Chairman
Vessela Stoeva	Member
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 1,793 workers and employees as at 31 December 2013 (31 December 2012: 1,859).

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 2011 – 2013, are presented in the table below:

Indicator	**2011**	**2012**	**2013**
GDP in million levs	75,308	78,089	78,115*
Actual growth of GDP	1.80%	0.60%	0.9*
Year-end inflation (HICP)	2.00%	2.80%	-0.90%
Year-end inflation (ICP)	2.80%	4.20%	-1.60%
Average exchange rate of USD for the year	1.41	1.52	1.47
Exchange rate of the USD at the year-end	1.51	1.48	1.42
Basic interest rate at the year-end	0.22%	0.03%	0.02%
Unemployment rate at the year-end (National Employment Agency)	10.40%	11.40%	11.80%

Source: BNB

**The data for 2013 are preliminary.*

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 2013 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 have been relevant to its activities.

The adoption of these standards and/or interpretations has caused changes mainly to Company's accounting policies on the principles, rules and criteria with regard to the accounting for the following reporting items: other comprehensive income and retirement benefit obligations as well as to the the presentation and disclosure of financial information about them and about other reporting items *(Note 3, Note 15 and Note 31).*

The changes are resultant from the application of the following standards and interpretations:

- *IAS 1 (amended) "Presentation of Financial Statements" (in force for annual periods beginning on or after 1 July 2012 – 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 may or may not be subsequently reclassified to current profit or loss, including the tax effect thereof. In addition, the name of the statement of comprehensive income has been changed to statement of profit or loss and other comprehensive income. Clarifications have been added as to the disclosing of comparative information for prior periods and the including of a third statement of financial position only in case of material retrospective adjustments. The management has done research and has concluded that the amendment affects only the presentation of indicators on Company's operations and has no impact on the financial position and performance thereof. It has made the necessary changes while deciding to keep unchanged the name of the statement of comprehensive income itself regardless of the amendment whereby another new name has been introduced for this statement;
- *IAS 19 (as revised in 2011) "Employee Benefits" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).* The amendments refer to defined benefit plans and termination benefits. The fundamental change is the elimination of the 'corridor' approach and the introduction of a rule that all subsequent remeasurements (referred to so far as actuarial gains or losses) of obligations and the fair value of defined benefit plan assets shall be recognised when occurred in a component of 'other comprehensive income', as well as the accelerated recognition of past service costs. Thus, the net liability/(asset) of the respective pension plan, recognised in the statement of financial position, reflects the full value of the plan deficit or surplus. Furthermore, the interest cost and the expected return on plan assets are replaced with a net interest amount, which is calculated by applying the discount rate to the net plan asset/(liability). In addition, more extensive disclosure requirements have been introduced along with a requirement for sensitivity analysis of the variables in the actuarial assumptions set for the obligation calculation. The management has done research and has concluded that these amendments have an impact on the accounting policies and on the value and classification of Company's assets, liabilities, transactions and performance, with regard to: employee benefits expense, other comprehensive income and long-term retirement benefit obligations to personnel. It has also made the necessary restatements, reclassifications and disclosures retrospectively *(Note 3, Note 15 and Note 31);*
- *IFRS 13 "Fair Value Measurement" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).* This standard represents a single source of methodological guidance for fair value measurements applied with regard to particular reporting items by virtue of other IFRSs and the mandatory disclosures on this process. The standard contains a precise definition of the term 'fair value', a framework of valuation approaches and measurement techniques, including input data hierarchy (Levels 1, 2 and 3) as well as extensive disclosure requirements as to fair value measurement process for the respective items under IFRS. It applies to both financial instruments and non-financial assets and liabilities when fair value is required or permitted by IFRS and/or

IFRS require a disclosure of their fair value. The management has done research and has concluded that the amendments through the new standard have an impact on the accounting policies and the extensive disclosures regarding the fair values of the following assets and liabilities, and the transactions with them, namely: property, plant and equipment (Note 16), investment property (Note 18) and available-for-sale investments (Note 20). IFRS13 requires prospective application and limited disclosures in certain cases. Therefore, the Company has made the necessary new disclosures for year 2013 only without supplementing the comparative information for year 2012 with such disclosures under IFRS 13 (Note 16, Note 18 and Note 20);

- *Annual Improvements to IFRSs 2009-2011 Cycle (May 2012)* - *improvements to IAS 1, 16, 32, 34, IFRS 1 (in force for annual period beginning on or after 1 January 2013 – endorsed by EC).* These improvements introduce partial amendments to the respective standards primarily with a view to remove existing inconsistency or ambiguities in the application rules and requirements of individual standards as well as to set up more precise terminology. These amendments are basically focused on the following items or transactions: (a) borrowing costs for qualifying assets for which the capitalisation commencement date is prior to the date of transition to IFRS (IFRS 1); (b) clarifications about the requirements for presentation of voluntary additional comparative information (IAS 1) and a third statement of financial position in the case of retrospective restatement and reclassification; (c) clarifications about the classification and treatment of spare parts and specific stand-by and servicing equipment as property, plant and equipment (IAS 16); (d) the accounting for the tax effect of distributions to holders of equity instruments according to the requirements of IAS 12 (IAS 32); and (e) interim reporting of segment information on total assets for achieving consistency with IFRS 8 (IAS 34).

With regard to the other standards and interpretations, stated below, the management has assessed their possible effect and has concluded 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 such deals and transactions:

- *IAS 12 (amended) "Income Taxes" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).* The amendment clarifies explicitly that the assessment of deferred tax (assets or liabilities) 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;
- *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 –*

endorsed by EC). These amendments are related to the enhanced disclosures for all financial instruments, which will be presented net (offset) in accordance with IAS 32 (par. 42) as well as with the rights of set-off under the enforceable arrangements;

- *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).* This interpretation sets out the accounting treatment of the overburden waste removal (stripping) costs in the production phase of surface mining operations intended to gain improved access to mineral ore deposits that will be mined operatively in future periods. The interpretation provides guidance on the treatment of these costs as a particular type of asset (intangible asset or inventory) as well as its initial and subsequent measurement.

At the date when these financial statements have been approved for issue, there are several new standards and interpretations as well as amended standards and interpretations, issued but not yet in force for annual periods beginning on or after 1 January 2013, which have not been 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 for changes in the accounting policies, and in the classification and value of reporting items in Company's financial statements for subsequent periods, namely:

- *IAS 27 (as revised in 2011) "Separate Financial Statements" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC – for mandatory application in the European Union for annual periods beginning on or after 1 January 2014).* The standard was reissued with a changed title as the part of it outlining the composition of, criteria about and technology for preparation of consolidated financial statement was entirely separated in a new standard – IFRS 10 "Consolidated Financial Statements". Thus, remaining in the standard are basically the accounting and measurement rules regarding investments in subsidiaries, associates and joint ventures at the level of separate financial statements of investors in their capacity as parent companies, investors with significant influence and venturers in joint ventures as well as the disclosures specific for this type of financial statements;
- *IAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC – for mandatory application in the European Union for annual periods beginning on or after 1 January 2014).* The standard has a changed title and scope and outlines the application of the equity method in consolidated financial statements both for investments in associates and in joint ventures, which were previously included in the scope of IAS 31 "Interests in Joint Ventures", and starting from 1 January 2013 – in line with the new IFRS 11.
- *IAS 32 (amended) "Financial Instruments: Presentation" (in force for annual periods beginning on or after 1 January 2014 – 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 relief from the requirement to restate comparatives and the related thereto disclosures when applying IFRS 9 (effective date – deferred to 1 January 2015 – not endorsed by EC).* The amendment is related to a relief from the requirement to restate the comparative financial statements and the option to present modified disclosures on the transition from IAS 39 to IFRS 9 (when this happens) depending on the date of the standard application by the Company and whether it chooses the option to restate prior periods;

- *IFRS 9 "Financial Instruments" (effective date – deferred to 1 January 2015 – not endorsed by EC).* This is a new standard for financial instruments that is ultimately intended to replace IAS 39 in its entirety. The replacement project consists of three phases: Phase 1: Classification and measurement of financial assets and financial liabilities; Phase 2: Impairment methodology; and Phase 3: Hedge accounting. At present, IFRS 9 has been issued three times, in November 2009, October 2010 and in November 2013. Phase 1: Classification and measurement of financial assets and financial liabilities – by the first issues it replaces those parts of IAS 39 that refer to the classification and measurement of financial instruments. It sets out new principles, rules and criteria for classification, measurement and derecognition of financial assets and liabilities, including hybrid contracts. IFRS 9 introduces a requirement that financial assets are to be classified based on entity's business model for their management and on the contractual cash flow characteristics of the respective assets. It establishes two primary measurement categories for financial assets: amortised cost and fair value. The new rules will lead to possible changes mainly in the accounting for financial assets as debt instruments and financial liabilities designated at fair value through current profit or loss (for credit risk). Phase 2: Impairment methodology – it is at the level of a revised exposure draft, which suggests the application of the "expected loss" model under which all expected losses are recognised throughout the life of an amortisable financial instrument and not only after a loss event has been identified as per the current model in IAS 39. Phase 3: Hedge accounting – a new Chapter 6 to IFRS 9 has been added for this purpose, issued in November 2013, whereby a new hedge accounting model is introduced that permits consistent and complete reflection of all financial and non-financial risk exposures, subject to hedge transactions, and also, better presentation of risk management activities in the financial statements and especially, their relation to hedge transactions, and the scope and type of documentation to be used. In addition, the requirements to the structure, contents and presentation approach for hedge disclosures have been improved. Furthermore, an option is introduced fair value changes of own debts, measured at fair value through profit or loss, in the part thereof due to changes in the entity's own credit quality, to be presented in other comprehensive income rather than in profit or loss. This option is valid also for entities that apply IAS 39. The amendments to IFRS 9 from November 2013 again defer the effective date of the standard;

- *IFRS 10 "Consolidated Financial Statements" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC – for mandatory application in the European Union for annual periods beginning on or after 1 January 2014). Transitional guidance (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC)* – regarding the first-time application of this standard. This standard replaces a significant part of the old IAS 27 ("Consolidated and Separate Financial Statements") and SIC-12 ("Consolidation - Special Purpose Entities"). Its main objective is to establish improved 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 for the term 'control' as comprising three elements, establishes control as the only basis for consolidation and provides more detailed rules and guidance for identifying existing relationships of control. The standard also sets out the main mandatory rules for the technology to prepare consolidated financial statements;
- *IFRS 11 "Joint Arrangements" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC – for mandatory application in the European Union for annual periods beginning on or after 1 January 2014). Transitional guidance (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC) – regarding the first-time application of this standard.* 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;
- *IFRS 12 "Disclosing of Interest in Other Entities" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC – for mandatory application in the European Union for annual periods beginning on or after 1 January 2014). Transitional guidance (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC) – regarding the first-time application of this standard.* This standard introduces a new frame of requirements to the scope of the disclosures in the consolidated financial statements regarding the interest of the reporting entity in other companies and entities, which are subsidiaries, associates, joint ventures or unconsolidated structured entities, including to the content of the information in order to ensure an option for a reasonable evaluation of the effects and the risks of those interests;
- *IAS 36 (amended) "Impairment of Assets" (in force for annual periods beginning on or after 1 January 2014 – endorsed by EC) – regarding recoverable amount disclosures for non-financial*

assets. This amendment relates to the necessity to decrease particular disclosures regarding recoverable amount under IAS 36 in connection with the requirements of IFRS 13 when applying methods for calculating the recoverable amount of non-financial assets at fair value less costs of disposal;

- *Annual Improvements to IFRSs 2010-2012 Cycle (December 2013) – improvements to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38 (in force for annual periods beginning on or after 1 July 2014 – not endorsed by EC).* These improvements introduce partial amendments to and editions of the respective standards primarily with a view to remove the existing inconsistency or ambiguities in the application rules and requirements of individual standards as well as to set out more precise terminology. These amendments are basically focused on the following items or transactions: (a) change in the definition of 'vesting conditions' and 'market conditions' and add of separate definitions for 'performance condition' and 'service condition' (IFRS 2); (b) clarification on the accounting for a contingent consideration in a business combination that meets the definition for 'financial instrument' (as a financial liability or equity instrument) and its measurement at fair value at the end of each reporting period, including the effects of that in the statement of comprehensive income (IFRS 3, IFRS 9, IAS 39 and IAS 37); (c) requirement for disclosure on the criteria applied in the aggregation of operating segments for segment reporting purposes (IFRS 8); (d) additional clarification on the adjustment technique regarding the gross carrying amount and accumulated depreciation in cases of revalued assets whereas setting a requirement for consistency with the revaluation approach of the carrying amount of the respective asset (IAS 16, IAS 38); (e) clarification that an entity providing key management personnel services to another entity it is also a related party thereto (IAS 24);
- *Annual Improvements to IFRSs 2011-2013 Cycle (December 2013) – improvements to IFRS 1, IFRS 3, IFRS 13, IAS 40 (in force for annual periods beginning on or after 1 July 2014 – not endorsed by EC).* These improvements introduce partial amendments to and editions of the respective standards primarily with a view to remove the existing inconsistency or ambiguities in the application rules and requirements of individual standards as well as to set out more precise terminology. These amendments are basically focused on the following items or transactions: (a) clarification that a first-time adopter of IFRS may apply standards that are not yet effective provided that the standards themselves permit early application (IFRS 1); (b) clarification that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself (IFRS 3); (c) clarification regarding the scope of contracts that fall within the scope of the exception for a group of financial assets and financial liabilities with offsetting positions in market and credit risk (IFRS 13); (d) clarification that in the treatment of a transaction, which simultaneously meets the criteria of IFRS 3 and refers to investment properties under IAS 40, requires the separate application of both standards independently of each other (IAS 40).

In addition, with regard to the stated below new standards, amended/revised standards and new interpretations, issued but not yet in force for annual periods beginning on 1 January 2013, the management has judged that they are unlikely to have a potential impact for changes in the accounting policies, and in the classification and value of reporting items in Company's financial statements, namely:

- *IFRIC 21 "Levies" (in force for annual periods beginning on or after 1 January 2014 – not endorsed by EC) – regarding levies imposed by a government.* This interpretation provides guidance about the criteria for recognising a liability to pay a levy (charge, tax or other similar amount) imposed by the government in accordance with laws and regulations;
- *IAS 19 (as revised in 2011) "Employee Benefits" (in force for annual periods beginning on or after 1 July 2014 – not endorsed by EC).* This amendment relates to clarification regarding the treatment of contributions from employees or third parties to defined benefit plans in accordance with the formal terms of the respective plan. The change sets out that these contributions shall be treated as either a reduction in service costs or an effect in the remeasurements of the net liability (asset) of the plan depending on whether the contributions are related to the service or not;
- *IAS 39 (amended) "Financial Instruments: Recognition and Measurement" (in force for annual periods beginning on or after 1 January 2014 – endorsed by EC) – regarding novation of derivatives and continuation of hedge accounting.* This amendment has been introduced in response to legislative changes across certain jurisdictions whereby entities that use over-the-counter derivatives are required to novate them to a central counterparty (a clearing organisation/agency) in order that continuing designation to hedge accounting is allowed.

The separate financial statements of the Company 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 Levs (BGN), which is accepted as being its presentation currency. The data in the separate 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 2.29, Note 16, Note 18 and Note 20.

2.2. Consolidated financial statements of the Company

The Company has started the process of preparation of its consolidated financial statements for year 2013 in accordance with IFRS that are in force for year 2013 whereas these separate 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 2014 and after this date the financial statements will be publicly made available to third parties.

2.3. Comparatives

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

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

Retrospective restatements and reclassifications of the comparative information for 2012 were made in 2013 with regard to the following items: long-term retirement benefit obligations to personnel, other comprehensive income (remeasurements of defined benefit pension plans) and accumulated profits and losses (retained earnings reserve). The revised IAS 19 *(Note 3)* provides the grounds for these restatements and reclassifications. The management assessed the materiality of these changes and concluded that it was not necessary a third statement of financial position at the beginning of the prior period (1 January 2012) to be prepared and presented. In addition, the management did not adopt the amendment to IAS 1 for a change in the name of the statement of comprehensive income to statement of profit or loss and other comprehensive income, as far as it was not mandatory.

In 2013 the Company adopted for use also the new IFRS 13. In accordance with the guidance for transition of the standard, it has presented the required information only for the current year 2013 without making changes in the comparative information for 2012.

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 date of the statement of financial position, if this stage as well as the transaction and completion costs, can be measured reliably.

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

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 satisfy 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 costs incurred in relation to property, plant and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalised in the carrying amount of the respective asset whereas the residual useful life is 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;
- installations -5-25 years;
- machinery and equipment – 7-25 years;
- computers and mobile devices – 2-5 years;
- motor vehicles – 7-17 years;
- furniture and fixtures – 6-12 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' group are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net under ‘other operating income/(losses), net’ in the statement of comprehensive income (within profit or loss for the year). The part of ‘revaluation reserve’ component attributable to the sold asset is directly transferred to ‘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 statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net 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 (Note 2.28). 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

Long-term investments representing shares in subsidiary 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.

Long-term investments in subsidiaries, owned by the Company, are subject to review for impairment. Where conditions for impairment are identified, the impairment is recognised in the statement of comprehensive income (within profit or loss for the year) (Note 19).

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

Available-for-sale investments (financial assets) are non-derivative financial assets representing shares in the capital of other companies (minority interest).

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

The available-for-sale investments (financial assets), held by the Company, are subsequently measured at fair value (Note 2.28) with the assistance of an independent certified appraiser.

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’.

Dividend income related with long-term investments (financial assets) representing shares in other companies (minority interest) is recognised as current income and presented in the statement of comprehensive income (within profit or loss for the year) within the item 'finance 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 that the Company commits to purchase or sell the asset.

The available-for-sale investments (financial assets) are reviewed 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).

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 weighted average cost method is applied.

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

2.14. 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 loans related to working capital for current activities is included in the operating 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).
- blocked funds for a period of more than 3 months are not treated as cash and cash equivalents;

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 assets is an asset that necessarily takes a period of at least 12 months 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 finance 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.

Rental 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 workers and employees of the Company are based on the provisions of the Labour Code and the effective social security legislation in Bulgaria.

Short-term benefits

Short-term benefits in the form of remuneration, bonuses and social payments and benefits (due for payment within 12 months after the end of the period when the employees have rendered the service or have satisfied the required terms) are recognised as an expense in the statement of comprehensive income (within profit or loss for the year) for the period when the service thereon has been rendered and/or the requirements for their receipt have been met, unless a particular IFRS requires capitalisation thereof to the cost of an asset, and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount.

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 amounts of employee’s remuneration and the statutory social security and health insurance contributions due by the employer thereon.

Tantieme and bonus schemes

In accordance with Company's Articles of Association and upon a decision of the General Meeting of Shareholders, the Executive Director is entitled to one-off remuneration (tantieme) at the amount of 1% of Company's net profit and is empowered to determine the circle of employees among whom to distribute up to 2% of Company's profit for the year as a bonus for each calendar year. When a certain portion is required to be deferred for a period of more than 12 months, this portion is measured at present value at the reporting date and is stated within non-current liabilities in the statement of financial position in the item 'payables to personnel'.

Long-term retirement benefits

Defined contribution plans

The major duty of the Company as an employer in Bulgaria 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. The rates of the social security and health insurance contributions are defined annually in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC) at the ratio 60:40 (2012: 60:40).

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

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

The contributions, payable by the Company under defined contribution plans for social security and health insurance, are recognised as a current expense in the statement of comprehensive income (within profit or loss for the year) unless a particular IFRS requires this amount to be capitalised to the cost of an asset, and as a current liability at their undiscounted amount along with the accrual of the respective employee benefits to which the contributions refer and in the period of rendering the underlying service.

Defined benefit plans

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

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they shall be presented in the statement of financial position, and respectively, the change in their value – in the statement of comprehensive income as follows: (a) current and past service costs, interest costs and the gains/losses on a curtailment and settlements are recognised immediately when incurred and are presented in current profit or loss under 'employee benefits expense'; and (b) effects from remeasurement of obligations that in substance represent actuarial gains and losses are recognised immediately when occurred and are presented to other comprehensive income in the item 'remeasurements of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

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

Termination benefits

In accordance with the local provisions of the employment and social security regulations in Bulgaria, the Company as an 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 a publicly announced plan, including for restructuring, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the statement of financial position at their present value.

2.22. 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 price) and their gross amount is deducted from Company's equity. 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 financial 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 2.29).

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 interest 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 initially recognised at cost, being the fair value of the consideration given including acquisition costs associated with the investment.

The available-for-sale financial assets are subsequently measured at fair value except for the shares in closed-end companies not traded in a stock-exchange market (Note 2.12).

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 in the statement of financial position at fair value net of the directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method (Note 2.17, Note 2.18 and Note 2.20).

2.24. Income taxes

Current income taxes are determined in the Company in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act. The nominal income tax rate in Bulgaria for year 2013 was 10 % (2012: 10%).

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

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

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

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that they will reverse and sufficient taxable profit to be generated or occurring in the same period taxable temporary differences to allow the deferred tax asset to be utilized (deducted or compensated).

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

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

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

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

2.25. Government grants

Gratuitous aids from public institutions (municipal, government and international, including under the procedure of using the European funds and programmes) are initially recognised as deferred income (financing) when there is reasonable assurance that they will be received by the Company and that the latter has complied and complies with the associated thereto requirements.

A government grant that compensates the Company for expenses incurred is recognised in current profit or loss on a systematic basis in the same period in which the expenses are recognised.

A government grant that compensates investment expenses incurred to acquire an asset is recognised in current profit or loss on a systematic basis over the useful life of the asset proportionately to the amount of the recognised depreciation charge.

2.26. 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.

2.27. 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 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 basic 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.

2.28. Fair value measurement

Some of Company's assets and liabilities are measured and presented and/or just disclosed at fair value for financial reporting purposes. Such are (a) <u>on a recurring basis</u> – *available-for-sale financial assets, investment property, granted and received bank loans and loans from third parties, certain trade and other receivables and payables, finance lease receivables and payables; and other* (b) <u>on a non-recurring basis</u> – *non-financial assets such as property, plant and equipment.*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price and is based on the assumption that the sale transaction will take place either in the principal market for this asset or liability or in the absence of a principal market – in the most advantageous market for the asset of liability. Both the designated as a principal market and the most advantageous market are markets to which the Company must have an access.

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

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

The Company applies various valuation techniques that would be relevant to the specific features of the respective conditions and for which its has sufficient available inputs while trying to use at a maximum the publicly observable information, and respectively, to minimize the use of unobservable information. It uses the three acceptable approaches – *the market approach, the income approach and the cost approach* – whereas the most frequently applied valuation techiques include directly quoted and/or adjusted quoted market prices, market comparables (analogues) and discounted cash flows, including based on capitalised rental income.

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

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

The Company applies mainly Level 2 and Level 3 fair value.

For assets and liabilities that are recognised at fair value in the financial statements on a recurring basis, the Company determines at the end of each reporting period whether transfers between levels in the fair value hierarchy are deemed to be made for a particular asset or liability depending on the inputs available and used at that date.

The Company has developed internal rules and procedures for measuring the fair value of various types of assets and liabilities. For the purpose, a specifically designated individual, subordinated to the Finance Director, organised the performance of the overall valuation process and also coordinates and observes the work of the external appraisers.

The Company uses the expertise of external certified appraisers to determine the fair value of the following assets and liabilities: available-for-sale financial assets, investment properties, property, plant and equipment. The choice of such appraisers is made on an annual basis using the following criteria: applied professional standards, professional experience and knowledge, reputation and market status. The need for rotation of external appraisers is periodically assessed – every three to five years. The applied valuation approaches and techniques as well as the used inputs for each case of fair value measurement are subject to mandatory discussion and coordination between the external experts – appraisers and the specifically designated individual, engaged with measurements, and so is the acceptance of the issued appraiser's reports – especially with regard to the significant assumptions and the final conclusions and proposals for the fair value amount. The final fair value measurements are subject to approval by Company's Finance Director, Executive Director and the Board of Directors.

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

The results from the process of fair value measurement are presented to the audit committee and to Company's independent auditors.

For the purposes of fair value disclosures, the company has grouped the respective assets and liabilities on the basis of their nature, basic characteristics and risks as well as of the fair value hierarchical level.

2.29. 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 in 2013, impairment of inventories was stated at the amount of BGN 1,136 thousand (2012: BGN 619 thousand) (Note 6 and 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 31).

Operating lease

The Company has classified a building, partially leased to related parties 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 the end of each reporting period on an 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 of the respective receivable is recognised in the statement of comprehensive income (within profit or loss for the year) as impairment loss (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 chance for their collection and not only at the level of past due individual receivables of a counterparty, including the potential opportunities for collecting eventual interest for compensating 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.

The recognised impairment losses for 2013 (net of the reversed ones) amount to BGN 1,653 thousand (2012: BGN 1,373 thousand).

Deferred tax assets

The Company did not recognise deferred taxes at the amount of BGN 1,332 thousand (31 December 2012: BGN 1,332 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 13,316 thousand (31 December 2012: BGN 13,316 thousand).

Litigation provisions

With regard to the pending litigations against the Company, 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 provisions for litigation payables in the statement of financial position as at 31 December 2013 (Notes 40).

3. EFFECTS OF CHANGES IN ACCOUNTING POLICIES

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

(a) in the statement of financial position as at 1 January 2012:
The effects of changes in the accounting policies are result of additionally recognised actuarial gain on the obligation for long-term benefits to personnel and are as follows:

	originally stated	*change in the accounting policies*	*restated*
	01.01.2012		***01.01.2012***
	BGN'000	***BGN'000***	***BGN'000***
Retained earnings	40,791	29	40,820
Retirement benefit obligations	1,269	(29)	1,240

(b) in the statement of financial position as at 31 December 2012:
The effects of changes in the accounting policies are result of additionally recognised actuarial loss on the obligation for long-term benefits to personnel and are as follows:

	originally stated	*change in the accounting policies*	*restated*
	31.12.2012		***31.12.2012***
	BGN'000	***BGN'000***	***BGN'000***
Retained earnings	41,168	(108)	41,060
Retirement benefit obligations	1,371	108	1,479

(c) in the statement of comprehensive income for 2012:
The effects of changes in the accounting policies are result of additionally recognised actuarial loss on the obligation for long-term benefits to personnel and are as follows:

	originally stated	*change in the accounting policies*	*restated*
	2012		***2012***
	BGN'000	***BGN'000***	***BGN'000***
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	-	(137)	(137)

The effect of the change in accounting policies to the other comprehensive income component *Remeasurements of defined benefit pension plans* for year 2013 is a recognised actuarial loss on the obligation at the amount of BGN 80 thousand.

4. REVENUE

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

	2013	*2012*
	BGN '000	*BGN '000*
Export	153,066	150,942
Domestic market	62,988	59,349
Total	**216,054**	**210,291**

Sales by product - export	*2013*	*2012*
	BGN '000	*BGN '000*
Tablet dosage forms	116,128	117,554
Ampoule dosage forms	16,606	13,513
Syrup dosage forms	11,514	10,934
Ointments	5,968	5,961
Lyophilic products	2,165	2,341
Suppositories	437	402
Drops	248	197
Infusion solutions	-	40
Total	**153,066**	**150,942**

Sales by product – domestic market	*2013*	*2012*
	BGN '000	*BGN '000*
Tablet dosage forms	35,134	36,005
Ampoule dosage forms	18,079	16,596
Lyophilic products	4,206	3,126
Syrup dosage forms	1,629	1,195
Ointments	1,591	1,328
Drops	649	390
Suppositories	390	345
Other	1,310	364
Total	**62,988**	**59,349**

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

	2013 BGN '000	*Relative share*	*2012 BGN '000*	*Relative share*
Europe	130,332	60%	131,147	62%
Bulgaria	62,988	29%	59,349	28%
Other countries	22,734	11%	19,795	9%
Total	**216,054**	**100%**	**210,291**	**100%**

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

	2013 BGN '000	*% of revenue*	*2012 BGN '000*	*% of revenue*
Client 1	63,237	29%	69,868	33%
Client 2	61,491	28%	58,815	28%
Client 3	44,966	21%	38,231	18%

5. OTHER OPERATING INCOME AND LOSSES

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

	2013 BGN '000	*2012 BGN '000*
Sales of materials	*16,801*	*17,205*
Cost of materials sold	*(16,629)*	*(16,875)*
Gain on sales of materials	172	330
Sales of non-current assets	*254*	*285*
Carrying amount of non-current assets sold	*(303)*	*(542)*
Loss from sales of non-current assets	(49)	(257)
Sales of goods	*1,545*	*1,616*
Cost of goods sold	*(871)*	*(1,015)*
Gain on sales of goods	674	601
Services rendered	2,814	2,637
Income on financing agreements	75	15
Net loss from exchange differences under trade receivables and payables and current accounts	(538)	(333)
Losses from revaluation on investment property to fair value	(200)	(216)
Income from penalties	-	705
Income from sale of a right of construction	-	416
Other income	131	245
Total	**3,079**	**4,143**

The *sales of materials* comprise mainly: sales of substances and packaging materials - aluminium foil, vials, tubes etc.

Sales of goods include:

	2013	***2012***
	BGN '000	***BGN '000***
Foodstuffs	815	816
Goods with technical designation	483	458
Food supplements	139	128
Cosmetics	108	214
Total	**1,545**	**1,616**

The *cost of goods sold* is as follows:

`

	2013	***2012***
	BGN '000	***BGN '000***
Foodstuffs	675	672
Cosmetics	96	192
Food supplements	67	83
Goods with technical designation	33	68
Total	**871**	**1,015**

Services rendered include:

	2013	***2012***
	BGN '000	***BGN '000***
Rentals	1,726	1,631
Social activities	416	407
Manufacturing services	177	138
Gamma irradiation	119	126
Laboratory analyses	110	73
Regulatory services	110	58
Transport organisation	46	21
Other	110	183
Total	**2,814**	**2,637**

6. RAW MATERIALS AND CONSUMABLES USED

The *raw materials and consumables* used include:

	2013	*2012*
	BGN '000	***BGN '000***
Basic materials	40,118	44,212
Spare parts, laboratory and technical materials	5,290	5,542
Electric energy	3,496	2,750
Heat power	3,235	3,560
Fuels and lubricating materials	1,254	1,366
Water	733	770
Working clothes	593	707
Impairment of materials (Note 10)	203	73
Scrap and shortages of materials	10	22
Total	**54,932**	**59,002**

Expenses on *basic materials* include:

	2013	*2012*
	BGN '000	***BGN '000***
Substances	22,581	25,052
Packaging materials	6,599	7,471
Aluminium and PVC foil, vials, tubes	4,737	5,290
Liquid and solid chemicals	3,071	3,375
Ampoules	2,360	2,593
Herbs	770	431
Total	**40,118**	**44,212**

7. HIRED SERVICES EXPENSE

Hired services expense includes:

	2013	*2012*
	BGN '000	*BGN '000*
Manufacturing of medicinal products	25,337	30,702
Consulting services	9,522	5,909
Advertising	7,559	9,695
Rentals	2,454	2,175
Transport	2,264	2,025
Logistic services – domestic market	1,528	1,887
Buildings and equipment maintenance	1,433	2,212
Security	904	855
State and regulatory charges	809	811
Services under civil contracts	775	1,077
Services on medicinal products registration	747	944
Subscription fees	721	758
Local taxes and charges	667	693
Medical service	659	501
Taxes on expenses	534	523
Insurance	475	574
Logistic services (export)	379	396
Destruction of pharmaceuticals	356	205
Announcements and communications	351	525
Vehicles repair and maintenance	313	392
Documentation translation	303	601
Fees for servicing of current bank accounts	281	331
Commission fees	169	271
Licence fees and charges	149	321
Courier services	140	163
Clinical trials	105	276
Other expenses	725	888
	59,659	**65,710**

8. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense includes:

	2013 BGN '000	2012 BGN '000
Current wages and salaries	23,925	25,368
Social security/health insurance contributions	4,267	5,122
Social benefits and payments	2,179	2,268
Tantieme	1,105	1,224
Accruals for unused paid leaves	514	546
Social security/health insurance contributions on leaves	82	90
Accruals for retirement benefit obligations (Note 31)	256	241
Total	**32,328**	**34,859**

9. OTHER OPERATING EXPENSES

Other expenses include:

	2013 BGN '000	2012 BGN '000
Entertainment allowances	2,560	2,154
Accrued impairment of receivables, net (Note 10)	1,646	798
Impairment of finished products and work-in-progress (Note 10)	933	546
Other taxes and payments to the state budget	776	186
Business trips	696	938
Scrapped finished products and work-in-progress	437	159
Donations	311	246
Receivables written-off	155	-
Training	106	83
Impairment of granted trade loans, net (Note 10)	7	575
Other	432	534
Total	**8,059**	**6,219**

10. IMPAIRMENT OF CURRENT ASSETS

Impairment losses on current assets include:

	2013	*2012*
	BGN '000	*BGN '000*
Impairment of receivables	*2,309*	*828*
Reversed impairment of receivables	*(663)*	*(30)*
Net change in the impairment of receivables	1,646	798
Impairment of finished products	835	541
Impairment of materials	203	73
Impairment of work-in-progress	98	5
Impairment of receivables under trade loans granted	*7*	*575*
Reversed impairment of trade loans granted	*-*	*-*
Net change in the impairment of trade loans granted	7	575
Total	**2,789**	**1,992**

11. IMPAIRMENT OF NON-CURRENT ASSETS

Impairment losses on non-current assets include:

	2013	*2012*
	BGN '000	*BGN '000*
Impairment of property, plant and equipment	193	-
Impairment of investments in subsidiaries	-	975
	193	**975**

12. FINANCE INCOME

Finance income includes:

	2013	*2012*
	BGN'000	*BGN'000*
Income from equity investments	5,889	6,108
Interest income on loans granted	3,989	5,034
Income from liquidation shares in subsidiaries	109	-
Net gain on exchange differences on loans	-	451
Gain on contribution in kind of non-current assets in a subsidiary	-	120
Net gain on transactions with securities	-	41
Interest income on deposits	-	3
Total	**9,987**	**11,757**

13. FINANCE COSTS

Finance costs include:

	2013	*2012*
	BGN'000	*BGN'000*
Impairment of available-for-sale investments	6,746	469
Interest expense on loans received	5,676	5,472
Net loss on transactions with securities	4,510	-
Bank fees and charges on loans and guarantees	289	246
Net loss from exchange differences on loans	68	-
Interest expense on finance lease	49	264
Total	**17,338**	**6,451**

14. INCOME TAX EXPENSE

Statement of comprehensive income (profit or loss for the year)	*2013*	*2012*
	BGN '000	*BGN '000*
Taxable profit for the year under tax return	42,766	42,373
Revaluation reserve included as an increase in the annual tax return	(263)	(423)
Taxable profit for the year	42,503	41,950
Current income tax expense for the year - 10% (2012: 10 %)	4,250	4,195
Prior periods tax expense	39	76
Deferred income taxes related to:		
Occurrence and reversal of temporary differences	73	(9)
Total income tax expense carried to the statement of comprehensive income (within profit or loss for the year)	**4,362**	**4,262**

Reconciliation of income tax expense applicable to the accounting profit or loss		
Accounting profit for the year	*38,023*	*45,147*
Income tax - 10% (2012: 10%)	3,802	4,515
From unrecognised amounts as per tax returns related to:		
increases – BGN 16,487 thousand (2012: BGN 2,077 thousand)	1,649	208
decreases – BGN 9,414 thousand (2012: BGN 5,520 thousand)	(941)	(552)
Recognised deferred taxes originated in prior years	(187)	15
Prior periods tax expense	39	76
Total income tax expense carried to the statement of comprehensive income (within profit or loss for the year)	**4,362**	**4,262**

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

	2013 BGN'000			2012 BGN'000		
	Pre-tax amount	**Tax benefit/ (expense)**	**Amount net of tax**	**Pre-tax amount**	**Tax benefit/ (expense)**	**Amount net of tax**
Items that will not be reclassified to profit or loss						
(Losses)/gains on revaluation of property, plant and equipment	(353)	35	(318)	18	(2)	16
Remeasurements of defined benefit pension plans	(80)	-	(80)	(108)	-	(108)
Items that may be reclassified to profit or loss						
Net change in the fair value of available-for-sale financial assets	470	-	470	512	-	512
Total other comprehensive income for the year	**37**	**35**	**72**	**422**	**(2)**	**420**

15. OTHER COMPREHENSIVE INCOME

Other comprehensive income includes:

	2013 BGN '000	***2012 BGN '000***
Items that will not be reclassified to profit or loss		
(Losses)/gains on revaluation of property, plant and equipment	(353)	18
Remeasurements of defined benefit pension plans	(80)	(137)
	(433)	**(119)**
Items that may be reclassified to profit or loss		
Net change in fair value of available-for-sale financial assets:		
Gains arising during the year	470	512
Less: Reclassification adjustments for (gains)/losses included in profit or loss for the current year	-	-
	470	**512**
Income tax relating to components of other comprehensive income	35	(2)
Total comprehensive income for the year	**72**	**391**

This is a translation from Bulgarian of the separate financial statements of Sopharma AD for year 2013.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		*Machinery and equipment*		*Other*		*Assets in progress*		*Total*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*
	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	**69,913**	**68,373**	**88,057**	**81,892**	**23,276**	**17,813**	**78,617**	**32,892**	**259,863**	**200,970**
Additions	2,637	1,976	1,196	1,201	910	1,533	19,558	57,034	24,301	61,744
Transfer to property, plant and equipment	43,758	341	51,856	5,815	1,510	4,825	(97,124)	(10,981)	-	-
Transfer to investment property	-	(236)	-	(171)	-	(12)	-	-	-	(419)
Allowance for impairment	(277)	-	(74)	-	(2)	-	-	-	(353)	-
Disposals	(165)	(541)	(925)	(680)	(1,921)	(883)	(68)	(328)	(3,079)	(2,432)
Balance at 31 December	**115,866**	**69,913**	**140,110**	**88,057**	**23,773**	**23,276**	**983**	**78,617**	**280,732**	**259,863**
Accumulated depreciation										
Balance at 1 January	**6,654**	**4,957**	**54,557**	**50,500**	**11,791**	**10,465**	**-**	**-**	**73,002**	**65,922**
Depreciation charge for the year	2,418	1,714	6,158	4,618	2,449	2,058	-	-	11,025	8,390
Depreciation written-off	(8)	(17)	(854)	(561)	(784)	(732)	-	-	(1,646)	(1,310)
Allowance for impairment	181	-	12	-	-	-	-	-	193	-
Balance at 31 December	**9,245**	**6,654**	**59,873**	**54,557**	**13,456**	**11,791**	**-**	**-**	**82,574**	**73,002**
Carrying amount at 31 December	**106,621**	**63,259**	**80,237**	**33,500**	**10,317**	**11,485**	**983**	**78,617**	**198,158**	**186,861**
Carrying amount at 1 January	**63,259**	**63,416**	**33,500**	**31,392**	**11,485**	**7,348**	**78,617**	**32,892**	**186,861**	**135,048**

As at 31 December 2013, Company's tangible fixed assets included: land amounting to BGN 30,865 thousand (31 December 2012: BGN 28,489 thousand) and buildings of carrying amount BGN 75,756 thousand (31 December 2012: BGN 34,770 thousand).

Tangible fixed assets in progress as at 31 December include:

- expenses on construction of new production buildings – BGN 36 thousand (31 December 2012: BGN 56,221 thousand);
- supply of equipment at the amount of BGN 734 thousand (31 December 2012: BGN 19,987 thousand);
- advances granted – none (31 December 2012: BGN 1,750 thousand);
- buildings reconstruction - BGN 210 thousand (31 December 2012: BGN 650 thousand);
- other - BGN 3 thousand (31 December 2012: BGN 9 thousand).

As at 31 December 2013, the carrying amount of property, plant and equipment includes machinery and equipment for a new tablet production facility at the amount of BGN 7,410 thousand purchased using a grant under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013 (31 December 2012: supply of equipment to the amount of BGN 7,559 thousand (Note 33).

The amount of other assets as at 31 December 2013 includes also biological assets – Golden Chain (Laburnum anagyroides) plantation at the amount of BGN 119 thousand (31 December 2012: BGN 123 thousand).

Operating lease

The Company has leased tangible fixed assets with carrying amount of BGN 7,277 thousand as at 31 December 2013 to related parties (31 December 2012: BGN 7,811 thousand). In addition, tangible fixed assets at carrying amount of BGN 45 thousand were leased to third parties as at 31 December 2013 (31 December 2012: BGN 42 thousand).

Finance lease

As at 31 December 2013, assets at the carrying amount of BGN 221 thousand were acquired under finance lease contracts (31 December 2012: BGN 1,141 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 24,585 thousand (31 December 2012: BGN 21,224 thousand);
- Motor vehicles – BGN 907 thousand (31 December 2012: BGN 905 thousand);
- Furniture and fixtures – BGN 4,481 thousand (31 December 2012: BGN 3,905 thousand).

The following encumbrances were constituted on Company's tangible fixed assets as at 31 December 2013 in relation with received loans:

- Land and buildings with carrying amount of BGN 12,311 thousand and BGN 64,410 thousand, respectively (31 December 2012: BGN 12,311 thousand and BGN 25,070 thousand, respectively) (Note 29 and Note 34);
- Pledges on facilities – none (31 December 2012: BGN 581 thousand) (Note 29 and Note 34);
- Pledges on equipment – BGN 35,967 thousand (31 December 2012: BGN 24,228 thousand) (Note 29 and Note 34).

Expenses on interest and charges related to assets satisfying the conditions for capitalisation at the amount of BGN 1,091 thousand were capitalised in 2013 to the acquisition cost (2012: BGN 1,570 thousand).

Revaluation of property, plant and equipment to fair value

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 certified appraisers: As a result of this review it made the latest revaluation of property, plant and equipment the results of which were accounted for.

The following two basic 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 comparables (analogues) method' – with regard to land and buildings for which actual market existed, analogous properties and transactions with them were observed and basis for comparison was available – their market price determined under the comparative method was accepted as fair value;
- 'Assets (cost)-based approach' through the 'Method of amortised recoverable amount' – for special-purpose buildings for which neither actual market nor comparable sales of analogous assets existed – their amortised recoverable amount at current purchase prices was accepted as their fair value and under the hypothesis of their common use in technologically-related production business process (including the term) and taking into account: physical ware, functional and economic impairment.

Revaluation reserve at the amount of BGN 2,706 thousand was then recognised as a result of the revaluation net of impairment.

The Company's management again analyzed its key assets price changes occurred as at 31 December 2013 and concluded that no conditions and grounds were available for a new revaluation of the assets before expiry of adopted usual term. (Note 2.7).

17. INTANGIBLE ASSETS

	Intellectual property rights		*Software*		*Assets in progress*		*Total*	
	2013	***2012***	***2013***	***2012***	***2013***	***2012***	***2013***	***2012***
Book value	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Balance at 1 January	**1,941**	**1,140**	**2,277**	**2,082**	**2,105**	**1,786**	**6,323**	**5,008**
Additions	13	99	11	92	460	1,125	484	1,316
Disposals	(1)	-	-	(1)	-	-	(1)	(1)
Transfer	376	702	1,836	104	(2,212)	(806)	-	-
Balance at 31 December	**2,329**	**1,941**	**4,124**	**2,277**	**353**	**2,105**	**6,806**	**6,323**
Accumulated amortisation								
Balance at 1 January	**820**	**508**	**1,530**	**1,114**	**-**	**-**	**2,350**	**1,622**
Amortisation charge for the year	367	312	429	417	-	-	796	729
Amortisation written-off	(1)	-	-	(1)	-	-	(1)	(1)
Balance at 31 December	**1,186**	**820**	**1,959**	**1,530**	**-**	**-**	**3,145**	**2,350**
Carrying amount at 31 December	**1,143**	**1,121**	**2,165**	**747**	**353**	**2,105**	**3,661**	**3,973**
Carrying amount at 1 January	**1,121**	**632**	**747**	**968**	**2,105**	**1,786**	**3,973**	**3,386**

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

Intangible assets in progress as at 31 December include:

- expenses on permits for use of medicinal products – BGN 353 thousand (31 December 2012: BGN 426 thousand);
- expenses on new software implementation – none (31 December 2012: BGN 1,679 thousand);
- other - BGN 3 thousand (31 December 2012: none).

18. INVESTMENT PROPERTY

	31.12.2013 ***BGN '000***	***31.12.2012*** ***BGN '000***
Balance at 1 January	**19,391**	**19,170**
Additions	3,265	-
Capitalised costs	99	-
Net loss from fair value adjustment, included in profit or loss	(200)	(216)
Reclassification from property, plant and equipment	-	419
Net gain from fair value adjustment, included in items that will not be reclassified to profit or loss	-	18
Balance at 31 December	**22,555**	**19,391**

Investment property represents buildings and the land they stand on, differentiated parts of buildings for independent use, intended for long-term lease to subsidiaries and third parties. By group they are as follows:

Group of assets	***31.12.2013*** ***BGN '000***	***31.12.2012*** ***BGN '000***
Warehouse premises	18,622	18,810
Offices	2,329	-
Production buildings	1,170	144
Social objects	434	437
Total	**22,555**	**19,391**

There are established encumbrances as at 31 December 2013 on investment property as follows:

- mortgages of warehouse premises – BGN 7,988 thousand (31 December 2012: BGN 7,988 thousand) (Note 34);
- pledges on attached equipment – BGN 7,592 thousand (31 December 2012: BGN 7,726 thousand) (Note 34).

Fair value measurement

Fair value hierarchy

The fair values of the groups of investment properties are categorised as Level 2 fair values based on the inputs to the valuation technique used.

The investment property remeasurement to fair value is recurring and is due to the application of the fair value model under IAS 40. It is performed regularly at the end of each reporting period. The fair value is determined with the assistance of independent certified appraisers.

The table below shows reconciliation between the opening and closing balances of the fair values of investment properties measured at Level 2:

	Warehouse premises	*Offices*	*Production buildings*	*Social objects*	*Total*
Opening balance at 1 January	**18,810**	**-**	**144**	**437**	**19,391**
Purchases and capitalised costs	-	2,332	1,032	-	3,364
Net change in fair value through profit or loss – unrealised *(Note 5)*	(188)	(3)	(6)	(3)	(200)
Closing balance at 31 December	**18,622**	**2,329**	**1,170**	**434**	**22,555**

Valuation techniques and significant unobservable inputs

The table below shows a description of the valuation techniques, used in measuring the fair value of all groups of Level 2 investment properties as well as the used significant unobservable inputs:

Group of assets (Level 2)	Valuation approaches and techniques	Significant unobservable inputs
Warehouse premises	*a. Income approach* Valuation technique: Method of capitalised rental income as application of discounted cash flows (main valuation technique)	a. Weighted rate of return b. Term for entrance into rental deals
	b. Cost approach Valuation technique: Method of replacement costs – depreciated recoverable amount (as a supportive valuation technique)	Adjusted prices for construction of identical properties and purchase prices of machinery and equipment, similar to those attached
Offices Production buildings Social objects	*Income approach* Valuation technique: Method of capitalised rental income as application of discounted cash flows (main valuation technique)	a. Weighted rate of return b. Term for entrance into rental deals

19. INVESTMENTS IN SUBSIDIARIES

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

		31.12.2013 BGN '000	***Interest %***	***31.12.2012 BGN '000***	***Interest %***
Sopharma Trading AD	Bulgaria	30,126	75.92	32,148	81.01
Unipharm AD	Bulgaria	19,448	49.99	19,449	49.99
Briz OOD	Latvia	9,172	53.14	6,262	51.00
Bulgarian Rose Sevtopolis AD	Bulgaria	8,729	49.99	8,729	49.99
Biopharm Engineering AD	Bulgaria	8,384	97.15	8,384	97.15
Vitamina AD	Ukraine	6,187	99.56	6,187	99.56
Ivanchich and sons	Serbia	5,739	51.00	5,739	51.00
Momina Krepost AD	Bulgaria	2,701	52.97	2,547	49.94
Pharmalogistica AD	Bulgaria	1,911	76.54	1,911	76.54
Sopharma Buildings REIT	Bulgaria	643	42.89	639	42.64
Electroncommerce EOOD	Bulgaria	384	100.00	384	100.00
Sopharma Warsaw EOOD	Poland	323	100.00	323	100.00
Sopharma Ukraine	Ukraine	230	100.00	230	100.00
		93,977		**92,932**	
Paid unregistered capital increase	Latvia	7,230		-	
		101,207		**92,932**	

As at 31 December the investments in the subsidiaries Sopharma Poland OOD – in liquidation, Poland, Extab Corporation, USA and Sopharma USA were fully impaired (31 December 2012: Sopharma Zdrovit AD – in liquidation, Poland, Sopharma Poland OOD – in liquidation, Poland and Extab Corporation, USA and Sopharma USA were fully impaired).

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.
- 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 OOD – in liquidation – 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. On 25 February 2013 the liquidation procedure of Sopharma Zdrovit AD, Poland, was completed and the company was deleted from the National Court Register of Poland.
- 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.
- Sopharma Ukraine EOOD – Scope of activities: trade in pharmaceuticals; Date of acquisition – 7 August 2012.
- Rostbalkanpharm AD – Scope of activities: manufacture and trade in pharmaceuticals. Date of acquisition – 27 July 2001. The shares of the company were sold on 10 April 2012.

The shares of Bulgarian Rose Sevtolopis AD are traded on the stock exchange, the average monthly price of realized transactions for December 2013 being BGN 1.66 per share (December 2012: BGN 1.28). The earnings per share based on accounting net assets for 2013 are BGN 2.00. (2012: BGN 1.91).

The shares of Sopharma Trading AD are traded on the stock exchange, the average monthly price of realized transactions for December 2013 being BGN 3.13 per share (December 2012: BGN 1.73).

The earnings per share based on net assets for 2013 are BGN 1.80. (2012: BGN 1.79).

The shares of Momina Krepost AD are traded on the stock exchange, the average monthly price of realized transactions for December 2013 being BGN 2.91 per share (December 2012: BGN 2.89).

The earnings per share based on accounting net assets for 2013 are BGN 2.99. (2012: BGN 2.93).

The shares of Sopharma Buildings REIT are traded on the stock exchange at a limited volumes and no deals were realised in December 2013 (December 2012: BGN 2.97).

The earnings per share based on accounting net assets for 2013 are BGN 2.26. (2012: BGN 2.27).

The shares of Unipharm AD are traded on the stock exchange, the average monthly price of realized transactions for December 2013 being BGN 2.78 per share (December 2012: BGN 5.00).

The earnings per share based on accounting net assets for 2013 are BGN 2.80 (2012: BGN 2.70).

The movement of investments in subsidiaries is presented below:

	Investments in subsidiaries	
	31.12.2013	***31.12.2012***
Acquisition cost (cost)	***BGN '000***	***BGN '000***
Balance at 1 January	**106,248**	**100,803**
Additional interest acquired	3,070	5,573
Interest sold without loss of control	(2,025)	(124)
Disposal of a subsidiary	-	(4)
Balance at 31 December	**107,293**	**106,248**
Accrued impairment		
Balance at 1 January	**13,316**	**12,341**
Accrued impairment	-	975
Balance at 31 December	**13,316**	**13,316**
Carrying amount at 31 December	**93,977**	**92,932**
Carrying amount at 1 January	**92,932**	**88,462**

In 2013, the Company did not acquire new subsidiaries (2012: newly acquired subsidiary – Sopharma Ukraine EOOD).

On 29 October 2012 Sopharma AD and Bulgarian Rose Sevtopolis AD concluded a contract for transformation through take-over of Bulgarian Rose Sevtopolis AD by Sopharma AD. The Financial Supervision Commission did not approve this agreement in 2013.

Impairment of investments in subsidiaries

At each reporting date, the management makes an assessment about whether indicators for impairment exist in respect of its investments in subsidiaries. The following are accepted as main indicators for impairment: significant volume reduction (over 25%) or termination of activities of the subsidiary where investments have been made; reporting of losses for a longer period of time (over three years) as well as reporting of negative net assets or assets below the registered share capital. The 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 3- to 5-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 amount are as follows:

- growth rate – from 0 % to 29 %;
- growth after the projected period upon calculation of terminal value – 1.5 to 2%;
- interest rate /cost of debt/ - from 3.7 % to 10.3 %;
- discount rate (based on WACC) – from 7.6 % to 27.7 %.

The key assumptions used in the calculations have been determined specifically for each company, treated as a separate cash-generating unit, and in line with the characteristic features of its operations, the 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.

Significant goodwill has been recognised on the acquisition of four investments in subsidiaries. With regard to these investments, the analysis of the reasonably possible changes in the key assumptions, used for the calculation of value in use, shows that the carrying amount of the respective investment would be higher than its recoverable amount: a. in case of change (increase) in the discount rate within the range from 0.5% to 5.2%; and b. in case of change in growth (decrease) after the projected period– from 0.5% to 0.7%.

As a result of the calculations made in 2013, no necessity was identified for recognition of impairment of particular investments in subsidiaries (2012: BGN 975 thousand) (Note 11).

20. AVAILABLE-FOR-SALE INVESTMENTS

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

	31.12.2013 BGN '000	***Interest %***	***31.12.2012 BGN '000***	***Interest %***
Doverie Obedinen Holding AD	1,532	9.90	14,966	18.70
Medica AD	2,539	10.21	2,574	10.20
Olainfarm AD - Latvia	1,313	0.77	1,078	0.77
Lavena AD	982	8.37	230	4.88
Hydroizomat AD	270	10.02	372	9.33
Elana Agrocredit AD	101	1.95	-	-
Sopharma Properties AD	75	0.20	210	0.63
Todorov AD	39	4.5	32	4.97
Ecobulpack AD	7	1.48	7	1.48
UniCredit Bulbank AD	3	0.001	3	0.001
Vratitsa AD	1	0.21	-	-
Total	**6,862**		**19,472**	

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

The fair value per share at 31 December is as follows:

	31.12.2013			***31.12.2012***		
	Number of shares	***Fair value per share***	***Fair value as per the statement of financial position***	***Number of shares***	***Fair value per share***	***Fair value as per the statement of financial position***
		BGN	***BGN***		***BGN***	***BGN***
Doverie Obedinen Holding AD	1,855,552	0,83	1,532	3,502,830	4,27	14,966
Medica AD	1,027,561	2,47	2,539	1,026,969	2,51	2,574
Olainfarm AD - Latvia	108,500	12,10	1,313	108,500	9,94	1,078
Lavena AD	22,322	44,01	982	9,769	23,53	230
Hydroizomat AD	299 499	0,90	270	278,977	1,33	372
Elana Agrocredit AD	100,000	1,01	101	-	-	-
Sopharma Properties AD	30,656	2,46	75	81,370	2,58	210
Todorov AD	152,919	0,25	39	169,069	0,19	32
Vratitsa AD	780	0,77	1			
Maritzatex AD	58,201	0,00	-	29,062	0,00	-
			6,852			**19,462**

The investments in Ecobulpack AD and UniCredit Bulbank AD are valued and presented at acquisition price (cost).

The table below presents Company's available-for-sale investments, which are measured at fair value on a recurring basis in the statement of financial position:

Fair value hierarchy

Available-for-sale financial investments (shares)	***Fair value 31.12.2013***	***(Level 1)***	***(Level 2)***	***(Level 3)***
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***
Doverie Obedinen Holding AD	1,532	-	-	1,532
Medica AD	2,539	-	-	2,539
Olainfarm AD - Latvia	1,313	1,313	-	-
Lavena AD	982	-	982	-
Hydroizomat AD	270	-	270	-
Elana Agrocredit AD	101	101	-	-
Sopharma Properties AD	75	-	75	-
Todorov AD	39	39	-	-
Vratitsa AD	1	1	-	-
Maritzatex AD	-	-	-	-
Total	**6,852**	**1,454**	**1,327**	**4,071**

Available-for-sale financial investments (shares)	*Fair value 31.12.2012 BGN'000*	*(Level 1) BGN'000*	*(Level 2) BGN'000*	*(Level 3) BGN'000*
Doverie Obedinen Holding AD	14,966	-	-	14,966
Medica AD	2,574	-	-	2,574
Olainfarm AD - Latvia	1,078	1,078	-	-
Lavena AD	230	-	230	-
Hydroizomat AD	372	-	372	-
Sopharma Properties AD	210	-	210	-
Todorov AD	32	-	32	-
Maritzatex AD	-	-	-	-
Total	**19,462**	**1,078**	**844**	**17,540**

The table below shows reconciliation between the opening and closing balances of the fair values at Level 1, Level 2 and Level 3:

Available-for-sale financial investments (shares)	*(Level 1) BGN'000*	*(Level 2) BGN'000*	*(Level 3) BGN'000*	*Total BGN'000*
Balance at 1 January 2012	**703**	**783**	**15,290**	**16,776**
Purchases	-	268	49	317
Emissions	-	271	2,081	2,352
Sales	-	(10)	(10)	(20)
Realised gain/(loss) included in the current profit and loss for the year in the item *Finance income – Net gain on transactions with securities*	-	1	(7)	(6)
Unrealised loss included in the current profit and loss for the year (Note 13)	-	(469)	-	(469)
Unrealised gain included in other comprehensive income (Note 15)	375	-	137	512
Balance at 31 December 2012	**1,078**	**844**	**17,540**	**19,462**
Purchases	110	674	8	792
Emissions	-	174	-	174
Sales	(9)	(232)	(1,380)	(1,621)
Realised gain/(loss) included in the current profit and loss for the year in the item *Finance costs – Net loss on transactions with securities*	1	(13)	(5,666)	(5,678)
Transfers to Level 1	-	(29)	-	(29)
Transfers from Level 2	29	-	-	29
Unrealised loss included in the current profit and loss for the year (Note 13)	-	(316)	(6,431)	(6,747)
Unrealised gain included in other comprehensive income (Note 15)	245	225	-	470
Balance at 31 December 2013	**1,454**	**1,327**	**4,071**	**6,852**

Valuation techniques and significant unobservable inputs

The table below shows the valuation techniques applied as at 31 December 2013 for fair value measurement at Level 2 and Level 3 as well as the used significant unobservable inputs:

Available-for-sale financial investments (shares)	***Valuation approaches and techniques***	***Significant unobservable inputs***
Level 2	*Market comparables approach* Valuation technique: Market multiples method	-
Level 3	*a. Income approach* Valuation technique: Discounted cash flows method	* projected annual revenue growth rate * revenue growth rate after the projected period * projected annual growth rate of expenses * discount rate (based on WACC)
	b. Market approach Valuation technique: Market multiples method (supportive valuation techique)	-

Quantitative information about fair value measurements (Level 3)

The table below presents quantitative information regarding fair value measurements in which significant unobservable in which significant unobservable inputs have been used (Level 3):

Valuation technique	***Unobservable inputs***	***Range (weighted average)***	***Relationship between significant unobservable inputs and fair value measurement – sensitivity to key assumptions***
Discounted cash flows			The estimated fair value would increase (decrease), if:
	* projected annual revenue growth rate	* 0 % - 3 % (weighted average 1.5%)	* the projected annual revenue growth rate was higher (lower)
	* revenue growth rate after the projected period	* 2 % (weighted average 2 %)	* the revenue growth rate after the projected period was higher (lower)
	* projected annual growth rate of expenses	* 0 % (weighted average 0 %)	* the projected annual growth rate of expenses was lower (higher)
	* discount rate (based on WACC)	* 8.5%-11.30% (weighted average 9.9 %)	* the discount rate was lower (higher)

Sensitivity analysis

The sensitivity analysis of the fair value of available-for-sale financial investments (shares) Level 3 to the significant unobservable inputs is based on the reasonably possible changes (increase or decrease) by 0.5% of each of the individual indicators presented:

a. projected annual revenue growth rate
b. revenue growth rate after the projected period
c. projected annual growth rate of expenses
d. discount rate (based on WACC)

while accepting that the others remain unchanged.

The effects of the change in the significant unobservable inputs Level 3 on: (a) *the fair value* of the measured assets (Level 3), (b) *the current profit for the year,* and (c) the equity component *Available-for-sale financial assets reserve as at 31 December 2013,* are presented in the table below:

Significant unobservable inputs	***Fair value of available-for-sale financial investments (shares) (Level 3)***		***Current profit for the year***		***Equity – component Available-for-sale financial assets reserve***	
Effect in BGN'000	***Increase***	***Decrease***	***Increase***	***Decrease***	***Increase***	***Decrease***
31 December 2013						
Projected annual revenue growth rate	182	(221)	48	(88)	134	(133)
Revenue growth rate after the projected period	315	(277)	168	(151)	147	(126)
Projected annual growth rate of expenses	(934)	938	(912)	916	(22)	22
Discount rate (based on WACC)	(409)	364	(272)	219	(137)	145

21. LONG-TERM RECEIVABLES FROM RELATED PARTIES

The *long-term receivables from related parties* at 31 December include:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Long-term loans granted	25,214	748
Long-term rental deposit granted	435	435
Total	**25,649**	**1,183**

The long-term loans are granted to companies related through key managing personnel.

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

Currency	***Contracted amount '000***	***Maturity***	***Interest %***	***31.12.2013***		***31.12.2012***	
				BGN'000	***BGN'000 including interest***	***BGN'000***	***BGN'000 including interest***
EUR	10,637	01.12.2015	5.00%	22,554	*1,750*	-	-
EUR	1,278	01.12.2015	5.00%	2,660	*160*	-	-
BGN	1,100	31.12.2014	8.08%	-	-	748	*25*
				25,214	***1,910***	**748**	***25***

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

The deposit receivable related with a rent under a concluded rental contract for administrative offices with validity term on 1 August 2022.

22. OTHER NON-CURRENT RECEIVABLES

Company's *other long-term receivables* represent a loan granted to a third party with maturity on 2 August 2016 and contracted annual interest rate of 8.08% at the total amount as at 31 December 2013: BGN 17 thousand (31 December 2012: two loans granted to third parties at the total amount of BGN 922 thousand and maturities on 1 July 2014 and 2 August 2016 and contracted annual interest rate of 7.00% and 8.08%).

23. INVENTORIES

Company's *inventories* include:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Materials	28,045	24,800
Finished products	16,606	22,973
Work-in-progress	2,835	3,162
Semi-finished products	2,392	3,182
Goods	205	365
Total	**50,083**	**54,482**

Materials by type are as follows:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Basic materials	26,698	22,068
Materials in transit	455	1 903
Technical materials	325	259
Auxiliary materials	296	317
Spare parts	57	90
Other	214	163
Total	**28,045**	**24,800**

Basic materials by type are as follows:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Substances	18,837	14,333
Vials, tubes and ampoules	3,215	3,588
Chemicals	1,693	1,636
Packaging materials	1,427	1,015
PVC and aluminium foil	942	1,085
Herbs	584	411
Total	**26,698**	**22,068**

Finished products existing at 31 December include:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Tablet dosage forms	9,670	14,890
Ampoule dosage forms	3,435	5,394
Syrups	1,130	1,158
Other	2,371	1,531
Total	**16,606**	**22,973**

Pledges were established on Company's inventories amounting to BGN 25,106 thousand as at 31 December 2013 as collateral to bank loans received (31 December 2012: BGN 40,955 thousand) (Note 34 and Note 40).

24. RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:

	31.12.2013	*31.12.2012*
	BGN '000	***BGN '000***
Receivables from subsidiaries	*78,319*	*110,584*
Impairment of uncollectable receivables	*(178)*	*(76)*
	78,141	110,508
Receivables from companies related through key managing personnel	17,732	37,166
Receivables from companies under a common indirect control	*7,477*	*14,052*
Impairment of uncollectable receivables	-	*(2,783)*
	7,477	11,269
Receivables from main shareholding companies	-	8,170
Total	**103,350**	**167,113**

The receivables from related parties by type are as follows:

	31.12.2013	*31.12.2012*
	BGN '000	***BGN '000***
Receivables on sales of finished products and materials	69,135	105,160
Impairment of uncollectable receivables	*(171)*	*(501)*
	68,964	104,659
Trade loans granted	34,393	64,812
Impairment of uncollectable receivables	*(7)*	*(2,358)*
	34,386	62,454
Total	**103,350**	**167,113**

The receivables on sales are interest-free and BGN 29,469 thousand of them are denominated in BGN (31 December 2012: BGN 65,180 thousand), in EUR – BGN 39,466 thousand (31 December 2012: BGN 39,479 thousand) and in UAH – BGN 29 thousand. (31 December 2012: none)

The receivables from a subsidiary with principal activities in the field of trade in pharmaceuticals were the most significant and amounted to BGN 31,466 thousand as at 31 December 2013 or 45.60 % of all receivables on sales of finished products and materials to related parties (31 December 2012: BGN 64,524 thousand - 61.65 %).

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 period of up to 270 days in total for which no interest was usually 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 assesses collectability on an individual basis by analyzing the specific receivables and the circumstances relating to the delay in order that impairment is charged.

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

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
up to 30 days	23,320	14,956
from 31 to 90 days	20,469	20,045
from 91 to 180 days	10,089	18,024
from 181 to 240 days	1,446	-
Total	**55,324**	**53,025**

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

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
from 31 to 90 days	2,433	3,784
from 91 to 180 days	8,717	15,258
from 181 to 365 days	2,490	30,864
from 1 to 2 years	-	1,390
Total	**13,640**	**51,296**

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 collection methods and schemes are under current monitoring at 'company' level and 'group' level and comply with the achievement of the market objectives of the group.

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

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
over 1 year	171	839
Allowance for impairment	(171)	(501)
	-	**338**

The *movement of the allowance for impairment* associated with the receivables from related parties under sales of finished products and materials is as follows:

	2013	*2012*
	BGN '000	*BGN '000*
Balance at the beginning of the year	**501**	**987**
Stated impairment	95	133
Reversed impairment	(225)	-
Amounts written-off as uncollectable	(200)	(53)
Impairment written-off on sale of subsidiaries	-	(566)
Balance at the end of the year	**171**	**501**

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

	31.12.2013	*31.12.2012*
	BGN '000	*BGN '000*
Receivables from companies related through key managing personnel	17,726	37,156
Subsidiaries	9,190	6,408
Allowance for impairment	*(7)*	-
	9,183	6,408
Companies under a common indirect control	7,477	13,078
Allowance for impairment	-	*(2,358)*
	7,477	10,720
Main shareholding companies	-	8,170
Total	**34,386**	**62,454**

The *movement of the allowance for impairment* associated with loans granted to related parties is as follows:

	2013	*2012*
	BGN '000	*BGN '000*
Balance at the beginning of the year	**2,358**	**1,783**
Stated impairment	7	575
Amounts written-off as uncollectable	(2,358)	-
Balance at the end of the year	**7**	**2,358**

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

Currency	Contracted amount '000	Maturity	Interest %	31.12.2013 BGN'000	31.12.2013 BGN'000 including interest	31.12.2012 BGN'000	31.12.2012 BGN'000 including interest
to companies related through key managing personnel							
EUR	10,455	31.12.2014	4.50%	11,346	*16*	12,257	*62*
BGN	27,050	31.12.2014	8.08%	5,662	*14*	9,230	-
BGN	1,300	31.12.2014	8.08%	551	*50*	510	*9*
BGN	190	31.12.2014	8.08%	167	-	227	*37*
BGN	18,478	31.12.2013	8.30%	-	-	14,932	*324*
to main shareholding companies							
EUR	4,035	31.12.2013	4.80%	-	-	8,170	*278*
to companies under a common indirect control							
EUR	7,661	31.12.2014	4.50%	7,477	-	10,010	-
BGN	1,375	31.12.2013	8.08%	-	-	710	-
to subsidiaries							
EUR	2,770	20.01.2014	6.10%	6,381	*963*	6,062	*645*
BGN	2,000	30.10.2014	8.08%	2,026	*26*	-	-
USD	205	31.12.2014	3.50%	303	*13*	167	*4*
BGN	600	31.12.2014	7.00%	402	*2*	101	-
USD	25	31.12.2014	3.50%	39	*4*	40	*2*
USD	20	31.12.2014	3.50%	32	*3*	32	*3*
EUR	3	07.11.2013	13.00%	-	-	6	-
				34,386	***1, 091***	**62,454**	***1 ,364***

There are special pledges on receivables from related parties at the amount of BGN 16,229 thousand, established at 31 December 2013 as collateral for bank loans received (31 December 2012: BGN 10,500 thousand) (Note 34 and Note 40).

25. TRADE RECEIVABLES

	31.12.2013 BGN '000	*31.12.2012* BGN '000
Receivables from clients	21,652	21,240
Impairment of uncollectable receivables	(580)	(583)
	21,072	20,657
Advances granted	1,083	1,882
Total	**22,155**	**22,539**

The *receivables from clients* are interest-free and BGN 324 thousand of them are denominated in BGN (31 December 2012: BGN 1,020 thousand), in EUR – BGN 19,090 thousand (31 December 2012: BGN 17,389 thousand), in PLN – BGN 1,484 thousand (31 December 2012: BGN 2,248 thousand), and in USD – BGN 174 thousand (31 December 2012: none).

About 72.69 % of the receivables from clients are attributable to three main counterparts of the Company (for 2012: 70.53%).

The Company usually agrees with its clients payment terms from 60 to 180 days for receivables under sales except for the cases when new markets and products are being developed and new trade counterparts are being attracted.

The Company has set a common 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 individual exposure of the client as well as its repayment capacity and takes a decision as to whether to charge impairment.

Special pledges on trade receivables at the amount of BGN 21,072 thousand were established at 31 December 2013 as collateral to bank loans received (31 December 2012: BGN 20,657 thousand) (Note 34).

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

	31.12.2013 ***BGN '000***	***31.12.2012*** ***BGN '000***
up to 30 days	2,084	3,188
from 31 to 90 days	14,333	11,666
from 91 to 180 days	106	495
from 181 to 365 days	2,628	-
Total	**19,151**	**15,349**

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

	31.12.2013 ***BGN '000***	***31.12.2012*** ***BGN '000***
from 31 to 90 days	567	4,536
from 91 to 180 days	1,272	391
from 181 to 365 days	82	381
Total	**1,921**	**5,308**

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

	31.12.2013	*31.12.2012*
	BGN '000	***BGN '000***
Over 1 year	580	583
Allowance for impairment	(580)	(583)
	-	**-**

The *movement of the allowance for impairment* is as follows:

	2013	***2012***
	BGN '000	***BGN '000***
Balance at the beginning of the year	**583**	**39**
Stated impairment	378	35
Reversed impairment	(27)	(29)
Amounts written-off as uncollectable	(354)	(28)
Impairment acquired on sale of subsidiaries	-	566
Balance at the end of the year	**580**	**583**

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

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Raw materials and consumables	843	1 775
Services	240	107
Total	**1,083**	**1,882**

The *advances granted* are regular. They include: in BGN - BGN 583 thousand (31 December 2012: BGN 1,415 thousand), in USD – BGN 323 thousand (31 December 2012: BGN 259 thousand), in EUR – BGN 163 thousand (31 December 2012: BGN 208 thousand) and in other currency – BGN 14 thousand (31 December 2012: none).

26. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Taxes refundable	4,165	6,958
Prepayments	1,331	1,036
Loans granted to third parties	881	447
Amounts granted to an investment intermediary	327	652
Receivables on deposits placed as guarantees	258	302
Court and awarded receivables	2,211	2,640
Impairment of court receivables	*(2,211)*	*(799)*
	-	1,841
Other	279	324
Total	**7,241**	**11,560**

The other receivables, amounting to BGN 279 thousand as at 31 December 2013 (31 December 2012: BGN 324 thousand) include mainly BGN 253 thousand (USD 178 thousand) (31 December 2012: BGN 269 thousand (USD 178 thousand) provided to the Supreme Court of Cassation as collateral under a litigation (Note 40).

Taxes refundable include:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Excise duties	3,819	3,554
VAT	304	2,002
Corporate tax	42	1,300
Withholding taxes	-	102
Total	**4,165**	**6,958**

Prepayments include:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Advertising	541	138
Insurance	415	425
Subscriptions	249	357
Rentals	49	55
Licence and patent fees	35	23
Vouchers	20	3
Other	22	35
Total	**1,331**	**1,036**

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

Currency	***Contracted amount '000***	***Maturity***	***Interest %***	***31.12.2013 BGN'000***	***31.12.2013 BGN'000 including interest***	***31.12.2012 BGN'000***	***31.12.2012 BGN'000 including interest***
BGN	483	31.12.2014	7.00%	503	*20*	300	*2*
BGN	1,800	01.07.2014	6.80%	336	-	-	-
BGN	31	31.12.2014	6.00%	35	*4*	33	*2*
BGN	350	31.12.2014	6.80%	7	-	6	-
BGN	100	31.12.2013	8.08%	-	-	108	*8*
				881	***24***	**447**	***12***

Deposits placed as guarantees include:

	31.12.2013 BGN '000	***31.12.2012 BGN '000***
Guarantees under construction contracts	110	110
Guarantees under contracts for fuel supply	86	86
Guarantees under communication service contracts	34	33
Guarantees for medicinal products supply	16	26
Other	12	47
Total	**258**	**302**

27. CASH AND CASH EQUIVALENTS

Cash includes:

	31.12.2013 BGN '000	***31.12.2012 BGN '000***
Cash at current bank accounts	7,604	2,518
Cash in hand	67	77
Cash and cash equivalents presented in the statement of cash flows	**7,671**	**2,595**
Blocked cash under litigation	527	-
Cash and cash equivalents presented in the statement of financial position	**8,198**	**2,595**

Cash at current bank accounts are as follows: in BGN: BGN 749 thousand (31 December 2012: BGN 211 thousand), in EUR – BGN 5,720 thousand (31 December 2012: BGN 1,328 thousand), in USD – BGN 1,135 thousand (31 December 2012: BGN 979 thousand).

The achieved average interest rate is from 0.01 % to 0.06 % (31 December 2012: from 0.10 % to 0.11%).

Cash in hand is mainly denominated in BGN.

With regard to the current accounts in foreign currencies there is an active distraint levied under a litigation at the amount of BGN 527 thousand (USD 372 thousand) (31 December 2012: none) (Note 40).

28. EQUITY

Share capital

As at 31 December 2013, 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 2012	**129,431,391**	**121, 964**
Treasury shares purchased	(917,622)	(2,109)
Expense on treasury shares	-	(11)
Balance at 31 December 2012	**128, 513, 769**	**119, 844**
Treasury shares	(1,975,445)	(5,923)
Treasury shares sold	1,000	3
Expense on treasury shares	-	(29)
Balance at 31 December 2013	**126,539,324**	**113,895**

The treasury shares were 5,460,676 at the amount of BGN 18,105 thousand as at 31 December 2013 (31 December 2012: 3,486,231 at the amount of BGN 12,156 thousand). The number of shares purchased through an investment intermediary in the current year was 1,975,445 (2012: 917,622 shares) and the number of shares sold was 1,000 (2012: none).

As at 31 December 2013, Company's ***shares held by its subsidiaries*** were as follows:

- by Sopharma Trading AD - 23,500 shares (31 December 2012: 146,388 shares).
- by Unipharm AD - 191,166 shares (31 December 2012: 221,166 shares).

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

	31.12.2013	*31.12.2012*
	BGN '000	*BGN '000*
Statutory reserves	30,051	25,934
Property, plant and equipment revaluation reserve	23,392	25,093
Available-for-sale financial assets reserve	984	514
Additional reserves	166,508	138,387
Total	**220,935**	**189,928**

The ***statutory reserves*** amounting to BGN 30,051 thousand (31 December 2012: BGN 25,934 thousand) were set aside from allocation of profit and included all amounts for the Reserve Fund.

The movements of statutory reserves were as follows:

	2013	***2012***
	BGN '000	***BGN '000***
Balance at 1 January	**25,934**	**21,855**
Distribution of profit	4,117	4,079
Balance at 31 December	**30,051**	**25,934**

The ***property, plant and equipment revaluation reserve*** amounting to BGN 23,392 thousand (31 December 2012: BGN 25,093 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 was directly carried to this reserve.

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

	2013	***2012***
	BGN '000	***BGN '000***
Balance at 1 January	**25,093**	**25,360**
Increase arising on revaluation of property, plant and equipment upon transfer to investment property	-	18
Impairment of property, plant and equipment	(353)	-
Deferred tax relating with impairment/(revaluations)	35	(2)
Transfer to retained earnings	(1,383)	(283)
Balance at 31 December	**23,392**	**25,093**

The ***available-for-sale financial assets reserve*** amounting to BGN 984 thousand as at 31 December 2013 (31 December 2012: BGN 514 thousand) 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 were as follows:

	2013	***2012***
	BGN '000	***BGN '000***
Balance at 1 January	**514**	**2**
Net gain arising on revaluation of available-for-sale financial assets	470	513
Cumulative loss on revaluation reclassified to current profit or loss upon sale of available-for-sale financial assets	-	(1)
Balance at 31 December	**984**	**514**

The ***additional reserves*** amounting to BGN 166,508 thousand (31 December 2012: BGN 138,387 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 were as follows:

	2013	***2012***
	BGN '000	***BGN '000***
Balance at 1 January	**138,387**	**110,696**
Distributed profit in the year	28,121	27,691
Balance at 31 December	**166,508**	**138,387**

Retained earnings, amounting to BGN 34,856 thousand at 31 December (31 December 2012: BGN 41,060 thousand) includes also recognised accumulated actuarial loss at the amount of BGN 762 thousand (31 December 2012: BGN 682 thousand), stated upon remeasurements of defined benefit pension plans in relation with the amendment to IAS 19 *Employee Benefits.*

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

	2013	***2012***
	BGN '000	***BGN '000***
Balance at 1 January	**41,060**	**40,820**
Distribution of profit for reserves	(32,238)	(31,770)
Payment of dividend	(8,930)	(9,021)
Actuarial losses from remeasurements	(80)	(137)
Transfer from property, plant and equipment revaluation reserve	1,383	283
Net profit for the year	33,661	40,885
Balance at 31 December	**34,856**	**41,060**

Basic earnings per share

	31.12.2013	***31.12.2012***
Weighted average number of shares	127,422,985	128,924,868
Net profit for the year (BGN’000)	33,661	40,885
Basic earnings per share (BGN)	**0.26**	**0.32**

29. LONG-TERM BANK LOANS

Currency	Contracted loan amount	Maturity	31.12.2013 Non-current portion	31.12.2013 Current portion	31.12.2013 Total	31.12.2012 Non-current portion	31.12.2012 Current portion	31.12.2012 Total
	'000		*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Investment-purpose loan								
евро	32,000	15.04.2021	48,723	3,822	**52,545**	51,779	5,888	**57,667**

The investment-purpose loan received in Euro was agreed at interest rate based on three-month EURIBOR plus a mark-up of 2.8 points (2012: 3-month EURIBOR plus a mark-up of 2.8 points).

The following collateral was established in favour of the creditor bank:

- Mortgages of real estate - BGN 47,690 thousand (31 December 2012: BGN 6,222 thousand) (Note 16);
- Special pledges on:
  - machinery and equipment – BGN 29,960 thousand (31 December 2012: BGN 13,700 thousand) (Note 16).

30. 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*
	31.12.2013	***31.12.2013***	***31.12.2012***	***31.12.2012***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	50,858	5,086	51,475	5,148
including revaluation reserve	*22,341*	*2,234*	*24,232*	*2,423*
Total deferred tax liabilities	**50,858**	**5,086**	**51,475**	**5,148**
Receivables	(2,860)	(286)	(4,112)	(411)
Payables to personnel	(3,945)	(395)	(3,708)	(371)
Intangible assets	(3,048)	(305)	(3,144)	(314)
Inventories	(1,484)	(149)	(1,285)	(129)
Investment property	(1,189)	(119)	(989)	(99)
Accrued liabilities	(53)	(5)	(78)	(8)
Biological assets	(12)	(1)	(14)	(1)
Total deferred tax assets	**(12,591)**	**(1,260)**	**(13,330)**	**(1,333)**
Deferred income tax liabilities, net	**38,267**	**3,826**	**38,145**	**3,815**

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 1,332 thousand (31 December 2012: BGN 1,332 thousand) related to impairment of investments in subsidiaries totalling BGN 13,316 thousand (31 December 2012: BGN 13,316 thousand).

The change in the balance of deferred taxes for 2013 is as follows:

Deferred tax (liabilities)/ assets	***Balance at 1 January 2013***	***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 2013***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	(5,148)	-	35	27	(5,086)
Receivables	411	(125)	-	-	286
Payables to personnel	371	24	-	-	395
Intangible assets	314	(9)	-	-	305
Inventories	129	20	-	-	149
Investment property	99	20	-	-	119
Accrued liabilities	8	(3)	-	-	5
Biological assets	1	-	-	-	1
Total	**(3,815)**	**(73)**	**35**	**27**	**(3,826)**

The change in the balance of deferred taxes for 2012 was as follows:

Deferred tax (liabilities)/ assets	***Balance at 1 January 2012***	***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 2012***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	(5,279)	89	-	42	(5,148)
Receivables	655	(244)	-	-	411
Payables to personnel	256	115	-	-	371
Intangible assets	253	61	-	-	314
Inventories	162	(33)	-	-	129
Investment property	79	22	(2)	-	99
Accrued liabilities	9	(1)	-	-	8
Biological assets	1	-	-	-	1
Total	**(3,864)**	**9**	**(2)**	**42**	**(3,815)**

31. RETIREMENT BENEFIT OBLIGATIONS

The long-term employee benefits as at 31 December include:

	2013	***2012***
	BGN '000	***BGN '000***
Long-term retirement benefit obligations to personnel	1,710	1,479
Long-term benefit obligations for tantieme	145	-
	1,855	**1,479**

Long-term retirement benefit obligations

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

In accordance with the Labour Code in Bulgaria each employee is entitled to indemnity on retirement at the amount of two gross monthly salaries, and if he or she has worked for more than 10 years of its service for the same employer – six gross monthly salaries at the time of retirement. This is a defined benefits plan. (Note 2.21).

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

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

	2013	***2012***
	BGN '000	***BGN '000***
Present value of the obligation at 1 January	**1,479**	**1,240**
Current service cost for the year	185	165
Interest cost for the year	72	76
Payments made in the year	(106)	(139)
Remeasurement gains or losses for the year, including:	80	137
Actuarial losses arising from changes in financial assumptions	*58*	*110*
Actuarial losses arising from changes in demographic assumptions	*2*	*-*
Actuarial losses arising from experience adjustments	*20*	*27*
Present value of the obligation at 31 December	**1,710**	**1,479**

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

	2013	***2012***
	BGN '000	***BGN '000***
Current service cost	184	165
Interest cost	72	76
Components of defined benefit costs recognised in profit or loss (Note 8)	**256**	**241**
Remeasurement gains or losses on the retirement benefit obligations, including:		
Actuarial losses arising from changes in financial assumptions	*53*	*110*
Actuarial losses arising from changes in demographic assumptions	*1*	*-*
Actuarial losses arising from experience adjustments	*26*	*27*
Components of defined benefit plan costs recognised in other comprehensive income (Note 15)	**80**	**137**
Total	**336**	**378**

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

- The discount factor is calculated by using 4% annual interest rate as basis (2012: 4.5%). The assumption is based on yield data for long-term government securities with 10-year maturity;
- The assumption for the future level of 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 (2012: 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 2010 - 2012 (2012: 2009 - 2011);
- Staff turnover rate – from 0 % to 16 % for the five age groups formed (2012: from 0% to 16 %).

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

- investment risk – as far as this is unfunded plan, the Company should monitor and balance currently the forthcoming payments under it with the ensuring of sufficient cash resources. The historical experience and the liability structure show that the annual resource required is not material compared to the commonly maintained liquid funds;
- interest risk – any increase in the yield of government securities with similar term will increase the plan liability;
- longevity risk – the present value of the retirement benefit liability is calculated by reference to the best estimate and updated information about the mortality of plan participants. An increase in life

expectancy would result in a possible increase in the liability. A relative stability of this indicator has been observed in the recent years; and

- salary growth related risk – the present value of the retirement benefit liability is calculated by reference to the best estimate of the future increase in plan participants' salaries. Such an increase would increase the plan liability.

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

The effects of the change (increase or decrease) by 1% of:

a. salary growth
b. discount rate
c. staff turnover rate

on the amount of the stated current service cost and interest cost for 2013 and respectively, on the present value of the obligation for payment of defined retirement benefits, are assessed as follows:

Effects of changes in the basic assumptions on the amount of stated expenses for 2013:

	Increase	***Decrease***
	BGN '000	*BGN '000*
Change in salary growth	23	(20)
Change in discount rate	(5)	5
Change in staff turnover rate	(22)	21

Effects of changes in the basic assumptions on the amount of the stated liability as at 31 December 2013:

	Increase	***Decrease***
	BGN '000	*BGN '000*
Change in salary growth	131	(115)
Change in discount rate	(115)	133
Change in staff turnover rate	(124)	121

The weighted average duration of the defined benefit obligation to personnel is 7.4 years.

The expected indemnity payments upon retirement under the defined benefit plan for the following five years are as follows:

Forecasted payments	*Old age and length of service retirement*	*Ill health retirement*	*Total*
	BGN '000	*BGN '000*	*BGN '000*
Payments in 2014	393	7	400
Payments in 2015	90	7	97
Payments in 2016	158	7	165
Payments in 2017	211	7	218
Payments in 2018	164	7	171
	1,016	**35**	**1,051**

Long-term benefit obligations for tantieme

As at 31 December 2013, the long-term benefit obligations to personnel include also the amount of BGN 145 thousand (31 December 2012: none), representing a payable to personnel related to tantieme payment for a period of more than 12 months (until 2016).

32. 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	*31.12.2013*	*31.12.2012*
	BGN '000	*BGN '000*
Up to one year	56	270
Over one year	49	682
Total	**105**	**952**

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

Term	*31.12.2013*	*31.12.2012*
	BGN '000	*BGN '000*
Up to one year	69	511
Over one year	54	1,194
	123	1,705
Future finance costs under finance leases	(18)	(753)
Present value of finance lease liabilities	**105**	**952**

The lease payments due within the next 12 months are presented in the statement of financial position as ‘other current liabilities’ (Note 39).

33. GOVERNMENT GRANTS

The long-term government grant at the amount of BGN 3,534 thousand (31 December 2012: none) is under a concluded contract for gratuitous financial aid under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007-2013 in relation with the acquisition of machinery and equipment for a new tablet production facility (Note 16).

The current portion of the grant, amounting to BGN 178 thousand (31 December 2012: none) will be recognised as current income over the following 12 months from the date of the separate statement of financial position and is presented as 'other current liabilities' (Note 39).

34. SHORT-TERM BANK LOANS

Currency	*Contracted amount '000*	*Maturity*	*31.12.2013 BGN'000*	*31.12.2012 BGN'000*
Bank loans (overdrafts)				
EUR	20,000	31.05.2014	38,522	39,091
BGN	10,000	30.06.2014	10,002	10,003
BGN	5,000	31.05.2014	9,806	9,785
EUR	12,500	17.02.2014	8,472	24,384
BGN	5,000	31.05.2014	5,072	-
USD	4,000	01.05.2013	-	5,936
EUR	1,968	01.05.2013	-	3,632
EUR	3,000	28.09.2013	-	2,858
			71,874	**95,689**
Extended credit lines				
BGN	18,000	30.08.2014	13,041	15,028
BGN	15,000	31.01.2014	7,335	19,772
EUR	5,000	31.08.2014	6,628	9,772
EUR	3,000	25.08.2013	-	5,863
EUR	2,500	20.11.2013	-	4,851
EUR	2,500	31.08.2013	-	1,803
			27,004	**57,089**
Total			**98,878**	**152,778**

The bank loans received in Euro have been agreed at interest rate based on 3-month EURIBOR plus a mark-up of up to 3.2 points and monthly EURIBOR plus a mark-up of up to 3.25 points while the loans received in BGN – based on 3-month SOFIBOR plus 2.1 points, monthly SOFIBOR plus 2 points, weekly SOFIBOR plus 3 points and 2-week SOFIBOR plus 3.25 points (2012: for the loans in Euro: 6-month EURIBOR plus a mark-up of up to 3 points, 3-month EURIBOR plus a mark-up of up to 3.85 points and monthly EURIBOR plus a mark-up of up to 3 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 3.75 points). Loans are intended for providing working capital.

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

- Mortgages of real estate – BGN 37,019 thousand (31 December 2012: BGN 39,147 thousand) (Note 16);
- Special pledges on:

  - machinery and equipment – BGN 13,599 thousand (31 December 2012: BGN 18,835 thousand) (Note 16);
  - inventories – BGN 35,525 thousand (31 December 2012: BGN 38,372 thousand) (Note 23);
  - receivables from related parties – BGN 16,229 thousand (31 December 2012: BGN 10,500 thousand) (Note 24);
  - trade receivables – BGN 22,763 thousand (31 December 2012: BGN 32,562 thousand) (Note 25).

35. PAYABLES TO RELATED PARTIES

The *payables to related parties* refer to:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Payables to subsidiaries	4,717	3,753
Payables to companies related through key managing personnel	2,304	-
Payables to companies under a common indirect control	793	12
Payables to main shareholding companies	22	17
Total	**7,836**	**3,782**

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

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Supply of services	6,099	3,738
Supply of non-current assets	1,585	-
Supply of inventories	152	44
Total	**7,836**	**3,782**

The trade payables to related parties are regular and are not additionally secured by the Company. The payables in Bulgarian Levs amount to BGN 7,550 thousand (31 December 2012: BGN 3,426 thousand), in PLN – BGN 264 thousand (31 December 2012: BGN 308 thousand) and in EUR – BGN 22 thousand (31 December 2012: BGN 48 thousand).

36. TRADE PAYABLES

Trade payables include:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Payables to suppliers	4,568	6,860
Advances received	405	230
Total	**4,973**	**7,090**

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Payables to foreign suppliers	2,871	5,350
Payables to local suppliers	1,697	1,510
Total	**4,568**	**6,860**

The payables to suppliers are regular, interest-free and refer to supplies of materials and services. The payables in foreign currency amount to BGN 2,871 thousand (31 December 2012: BGN 5,350 thousand). They include: in EUR - BGN 2,507 thousand (31 December 2012: BGN 4,303 thousand), in USD – BGN 285 thousand (31 December 2012: BGN 1,030 thousand), in PLN – BGN 53 thousand (31 December 2012: none) and in other currencies – BGN 26 thousand (31 December 2012: BGN 17 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 (Notes 21 and 26) for payables to suppliers under commercial transactions at the amount of BGN 693 thousand (31 December 2012: BGN 735 thousand).

37. TAX PAYABLES

Tax payables include:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Corporate tax	709	-
Withholding taxes	341	3
Individual income taxes payable	193	205
Total	**1,243**	**208**

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

- under VAT Act – until 31 December 2011;
- full-scope tax audit – until 31 December 2011;

- National Social Security Institute – until 30 September 2013.

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.

38. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

Payables to personnel and for social security are as follows:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Payables to personnel, including:	3,037	3,117
tantieme payable up to 12 months	*1,537*	*1,627*
current liabilities	*805*	*813*
accruals on unused compensated leaves	*695*	*677*
Payables for social security/health insurance, including:	699	567
current liabilities	*591*	*458*
accruals on unused compensated leaves	*108*	*109*
Total	**3,736**	**3,684**

39. OTHER CURRENT LIABILITIES

Other current liabilities include:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Dividend liabilities	279	251
Awarded amounts under litigations	253	281
Deductions from work salaries	189	190
Government grants, current portion (Note 33)	178	-
Finance lease liabilities (Note 32)	56	270
Other	20	14
Total	**975**	**1,006**

40. CONTINGENT LIABILITIES AND COMMITMENTS

Litigations

In 2012, the claim of Sopharma AD against a client in relation with unpaid supplies of goods at the amount of EUR 1,034 thousand (BGN 2,022 thousand) was satisfied by a ruling dated 23 October 2012 of the Court of Arbitration in Paris.

In 2013 the Court of Arbitration in Paris entitled Sopharma AD to file a complementary claim as follows:

- to compensate the loss of business suffered as a result of a harm on Company's image – at the amount of EUR 1,240 thousand (BGN 2,425 thousand);
- to compensate court and other expenses at the amount of USD 75 thousand (BGN 106 thousand) and EUR 153 thousand (BGN 298 thousand).

In accordance with a ruling of Sofia Court of Appeal, dated 8 November 2012, Sopharma AD was found guilty jointly with one of its subsidiaries for obligations not paid by this subsidiary to a supplier at the amount of BGN 141 thousand (USD 95 thousand), including principal and penalties, as well as for statutory interest on this amount as of 22 December 2005 to the date of ultimate payment of the obligation, and court expenses at the amount of BGN 12 thousand. The Company has blocked funds at the amount of BGN 527 thousand (USD 372 thousand) (Note 27). The liability is included in full in the statement of financial position of the subsidiary as at 31 December 2013. All parties to the case have filed cassation claims against the ruling.

Significant irrevocable agreements and commitments

In 2013, the Company assumed a self-participation commitment at the amount of BGN 3,000 thousand under a grant contract under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 2013. The execution of the contract is envisaged to last 18 months and is related mainly with financing the implementation of innovative products in the ampoule production section.

In 2013, the Company received a government grant at the amount of BGN 3,787 thousand by virtue of a grant contract under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 2013 (Note 33 and Note 39) intended for technological renovation and modernisation of tablet production facilities (Note 16). The Company undertook a commitment that for a period of 5 years after the completion of the project, counted as of 11 March 2013 and in line with the contract, the project shall not be subject to significant modifications affecting its essence and the terms and conditions for its execution or giving rise to unjustified benefits to the Company, neither modifications resulting from change in the nature of ownership over the assets acquired in relation with the grant. On non-compliance with these requirements, the financing shall be returned. At the date of preparation of the financial statements, all contractual requirements were being fulfilled.

Issued and granted guarantees

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

	Maturity	**Currency**	**Amount**		**Status of the debt**
			Original currency	**BGN'000**	***31.12.2013*** **BGN'000**
Sopharma Properties REIT	29.12.2020	EUR	30,000	58,675	48,896
Sopharma Trading AD	31.08.2014	EUR	15,500	30,315	27,378
Sopharma Trading AD	30.06.2014	EUR	10,000	19,558	19,558
Sopharma Trading AD	30.06.2014	EUR	8,434	16,495	16,495
Sopharma Trading AD	25.03.2016	EUR	7,500	14,669	13,998
OAO Vitamini	01.03.2014	EUR	7,000	13,691	13,302
Sopharma Trading AD	30.06.2014	BGN	10,000	10,000	10,000
Sopharma Trading AD	25.04.2014	EUR	3,000	5,867	4,882
Sopharma Trading AD	30.08.2014	EUR	2,050	4,009	3,912
Sopharma Trading AD	30.06.2018	EUR	2,000	3,912	3,912
Sopharma Trading AD	30.06.2014	BGN	3,732	3,732	2,600
Sopharma Trading AD	31.12.2017	EUR	1,448	2,832	2,210
Biopharm Engineering AD	16.04.2023	EUR	4,500	8,312	1,559
Sopharma Trading AD	15.11.2018	EUR	521	1,005	1,005
Sopharma Trading AD	31.12.2017	EUR	450	881	690
Bulgarian Rose Sevtopolis AD	31.01.2015	EUR	1,617	3,163	519
Sopharma Trading AD	25.10.2016	EUR	432	846	518
Energoinvestment AD	28.08.2014	BGN	2,018	2,018	518
Veta Pharma AD	19.11.2014	BGN	1,000	1,000	503
Momina Krepost AD	20.09.2014	EUR	500	978	206
Mineralcommerce AD	20.09.2017	EUR	100	196	147
Sopharma Trading AD	25.11.2017	EUR	87	29	140
Sopharma Trading AD	30.11.2015	EUR	113	221	130
Sopharma Trading AD	30.06.2014	EUR	66	129	129
Sopharma Trading AD	25.05.2016	EUR	89	174	93
Mineralcommerce AD	20.12.2015	EUR	50	98	86
Sopharma Trading AD	25.07.2016	EUR	63	124	70
Sopharma Trading AD	25.05.2016	EUR	41	80	51
Sopharma Trading AD	28.09.2014	EUR	2,000	3,912	51
Sopharma Trading AD	25.09.2016	EUR	22	42	30
Sopharma Trading AD	25.06.2016	EUR	23	45	25
Sopharma Trading AD	25.06.2016	EUR	22	43	24
Sopharma Trading AD	25.09.2016	EUR	15	29	17
					173,654

The Company has provided the following collateral in favour of banks under loans received by subsidiaries:

- Mortgages of real estate – BGN 8,598 thousand (31 December 2012: none) (Note 16);
- Special pledges on:
  - machinery and equipment – BGN 2,221 thousand (31 December 2012: none) (Note 16);
  - installations – BGN 233 thousand (31 December 2012: none) (Note 16);
  - inventories – BGN 17,623 thousand (31 December 2012: BGN 2,583 thousand) (Note 23);
  - trade receivables – BGN 19,705 thousand (31 December 2012: none) (Note 25).

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 2013 regardless of the fact that the official document evidencing that Ecobulpack (the organization in which it is a member) has fulfilled its commitments under WMA, has not been issued yet at the date of preparation of these financial statements.

41. 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	***31.12.2013*** ***BGN '000***	***31.12.2012*** ***BGN '000***
Available-for-sale financial assets	***6,862***	***19,472***
Available-for-sale investments (in shares)	*6,862*	*19,472*
Loans and receivables	***151,535***	***192,656***
Long-term receivables from related parties	*25,649*	*1,183*
Other long-term receivables	*17*	*922*
Short-term receivables from related parties	*103,350*	*167,113*
Trade receivables	*21,072*	*20,657*
Other receivables	*1,447*	*2,781*
Cash and cash equivalents	8,198	2,595
Total financial assets	***166,595***	***214,723***

Financial liabilities	*31.12.2013*	*31.12.2012*
	BGN '000	*BGN '000*
Bank loans	***151,423***	***210,445***
Long-term bank loans	48,723	51,779
Short-term bank loans	*98,878*	*152,778*
Current portion of long-term bank loans	*3,822*	*5,888*
Other liabilities	***13,054***	***12,126***
Trade payables to related parties	*7,836*	*3,782*
Trade payables	*4,568*	*6,860*
Finance lease liabilities	*105*	*952*
Other liabilities	*545*	*532*
Total financial liabilities at amortised cost	***164,477***	***222,571***

Foreign 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. The Company supplies part of its basic raw and other materials in USD. The currency risk is related with the adverse floating of the exchange rate of USD against BGN in future business transactions as to the recognised assets and liabilities denominated in foreign currency and as to the net investments in foreign companies.

The remaining part of Company's operations is 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 2013	**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	-	-	5,549	1,313	6,862
Receivables and loans granted	802	109,427	39,783	1,523	151,535
Cash and cash equivalents	1,662	5,720	814	2	8,198
Total financial assets	**2,464**	**115,147**	**46,146**	**2,838**	**166,595**
Bank loans	-	106,167	45,256	-	151,423
Other liabilities	538	2,529	9,539	448	13,054
Total financial liabilities	**538**	**108,696**	**54,795**	**448**	**164,477**

31 December 2012	**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	-	-	18,394	1,078	19,472
Receivables and loans granted	239	95,721	94,448	2,248	192,656
Cash and cash equivalents	980	1,328	282	5	2,595
Total financial assets	**1,219**	**97,049**	**113,124**	**3,331**	**214,723**
Bank loans	5,936	159,705	44,804	-	210,445
Other liabilities	1,294	4,351	5,204	1,277	12,126
Total financial liabilities	**7,230**	**164,056**	**50,008**	**1,277**	**222,571**

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	
		31.12.2013	**31.12.2012**
		BGN '000	**BGN '000**
Financial result	+	173	(541)
Accumulated profits	+	173	(541)
Financial result	-	(173)	541
Accumulated profits	-	(173)	541

In case of 10 % increase in the rate of USD to BGN, the final effect on post-tax profit of the Company for 2013 would be an increase by BGN 173 thousand (0.51 %). For 2012, the final effect on Company's post-tax profit would be a decrease by BGN 541 thousand (1.32 %). The effect in terms of value on Company's equity – through the component 'retained earnings' – would be the same. The biggest impact on the increase for 2013 is that of cash while for 2012 the effect is due to bank loans.

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 2013 is an increase by BGN 184 thousand (2012: increase at the amount of BGN 200 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 starting 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.

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 statement of financial position at net value after deducting the impairment related to doubtful and bad debts. Such impairment is made where and when events have existed identifying loss due to uncollectability as per previous experience.

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 related parties (trade receivables and loans) as follows:

	31.12.2013	***31.12.2012***
	BGN '000	***BGN '000***
Client 1	23%	39%
Client 2	24%	18%
Client 3	20%	9%

The Company has concentration of trade receivable from a single client, other than related parties, which is accountable for 53.81 % of all trade receivables (31 December 2012: 52.66 %).

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 control the receivables on a regular basis depending on the objective situation on the market, the position and the potential of the respective counterparty and respectively, the market objectives and 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. 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 liabilities of the Company, grouped by remaining term to maturity, determined against the contractual maturity at the date of the statement of financial position. The table is prepared on the basis of undiscounted cash flows and the earliest date on which a payable becomes due for payment. The amounts include principal and interest.

31 December 2013	up to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	1 to 2 years	2 to 5 years	over 5 years	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Bank loans	8,627	20,399	55,991	24,279	8,899	24,918	17,603	**160,716**
Other loans and liabilities	6,622	5,806	15	575	46	8	-	**13,072**
Total liabilities	**15,249**	**26,205**	**56,006**	**24,854**	**8,945**	**24,926**	**17,603**	**173,788**

31 December 2012	up to 1 month	from 1 to 3 months	from 3 to 6 months	from 6 to 12 months	1 to 2 years	2 to 5 years	over 5 years	Total
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Bank loans	30,362	25,705	67,280	39,434	9,406	26,364	24,064	**222,615**
Other loans and liabilities	8,325	2,513	107	741	367	826	-	**12,879**
Total liabilities	**38,687**	**28,218**	**67,387**	**40,175**	**9,773**	**27,190**	**24,064**	**235,494**

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) combined structure of interest rates on loans comprising 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 favourable 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.

31 December 2013	**interest-free**	**with floating interest %**	**with fixed interest %**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Available-for-sale financial assets	6,862	-	-	6,862
Loans and receivables	94,064	-	57,471	151,535
Cash and cash equivalents	67	8,131	-	8,198
Total financial assets	**100,993**	**8,131**	**57,471**	**166,595**
Bank loans	266	151,157	-	151,423
Other loans and liabilities	12,949	105	-	13,054
Total financial liabilities	**13,215**	**151,262**	**-**	**164,477**

31 December 2012	**interest-free**	**with floating interest %**	**with fixed interest %**	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*
Available-for-sale financial assets	19,472	-	-	19,472
Loans and receivables	129,295	-	63,361	192,656
Cash and cash equivalents	86	2,509	-	2,595
Total financial assets	**148,853**	**2,509**	**63,361**	**214,723**
Bank loans	334	210,111	-	210,445
Other loans and liabilities	11,174	952	-	12,126
Total financial liabilities	**11,508**	**211,063**	**-**	**222,571**

The table below demonstrates the Company's sensitivity to possible changes in interest rates by 0.50 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.

2013	***Increase / decrease in interest rate***	***Impact on post-tax financial result***	***Impact on equity***
		profit/(loss)	***increase/decrease***
EUR	Increase	(478)	(478)
BGN	Increase	(204)	(204)
EUR	Decrease	478	478
BGN	Decrease	204	204

2012	*Increase / decrease in interest rate*	*Impact on post-tax financial result* *profit/(loss)*	*Impact on equity* *increase/decrease*
EUR	Increase	(717)	(717)
BGN	Increase	(201)	(201)
USD	Increase	(27)	(27)
UAH	Increase	(4)	(4)
EUR	Decrease	717	717
BGN	Decrease	201	201
USD	Decrease	27	27
UAH	Decrease	4	4

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. This ratio is calculated as net debt divided by total capital amount. Net debt is calculated as total borrowings as presented in the statement of financial position and cash and cash equivalents. Total employed capital is calculated as the sum of equity and net debt.

In 2013, the strategy of the Company management was to maintain the ratio within 25 - 30% (2012: 35 % – 40 %).

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

	2013 *BGN '000*	*2012* *BGN '000*
Total borrowings, including:	**151,528**	**211,397**
bank loans	*151,423*	*210,445*
finance lease liabilities	*105*	*952*
Less: Cash and cash equivalents	**(8,198)**	**(2,595)**
Net debt	**143,330**	**208,802**
Total equity	**369,686**	**350,832**
Total capital	**513,016**	**559,634**
Gearing ratio	**0.28**	**0.37**

The liabilities shown in the table are disclosed in Notes 27, 29, 32, 34 and 39.

Fair value measurement

The fair value concept presumes realisation of financial assets through a sale based on the position, assumptions and judgments of independent market participants in a principal or most advantageous market for a particular asset or liability. The Company acknowledges as a principal market for its financial assets and liabilities the financial market in Bulgaria – the Bulgarian Stock Exchange, the large commercial banks – dealers, and for some specific instruments – direct transactions between the parties. 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 determined by applying a particular valuation method (investments in securities, loans with floating interest rate) and therefore, their fair value is almost equal to their carrying amount. Part of the investments in other companies as minority interests represent an exception to this rule, since neither market nor objective conditions exist so that their fair value could be reliably determined. Therefore, they are presented at acquisition cost (cost).

As far as the Bulgarian market of financial instruments is still not sufficiently developed – with stability, satisfactory volumes and liquidity for purchases and sales of certain financial assets and liabilities – there are no sufficient and reliable market price quotations for them, and for this reason, the Company uses other alternative valuation methods and techniques.

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

42. 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*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Segment revenue	151,262	153,559	34,685	30,109	30,107	26,623	216,054	210,291
Segment cost	(63,648)	(70,654)	(15,306)	(12,854)	(19,934)	(18,623)	(98,888)	(102,131)
Segment result	**87,614**	**82,905**	**19,379**	**17,255**	**10,173**	**8,000**	**117,166**	**108,160**
Non-allocated operating income							3,079	4,143
Non-allocated operating expenses							(74,678)	(71,487)
Profit from operations							**45,567**	**40,816**
Impairment of non-current assets							(193)	(975)
Finance income/(costs), net							(7,351)	5,306
Profit before income tax							**38,023**	**45,147**
Income tax expense							(4,362)	(4,262)
Net profit for the year							**33,661**	**40,885**

Segment assets and liabilities include:

	Tablet dosage forms		*Ampoule dosage forms*		*Other dosage forms*		*Total*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Property, plant and equipment	83,262	2,279	18,330	19,881	15,067	15,824	116,659	37,984
Inventories	25,935	29,612	12,361	12,816	10,235	8,957	48,531	51,385
Segment assets	**109,197**	**31,891**	**30,691**	**32,697**	**25,302**	**24,781**	**165,190**	**89,369**
Non-allocated assets							**383,946**	**493,654**
Total assets							**549,136**	**583,023**

	Tablet dosage forms		*Ampoule dosage forms*		*Other dosage forms*		*Total*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Payables to personnel	170	194	116	132	233	216	519	542
Social security payables	66	49	44	32	89	55	199	136
Segment liabilities	**236**	**243**	**160**	**164**	**322**	**271**	**718**	**678**
Non-allocated liabilities							**178,732**	**231,513**
Total liabilities							**179,450**	**232,191**

The capital expenditures, depreciation/amortisation and non-monetary expenses other than depreciation/amortisation by business segment include:

	Tablet dosage forms		*Ampoule dosage forms*		*Other dosage forms*		*Total*	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*	*2012*
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Capital expenditures	13,827	49,000	-	-	461	3,212	14,288	52,212
Depreciation/amortisation	1,889	357	1,592	1,595	1,747	1,517	5,228	3,469
Non-monetary expenses, other than depreciation and amortisation	806	386	132	27	361	206	1,299	619

43. RELATED PARTY TRANSACTIONS

Related parties	***Relation type***	***Relation period***
Telecomplect Invest AD	Main shareholding company	2012 and 2013
Donev Investments AD	Main shareholding company	2012 and 2013
Sopharma Trading AD	Subsidiary company	2012 and 2013
Pharmalogistica AD	Subsidiary company	2012 and 2013
Bulgarian Rose Sevtopolis AD	Subsidiary company	2012 and 2013
Sopharma Poland OOD – in liquidation	Subsidiary company	2012 and 2013
Rostbalkanpharm AD	Subsidiary company	until 10.04.2012
Sopharma USA	Subsidiary company	2012 and 2013
Electroncommerce EOOD	Subsidiary company	2012 and 2013
Biopharm Engineering AD	Subsidiary company	2012 and 2013
Vitamina AD	Subsidiary company	2012 and 2013
Ivanchich and Sons OOD	Subsidiary company	2012 and 2013
Sopharma Buildings REIT	Subsidiary company	2012 and 2013
Momina Krepost AD	Subsidiary company	2012 and 2013
Extab Corporation	Subsidiary company	2012 and 2013
Extab Pharma Limited	Subsidiary company through Extab Corporation	2012 and 2013
Briz OOD	Subsidiary company	2012 and 2013
Unipharm AD	Subsidiary company	2012 and 2013
Sopharma Warsaw	Subsidiary company	2012 and 2013
Sopharma Ukraine EOOD	Subsidiary company	from 07.08.2012 and 2013
Sopharma Zdrovit AD – in liquidation	Subsidiary company	2012 and until 22.03.2013
Phyto Palauzovo AD	Subsidiary company through Bulgarian Rose – Sevtopolis AD	from 21.09.2012 and 2013
Brititrade SOOO	Subsidiary company through Briz OOD	2012 and 2013

Tabina OOO	Subsidiary company through Briz OOD	2012 and 2013
Superlats OOO	Subsidiary company through Briz OOD	until 15.02.2012
ZAO Interpharm	Subsidiary company through Briz OOD	2012 and 2013
Brizpharm SOOO	Subsidiary company through Briz OOD	from 20.12.2012 and 2013
Brizpharm SOOO	Associate company through Briz OOD	from 01.06. to 19.12.2012
Vivaton Plus OOO	Subsidiary company through Briz OOD	from 29.12.2012 and 2013
Vivaton Plus OOO	Associate company through Briz OOD	from 01.06. to 28.12.2012
OOO Farmacevt Plus	Subsidiary company through Briz OOD	from 01.06.2013
OOO Farmacevt Plus	Associate company through Briz OOD	from 29.04. to 31.05.2013
UAB UBSPharma	Subsidiary company through Briz OOD	from 01.03.2013
Vestpharm ODO	Subsidiary company through Briz OOD	from 04.07.2013
Vestpharm ODO	Associate company through Briz OOD	from 01.11.2012 to 03.07.2013
Alean ODO	Subsidiary company through Briz OOD	from 07.02.2013
Alean ODO	Associate company through Briz OOD	from 01.10.2012 to 06.02.2013
OOO NPK Biotest	Subsidiary company through Briz OOD	from 02.09.2013
OOO NPK Biotest	Associate company through Briz OOD	from 18.01. to 01.09.2013
BelAgroMed	Subsidiary company through Briz OOD	from 30.07.2013
BelAgroMed	Associate company through Briz OOD	from 18.01. to 29.07.2013
SpetsAfarmacia BOOO	Associate company through Briz OOD	from 03.09.2013
Med-dent OOO	Associate company through Briz OOD	from 03.09.2013
Pharmachim Holding EAD	Company under a common indirect control	2012 and 2013
Kaliman RT AD	Company under a common indirect control	2012 and 2013
Seiba Pharmacies and Drugstores AD	Company under a common indirect control	2012 and 2013
SCS Franchise AD	Company under a common indirect control	2012 and 2013
Mineralcommerce AD	Company under a common indirect control	2012 and 2013
Sopharma Properties REIT	Company under a common indirect control	2012 and 2013
Sofia Inform AD	Company under a common indirect control	2012 and 2013
Sofprint Group AD	Company under a common indirect control	2012 and 2013
Sofconsult Group AD	Company under a common indirect control	2012 and 2013
Elpharma AD	Company under a common indirect control	2012 and 2013
Sanita Franchising AD	Company under a common indirect control	2012 and 2013
Riton P	Company related through key managing personnel	2012 and 2013
Telso AD	Company related through key managing personnel	2012 and 2013
Telecomplect AD	Company related through key managing personnel	2012 and 2013
Media Group Bulgaria Holding	Company related through key managing personnel	2012 and until 25.04.2013
DOH Group	Company related through key managing personnel	2012 and 2013

Supplies from related parties:	***2013***	***2012***
	BGN '000	***BGN '000***
Supply of inventories from:		
Companies under a common indirect control	7,826	9,277
Subsidiaries	4,171	3,851
Companies related through key managing personnel	657	128
	12,654	**13,256**
Supply of services from:		
Subsidiaries	32,801	32,992
Companies related through key managing personnel	2,777	2,970
Companies under a common indirect control	2,160	1,699
Main shareholding companies	291	590
	38,029	**38,251**
Supply of tangible fixed assets from:		
Companies related through key managing personnel	4,075	261
Companies under a common indirect control	-	18
	4,075	**279**
Supplies for acquisition of non-current assets:		
Companies related through key managing personnel	11,760	29,181
	11,760	**29,181**
Total	**66,518**	**80,967**

Sales to related parties	***2013***	***2012***
	BGN '000	***BGN '000***
Sales of finished products to:		
Subsidiaries	117,446	105 663
Companies under a common indirect control	187	170
	117,633	**105 833**
Sales of goods and materials to:		
Subsidiaries	16,136	16 230
Companies under a common indirect control	874	1 089
Companies related through key managing personnel	4	5
	17,014	**17 324**
Sales of services to:		
Subsidiaries	1,763	1,895
Companies under a common indirect control	98	80
Companies related through key managing personnel	95	120
	1,956	**2,095**
Sales of property, plant and equipment to:		
Subsidiaries	38	26
Main shareholding companies	-	58
	38	**84**

Sales of investments for:		
Companies related through key managing personnel	-	5
	-	**5**
Interest on loans granted to:		
Companies related through key managing personnel	2,917	2,902
Companies under a common indirect control	445	653
Subsidiaries	387	744
Main shareholding companies	156	379
	3,905	**4,678**
Income from liquidation shares in:		
Subsidiaries	109	-
	109	**-**
Total	**140,655**	**130,019**

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 21, 24 and 35. The composition of key managing personnel is disclosed in Note 1.

Salaries and other short-term benefits of key managing personnel amount to BGN 1,174 thousand (2012: BGN 1,013 thousand), including:

- current wages and salaries – BGN 762 thousand (2012: BGN 605 thousand);
- tantieme – BGN 412 thousand (2012: BGN 408 thousand).

44. EVENTS AFTER THE REPORTING PERIOD

On 31 January 2014 the capital increase of Briz OOO – Latvia was registered and as a result of that the interest of Sopharma AD increased from 53.14% to 66.13%.

On 6 February 2014 the Company sold 616,015 shares from the capital of Sopharma Trading AD and as a result of that the interest of Sopharma AD was decreased by 1.87%.

On 7 February 2014 Rompharm Company OOD purchased 4,230,000 shares of the capital of Sopharma AD and as a result of that its interest in the capital of the Company increased by 3.20%.

On 11 February 2014 Universal Pension Fund Doverie AD sold 3,424,005 shares of the capital of Sopharma AD and as a result of that its interest in the capital of the Company decreased by 2.59 %.