TCHAIKAPHARMA HIGH QUALITY MEDICINES AD

ANNUAL ACTIVITIES REPORT
ANNUAL FINANCIAL STATEMENT
INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2012.

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ANNUAL FINANCIAL STATEMENT FOR 2012

I. Activities statement and statement on the condition of the company

1. Company name

Tchaikapharma High Quality Medicines AD is a commercial corporation, founded and engaged in activities, according to the Orders of the Commercial law and was registered under the judgement of the District court of Varna, passed on the company case № 1096 from the 14.03.2000.
With the decision of the Supreme District Court № 8866 from the 10.10.2007 and the Decision of the Sofia City Court from the 09.11.2007 the headquarters and the address of the head administration changed - from Varna, Primosrski Region, residential district Tchaika, No.1 “Nikola Vapcarov” Str., to Sofia, district “Izgrev”, No.1 “G.M.Dimitrov” blvd. The company is listed in the Registry of the commercial corporations as a joint-stock company under company case № 16559/2007 From the Sofia City Court.

2. Foundation date and duration in time:

Tchaikapharma High Quality Medicines AD was founded in 2000. The duration of the Company is not limited in time.

3. Country of Company foundation, headquarters, address of the head administration, telephone, fax, e-mail and web page

Country:	Bulgaria
Headquarters address:	Sofia, No.1 “G.M.Dimitrov” blvd.
Correspondence address:	Sofia, No.1 “G.M.Dimitrov” blvd.
Telephone:	02 / 960 36 59
Fax:	02 / 962 50 59
E-mail:	tchaika@tchaikapharma.com
Web page:	http://tchaikapharma.com

4. Object of activity

The object of activity of the company is the manufacturing and sales of pharmaceuticals in a in a processed form.

5. Capital

The capital of the company is BGN 32 000 000. (thirty two million BGN) and is distributed in the number of 32 000 000 ordinary registered shares with a nominal value of BGN 1.

II. Main financial and economical results TCHAIKAPHARMA HIGH QUALITY MEDICINES AD

Income, according to the General Income Statement

In the financial year of 2012 the following sum has been accounted for as income: BGN 28 236 thousand /including the net sales income of BGN – 27 368 thousand. /. In comparison to the previous year - 2011 – there has been a decrease in the net income in the amount of BGN 8 275 thousand. This income has been distributed as follows:

	2012 BGN thousand	2011 BGN thousand
Income from production sales	26 037	33 543
Income from commodity sales	1 276	2 061
Income from service sales	55	39
Total	**27 368**	**35 643**

The annual financial result for 2012 has been formed mainly from the net sales income.

Financial income and expenses, according to the General Income Statement

The financial income and expenses, realized in 2012 reach the total sum of BGN - 664 thousand and they include the financial income in the amount of BGN 4 thousand and financial expenses in the amount of BGN 668 thousand. Compared to the previous year of 2011 there has been an increase in the amount of BGN 81 thousand.

The financial income by types is formed as follows:

	2012 BGN thousand	2011 BGN thousand
Income from the granted loans interest	2	1
Income from currency exchange differences	1	2
Other financial operations’ income	1	-
Total	**4**	**3**

The reported financial expenses by types are distributed as follows:

	2012 BGN thousand	2011 BGN thousand
Interest expenses	574	499
Income from currency exchange differences	8	8
Other financial operations’ income	86	79
Total	**668**	**586**

The financial expenses have increased by BGN 82 thousand or14% for the current year.

Expenses from the activities in the Comprehensive Income Statement

The total amount of the expenses for the activities of the Company in 2012 /without the balance amount for the sold commodities/ comes to the sum of BGN 21 201 thousand, which is by BGN 8 103 thousand less in comparison to the reported for 2011 sum.

The expenses from the activities by types are formed as follows:

	2012 BGN thousand	**2011 BGN thousand**
Expenses for materials	11 243	21 990
Expenses for external services	2 621	1 881
Amortization expenses	2 549	1 665
Remuneration and insurance expenses	3 401	2 555
Other expenses	1 387	1 213
Total	**21 201**	**29 304**

The decrease in the expenses from the activities during the current year, as compared to the previous year is due to the decrease in the expenses for materials by nearly 50% compared to 2011.

Financial result

The financial result for **TCHAIKAPHARMA HIGH QUALITY MEDICINES AD** before corporate taxes is the profit in the amount of BGN 6 040 thousand.
For 2012 the corporate taxes due were BGN 590 thousand. The expenses for deferred taxes in the income statement amount to the total sum of BGN 43 thousand. The financial result after taxes is the net profit in the amount of BGN 5 407 thousand. The increase compared to the net profit for 2011 comes to the sum of BGN 745 thousand or хил.16%.

BALANCE OF TCHAIKAPHARMA HIGH QUALITY MEDICINES AD

ASSETS

As of 31.12.2012 **the assets** of the Company at balance amount come to BGN 64 343 thousand, including the non-current assets in the amount of BGN 39 613 thousand, and the current assets – BGN 24 730 thousand. As of 31.12.2011 the assets of the Company at balance amount came to the total sum of BGN 60 606 thousand. The increase is in the amount of BGN 3 737 thousand.

Non-current assets

The non-current assets by type are distributed as follows:

	2012 BGN thousand	2011 BGN thousand
Property, plant, equipment and installations	31 837	30 733
Intangible assets	3 954	3 642
Investments with minority participation	1	1
Long-term receivables	3 821	3 817
Total	**39 613**	**38 193**

For 2012 the non-current assets increased by BGN 1 420 thousand or 4%.

Current assets

As of 31.12.2012 **the current assets** amounted to BGN 24 730 thousand. For the same period in the previous year the current assets came to the total amount of BGN 22 413 thousand. The increase amounts to BGN 317 thousand.

The current assets are distributed by type as follows:

	2012 BGN thousand	2011 BGN thousand
Material reserves	3 623	3 506
Commercial and other receivables	21 079	18 814
Short-term loans	-	-
Cash	28	93
Total	**24 730**	**22 413**

LIABILITIES

♦ **Capital shares and reserves amount to** BGN 43 769 thousand. The increase, compared to 2011 amounts to BGN 418 thousand.

♦ **Non-current and current liabilities in** 2012 amount to BGN 20 574 thousand, while for 2011. – BGN 18 255 thousand. The increase is BGN 2 319 thousand. .

Capital shares and reserves

The equity of TCHAIKAPHARMA HIGH QUALITY MEDICINES AD amounts to BGN 32 000 thousand.

The reserves by type are distributed as follows:

	2012 BGN thousand	2011 BGN thousand
Reserves from the subsequent evaluation of the assets and liabilities	3 116	2 375
General reserves	3 200	3 200
Total	**6 316**	**5 575**

The increase compared to 2011 is BGN 741 thousand.

Financial results

	2012 BGN thousand	2011 BGN thousand
Undistributed profit from previous years	46	114
Current profit	5 407	4 662
Total	**5 453**	**4 776**

The increase compared to the same period of last year amounts to BGN 677 thousand or 14%.

Liabilities

The liabilities as of 31.12.2012 amount to BGN 20 574 thousand. The structure of the liabilities is as follows:

Non-current liabilities

	2012 BGN thousand	2011 BGN thousand
Finance lease liabilities	3 400	3 650
Deferred tax liabilities	1 197	1 083
Other liabilities	-	-
Total	**4 597**	**4 733**

Compared to 2011 the decrease is BGN 136 thousand or 3%.
As of 31.12.2012 г. the non-current liabilities represented 22% of the total liabilities' mass, and as of the 31.12.2011 they were 26%.

Current liabilities

	2012 BGN thousand	2011 BGN thousand
Liabilities to related companies	2 711	1 232
Liabilities to suppliers and customers	1 480	4 319
Liabilities to employees	217	175
Short-term loans and the current part of long-term loans	7 061	6 940
Taxes and social security	214	738
Other current obligations	8	13
Unpaid dividends	4 286	-
Provisions	-	105
Total	**15 977**	**13 522**

The increase of the current liabilities in 2012 compared to 2011 amounts to BGN 2 455 thousand.

The Financial statement of the Company has been prepared in compliance with the main accounting principles referred to in Article 4 of the Accountancy Act, namely:

- ✓ Current accrual – the income and the expenses, arising from transactions and events are accrued at the time of their occurrence, regardless of the time of payment and are included in the financial statements for the period to which they relate;
- ✓ Going concern - the enterprise does not have either the intention or the need to liquidate or significantly reduce the size of its operations;
- ✓ prudence;
- ✓ comparing the income and the expenses;
- ✓ the priority of content over form;
- ✓ the retention, where possible, of the accounting policy from the preceding reporting period.

III. Financial risk factors

3.1 Factors determining the financial risk

By carrying out its activities, the Company is exposed to multiple financial risks: market risk (including currency risk, risk of fair value changes of financial instruments under the influence of market interest rates and price risk), credit risk, liquidity risk and risk related to the change in the future cash flows due to changes in the market interest rates. The programme of the Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Company is not exposed to significant risks associated with foreign exchange rates, as most of its assets, liabilities and transactions are denominated in BGN or Euro and BGN is pegged to the euro, according to the rules of the Currency Board. Regular monitoring is carried out on the items of the balance sheet in order to minimize exposure to foreign exchange risk.

(ii) Price risk

The Company is not exposed to risk from changes in the price of the equity securities due to the lack of such investments. The company is exposed to minimal risk from the change in the prices of its main materials.

(iii) Risk from changes in the cash flows and the fair value due to changes in interest rates

The interest-bearing assets of the Company have fixed and floating interest rates. Loans with variable interest rates expose the Company to an interest rate risk from changes in the future cash flows and the loans with a fixed interest rate – to an interest rate risk of changes in fair value. The Company's policy is to grant loans mainly with fixed interest rates. By December 31st, 2012 and 2011, the Company had no interest bearing assets measured at fair value, and therefore was not exposed to the risk of changes in fair value.

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(b) Credit risk

Credit risk arises principally from cash and cash equivalents and deposits with banks and other financial institutions, as well as loans granted. For banks and other financial institutions are accepted only institutions with high credit ratings. The Company has granted a loan to one juridical person and one physical person requiring the respective securities – promissory notes and/or mortgages on real property, depending on the relationship of the Company with the parties. The management does not expect losses due to default of their counterparties.

The credit quality of financial assets:

All financial assets that are neither overdue nor impaired are with counterparties that have no external credit rating and have no arrears for past periods. They are as follows:

	2012 BGN thousand	**2011 BGN thousand**
Non-current loans (Appendix 8)	21	17
Short-term loans	-	-
Cash in banks (Appendix 10)	21	78
Total	**42**	**95**

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, as well as opportunities for additional credit funding and for closing market positions. Due to the dynamic nature of the principal types of businesses, the Financial Department of the Company aims to achieve funding flexibility by keeping sufficient unused authorized credit lines.

3.2 Capital risk management

The Company's objectives when managing the capital are to safeguard the ability of the Company to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure in order to reduce the cost of the capital.

In order to maintain or modify the capital structure, the Company may adjust the amount of dividends paid, return capital to shareholders, issue new shares or sell assets to pay off debts. In addition, managing liquidity and capital structure of its subsidiaries, the Company may increase its share capital or take deposits from the subsidiaries with available cash resources and make them available as loans to the subsidiaries that need funding. The Company does not monitor and does not manage specific indicators of indebtedness. In terms of non-consolidated financial statements, the following items are monitored and may be changed as a result of capital management:

	2012 BGN thousand	**2011 BGN thousand**
Equity and reserves (Appendices. 11, 12)	43 769	42 351
Current loans (Appendix 13)	5 867	5 867

Cash and cash equivalents (Appendix 10)	28	93
Total	49 664	48 311

3.3 Determination of fair value

It is assumed that the nominal value minus the estimated credit adjustments of the trade receivables and payables approximates their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the interest rate that the Company expects to negotiate for such liabilities at the balance sheet date.

IV. Members of the managing and supervisory bodies, senior management and employees

TCHAIKAPHARMA HIGH QUALITY MEDICINES AD has a one-tier system of management: a Board of Directors.
Bisser Rossenov Georgiev – Executive Director and Member of the Board of Directors.
Rossen Yordanov Kostov – President of the Board of Directors.

For 2012 members of the Supervisory Board and Board of Directors received remuneration according to their contracts. There is no contingent or deferred fees incurred during the year. The Company does not owe any amounts for pensions, retirement compensations or similar benefits to members of the Board of Directors.

The members of the Board of Directors do not hold company shares.

The average number of employees of TCHAIKAPHARMA HIGH QUALITY MEDICINES AD as of 31.12.2012 was 134 people (as of 31.12.2011 – 101 people). The key personnel have higher education and are highly qualified. The support staff has secondary education.

V. Management's responsibility for the financial statement preparation

The management is responsible for the preparation and fair presentation of the non-consolidated financial statement in accordance with the International Financial Reporting Standards as adopted in the European Union. This responsibility includes: the design, implementation and maintenance of the internal control system relevant to the preparation and fair presentation of financial statement that is free from substantial inaccuracies, errors and discrepancies, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in these particular circumstances.

Sofia
28.02.2013

Director: ………………………
/ Bisser Georgiev /

TCHAIKAPHARMA HIGH QUALITY MEDICINES AD
FINANCIAL CONDITIONS STATEMENT
AS OF DECEMBER THE 31ST 2012

Indicators	Appen dices	2012 BGN thousand.	2011 BGN thousand	2010 BGN thousand
ASSETS				
Non-current assets				
Property, plant and equipment	5	31 837	30 733	25 743
Intangible assets	6	3 954	3 642	3 761
Investments with minority participation	7	1	1	1
Non-current loans granted	8	21	17	17
Trade receivables	8	3 800	3 800	0
Total non-current assets		**39 613**	**38 193**	**29 522**
Current assets				
Inventory	9	3 623	3 506	6 575
Trade and other receivables	9	21 079	18 814	34 240
Current loans granted				
Cash and cash equivalents	10	28	93	124
Total current assets		**24 730**	**22 413**	**40 939**
Total assets		**64 343**	**60 606**	**70 461**
CAPITAL AND LIABILITIES				
Registered capital and reserves				
Registered capital	11	32 000	32 000	31 795
Reserves	12	6 316	5 575	5 347
Undistributed profit / Uncovered loss	12	5 453	4 776	4 075
Total		**43 769**	**42 351**	**41 217**
Non-current liabilities				
Long-term loans	13	3 400	3 650	66
Deferred tax liabilities	14	1 197	1 083	1 134
Other long-term liabilities, including provisions		-	-	-
Total		**4 597**	**4 733**	**1 200**
Current liabilities				
Trade and other payables	15	8 783	5 792	21 610
Short-term loans	13	5 867	5 867	5 867
Current part of long-term loans	13	1 194	1 073	101
Current corporate taxes	15	22	274	60
Other tax payables	15	111	411	301
Short-term provisions	15	0	105	105
Total		**15 977**	**13 522**	**28 044**
Total liabilities		**20 574**	**18 255**	**29 244**
Total capital and liabilities		**64 343**	**60 606**	**70 461**

Draft date: 28.02.2013
Sofia

Prepared by............................ /Sylvia Gancheva/

Director: .... /Bisser Georgiev/

Date of certification: 12.03.2013г.

Auditor: .... /Todor Krastev/

TCHAIKAPHARMA HIGH QUALITY MEDICINES AD
STATEMENT OF COMPREHENSIVE INCOME
31st DECEMBER 2012

Indicators	APPEND ICES	2012 BGN thousand	2011 BGN thousand
Revenue	16	27 368	35 643
Other income	16	864	700
Balance value of assets sold	17	(499)	(975)
Inventory change from production and unfinished manufacturing	17	172	(286)
Costs for acquisition of assets through business			
Costs for materials and services	17	(13 864)	(23 871)
Employee costs	17	(3 401)	(2 555)
Amortization costs	17	(2 549)	(1 665)
Costs for depreciation of property, plant and equipment			
Other expenses	17	(1 387)	(1 213)
Financial income	18	4	3
Financial costs	18	(668)	(586)
Profit before taxation		**6 040**	**5 195**
Corporate tax cost	19	(633)	(533)
Profit/Loss for the period		**5 407**	**4 662**
Changes from fair value revaluation of property, plant and equipment	12	812	0
Changes from deferred corporate tax in the capital	12,14	(71)	10
Other comprehensive income for the period		**741**	**10**
Total comprehensive income for the period		**6 148**	**4 672**
Income per share calculated on profit basis subject to distribution between equity holders of the company for the year n BGN per 1 share/	20	0.17	0.15

Draft date: 28.02.2013г.
Sofia

Prepared by:............................ /Sylvia Gancheva/

Director:.......................... /Bisser Georgiev/

Date of certification: 12.03.2013

Auditor: .... /T. Krastev/

TCHAIKAPHARMA HIGH QUALITY MEDICINES AD
CASH FLOW REPORT
DECEMBER 31st, 2012

INDICATORS	APPEN DICES	2012 BGN thousand.	2012 BGN thousand.	2012 BGN thousand.	2011 BGN thousand.	2011 BGN thousand.	2011 BGN thousand.
		Revenue	Payments	Net cash flow	Revenue	Payments	Net cash flow
1	2	3	4	5	6	7	8
A. Cash flow from the main activity							
Payments / Revenue, connected with trade counterparties	16,17	26 984	(19 017)	7 967	30 497	(19 282)	11 215
Payments to personnel	17		(3 339)	(3 339)	1	(2 470)	(2 469)
Payments of interest, dividends and other related	14	2	(86)	(84)		(66)	(66)
Positive and negative exchange differences			(4)	(4)		(7)	(7)
Tax on profit paid			(841)	(841)		(335)	(335)
Other revenues/payments			(320)	(320)	15	(145)	(130)
Net cash flow		**26 986**	**(23 607)**	**3 379**	**30 513**	**(22 305)**	**8 208**
B. Cash flow form investment activities							
Payments / Revenue, connected with non-currents assets	5	2	(1 249)	(1 247)	2	(2 192)	(2 190)
Payments of interest, dividends and other related	7						
Payments / Revenue for loans granted	8,9		(5)	(5)			
Other revenues/payments from investment activities							
Net cash flow		**2**	**(1 254)**	**(1 252)**	**2**	**(2 192)**	**(2 190)**
C. Cash flow from financial activities							
Issuance of stock units and other capital instruments							
Payments / Revenue for loans granted	13						
Payments of interest, dividends			(804)	(804)		(4 316)	(4 316)
Payment for finance lease	13		(1 388)	(1 388)		(1 733)	(1 733)
Payments related to the distribution of profits							
Net cash flow			**(2 192)**	**(2 192)**		**(6 049)**	**(6 049)**
Net increase/decrease of cash and cash equivalents		**26 988**	**(27 053)**	**(65)**	**30 515**	**(30 546)**	**(31)**
Cash and cash equivalents at the beginning of the period	10			93			124
Cash and cash equivalents at the end of the period	10			28			93

Draft date: 28.02.2013
Sofia

Prepared by:........................... /Sylvia Gancheva/

Director:......................... /Bisser Georgiev/

Date of certification: 12.03.2013

Auditor: .... /Todor Krastev/

ANNUAL FINANCIAL STATEMENT FOR 2012
TCHAIKAPHARMA HIGH QUALITY MEDICINES AD
STATEMENT ON THE EQUITY CHANGES
DECEMBER 31st, 2012

Balances and transactions in BGN thousand	Appendices	Registered capital	Revaluation reserves	Other reserves	Undistributed profit/loss	Total
Balance as of 01.01.2011	**11,12**	**31 795**	**2 365**	**2 982**	**4 322**	**41 464**
Changes in the accounting policy						
Significant error correction					(247)	(247)
General effect of the implementation of the retroactive adjustments					**(247)**	**(247)**
Profit/loss for the period					4 662	4 662
Other comprehensive income	12		10			10
Including of tax effect of the revaluation of property, machinery and equipment			10			10
Total comprehensive income			**10**		**4 662**	**4672**
Capital issue by the owners						
Accrued dividends					(3 538)	(3 538)
Accrued tantiemmes						
Transferred reserves into profit	12					
Transferred profit into reserves	12	205		218	(423)	0
Accrued provisions	12					
Total recognized amount of income and expenses for the period		**205**	**0**	**218**	**(3 961)**	**(3 538)**
Balance as of the 31.12.2011	**11,12**	**32 000**	**2 375**	**3 200**	**4 776**	**42 351**
Balance as of the 01.01.2012	**11,12**	**32 000**	**2 375**	**3 200**	**4 844**	**42 419**
Changes in the accounting policy						
Significant error correction					(68)	(68)
General effect from the implementation of the retroactive adjustments					**(68)**	**(68)**
Profit/Loss for the period					5 407	5 407
Other comprehensive income	12		741			741
Including of tax effect of the revaluation of property, plant and equipment			71			71
Total comprehensive income			**741**		**5 407**	**6 148**
Capital issue by the owners						
Accrued dividends					(4 730)	(4 730)
Accrued tantiemmes						
Transferred profit into reserves	12					
Accrued provisions	12					
Total recognized amount of income and expenses for the period					**(4 730)**	**(4 730)**
Balance as of the 31.12.2012	**11,12**	**32 000**	**3 116**	**3 200**	**5 453**	**43 769**

Draft date: 28.02.2013
Sofia

Prepared by:............................
/Sylvia Gancheva/

Director:..............................
/Bisser Georgiev/

Date of certification: 12.03.2013

Auditor: ....
/Todor Krastev/

1 Summary of activities

The Company's main activity is the production and sales of medicinal products in a processed and reprocessed form.

2 Accounting policy

Below is given the accounting policy applied in the preparation of the financial statements? The policy has been consistently applied to all the years presented, unless otherwise stated.

2.1 The grounds for preparing of the financial statement

The current financial statement has have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union.

The Company has prepared this unconsolidated financial statement for presentation to shareholders, tax authorities and Trade Register in accordance with the requirements of the Bulgarian legislation.

At the time of approval of this financial statement, the Company has not prepared a consolidated financial statement in accordance with IAS for the Company and its subsidiaries (together the Group) as required by IAS 27. The Company has applied the interpretation of the program prepared by the European Commission Internal Market and Services, for the meeting of the Accounting Regulatory Committee (document ARC/08/2008) for the relationship between IAS and the Fourth and Seventh Company Law Directive. The Commission is of the opinion that if an entity chooses or is required to prepare annual financial statements in accordance with International Accounting Standards adopted by the European Union, it can develop and submit to them regardless of the preparation and submission of its consolidated financial statement.

In order to gain a complete view of the financial status, the results of the operations and of the changes in the financial status of the Group as a whole, the users of these unconsolidated financial statements are required to read it together with the consolidated financial statement of the Group for the financial year ending December 31st, 2012, as soon as it has been presented.

The financial statement has been prepared in accordance with the historical cost principle, which is limited in cases of revaluation of certain property, plant and equipment, investment property, financial assets held for sale and financial assets and liabilities reported at fair value in profit or loss.

The preparation of the financial statements in conformity with IFRS requires the use of certain approximate accounting estimates. When applying the accounting policies of the Company, the management used its own judgment. The elements of the financial statement, the presentation of which includes a high degree of judgment or subjectiveness, as well as those elements where assumptions and estimates are significant to the financial statement as a whole, are disclosed in Appendix 4.

2 Accounting policy (continued)

The management of the Company applies IFRS as the basis for ongoing reporting and the preparation of the annual financial statement. In preparing the annual financial statement for the current year the management has complied with the following standards:

IAS 1 Presentation of financial statements
IAS 2 Inventories
IAS 7 Cash flow reports
IAS 8 Accounting Policy, changes in accounting approximate estimates and errors
IAS 10 Events after the balance sheet date
IAS 11 Construction contracts
IAS 12 Income taxes
IAS 16 Property, plant and equipment
IAS 17 Leasing
IAS 18 Income
IAS 19 Employee income
IAS 20 Accounting for grants from the state, and disclosure of government assistance
IAS 21 Effects of changes in currency rates
IAS 23 Loan costs
IAS 24 Related parties disclosures
IAS 26 Accounting and reporting of retirement benefit plans
IAS 27 Consolidated and separate financial statements
IAS 28 Investments in associated companies
IAS 29 Financial reporting in hyperinflationary economies
IAS 31 Shares in joint ventures
IAS 32 Financial instruments: presentation
IAS 33 Net profit per share
IAS 34 Interim financial reporting
IAS 36 Assets revaluation
IAS 37 Provisions, contingent liabilities and contingent assets
IAS 38 Intangible assets
IAS 39 Financial instruments: recognition and evaluation
IAS 40 Investment properties
IAS 41 Agriculture
IFRS 1 First time application of the international Financial Reporting Standards
IFRS 2 Share-based payments
IFRS 3 Business combinations
IFRS 4 Insurance contracts
IFRS 5 Non-current assets held for sale and discontinued operations
IFRS 6 Examining and assessing of mineral resources
IFRS 7 Financial instruments: publication
IFRS 8 Operational segments

2.2 Investments in subsidiaries and associated companies

Investments are accounted for using the cost method whereby participatory stakes are stated at cost less accumulated impairment losses. In the statement of comprehensive income the investment income is reported only to the extent of the share received of the accumulated profits of the company, which is invested in, in the form of dividends

2.3 Segments reporting

The business segment is a group of assets and business operations engaged in providing products or services and is subject to risks and benefits different from those of other business segments. The geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and benefits different from those in other economic environments. The segment reporting is reflected in the consolidated financial statements for the current year.

2.4 Foreign currency transactions

(1) Functional currency and и presentation currency

The separate items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in BGN, which is the functional currency. BGN was pegged to the Euro on 1 January 1999 under the arrangements introduced in Bulgaria Currency Board.

(2) Transactions and balances

The transactions in foreign currencies are converted into functional currency using the exchange rates prevailing on the respective day. Profits and losses arising from changes in the exchange rates arising from the settlement of foreign currency transactions and from the translation at the closing exchange rate of foreign currency denominated assets and liabilities are recognized in the comprehensive income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets available for sale are analyzed and divided into changes resulting in amortized cost and other changes in the carrying value. Exchange differences related to the changes in the amortized cost are recognized in the profit or loss, while the other changes in the carrying amount are recognized in the equity.

Differences from the adjustments of non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognized in the profit or loss as part of the profit or loss relating to the translation of their fair value. Differences from the adjustments of investments held to maturity are recognized in the statement of comprehensive income.

2.5 Properties, plant and equipment (PPE)

Land and buildings (except for the investment properties) are presented at fair value, based on the regular assessment by an independent external valuer, decreased by the subsequent depreciation of buildings. The accumulated depreciation at the date of revaluation is eliminated against the book value of the asset and the resulting net amount is corrected by the reevaluated amount of the asset. All other machinery and equipment are stated at historical cost decreased by the accumulated amortization and impairment. The historical cost includes the expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are added to the balance amount of the asset or are reported as a separate asset only when it is probable that the Company will generate future economic benefits associated with the use of the asset and when their carrying amount can be measured reliably. All other expenses for repairs and maintenance are recognized in the income statement for the period in which they have been incurred.

Increases in the balance amount arising from the revaluation of the land and buildings are related to the revaluation reserve. Reductions that compensate for previous increases on the same asset are related to the revaluation reserve, all other decreases are related to the statement of comprehensive income. Upon the disposal of the revalued assets the accumulated by them revaluation reserve is transferred to the retained earnings from the previous periods.

Land is not depreciated. Depreciation of the other property, machinery and equipment is calculated using the straight-line method to allocate the difference between the carrying value and the redemption value over their estimated useful lives, using the following depreciation rates (in percentages):

Buildings and equipment	4%
Machinery and installations	30%
Computers and peripherals	50%
Furniture, fixtures and fittings	15%

The residual value and useful live of assets are reviewed, and if necessary, the appropriate adjustments are made to any date of the financial statements preparation.

The balance amount of the asset is reduced immediately to its recoverable amount in cases where the balance amount of the asset is greater than its estimated recoverable amount (Appendix 2.8).

Profits and losses from sales of PPE are determined by comparing the proceeds from sales with the carrying amount and they are included in the profit or loss.

The loan costs for PPE are reported as current expenses in the period to which they relate.

2.6 Investment properties

The investment properties are most often the buildings or parts of the buildings which are not used, but are owned by the Company to be given in the form of operating lease. The investment properties are measured at fair value, which is their market value determined by independent valuers annually or at a greater period of time when there is a substantial change in fair values. Changes in fair value are recognized in the comprehensive income statement as part of the other income. As of the 31.12.2012 the Company did not have ready investment properties.

2.7 Intangible assets

Acquisition costs of patents, licenses, software and trade marks are recognized as an asset at historical value decreased by the accumulated depreciation and impairment losses. They are amortized on a straight-line basis over their useful lives, but not more than 20 years. Intangible assets are not revalued. The management performs annual reviews for impairment and where the carrying amount of the asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

For intangible assets the following rates of depreciation in percents are used:

Intellectual property rights	15%
Software	50%

Other intangible assets	15%

2.8 Assets impairment

Assets that are amortized and investments in subsidiaries and associates companies are reviewed for impairment when the events or changes in the circumstances indicate that the carrying amount is not recoverable. An impairment loss is recognized for the amount by which the carrying value exceeds the recoverable amount. The recoverable amount is the higher than the net selling price and the value in use. To determine the value in use, the assets are grouped at the lowest identifiable unit level generating cash flows.

2.9 Financial assets

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and financial assets available for sale. The classification depends on the purpose for which the investments were acquired. The management determines the classification of its investments at the time of purchase.

(a) Financial asset reported at fair value through profit and loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for sales purposes in the short term. Assets in this category are classified as current assets.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current. Company loans and receivables are included in the balance sheet under the category of "trade and other receivables' and cash and cash equivalents (Appendices 2.10 and 2.11).

(c) Investments held to maturity
The investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the intent and ability to hold to maturity.

(d) Financial assets available for sale
The financial assets available for sale are non-derivative assets that are intended for that category or are not specified in other categories. They are included in non-current assets unless the management intends to dispose of its investments in the period to 12 months.

The purchase and sale of investments are recorded taking into account the trade date, i.e. the date when the Company commits to purchase or sell the asset.

The investments are initially recognized at fair value plus the transaction costs for all financial assets not carried at fair value through profit or loss. The financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are recognized in the income statement. The investments are written off when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The financial assets available for sale and financial assets at fair value through profit or loss are reported in the next reporting period at fair value. Loans and receivables and investments held to maturity are assessed at amortized cost using the effective interest rate method.

Profits and losses arising from changes in fair value of financial assets at fair value through profit or loss are included in the comprehensive income statement under the heading "Net financial income" for the period in which they arise. Dividend income from financial assets at fair value through profit or loss are stated in the income statement as part of the "Net financial income" when the Company gets the right to receive payment.

Changes in the fair value of monetary securities denominated in foreign currency and classified as "available for sale" are divided into exchange differences arising from the changes in the amortized cost of the securities and the other changes in the carrying value of the securities. Foreign currency translation differences on monetary securities are recognized in profit or loss, while foreign exchange differences on translation of non-monetary securities are recognized in equity. The changes in the fair value of monetary and non-monetary securities classified as "available for sale" are recognized in the equity.

When securities classified as held for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as profits or losses from investment securities.

Dividends on equity instruments available for sale are recognized in the income statement as part of net financial income when the Company obtains the right to receive a payment.

The fair value of the quoted investments is based on the current market price. If the market financial asset is not active (for unlisted securities as well), the Company establishes the fair value by using valuation techniques that include the use of the recent market transactions in similar instruments, analysis of discounted cash flow valuation models and options, reflecting the market conditions at their maximum and the specific company information as little as possible.

At the balance sheet date the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. When the classified as available for sale equity securities are tested for impairment a significant or prolonged decline in fair value below the carrying is taken into account.

If there is evidence of impairment of financial assets available for sale, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, minus any impairment loss recognized in a previous period in the income statement) is written off from the equity and recognized in the statement of comprehensive income. Impairment losses on equity instruments are recognized in the income statement and can not be reversed through the statement of comprehensive income as a manifestation of the adverse effects of impairment. The testing for impairment of trade receivables is described in Appendix 2.10.

2.10 Trade receivables

Trade receivables are recognized initially at fair value and subsequently at amortized cost (by using the effective interest rate method), minus the provision for the impairment. The provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The significant financial difficulties of the debtor, probability of bankruptcy and financial reorganization or the inability to pay the debt (by more than 30 days) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying value of receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement as an expense for the activity. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited reduction in the operating expenses in the current result.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in banks, other short-term highly liquid investments with original maturities of three months and bank overdrafts. In the balance sheet the overdrafts are included as a current liability in the category of short term loans.

2.12 Share capital

Ordinary shares are classified as equity. The issuance costs of new shares, which are directly related to it, are shown in the equity as a deduction from the proceeds by eliminating the effect of the income taxes.

When the Company purchases its own shares, the amount paid, including any directly attributable incremental costs (the net of the effect of income taxes) is deducted from the possessed by the owners of the Company equity until the shares are canceled, sold or reissued. When such shares are subsequently reissued, any income, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.13 Trade liabilities

The trade liabilities are recognized initially at fair value and subsequently at amortized cost using the effective interest rate.

2.14 Loans

The loans are recognized initially at the fair value, decreased by the costs incurred in the transaction. The loans are subsequently stated at amortized cost, any difference between due payments (the net of the transaction cost) and the loan amount is recognized in the income statement over the period of the loan using the effective interest method.

Loans are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

2.15 Current and deferred taxes

The current income tax is calculated based on the tax laws enacted at the balance sheet date in the country where the Company generates taxable income. The management periodically reassesses its positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the amounts expected to be paid to the tax.

The deferred tax is accrued using the balance method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if tax temporary differences arise from the initial recognition of an asset or liability where neither the accounting nor the taxable profit (loss) is affected during the transaction, this difference is not accounted for.
In the calculation of deferred taxes are used tax rates (and regulations) current at the date of the balance sheet relating to the periods of expected reversal of the deferred income tax.

A deferred tax asset is recognized only when it is probable that there are sufficient amounts of future taxable profits against which these assets can be used.

2.16 Employee income

Under a defined contribution plan the Company pays installments to state-run pension plans and social security on mandatory basis. Once the installments have been paid, the Company has no further payment obligations. Installments are recognized as an expense for the staff when they become due. Prepaid installments are recognized as an expense in a future period to the extent that the amounts will be deducted from future payments or refunded.

2.17 Provisions

Provisions for legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events; more likely to occur (rather than not to occur) cash outflows to settle the obligation and when the amount of the debt itself can be determined reliably. Provisions for future operating losses are not recognized.

2.18 Lease contracts

Operating leases - the Company is lessor
Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Revenue under the operating leases (offset by rebates from the lessor) is recognized as revenue in the income statement in equal installments over the period of the lease. Contract.

Financial leases - the Company is the lessee
Leases of property, machinery and equipment where the company actually bears all the risks and rewards arising from ownership are classified as finance leases. At their commencement, finance leases are capitalized at a lower than the fair value of the leased equipment and the present value of the minimum lease payments. Each lease payment is distributed between the liability and the finance costs so that the lease obligation declines steadily. Concomitant obligations for rent, reduced by financing costs are included in other long-term liabilities. The part of the interest in the financial cost is recognized in the income statement, so that over the lease period its size relative to the remaining lease obligation remains constant. Property, machinery and equipment acquired under finance leases are depreciated over the shorter of the useful lives of the asset and the lease term.

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2.19 Revenue recognition

The revenue includes the fair value of goods and services, the net of value added taxes, rebates and discounts. The revenue is recognized as follows:

(a) Sales of services
The revenue from the rendered services is recognized for the period when they were made, based on the execution level, defined as the percentage of the rendered services to date out of all the services to be provided. .

(b) Interest revenue
The interest revenue is deferred using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, which is the estimated future cash flows discounted at the original effective interest rate. The interest revenue on impaired loans is recognized either on the recovery of the due interest or on the basis of the recognition of the related contingent guarantees.

(c) Dividend revenue
Dividend revenue is recognized when the right to receive payment is established.

2.20 Dividend distribution

The distribution of dividends to shareholders is recognized as a liability in the financial statements in the period in which it is approved.

3 Critical accounting estimates and judgments

Estimates and judgments are based on gained experience and other factors, including expectations of future events under the specific circumstances. The reliability of estimates and judgments are reviewed regularly.

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the accounting and disclosure requirements, which may differ from actual results. Significant accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

(a) Income taxes

The Company is subject to taxation within the jurisdiction of the tax authorities. Significant judgment is required to determine the tax provision. There are many transactions and calculations for which the finally determined tax is unspecified in the normal course of business. The Company recognizes liabilities for anticipated tax liabilities based on the discretion of management. Where the final tax outcome is different from the amounts initially recorded, such differences will have an impact on short-term tax and provisions for temporary differences between the tax revisions.

(b) Fair value of financial instruments

Fair value of the quoted investments in active markets is based on current market prices. If there is no active market for a financial instrument, the Company establishes fair prices, using the valuation models. This includes the use of recent transactions at fair prices, discounted cash flows, valuation models for options and other models used by market participants. Valuation models reflect current market conditions at the valuation date, which may not be representative of market conditions before and after that date. The management reviews its models to the balance date to ensure they appropriately reflect current market conditions, including relative market liquidity and credit spread.

Because of the changes in financial markets in recent times the fair value of financial instruments can significantly change during the next financial period.

(c) Impairment of receivables

In carrying out the impairment of receivables, the Company's management estimates that the amount and timing of expected future cash flows relating to claims based on its experience of similar nature receivable, taking into account the current circumstances for claims reviewed for impairment.

4 Segmental accounting

The information on operations by segments is provided in the consolidated financial statements at the end of the reporting period.

5 Property, machinery and equipment

	Land and buildings	Machinery and equipment	Fixtures and fittings	Total
	BGN thousand	BGN thousand	BGN thousand	BGN thousand
On January 1, 2011				
Book (revaluated) value	13 732	13 168	128	27 028
Accumulated depreciation	(2 120)	(3 410)	(80)	(5 610)
Balance value	**11 612**	**9 758**	**48**	**21 418**
As of December 31, 2011				
Balance value at the beginning of the period	11 612	9 758	48	21 418
Newly acquired		94	33	127
Written off at balance value				
Revaluation				
Depreciation expenses	(521)	(672)	(20)	(1 213)
Written off depreciation		71	13	84
Balance value at the end of the period	**11 091**	**9 251**	**74**	**20 416**
On January 1, 2012				
Book (revaluated) value	13 732	13 262	161	27 155
Accumulated depreciation	(2 640)	(4 011)	(87)	(6 739)
Balance value	**11 091**	**9 251**	**74**	**20 416**

As of December 31, 2012

Balance value at the beginning of the period	11 091	9 251	74	20 416
Newly acquired	(111)	9 217	209	9 315
Written off at balance value				
Revaluation	812			812
Depreciation expenses	(565)	(1 478)	(28)	(2 071)
Written off depreciation	2 294	42	3	2 339
Balance value at the end of the period	**13 522**	**17 031**	**259**	**30 812**
On December 31 2012				
Book (revaluated) value	14 433	22 478	371	37 282
Accumulated depreciation	(911)	(5 447)	(112)	(6 470)
Balance value	**13 522**	**17 031**	**259**	**30 812**

In the value the amounts of the expenses for acquisition of fixed assets are not included. Noted assets are BGN 4 324 thousand as of 01.01.2011, as of 31.12.2011 they are BGN 10 316 thousand and BGN 1 025 thousand as of 31.12.2012

As a result of revaluation of the fair value of the building in Plovdiv the value is estimated at BGN 10 687 thousand, which is with BGN 812 thousand higher than the balance value.

6 Intangible assets

	Rights on industrial property BGN thousand	Software BGN thousand	Others BGN thousand	Total BGN thousand
On January 1, 2011				
Book (revaluated) value	2 363	711	178	3 252
Accumulated depreciation	(880)	(656)	(142)	(1 678)
Balance value	**1 483**	**55**	**36**	**1 574**
As of December 31, 2011				
Balance value at the beginning of the period	1 483	55	36	1 574
Newly acquired	603	1		604
Written off at balance value				
Revaluation				
Depreciation expenses	(362)	(55)	(36)	(453)
Written off depreciation	37			37
Balance value at the end of the period	**1 761**	**1**	**0**	**1 762**
On January 1, 2012				
Book (revaluated) value	2 966	712	178	3 856
Accumulated depreciation	(1 205)	(711)	(178)	(2 094)
Balance value	**1 761**	**1**	**0**	**1 762**

As of December 31, 2012				
Balance value at the beginning of the period	1 761	1	0	1 762
Newly acquired	646	40	(178)	508
Written off at balance value				
Revaluation				
Depreciation expenses	(460)	(19)	0	(479)
Written off depreciation	1	9	178	188
Balance value at the end of the period	**1 948**	**31**	**0**	**1 979**
On December 31 2012				
Book (revaluated) value	3 611	752	0	4 363
Accumulated depreciation	(1 663)	(721)	(0)	(2 384)
Balance value	**1 948**	**31**	**0**	**1 979**

In the value the amounts of the expenses for acquisition of long-term intangible assets are not included. The noted assets are BGN 2 187 thousand as of 01.01.2011, as of 31.12.2011 they are BGN 1 880 thousand and BGN 1 975 thousand as of 31.12.2012.

7 Investments with minority participation

The Company holds minority interest in the following companies:

	2012 BGN thousand	2011 BGN thousand
Tchaikapharma high quality medicines available for all (former name Care Pharmaceuticals)	1	1
Total	**1**	**1**

8 Non-current loans and non-current trade receivables

	As of December the 31st	
	2012 BGN thousand	2011 BGN thousand
The maturity of long-term receivables is as follows:		
Up to one year	3 800	3 800
Between one and three years	21	17
Over three years		
Total	**3 821**	**3 817**

The balance value of the loan is denominated in the following currencies:

	As of December the 31st	
	2012 BGN thousand	2011 BGN thousand

Euro		
BGN	3 821	3 817
Total	**3 821**	**3 817**

The Management of the Company believes that the fair value of long-term receivables approximates their carrying value.

9 Inventories, trade and other receivables

	As of December the 31st	
	2012 BGN thousand	**2011 BGN thousand**
Trade receivables from clients	20 889	17 934
Advances from suppliers	129	837
Estimates of warranties	-	2
Court awarded receivables	3	3
Tax refunds	2	1
Other receivables	32	23
Deferred expenses	24	14
Total trade and other receivables	**21 079**	**18 814**

During the reporting period trade receivables for 2007 amounting to BGN 56 thousand are written off due to expiration of the limitation period.

The balance amount of trade and other receivables of the Company is denominated in the following currencies:

	2012 BGN thousand	**2011 BGN thousand**
BGN	21 018	18 401
Euro and USD	61	413
Total	**21 079**	**18 814**

	As of December the 31st	
	2012 BGN thousand	**2011 BGN thousand**
Materials	3 364	3 456
Production	67	48
Goods	62	2
Production in progress	130	-
Total inventories	**3 623**	**3 506**

Inventories are stated at standard cost, adjusted by variations to acquisition cost. There are no conditions for impairment of inventories to lower net realizable value.

10 Cash and cash equivalents

	As of December the 31st 2012 BGN thousand	2011 BGN thousand
Cash on hand in BGN and foreign currencies	7	15
Bank accounts in BGN and foreign currencies	17	74
Bank deposits	4	4
Total	**28**	**93**

Company's balance value of cash and cash equivalents is denominated in the following currencies:

	2012 BGN thousand	2011 BGN thousand
BGN	23	87
Foreign currency	5	6
Total	**28**	**93**

11 Share capital

	Shares in thousands	Ordinary shares thousands
As of December the 31st 2010	31 795	31 795
As of December the 31st 2011	32 000	32 000
As of December the 31st 2012	32 000	32 000

The registered ordinary shares are 32 000 000 pieces (2011: 32 000 000 pieces; 2010: 31 795 022 pieces) with nominal value BGN 1 (one) per share (2011 and 2010: (one) per share). Issued shares are fully paid. All shares give equal rights to shareholders.

12 Revaluation and other reserves, undistributed profit

	Reserves from revaluation of PME BGN thousand	Statutory reserves BGN thousand	Other reserves BGN thousand	Total BGN thousand
Balance on January 1 2011	**2 365**	**2 982**	**0**	**5 347**
Adjustment for errors				
Deferred taxes				
Other comprehensive income	10			10
Distributed profit		218		218
Sales of investments				
Balance on December 31, 2011	**2 375**	**3 200**	**0**	**5 575**

Balance on January 1, 2012	**2 375**	**3 200**	**0**	**5 575**
Adjustment for errors				
Other comprehensive income	741			741
Balance on December 31, 2012	**3 116**	**3 200**	**0**	**6 316**

Reserves from revaluation of land and buildings are non-distributable as dividends.

The statutory reserve is formed in accordance with the Commerce Act and is not subject to distribution under current legislation.

Undistributed profit is formed by current by current operating results in previous years. In 2011, adjustments were made to the operations of the previous year, and were recorded final decrease in undistributed profit to BGN 103 thousand and in 2012 – decrease in undistributed profit of BGN 316 thousand.

13 Loans

	2012 BGN thousand	2011 BGN thousand
Non-current finance lease liabilities	3 400	3 650
Current finance lease liabilities	1 194	1 073
Short-term loan	-	-
Long-term loans	5 867	5 867
Total	**10 461**	**10 590**

The terms of the short-term bank loans as of 31.12.2012 are as follows:

Creditor bank:	Credit Agricole – Bulgaria EAD
Contractual amount of credit:	BGN 5 867 thousand (EUR 3 000 thousand)
Annual interest:	Three-month EURIBOR + addition of 6 points
Maturity:	30.11.2013
Collateral:	Mortgages and pledges
Purpose of the credit:	Refinancing of existing working capital credits
Liability at the end of the current year:	BGN 5 867 thousand

14 Deferred taxes

Deferred income taxes are recognized for all temporary differences between the tax bases of assets and liabilities and their balance value for financial reporting purposes at a tax rate of 10% (2011: 10%) applicable for the year in which they are expected to occur retroactively.
Movements of deferred taxes are as follows:

	2012 BGN thousand	2011 BGN thousand
At the beginning of the year	(1 083)	(1 134)
(Income)/expenses in the Statement of comprehensive income	(43)	41
(Income)/expenses in the Statement of equity	(71)	10
At the end of the year	**(1 197)**	**(1 083)**

Deferred tax liabilities	Land and buildings	Amortizations	Total
	BGN thousand	BGN thousand	BGN thousand
As of January 1, 2011	**(213)**	**(940)**	**(1 153)**
Debit/(credit) in equity due to changes in temporary differences	10		10
Expenses/(income) in the statement of comprehensive income due to changes in temporary differences		41	41
As of December 31, 2011	**(203)**	**(898)**	**(1 101)**
Debit/(credit) in equity due to changes in temporary differences	(71)		(71)
Expenses/(income) in the statement of comprehensive income due to changes in temporary differences		(33)	(33)
As of December 31, 2012	**(274)**	**(931)**	**(1 205)**

Deferred tax assets	Leaves and income	Receivables and payables	Total
As of January 1, 2011	**8**	**10**	**18**
(Expenses)/income) in the statement of comprehensive income			
As of December 31, 2011	**8**	**10**	**18**
(Expenses)/income) in the statement of comprehensive income		(10)	(10)
As of December 31, 2012	**8**	**0**	**8**

Deferred tax assets and liabilities are offset as they relate to the same tax authority.

15 Trade and other liabilities

	As of December the 31st	
	2012	**2011**
	BGN thousand	**BGN thousand**
Liabilities to suppliers	4 191	5 551
Liabilities to personnel	217	175
Taxes and social security	192	464
Current corporate tax	22	274
Other liabilities	8	13
Unpaid dividends	4 286	-
Provisions	-	105
Total	**8 916**	**6 582**

During the accounting period, trade liabilities were written off in 2007 for BGN 746 thousand due to expiration of the limitation period.

All trade and other liabilities are denominated in BGN.

16 Income

	2012 BGN thousand	2011 BGN thousand
Sales of goods	26 037	33 543
Sales of services	1 276	2 061
Rentals	55	39
Other income	864	700
Total	**28 232**	**36 343**

17 Operating expenses

	2012 BGN thousand	2011 BGN thousand
Balance value of assets sold	(499)	(975)
Changes in inventories of finished goods and work in progress	172	(286)
Materials	(11 243)	(21 990)
External services	(2 621)	(1 881)
Expenditure on salaries	(2 903)	(2 262)
Social security expenditure	(498)	(293)
Depreciation costs (Appendices 5,6)	(2 549)	(1 665)
Others	(1 387)	(1 213)
Total	**(21 528)**	**(30 565)**

18 Financial income and expenses

18.1 Financial income

	2012 BGN thousand	2011 BGN thousand
Interest income	2	1
Income from exchange rate differences	1	2
Other financial income	1	-
Total	**4**	**3**

18.2 Financial expenses

	2012 BGN thousand	2011 BGN thousand
Interest expenses	(574)	(499)
Expenses for exchange rate differences	(8)	(8)
Other financial expenses	(86)	(79)
Total	**(668)**	**(586)**

19 Tax expenses

	2012 BGN thousand	2011 BGN thousand
Current expense for income tax	(590)	(574)
Deferred taxes	(43)	41
Total	**(633)**	**(533)**

For the 2012 tax rate remained unchanged at 10% (2011 - 10%) in accordance with the Corporate Income Tax Act.

The tax on the Company's profit differs from the theoretical amount that would arise in applying the applicable tax rate to the accounting result before tax as follows:

	2012 BGN thousand	2011 BGN thousand
Profit before taxes	6 040	5 195
Tax calculated at the effective tax rate 10% (2011 : 10%)	(604)	(520)
Correction of unrecognized income and expense	14	(54)
Correction of assets and liabilities for deferred taxes	(43)	41
Tax expense in the income statement	**(633)**	**(533)**

20 Profit per share

Basic profit per share
The basic profit per share is calculated by dividing net income for distribution to major shareholders by the weighted average number of issued ordinary shares during the year, of which the average number of repurchased ordinary shares by the Company is subtracted.

Profit per diluted share
For the purposes of calculating profit per share with reduced value, weighted average number of issued ordinary shares is adjusted with all securities potentially convertible into ordinary shares. As of December 31 of the current year and the previous year the Company has not issued any convertible securities, which explains the equality of two ratios.

	2012 BGN thousand	2011 BGN thousand
Profit attributable to shareholders (in BGN thousand)	5 407	4 662
Weighted average number of shares in circulation (in thousand)	32 000	32 000
Basic profit per share (in BGN per share)	0.17	0.15

21 Dividends per share

Payable dividends are accounted only after they are voted at the Annual General Meeting of Shareholders. The General meeting of shareholders is expected to be held in April, 2013, therefore these financial statement does not reflect the dividend payment which will find reflection in the accounting as capital allocation results for the year ending December 31, 2013.

At the General Meeting of Shareholders held in 2012 a dividend from the profit of 2011 was voted amounting to BGN 4 730 thousand. In 2011 accrued dividends amounted to BGN 3 536 thousand.

22 Contingent liabilities

Taxation

The Tax authorities carried out a full audit of the Company until and including 2005. No significant violations or notices were detected.

The tax authorities may at any time inspect the books and records within five consecutive years starting from 1 January of the year following the year in which it was necessary to pay the tax, and impose additional tax liabilities or penalties. Company's management is not aware of any circumstances which could give rise to a potential material liability in this field.

23 Transactions with related parties

The Company is a related party in a group with the following enterprises:

- Commercial League National Pharma Centre Inc (parent company);
- HIF: Dall Bogg Life and Health EAD;
- Tchaikapharma High Quality Medicine Available for All AD;
- Transport and Forwarding League OOD.

As of 31.12.2012 there was an investment of BGN 1 thousand in Tchaikapharma High Quality Medicine Available for All AD

The Company had the following transactions with related parties during the year ending December 31, 2012:

(i) Sales of goods and services

Sales to related parties	2012 BGN thousand	2011 BGN thousand
Production	26 037	33 543
Goods	1 276	2 061
Others		4
Total	**27 313**	**35 608**

(ii) Purchases of good and services

	2012 BGN thousand	2011 BGN thousand
Purchases from related parties		
Total	**1 902**	**1 281**

(iii) Long-term receivables

	As of December the 31st 2012 BGN thousand	2011 BGN thousand
Long-term receivables from related parties		
Total	**3 800**	**3 800**

(iv) Trade receivables

	As of December the 31st 2012 BGN thousand	2011 BGN thousand
Short-term receivables from related parties		
Total	**20 828**	**17 891**

(v) Trade liabilities

	As of December the 31st 2012 BGN thousand	2011 BGN thousand
Trade liabilities to related parties		
Total	**2 726**	**1 232**

(vi) Remuneration to key management personnel and audit costs

Accrued is short-term income to the management in 2012 according to contracts.
No other income is paid.
Audit costs were accrued in accordance with the contract.

24 Events after date of the statement

After December 31, 2012 there were no significant events for disclosure to affect major changes in financial and assets of the company.

This financial statement has been approved by the Board of Directors and is signed by:

Date: 28.02.2013

Prepared:............................... /Sylvia Gancheva/

Director: .... /Bisser Georgiev/