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1. BACKGROUND INFORMATION ON THE GROUP

Sopharma Group (the Group) is comprised of the parent company and its thirty seven (31 December 2014: twenty eight) subsidiaries. In addition, the Group has investments in seven joint ventures (31 December 2014: in five joint ventures). At the reporting date of the consolidated annual financial statements, the Group has investments in three associates (31 December 2014: in one associate).

Parent company

Sopharma AD (the parent company) is a business entity registered in Bulgaria with a seat and registered address of management: Sofia, 16, Iliensko Shousse St.

The Company was registered with court on 15 November 1991 by Decision No 1/1991 of Sofia City Court.

Subsidiaries

The subsidiaries of the Group as at 31 December 2015 were as follows:

- Sopharma Trading AD – a business entity registered in Bulgaria by Decision No. 3594/16.10.1998 of Varna District Court, with a seat and address of management: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Pharmalogistica AD – a business entity registered in Bulgaria by Decision of Sofia City Court dated 12 August 2002, with a seat and address of management: Sofia, 16, Rozhen Blvd.;
- Elektroncommerce EOOD – a business entity registered in Bulgaria by Decision of Sofia City Court under Company File No. 24456 of 1991, with a seat and address of management: Sofia, 1, Samokovsko Shousse St.;
- Biopharm Engineering AD – a business entity registered in Bulgaria by Decision No. 524/1997 of Sliven District Court, with a seat and address of management: Sliven, 75, Trakiya Blvd.;
- Momina Krepost AD – a business entity registered in Bulgaria by Decision No. 3426/1991 of Veliko Tarnovo District Court, with a seat and address of management: Veliko Tarnovo, 23, Magistralna St.;
- Sopharma Buildings REIT – a business entity registered in Bulgaria by Decision No. 1/14.08.2007 of Sofia City Court, with a seat and address of management: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 20;
- Unipharm AD – a business entity registered in Bulgaria by Decision of Sofia City Court under Company File No. 3685 of 1994, with a seat and address of management: Sofia, 3, Traiko Stanoev St.;
- Phyto Palauzovo AD – a business entity registered in Bulgaria by Decision No. 20120924105551/24.09.2012 of the Registry Agency, with a seat and address of management: Kazanluk, 110, 23rd Pehoten Shipchenski Polk Blvd.;
- Sopharmacy EOOD – a business entity registered in Bulgaria by Decision No. 201501191300026/19.01.2015 of the Registry Agency, with a seat and address of management: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;

- Sopharmacy 2 EOOD – a business entity registered in Bulgaria by Decision No. 20150617110324/17.06.2015 of the Registry Agency, with a seat and address of management: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Sopharmacy 3 EOOD – a business entity registered in Bulgaria by Decision No. 20151202165822/02.12.2015 of the Registry Agency, with a seat and address of management: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Pharma Online EOOD – a business entity registered in Bulgaria by Decision No. 20140127170842/27.01.2014 of the Registry Agency, with a seat and address of management: Sofia, Izgrev Region, 5 Lachezar Stanchev St., Sopharma Business Towers, Building A, floor 12;
- Medica AD - a business entity registered in Bulgaria under Company File No. 99/1991 of Blagoevgard District Court, with a seat and address of management: Sofia, Oborishte Region, 82, Knyaz Alexander Dondukov Blvd.;
- Medica – Zdrave EOOD – represents Medica AD in the tenders and the concluding of contracts with hospitals, registered in Bulgaria under Company File No. 7432/2001 of Sofia City Court, with a seat and address of management: Sofia, Lagera Residential Complex, block 38, entr. C, floor 1, ap. 1;
- Medica Balkans EOOD (S.R.L.), Romania, in liquidation – a business entity registered in Romania by Decision No. 8545/2010 of Bucharest City Court, with a seat and address of management: Bucharest, 27A Virgil Madgeary St., ap. 2;
- Sopharma Poland Z.O.O., Poland, in liquidation – a business entity registered in Poland by Decision No. KRS 0000178554/04.11.2003 of XX Economic Division of Warsaw Regional Court Register, with a seat and address of management: Poland, Warsaw, 58, Shashkova St.;
- Sopharma Warsaw SP. Z.O.O., Poland – a business entity registered in Poland by Decision No. DSR 0000372245 of 17 December 2010 by XII Economic Division of the State Court Register of Warsaw, with a seat and address of management: Poland, Warsaw, 8, Halubinskiego St.;
- OOO Sopharma Ukraine, Ukraine – a business entity registered in Ukraine by Decision No. 10691020000029051/07.08.2012 in the Unified State Register of Legal Entities and Physical Entities-Entrepreneurs, with a seat and address of management: Ukraine, Kiev, Oblonski Region, prospect Moskovskii No. 9, unit 4, floor 2, office 4-203;
- PAO Vitamini, Ukraine – a business entity registered in Ukraine by Decision No. 133/15.04.1994 of Uman City Court, with a seat and address of management: Ukraine, Cherkasy Province, Uman, 31, Leninski Iskri St.;
- Ivančić and Sinovi d.o.o., Serbia – a business entity registered in Serbia by Fi-11350/91 on 14 October 1991 by the Commercial Court of Belgrade with a seat and address of management: Republic of Serbia, Belgrade, 13, Palmoticheva St.;
- Sopharma Trading d.o.o. Belgrade, Serbia – a business entity registered in Serbia by BD 49136/2015 on 5 June 2015 of the Business Registers Agency in Belgrade with a seat and address of management: Republic of Serbia, Belgrade, 13, Palmoticheva St.;
- Briz SIA, Latvia – a business entity registered in Latvia by Decision No. 000302737 / 18.09.1991 of the Commercial Registry of the Republic of Latvia, with a seat and address of management: Latvia, Riga, Rasas No. 5, LV – 1057;

- SOOO Brititrade, Belarus – a business entity registered in Belarus by Decision No. 1983 / 24.09.2004 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 118, M. Bogdanovicha St., office 303 – B;
- OOO Tabina, Belarus – a business entity registered in Belarus by Decision No. 1432 / 29.12.1999 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 57, Kuybisheva St., ap.1;
- SOOO Brizpharm, Belarus – a business entity registered in the Minsk City Executive Committee in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 800007989 / 07.07.2009, with a seat and address of management: Belarus, Minsk, Esenina St., d. 16, ap. 1H;
- ODO Alean, Belarus – a business entity registered in Belarus by Decision No. 100160720 / 29.05.2001 in the Minsk City Executive Committee in the Unified State Register of Legal Entities and Individual Entrepreneurs, with a seat and address of management: Belarus, Minsk, Tashkentskaya St., d. 16, unit 1;
- OOO Farmacevt Plus, Belarus – a business entity registered by the Minsk City Executive Committee on 24.11.2000 / No 1348 in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 190174236, with a seat and address of management: Belarus, Minsk, 1 Tverdiy Pereulok, d. 7;
- UAB TBS Pharma, Lithuania – a business entity, registered by the Lithuanian Register of Legal Entities on 01.03.2013 / 303011389, with a seat and address of management: Lithuania, Vilnius, 8 Vytauto / 7 Liubarto St., POB 08118;
- ODO Vestpharm, Belarus – a business entity registered in Belarus by Decision No. 590002202 of Grodno City Executive Committee, with a seat and address of management: Belarus, Grodno, Dombroskogo St., d. 47, k. 3;
- OOO NPK Biotest, Belarus – a business entity registered in Belarus by Decision No. 48 / 24.07.1990 of Lenin District Council of People's Deputies, with a seat and address of management: Belarus, Grodno, 2, Grojskaya St.;
- ODO BelAgroMed, Belarus – a business entity registered in Belarus by Decision No. 009126 / 29.06.2001 of Grodno City Executive Committee, with a seat and address of management: Belarus, Grodno, 17 Sentyabrya St.;
- TOO Sopharma Kazakhstan, Kazakhstan – a business entity registered in Kazakhstan by Decision No. 5286-1910-04-TOO / 06.11.2014 of the Ministry of Justice, Auezovski Region, with a seat and registered address: Kazakhstan, Almaty, Auezovski Region, Mamyr Microdistrict - 4, d. 190;
- OOO Danapharm, Belarus – a business entity registered in Belarus by Decision dated 09.04.2004 of Brest Regional Executive Committee, with a seat and address of management: Belarus, Brest, 53, Masherova Blvd.;
- OOO Galenapharm, Belarus – a business entity registered in Belarus by Decision dated 12.06.2013 of Brest Regional Executive Committee, with a seat and address of management: Belarus, Brest Region, Pinsk, ul. Bretskaya 118-97;
- ODO Medjel, Belarus – a business entity registered in Belarus by Decision No. 1044 / 14.09.2000 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 60, Soltisa St.;

- ODO Alenpharm-plus, Belarus – a business entity registered in Belarus by Decision dated 25.09.2008 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 29, Logotskiy Tract;
- ODO Farmatea, Belarus – a business entity registered in Belarus by Decision dated 17.10.2012 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 20, Bakinskaya St.

On 26 February 2015 an entry was made in the Commercial Register at the Registry Agency on the merger of Bulgarian Rose Sevtopolis AD ('transforming company'), a subsidiary for 2014, into Sopharma AD within the meaning of Art. 262 and the following of the Commercial Act. The transforming company was wound-up without liquidation and all of its assets were transferred to Sopharma AD ('receiving company'). The date 1 January 2015 was accepted as a date for accounting for the merger.

On 14 May 2015, the Group sold 75% of its interest in the capital of Extab Corporation, USA, while retaining 5% of its interest, which by virtue of a signed agreement was transformed on 28 September 2015 into 5% interest in the capital of Extab Pharma Inc., USA. As a result of the transaction, the Group had also disposed of its indirect interest in Extab Pharma Limited, United Kingdom – a subsidiary thereof for 2014 and until 14 May 2015 through Extab Corporation, USA.

As at 31 December 2015, the investment in Sopharma USA, USA, was written-off since the operation of the company has been suspended in the USA.

In 2014, the Group changed its status in the company ZAO Interpharm, Belarus, from 'a subsidiary' (for 2013 and until 31 December 2014) to 'a joint venture'.

Joint ventures

The joint ventures of the Group as at 31 December 2015 were as follows:

- OOO Vivaton Plus, Belarus – a business entity registered in Belarus by Decision No. 590004353 of Grodno City Executive Committee, with a seat and address of management: Belarus, Grodno, Kletskova Pr., d. 13 B, office 2;
- OOO Med-dent, Belarus – a business entity registered in Belarus by Decision No. 0018240 / 11.03.2013 of the Department of Economy at the Bobruysk City Executive Committee, with a seat and address of management: Belarus, Mogilevsk District, Bobruysk, 120, K. Marx St., office 4;
- BOOO SpetzApharmacia BOOO, Belarus – a business entity registered in Belarus by Decision No. 22-8 / 30.10.2000 of Mogilevsk District Executive Committee, with a seat and address of management: Belarus, Mogilevsk District, Bobruysk, 120, K. Marx St., office 2;
- OOO Bellerophon, Belarus – a business entity registered in Belarus by Decision No. 1193 / 17.07.2003 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 5-45 Storojevskaya St.;
- ZAO Interpharm, Belarus - a business entity registered in Belarus in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 300000556, with a seat and address of management: Belarus, Vitebsk, Stroitelei Square, bl. 3 ap. 2;

- OOO Ivem & K, Belarus – a business entity registered in Belarus by Decision dated 27.07.2001 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 20, Bakinskaya St.;
- OOO Ariens, Belarus – a business entity registered in Belarus by Decision No. 605 / 30.12.1996 of Vitebsk Regional Executive Committee, with a seat and address of management: Belarus, Polotsk, Shkolnaya St.

Associates

The associates of the Group as at 31 December 2015 were as follows:

- OOO Mobil Line, Belarus – a business entity registered in Belarus by Decision dated 16.03.2010 of Borisov Regional Executive Committee, with a seat and address of management: Belarus, Minsk District, Borisov, 63, Krasnoznamennaya St.;
- ODO SalusLine, Belarus – a business entity registered in Belarus by Decision No. 287 / 05.05.2006 of Grodno City Executive Committee, with a seat and address of management: Belarus, 6, Vilenskaya St.,
- OOO Zdorovei, Belarus – a business entity registered in Belarus by Decision dated 04.06.2014 of Minsk City Executive Committee, with a seat and address of management: Belarus, Minsk, 20, Bakinskaya St.

In 2015, the Group increased its share in the company Medica AD, which initially had the status of 'an associate' (from 4 November 2014 to 25.10.2015) and as from 26 October 2015 it status was changed to 'a subsidiary'. The same refers to the companies Medica-Zdrave EOOD and Medica Balkans S.R.L.

In 2014, the Group increased its share in the companies OOO Bellerophon, Belarus, and BOOO SpetzApharmacia, Belarus, awhich initially had the status of 'associates' (respectively from 28 August 2014 to 26 November 2014 and from 3 September 2013 to 19 January 2014) but subsequently their status was changed to 'joint ventures'.

1.1. Ownership and management of the parent company

SopharmaAD is a public company under the Bulgarian Public Offering of Securities Act. Starting from November 2011, the shares of the company are being traded in the Warsaw Stock Exchange.

The joint-stock capital structure of the parent company as at 31 December 2015 was as follows:

	%
Donev Investments Holding AD	24.73
Telecomplect Invest AD	20.07
Rompharm Company OOD	18.04
Sopharma AD (treasury shares)	3.87
Other legal persons	29.79
Natural persons	3.50
	100.00

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 parent company is represented and managed by its Executive Director Ognian Donev, PhD.

1.2. Structure of the Group and principal activities

The *structure* of the Group includes Sopharma AD as a parent company and the subsidiaries stated below:

Subsidiaries	**31.12.2015** ***Interest %***	**31.12.2014** ***Interest %***	***Date of acquisition of control***	***Date of merger***
Companies in Bulgaria				
Sopharma Trading AD*	72.13	71.89	08.06.2006	
Bulgarian Rose Sevtopolis AD *, deleted trader	-	49.99	22.04.2004	01.01.2015
Pharmalogistica AD	78.37	76.54	15.08.2002	
Electroncommerce EOOD	100	100	09.08.2005	
Biopharm Engineering AD	97.15	97.15	10.03.2006	
Sopharma Buildings REIT	40.75	40.75	04.08.2008	
Momina Krepost AD	92.78	53.28	01.01.2008	
Unipharm AD *	52.06	51.78	27.10.2010	
Phyto Palauzovo AD	95	47.49	21.09.2012	
Sopharmacy EOOD**	72.13	-	19.01.2015	
Sopharmacy 2 EOOD**	72.13	-	05.06.2015	
Sopharmacy 3 EOOD**	72.13	-	02.12.2015	
Pharma Online EOOD**	72.13	-	03.12.2015	
Medica AD	66.72	-	26.10.2015	
Medica-Zdrave EOOD **	66.72	-	26.10.2015	

** effective percentage of interest*
*** indirect interest*

Subsidiarues	***31.12.2015 Interest %***	***31.12.2014 Interest %***	***Date of acquisition of control***	***Date of disposal of control***
Companies abroad				
SIA Briz	66.13	66.13	10.11.2009	
SOOO Brititrade **	51.91	65.14	10.11.2009	
PAO Vitamini	99.56	99.56	18.01.2008	
Ivančić and Sinovi d.o.o.	51	51	10.04.2008	
Sopharma Warsaw SP. Z.O.O.	100	100	23.11.2010	
Sopharma Trading d.o.o. Belgrade**	72.13	-	05.06.2015	
Sopharma Poland Z.O.O. – in liquidation	60	60	16.10.2003	
Medica Balkans S.R.L. – in liquidation	66.72	-	26.10.2015	
OOO Tabina **	58.86	58.86	08.04.2011	
SOOO Brizpharm **	39.41	39.02	20.12.2012	
ODO Alean **	64.81	46.95	07.02.2013	
OOO Sopharma Ukraine	100	100	07.08.2012	
OOO Farmacevt Plus **	42.98	33.73	31.05.2013	
UAB TBS Pharma**	33.73	33.73	01.03.2013	
ODO Vestpharm **	62.82	59.52	04.07.2013	
OOO NPK Biotest **	46.29	46.29	02.09.2013	
ODO BelAgroMed **	50.26	46.95	30.07.2013	
TOO Sopharma Kazakhstan	100	100	06.11.2014	
OOO Danapharm**	48.14	-	28.02.2015	
OOO Galenapharm**	48.14	-	28.02.2015	
ODO Medjel**	48.14	-	28.02.2015	
ODO Alenpharm-plus**	48.14	-	30.06.2015	
OOO Farmatea**	33.73	-	30.11.2015	
Sopharma USA	-	100	25.04.1997	
Extab Corporation	-	80	05.08.2009	14.05.2015
Extab Pharma Limited **	-	80	05.08.2009	14.05.2015

** effective percentage of interest*
*** indirect interest*

- Unipharm AD is a subsidiary of Sopharma AD, the control thereon being acquired and exercised through the direct participation of the parent company in the ownership of Unipharm AD with 49.99% and the indirect participation of the parent company with 2.07% through the subsidiary Sopharma Trading AD holding 1.92% and Medica AD holding 0.15% of the capital of Unipharm AD;
- Sopharma Trading AD is a subsidiary of Sopharma AD, the control thereon being acquired and exercised through the direct participation of the parent company in the ownership of Sopharma Trading AD with 71.85% and the indirect participation of the parent company with 0.28% through the subsidiary Medica AD holding 0.41% of the capital of Sopharma Trading AD;
- Sopharma Buildings REIT is a subsidiary by virtue of a written agreement for control concluded between Sopharma AD and other shareholders;
- Phyto Palauzovo AD is a direct subsidiary after the merger of Bulgarian Rose Sevtopolis AD into Sopharma AD (2014: Bulgarian Rose Sevtopolis AD holds 95% of the capital of Phyto Palauzovo AD);

- Sopharmacy EOOD is a subsidiary of Sopharma Trading AD whereas the latter holds 100% of the capital of Sopharmacy EOOD;
- Sopharmacy 2 EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 2 EOOD;
- Sopharmacy 3 EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Sopharmacy 3 EOOD;
- Pharma Online EOOD is a subsidiary of Sopharmacy EOOD whereas the latter holds 100% of the capital of Pharma Online EOOD;
- Sopharma Trading d.o.o. Belgrade is a subsidiary of Sopharma Trading AD whereas the latter holds 100% of the capital of Sopharma Trading d.o.o. Belgrade;
- Medica-Zdrave EOOD is a subsidiary of Medica AD whereas the latter holds 100% of the capital of Medica-Zdrave EOOD;
- Medica Balkans S.R.L., in liquidation, is a subsidiary of Medica AD whereas the latter holds 100% of the capital of Medica Balkans S.R.L.;
- SOOO Brititrade, Belarus, is a subsidiary of Briz SIA, Latvia – Briz SIA holds 78.50% of the capital of SOOO Brititrade;
- OOO Tabina, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 89% of the capital of OOO Tabina;
- SOOO Brizpharm, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 59.59% of the capital of SOOO Brizpharm;
- ODO Alean, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 98% of the capital of ODO Alean;
- OOO Farmacevt Plus, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 65% of the capital of OOO Farmacevt Plus;
- UAB TBS Pharma, Lithuania, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 51% of the capital of UAB TBS Pharma;
- ODO Vestpharm, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 95% of the capital of ODO Vestpharm;
- OOO NPK Biotest, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 70% of the capital of OOO NPK Biotest;
- ODO BelAgroMed, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 76% of the capital of ODO BelAgroMed;
- OOO Danapharm, Belarus, is a subsidiary through Briz SIA, Latvia, and its subsidiary SOOO Brititrade, Belarus – Briz SIA holds 10% and SOOO Brititrade holds 80% of the capital of OOO Danapharm;
- OOO Galenapharm, Belarus, is a subsidiary through Briz SIA, Latvia, and its subsidiary SOOO Brititrade, Belarus – Briz SIA holds 10% and SOOO Brititrade holds 80% of the capital of OOO Galenapharm;
- ODO Medjel, Belarus, is a subsidiary through Briz SIA, Latvia, and its subsidiary SOOO Brititrade, Belarus – Briz SIA holds 10% and SOOO Brititrade holds 80% of the capital of ODO Medjel;

- ODO Alenpharm-plus, Belarus, is a subsidiary through Briz SIA, Latvia, and its subsidiary SOOO Brititrade, Belarus – Briz SIA holds 10% and SOOO Brititrade holds 80% of the capital of ODO Alenpharm-plus;
- OOO Farmatea, Belarus, is a subsidiary through Briz SIA, Latvia – Briz SIA holds 51% of the capital of OOO Farmatea.

The principal activities of the Group companies are focused on the pharmaceutical sector except for separate companies having principal activities also in the field of investment in real estate and securities.

The principal activities of the companies within the Group are as follows:

- Sopharma AD – production and trade in medicinal substances (active ingredients) and finished drug forms; research and development activities in the field of medicinal products;
- Sopharma Trading AD – trade in pharmaceutical products;
- Medica AD – production and trade in dressing and sanitary-hygienic materials, finished drug forms, products for dentistry and food supplements;
- Biopharm Engineering AD – production and trade in infusion solutions;
- Pharmalogistica AD – secondary packaging of pharmaceutical products and real estate leases;
- Electroncommerce EOOD – trade, transportation and packaging of radioactive materials and nuclear equipment for medicinal use, household electronics and electrical equipment;
- Sopharma Buildings REIT – 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;
- Momina Krepost AD – development, implementation and production of medical goods for human and veterinary medicine;
- Unipharm AD – production and trade in pharmaceuticals;
- Phyto Palauzovo AD – production, collection, purchase, growing and trade in herbs and medicinal plants;
- Medica-Zdrave EOOD – represents Medica AD in the tenders and the concluding of contracts with hospitals;
- Medica Balkans S.R.L. in liquidation – a trading company;
- Sopharmacy EOOD – franchising, know-how, renting of property, trade and other;
- Sopharmacy 2 EOOD – retail trade in medicinal products;
- Sopharmacy 3 EOOD – retail trade in medicinal products;
- Pharma Online EOOD – online and off-line retail trade in medicinal products;
- PAO Vitamini, Ukraine – production and trade in pharmaceuticals;
- Ivančić and Sinovi d.o.o., Serbia – production and trade in pharmaceuticals;
- Sopharma Trading d.o.o. Belgrade, Serbia – consulting activities;
- Sopharma Poland Z.O.O., Poland, in liquidation – market and public opinion research;
- Sopharma Warsaw SP. Z.O.O., Poland – trade in pharmaceutical products and market and public opinion research;
- OOO Sopharma Ukraine, Ukraine – trade in pharmaceuticals and market and public opinion research;
- Sopharma USA, USA – trade in pharmaceuticals and food supplements. As at 31 December 2015, the investment in this company is written-off since its operation has been suspended in USA;

- Briz SIA, Latvia – trade in pharmaceuticals;
- SOOO Brititrade, Belarus – trade in pharmaceuticals;
- OOO Tabina, Belarus – trade in pharmaceuticals;
- ZAO Brizpharm, Belarus – trade in pharmaceuticals;
- ODO Alean, Belarus – trade in pharmaceuticals;
- OOO Farmacevt Plus, Belarus – trade in pharmaceuticals;
- UAB TBS Pharma, Lithuania – trade in pharmaceuticals, production of finished drug forms and pharmaceutical products, research and development activities in the field of biotechnology;
- ODO Vestpharm, Belarus – retail trade in medicinal products and medical equipment;
- OOO NPK Biotest, Belarus – production of medicinal products on the basis of plant raw materials;
- ODO BelAgroMed, Belarus – retail trade in medicinal products and pharmaceuticals;
- TOO Sopharma Kazakhstan, Kazakhstan – trade in pharmaceuticals;
- OOO Danapharm, Belarus – retail trade in medicinal products, medical equipment and pharmaceuticals;
- OOO Galenapharm, Belarus – retail trade in medicinal products, medical equipment and pharmaceuticals;
- ODO Medjel, Belarus – retail trade in medicinal products, medical equipment and pharmaceuticals;
- ODO Alenpharm-plus, Belarus – retail trade in medicinal products, medical equipment and pharmaceuticals;
- OOO Farmatea, Belarus – retail trade in medicinal products, medical equipment and pharmaceuticals.

The parent company and the subsidiaries Sopharma Trading AD, Medica AD, Medica-Zdrave EOOD, Pharmalogistica AD, Electroncommerce EOOD, Biopharm Engineering AD, Sopharma Buildings REIT, Momina Krepost AD, Unipharm AD, Phyto Palauzovo AD, Sopharmacy EOOD, Sopharmacy 2 EOOD, Sopharmacy 3 EOOD and Pharma Online EOOD perform their activities in Bulgaria; Sopharma Poland Z.O.O. – in liquidation and Sopharma Warsaw SP. Z.O.O. operate in Poland; PAO Vitamini, OOO Sopharma Ukraine – in Ukraine; Ivančić and Sinovi d.o.o. and Sopharma Trading d.o.o. Belgrade – in Serbia; Briz SIA – in Latvia; SOOO Brititrade, OOO Tabina, ZAO Interpharm (until 31 December 2014), ODO Alean, SOOO Brizpharm, OOO Farmacevt Plus, ODO Vestpharm, OOO NPK Biotest, ODO BelAgroMed, OOO Danapharm, OOO Galenapharm, ODO Medjel, ODO Alenapharm-plus and OOO Farmatea – in Belarus; UAB TBS Pharma – in Lithuania, TOOO Sopharma Kazakhstan – in Kazakhstan, and Medica Balkans S.R.L – in Romania.

As at 31 December 2015, the interest of the Group in ***joint ventures*** is as follows:

- OOO Vivaton Plus, Belarus, a joint venture through Briz SIA, Latvia – 50% interest jointly with Apteka Group Holding. The principal activities of the joint venture include trade in pharmaceuticals and food supplements. The company has been a joint venture for the Group since 20 December 2012.
- OOO Med-dent, Belarus, a joint venture through Briz SIA – 50% interest jointly with a physical person. The principal activities of the joint venture include trade in pharmaceuticals and food supplements. The company has been a joint venture for the Group since 17 December 2013.

- BOOO SpetzApharmacia, Belarus, a joint venture through Briz SIA – 50% interest jointly with a physical person. The principal activities of the joint venture include trade in pharmaceuticals and food supplements. The company has been a joint venture for the Group since 20 January 2014.
- OOO Bellerophon, Belarus, a joint venture through Briz SIA – 50% interest jointly with a physical person. The principal activities of the joint venture include retail trade in pharmaceuticals, medical equipment and food supplements. The company has been a joint venture for the Group since 27 November 2014.
- ZAO Interpharm, Belarus, a joint venture through Briz SIA, Latvia – 50% interest jointly with a legal entity. The principal activities of the joint venture include trade in pharmaceuticals and food supplements. The company has been a joint venture for the Group since 31 December 2014.
- OOO Ivem & K, Belarus, a joint venture through OOO Tabina and OOO Farmacevt Plus, which hold together 50% of the capital of OOO Ivem & K. The principal activities of the joint venture include trade in pharmaceuticals and food supplements. The company has been a joint venture for the Group since 1 December 2015.
- OOO Ariens, Belarus, a joint venture through OOO Farmacevt Plus, which holds 50% of the capital of OOO Ariens. The principal activities of the joint venture include trade in pharmaceuticals and food supplements. The company has been a joint venture for the Group since 1 December 2015.

As at 31 December 2015, the interest of the Group in ***associates*** is as follows:

- OOO Mobil Line, Belarus – 22.18% interest (30% direct interest through SOOO Brititrade). The principal activities of the associate include retail trade in pharmaceuticals, medical equipment. The company has been an associate for the Group since 20 February 2015.
- ODO SalusLine, Belarus – 19.59% interest (25% direct interest through SOOO Brititrade). The principal activities of the associate include retail trade in pharmaceuticals, medical equipment. The company has been an associate for the Group since 19 February 2015.
- ODO Zdorovei, Belarus – 10.75% interest (25% direct interest through SOOO Brititrade). The principal activities of the associate include wholesale trade in food additives and articles with medical designation. The company has been an associate for the Group since 9 December 2015.

At the date of these consolidated financial statements, the average number of Group's personnel was 4,258 workers and employees (2014: 4,188).

1.3. Main indicators of the economic environment

The main economic indicators of the business environment that have affected the activities of the Group companies throughout the period 2013 – 2015, are presented in the table below:

Indicator	**2013**	**2014**	**2015**
GDP in million levs (Bulgaria)	81,971	83,612	86,650
Actual growth of GDP (Bulgaria)	1.3%	1.6%	3%
Year-end inflation (Bulgaria)	(0.9)%	(2.0)%	(0.9)%
Year-end inflation (Belarus)	16.60%	18.30%	12%
Year-end inflation (Ukraine)	0.5%	21.8%	43.3%
USD/BGN average for the year	1.47362	1.47437	1.76441
USD/BGN at year-end	1.41902	1.60841	1.79007
PLN/BGN average for the year	0.466	0.4676	0.46754
PLN/BGN at year-end	0.47143	0.45376	0.46128
RSD/BGN average for the year	0.01729	0.01669	0.01620
RSD/BGN at year-end	0.01711	0.01617	0.01608
UAH/BGN average for the year	0.18425	0.12837	0.08186
UAH/BGN at year-end	0.17713	0.10169	0.07458
GBP/BGN average for the year	2.33839	2.42721	2.69672
GBP/BGN at year-end	2.33839	2.5001	2.65021
EUR/BGN average for the year	1.95583	1.95583	1.95583
EUR/BGN at year-end	1.95583	1.95583	1.95583
RON/BGN at year-end	-	-	0.43179
1000 BYR/BGN average for the year	0.16573	0.1441	0.11167
1000 BYR/BGN at year-end	0.14967	0.13554	0.09629
LTL/BGN average for the year	0.56645	0.56645	-
LTL/BGN at year-end	0.56645	0.56645	-
KZT/BGN average for the year	-	0.00863	0.00829
KZT/BGN at year-end	-	0.00880	0.00527

Source: BNB, National Banks of Ukraine, Poland, Serbia, Belarus, Latvia, Lithuania and Kazakhstan.

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE GROUP

2.1. Basis for the preparation of the consolidated financial statements

The consolidated financial statements of Sopharma Group 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 2015 and have been accepted by the Commission of the European Union.

For the current financial year the Group has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which are relevant to its activities. The adoption of these standards and/or interpretations, effective for annual periods beginning on 1 January 2015, has not caused changes in Company's accounting policies and respectively, in its 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.

The new and/or amended standards and interpretations include:

- *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 – endorsed by EC as of 1 January 2015).* 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).
- *IFRIC 21 "Levies" (in force for annual periods beginning on or after 1 January 2014 – endorsed by EC for annual periods as of 17 June 2014) – 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 that are outside the scope of IAS 12.

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 2015, which have not been adopted by the Company for early application.

The management of the Group has concluded that out of them the following are likely to have a potential impact in the future for changes in the accounting policies and the classification and values of reporting items in the financial statements of the Group for subsequent periods, namely:

- *IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the relief from the requirement to restate comparatives and the related thereto disclosures when applying IFRS 9 (in force for annual periods beginning on or after 1 January 2018 – 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 Group and whether it chooses the option to restate prior periods.

- *IFRS 9 "Financial Instruments" (in force for annual periods beginning on or after 1 January 2018 – not endorsed by EC).* This is a new standard for financial instruments. It is ultimately intended to replace IAS 39 in its entirety. The replacement project has passed through three phases: <u>Phase 1</u>: Classification and measurement of financial assets and financial liabilities; <u>Phase 2</u>: Hedge accounting; and <u>Phase 3</u>: Impairment methodology. At present, IFRS 9 has been issued four times: in November 2009, October 2010, November 2013 and finally in July 2014. <u>Phase 1</u>: 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 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). A specific feature of the classification and measurement model for financial assets at fair value is the addition of a new category – fair value through other comprehensive income (for certain debt and capital instruments). <u>Phase 2</u>: Hedge accounting – a new chapter to IFRS 9 has been added for this purpose 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 Group's own credit quality, to be presented in other comprehensive income rather than in profit or loss. The entities that apply IAS 39 will be able to apply this option but they will also be able to continue applying the requirements for fair value hedge accounting of an interest rate exposure under IAS 39 even when IFRS becomes effective. <u>Phase 3</u>: Impairment methodology – the amendment introduces the 'expected loss' impairment model whereunder all expected credit losses shall be recognised over the lifetime of an amortisable financial instrument and not only if a trigger event has occurred as per the current model under IAS 39. With the latest amendments to IFRS 9 its effective date has been set to 1 January 2018.

- *IFRS 10 (amended) "Consolidated Financial Statements" and IAS 28 (amended) "Investments in Associates and Joint Ventures" – regarding the sale or contribution of assets between an investor and its associate or joint venture (in force for annual periods beginning on or after 1 January 2016 – the EC endorsement procedure has been postponed for an indefinite period).* This amendment arises as a result of the existing inconsistency between the requirements and rules of IFRS 10 and IAS 28 (as revised in 2011) regarding transactions between an investor and its associate or joint venture. It basically clarifies that in transactions, representing in substance a sale or contribution of an aggregate of assets but not constituting a business, gains or losses are recognised partially to the extent attributable to other equity holders, while in transactions, representing in substance a sale or contribution of assets but constituting a business within the meaning of IFRS 3 – gains or losses are recognised in full.

- *IFRS 10 (amended) "Consolidated Financial Statements", IFRS 12 (amended) "Disclosure of Interests in Other Entities" and IAS 28 (amended) "Investments in Associates and Joint Ventures" – regarding exemptions from consolidation for investment entities (in force for annual periods beginning on or after 1 January 2016 – not endorsed by EC).* This amendment addresses issues that have arisen in relation to the exemption from consolidation for investment entities, namely: (1) whether an investment entity should account for a subsidiary at fair value if the subsidiary provides investment services to third parties; (2) the interaction between amendments for investment entities and the exemption from consolidation under IFRS 10; (3) whether a non-investment entity should unwind the fair value accounting of its joint ventures or associates that are investment entities.
- *IFRS 11 (amended) "Joint Arrangements" – regarding acquisitions of interests in joint operations (in force for annual periods beginning on or after 1 January 2016 – endorsed by EC).* This amendment clarifies mainly that when an investor acquires interest in a joint operation, which in substance constitutes a business, this requires the application of the requirements and rules of IFRS 3 for business combinations.
- *IFRS 15 "Revenue from Contracts with Customers" and clarifications to the standard (in force for annual periods beginning on or after 1 January 2018 – not endorsed by EC).* This is an entirely new standard. It introduces a single complex of principles, rules and approaches for recognition, accounting for and disclosure of information about the nature, amount, timing and uncertainties related to revenue and cash flows arising from contracts with customers. It will supersede all current standards related to revenue recognition, mainly IAS 18 and IAS 11. The main principle of the new standard is to provide a stepwise model whereby revenue amount and timing reflect the obligation characteristics and performance of each of the parties to the transaction. The key components include: (a) contracts with customers that are commercial in their substance and assessment of the probability for collecting contractual amounts by the entity in line with the terms and conditions of the particular contract; (b) identification of the separate performance obligations under the contract for providing of a good or service, that is distinct from the other assumed contractual commitments/promises, from which the customer would obtain benefits; (c) transaction price determination – the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer – special attention is paid to the variable component of price, the financing component, as well as the non-cash consideration; (d) allocation of the transaction price to separate performance obligations under the contract – usually on a stand-alone sale price of each component; and (e) the point of time or the period of revenue recognition – when an entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur at a point in time or over time. The

standard allows a full retrospective approach or a modified retrospective approach from the beginning of the current reporting period with particular disclosures for prior periods. In addition, the issued interpretations to the standard clarify the new basic principles – the identification of the contractual performance obligations, the principal – agent differentiation, licensing, and add transitional reliefs;

- *IFRS 16 "Leases" (in force for annual periods beginning on or after 1 January 2019 – not endorsed by EC).* This standard has an entirely new concept. It establishes new principles for the recognition, measurement and presentation of the leases with the objective to ensure a more faithful and adequate representation of such transactions both for lessee and lessor. It will supersede the current standard related to leases – IAS 17. The main principle of the new standard is the introduction of a single lessee accounting model – for all contracts with duration of over 12 months – a right-of-use asset is recognised, which would be subsequently depreciated for the duration of the contract, and respectively, the liability would be stated for the lease contracts. This is the significant change in the accounting treatment. There would not be any significant changes with the lessors and they would continue to account for leases as per the old standard – operating and finance. As far as the new standard introduces a more thorough concept, a more detailed analysis of their contractual terms should be carried out and it is possible that grounds for reclassification of the lease transactions may occur for them too.
- *IAS 1 (amended) "Presentation of Financial Statements" – regarding disclosure initiative (in force for annual periods beginning on or after 1 January 2016 – endorsed by EC).* This amendment is an important clarification of the standard itself with a focus on preparers of financial statements when they need to exercise judgment for the materiality of particular information and its presentation in the preparation of financial statements, i.e. the including or not of specific information, presentation approach for the statement of financial position and the statement of comprehensive income – aggregation or separate presentation, approach in the arrangement of notes as well as the presentation of some particular items in the financial statements.
- *IAS 7 (amended) "Statement of Cash Flows" – regarding disclosure initiative (in force for annual periods beginning on or after 1 January 2017 – not endorsed by EC).* This amendment is an important clarification of the standard itself with a focus on the information provided to the users of financial statements in order to improve their understanding of the liquidity and the financing activities of the entity. The amendment requires that additional disclosures be prepared in regards to the changes of liabilities of the entity from: (i) changes in financing activities, (ii) changes from obtaining or losing control of subsidiaries, (iii) changes in foreign exchange rates, (iv) changes in fair values, and (v) other changes. The disclosure requirements on the changes in the liabilities from financing activities set out that they shall be presented separately from changes in other assets and liabilities;
- *IAS 12 (amended) "Income Taxes" (in force for annual periods beginning on or after 1 January 2017 – not endorsed by EC) – recognition of deferred tax assets for unrealised losses.* The amendment clarifies the following: (1) unrealised losses on debt instruments, measured at fair value for accounting purposes and at cost for tax purposes, give rise to deductible temporary differences; (2) the assumptions for future taxable profits shall not include effect of deductions

resulting from deductible temporary differences; (3) if the tax legislation restricts the utilisation of tax losses, the review and assessment of deferred tax assets should be made in combination with the other deferred tax assets of the same type.

- *IAS 16 (amended) "Property, Plant and Equipment" and IAS 41 (amended) "Agriculture" – regarding bearer plants (in force for annual periods beginning on or after 1 January 2016 – endorsed by EC).* This amendment introduces a measurement and accounting approach for fruit-bearing plants (bearer plants) that applies the principle for property, plant and equipment (PPE) used in IAS 16 rather than the approach prescribed by IAS 41 (i.e. applying the cost model with an option to choose the revaluation model after reaching maturity) because their involvement in agricultural produce is similar to that of PPE in the industrial production process;
- *IAS 27 (amended) "Separate Financial Statements" – regarding the equity method in separate financial statements (in force for annual periods beginning on or after 1 January 2016 – endorsed by EC).* This amendment restores the option of IAS 27 that allows entities to use the equity method to account for and measure the investments in subsidiaries, associates and joint ventures in their separate financial statements.
- *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 – endorsed by EC for annual periods as of 1 February 2015).* 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 period' 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 judgments and 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 2012-2014 Cycle (September 2014) – improvements to IFRS 5, IFRS 7, IAS 19, IAS 34 (in force for annual periods beginning on or after 1 January 2016 – 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: (1) additional clarifications that an entity may reclassify an asset from 'held for sale' to 'held for distribution to owners' (and vice versa) and this is not treated as a change in the original plan of

disposal as well as in the date of classification as per IFRS 5; (2) additional guidance to clarify whether a servicing contract for a fully derecognised transferred financial asset constitutes in substance a continuing involvement in a transfer for the purposes of determining the scope of the disclosures required, as well as clarification on the applicability of the disclosure requirements regarding the offsetting of financial assets and financial liabilities in condensed interim financial statements (IFRS 7); (3) clarification regarding the requirement of the standard that high quality corporate bonds, used to estimate the discount rate for post-employment benefits, should be issued in the same currency as the benefits to be paid to the respective employees, i.e. the depth of the market should be assessed at currency level (IAS 19); and (4) clarification on the disclosure requirement 'elsewhere in the interim report', i.e. that this means the presentation of information in any place in the interim financial statements but also presentation elsewhere in the greater interim report, including interim report of the management, provided that a cross-reference exists between the interim financial statement and wherever the disclosures are included (IAS 34).

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 2015, 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:

- *IFRS 14 "Regulatory Deferral Accounts" (in force for annual periods beginning on or after 1 January 2016 – EC has postponed the endorsement process for this interim standard until the issue of the final standard).* This is a new standard with status of an interim standard, applicable only for entities, which will adopt IFRS for the first time as a reporting framework, and it is effective until the completion of the project for a new comprehensive standard intended to address such type of rate-regulated activities. It is not applied by entities that already apply IFRS. The basic rules of the standard set out that the entities: (a) may recognise and continue the presentation in their IFRS financial statements regulatory deferral account balances (assets or liabilities) but only if these balances have already been recognised under the previously applied accounting standards and adopted accounting policies; (b) the regulatory deferral accounts should be presented separately in the statement of financial position while their movements should be presented as separate line items in the statement of comprehensive income; and (c) specific disclosures are required in relation with the nature, risks and effects of rate-regulated activities and the recognised deferral account balances.
- *IAS 16 (amended) "Property, Plant and Equipment" and IAS 38 (amended) "Intangible Assets" – regarding the acceptable methods of depreciation and amortisation (in force for annual periods beginning on or after 1 January 2016 – endorsed by EC).* This clarification specifies that the method for calculating the depreciation or amortisation of an asset, based on a ratio to expected revenue, in the generation of which it is involved, is not regarded an appropriate method for measuring the economic benefits consumed as a result of the use of this asset (allowed only in very rare cases as an exception);
- *IAS 19 (as revised in 2011) "Employee Benefits" (in force for annual periods beginning on or after 1 July 2014 – endorsed by EC for annual periods as of 1 February 2015).* 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 amendment clarifies that these contributions should be treated as a reduction in the service cost by being allocated to the period of service, when they are linked to the number of employee's years of service, and should be deducted from the service cost in the period in which the related services are rendered, when the contributions are independent of the number of years of service.

The consolidated financial statements have been prepared on a historical cost basis except for: a/ property, plant and equipment, which are measured at revalued amount; and b/ investment property and available-for-sale financial instruments, which are measured at their fair value at the date of the consolidated statement of financial position.

The Bulgarian subsidiary and associated companies of the Group maintain their accounting books in Bulgarian Lev (BGN), which is accepted as being their functional and presentation currency. The subsidiaries, associates and joint ventures abroad organise their accounting and reporting in accordance with the requirements of the respective local legislation (OOO Sopharma Ukraine and PAO Vitamini – Ukrainian legislation; Ivančić and Sinovi d.o.o. and Sopharma Trading d.o.o. Belgrade – Serbian legislation; Extab Pharma Limited (a subsidiary until 14 May 2015) – United Kingdom; Briz SIA – Latvian ligislation; UAB TBS Pharma – Lithuanian legislation; SOOO Brititrade, OOO Tabina, SOOO Brizpharm, OOO Farmacevt Plus, ODO Alean, OOO NPK Biotest, ODO BelAgroMed, ODO Vestpharm, OOO danapharm, OOO Galenapharm, ODO Medjel, ODO Alenpharm-plus and OOO Farmatea – Belarusian legislation; the joint ventures OOO Vivaton Plus, OOO Med-dent, BOOO SpetzApharmacia, OOO Bellerophon and ZAO Interpharm, OOO Ivem & K and OOO Ariens – Belarusian legislations; the associates ODO SalusLine, OOO Mobil Line and OOO Zdorovei – Belarusian legislation; Sopharma USA and Extab Corporation (a subsidiary until 14 May 2015) – USA legislation and Sopharma Poland Z.O.O. – in liquidation, Sopharma Warsaw SP. Z.O.O. – the Polish legislation and TOO Sopharma Kazakhstan – Kazakhstan) and keep their accounting ledgers in the respective local currency – Ukraine Hryvnia (UAH), Serbian Dinar (RSD), Euro (EUR), British Pound (GBP), Belarusian Ruble (BYR), US Dollar (USD), Polish Zloty (PLN), Romanian Leu (RON)and Kazakhstan Tenge (KZT).

The data in the consolidated financial statements and the notes thereto are presented in thousand Bulgarian Levs (BGN'000), unless explicitly stated otherwise, and the Bulgarian Lev is accepted as the reporting and presentation currency of the Group. According to the policies of the Group, the financial statements of the Group companies abroad are restated from the local currency to Bulgarian Levs for the purposes of the consolidated financial statements *(Note 2.5).*

The presentation of the consolidated financial statements in accordance with IFRS requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities and the disclosure of contingent receivables and payables as at the date of the financial statements, and respectively, on the reported amounts of income and expenses for the reporting year. These estimates, accruals and assumptions are based on the information, which is available at the date of the consolidated 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 consolidated financial statements, are disclosed in *Note 2.32, Note 12, Note 14, Note 15, Note 16 and Note 18.*

2.2. Definitions

Parent company

This is a company that has control over one or more other companies, in which it has invested. Having control means that the investor is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

The parent company is Sopharma AD, Bulgaria *(Note 1).*

Subsidiary company

A subsidiary is a company, or another entity, that is controlled directly or indirectly by the parent company.

The subsidiary companies are consolidated as from the date on which the effective control over them has been acquired by the Group and are de-consolidated as from the date when the control over them ceases and is transferred outside the Group. The full consolidation method is applied for their consolidation.

The subsidiary companies are presented in *Note 1.2*.

Joint venture

A joint venture is a company, or another entity, established by virtue of a contractual arrangement between the parent company as an investor and one or more other parties (companies) that start a common business undertaking, and on which the joint venturers (including the parent, which also has such a status) have a joint control. Joint control exists when it is contractually agreed that the strategic financial and operating decisions, relating to the joint venture, shall require mandatory unanimous consent of the joint venturers. The latter have rights to the net assets of the joint venture.

The joint venture is included in the consolidated financial statements of the Group by applying the equity method – as from the date on which the joint control has been acquired by the venturer (the parent company) and its consolidation under this method is ceased when the joint venture is transformed into a subsidiary or when the joint control is transferred from the venturer to third parties.

The joint ventures are: OOO Vivaton Plus, OOO Med-dent, OOO Bellerophon, BOOO SpetzApharmacia, ZAO Interpharm,OOO Ivem & K and OOO Ariens – Belarus *(Note 1.2).*

Associate

An associate is a company in which the investor (the parent company) exercises significant influence but is neither a subsidiary nor a joint venture with the investor.

Significant influence is the right of participation in decision-taking with regard to financial and operating policies of the investee but is not control or joint control over these policies. Usually it exists in case of: (a) possession by the investor, directly or indirectly, of 20% to 50% of the shares in the capital of the investee company (including by virtue of an agreement between shareholders), and (b) in addition, the investor is represented in the managing body of the investee and/or participates in the decision-taking process with regard to the policy and strategy of the investee, and/or significant transactions exist between the investor and the investee.

The associate is included in the consolidated financial statements of the Group by applying the equity method – from the date on which the investor (the parent company) acquires significant influence and its consolidation under this method is ceased when associate is transformed into a subsidiary or when it is accepted that the significant influence is transferred from the investor to third parties.

The associate companies are: ODO SalusLine, OOO Mobil Line and OOO Zdorovei *(Note 1.2)*.

2.3. Consolidation principles

The consolidated financial statements include the financial statements of the parent company and the subsidiaries, the joint ventures and the associates, prepared as at 31 December, which is the end date of the Group's financial year. The 'economic entity' assumption has been applied in the consolidation whereas for the measurement of non-controlling interest in business combinations and other forms of acquisition of subsidiaries for which the 'proportionate share of net assets' method has been chosen.

For the purposes of consolidation, the financial statements of the subsidiaries, the joint ventures and the associates have been prepared for the same reporting period as the parent company using uniform accounting policies.

2.3.1. Consolidation of subsidiaries

In the consolidated financial statements, the financial statements of the included subsidiaries are consolidated under the 'full consolidation' method, line-by-line, by applying accounting policies that are uniform with regard to the significant reporting items. The investments of the parent company are eliminated against its share in the equity of the subsidiaries at the date of acquisition. Intra-group transactions and balances, including unrealised intra-group gains and losses, are eliminated in full. The effect of deferred taxes has been taken into account in these eliminating consolidation entries.

The shares of shareholders – third parties in the subsidiaries other than these of the shareholders of the parent company are presented separately in the consolidated statement of financial position, the consolidated statement of comprehensive income and the statement of changes in equity as 'non-controlling interest'. The non-controlling interest includes: (a) the combined share of the shareholders – third parties at the date of initial consolidation in the fair value (deemed cost) of all identifiable assets acquired, liabilities and contingent (crystallised) liabilities of the respective subsidiaries assumed, determined (based on the share) through the proportionate method, and (b) the change in the share of these third parties in the equity of each respective subsidiary from their initial consolidation to the end of the reporting period.

2.3.2. Acquisition of subsidiaries

The acquisition (purchase) method of accounting is used on the acquisition of a subsidiary (entity) by the Group in business combinations. The consideration transferred includes the fair value at the date of exchange of the assets transferred, the incurred or assumed liabilities and the equity instruments issued by the acquirer in exchange of the control over the acquiree. It also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related direct costs are recognised as current expenses when incurred except for the issue costs of debt or equity instruments, which are recognised as equity components.

All identifiable assets acquired, liabilities and contingent (crystallised) liabilities assumed in the business combination are measured initially at their fair values at the date of exchange. Any excess of the aggregate consideration transferred (measured at fair value), the amount of non-controlling interest in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquiree's previously held equity, over the acquired identifiable assets and assumed liabilities of the acquirer, is treated and recognised as goodwill. If acquirer's share in the fair value of acquired net identifiable assets exceeds the cost of acquisition of the business combination, this excess is recognised immediately in the consolidated statement of comprehensive income of the Group in the item 'gains/(losses) on acquisition/(disposal) of subsidiaries'. Any non-controlling interest in a business combination is measured based on the method of the 'proportionate share of the net assets' of the acquiree.

When a business combination for the acquisition of a subsidiary is achieved in stages, all previous investments held by the acquirer at the acquisition date are revalued to fair value and the effects of this revaluation are recognised in the current profit or loss of the Group, respectively in 'finance income' and 'finance costs' or 'gains/(losses) from associates and joint ventures', and all previously recorded effects in other comprehensive income are recycled.

2.3.3. Disposal of subsidiaries

On sale or other form of loss (transfer) of control over a subsidiary:

- Assets and liabilities (including any goodwill) of the subsidiary are derecognised at their carrying amounts at the date when control is lost;
- The non-controlling interest in the subsidiary is derecognised at carrying amount in the consolidated statement of financial position at the loss of control date, including all components of other comprehensive income related thereto;
- The fair value of the consideration received from the transaction, event or operation that resulted in the lost of control is recognised;
- All components of equity, representing unrealised gains or losses in accordance with the respective IFRS under the provisions of which these components fall, are reclassified to 'profit or loss for the year' or are transferred directly to retained earnings;
- Any resulting difference as a 'gain or loss from a disposal (sale) of a subsidiary' attributable to the parent is recognised in the consolidated statement of comprehensive income.
- The remaining shares held that form investments in associates, joint ventures or available-for-sale investments are initially measured at fair value at the date of sale and subsequently – following the accounting policy adopted by the Group *(Note 2.13 and Note 2.14).*

The acquisition (purchase-and-sale) method is applied also in transactions of uniting and/or restructuring of entities under a common control with companies of the Group, provided that they represent direct acquisitions from the perspective of the parent company.

2.3.4. Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with holders of the common equity of the Group. The effects from sales of parent company's shares, without loss of control, to holders of non-controlling interests are not treated as components of the current profit or loss of the Group but as movements directly in its equity components, usually to the 'retained earnings' reserve. And vice versa, when the parent company purchases additional shares from holders of non-controlling interest, without acquisition of control, the difference between the consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is also directly recognised in the consolidated statement of changes in equity, usually to the 'retained earnings' reserve.

When the Group ceases to have control, joint control and significant influence, any retained minority investment as interest in the capital of the respective entity, is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. Respectively, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of all components related to the initial investment (in a subsidiary, joint venture or associate).

2.3.5. Consolidation of associates and joint ventures

Associates and joint ventures are included in the consolidated financial statements by applying the equity method whereby the investment of the parent company is initially stated at cost and is subsequently recalculated to reflect the changes in investor’s (the parent company) share in the post-acquisition net assets of the associate or joint venture. Group's investment in an associate or joint venture includes also the goodwill identified on their acquisition net of any recognised impairment.

The post-acquisition gains or losses for the Group (through the parent company) from associates and joint ventures for the respective reporting period represent its share in the net (post-tax) financial results of their business activities for the period, which share is recognised and presented on a separate line in the consolidated statement of comprehensive income. Analogously, the Group's share in post-acquisition changes in other components of comprehensive income of associates and joint ventures is also recognised and presented as movement in the other components of comprehensive income in the consolidated statement of comprehensive income, and respectively the consolidated reserves of the Group - in the statement of changes in equity. The Group recognises its share in the losses of associates and joint ventures up to the amount of its investment, including the granted internal loans, unless it has assumed certain obligations or payments on behalf of the associate or joint venture.

The internal accounts and balances between the Group and associates and joint ventures are not eliminated. The unrealised gains or losses from transactions between them are eliminated to the percentage of Group's interest in the associates and joint ventures by also making tests for impairment in case of loss. The effect of deferred taxes on these consolidation procedures has also been taken into account.

2.4. Comparatives

In these consolidated financial statements, the group presents 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.

2.5. Functional currency and recognition of exchange differences

The functional currency of the Group companies in Bulgaria being also presentation currency for the Group is the Bulgarian Lev. The Bulgarian Lev is fixed to the Euro, under the BNB Act, at the ratio 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 a 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 consolidated 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 re-valued at the closing exchange rate.

Foreign exchange gains or losses arising on the settlement or recording of foreign currency commercial transactions at rates different from those at which they were converted on initial recognition, are recognised in the consolidated statement of comprehensive income in the period in which they arise and are presented net under 'other operating income/(losses)'.

The functional currency of the companies in Poland (Sopharma Poland Z.O.O. – in liquidation and Sopharma Warsaw SP. Z.O.O.) is the Polish Zloty, of the subsidiary TOO Sopharma Kazakhstak – the Kazakstan Tenge, of the subsidiaries in Ukraine (PAO Vitamini, OOO Sopharma Ukraine) – the Ukrainian Hryvnia, of the subsidiaries in Serbia (Ivančić and Sinovi d.o.o. and Sopharma Trading d.o.o. Belgrade) – the Serbian Dinar, of the subsidiary in Latvia (Briz SIA) and the company in Lithuania (UAB TBS Pharma) – the Euro, of the subsidiaries in Belarus (SOOO Brititrade, OOO Tabina, ODO Alean, SOOO Brizpharm, OOO Farmacevt Plus, ODO Vestpharm, OOO NPK Biotest, ODO BelAgroMed, OOO Danapharm, OOO Galenapharm, ODO Medjel, ODO Alenpharm-plus and OOO Farmatea) – the Belarusian Ruble, of the subsidiary Extab Pharma Limited (United Kingdom) – the British Pound, of the companies in USA (Sopharma USA and Extab Corporation) – the US Dollar, of the company in Romania (Medica Balkans S.R.L.) – the Romania Leu.

For the purposes of the consolidated financial statements, the financial statements of the subsidiaries abroad are restated from the functional currency of the respective subsidiary to the presentation currency (BGN) accepted for the consolidated financial statements, whereas:

(a) all assets and liabilities are restated to the currency of the Group by applying the closing exchange rate of the local currency thereto at 31 December;

(b) all income and expenses are restated to the currency of the Group at average rate of the local currency thereto for the reporting period *(Note 2.7);*

(c) all exchange differences resulting from the restatements are recognised and presented as a separate component of equity in the consolidated statement of financial position– 'translation of foreign operations reserve', and

(d) the exchange differences resulting from the restatement of the net investment in the companies abroad together with the loans and other currency instruments, accepted as hedge of these investments, are presented directly in equity.

On disposal (sale) of a foreign operation (company), the cumulative amount of exchange differences that have been directly stated as a separate component of equity, are recognised as part of the profit or loss in the consolidated statement of comprehensive income on the line 'gains/(losses) on acquisition and disposal of subsidiaries, net', obtained on disposal (sale).

Goodwill and adjustments to fair value arising on acquisition of a company abroad are treated analogously to the assets and liabilities of this company and are restated to the presentation currency at closing exchange rate.

2.6. Revenue

Revenue in the Group is recognised on accrual basis and to the extent and in the way the economic benefits will flow to the Group and respectively, the business risks are born thereby, and as far as revenue can be reliably measured.

The types of Group's revenue are presented in *Notes 3, 4 and 11*.

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 end of the reporting period, if this stage as well as the costs incurred for the transaction and the costs to complete the transaction, 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.

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

The gains from revaluation of investment property to fair value are presented in the consolidated statement of comprehensive income (within profit or loss for the year) on the line 'other operating income/(losses), net'. Revenue from investment property leased-out under the terms of operating lease is also accounted for under this item of the consolidated financial statements.

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

Finance income is included in the consolidated statement of comprehensive income when earned and comprises: interest income on granted loans and term deposits, interest income on receivables under special contracts, interest income on past due receivables, income/gains from deals with investments in available-for-sale securities including dividends, net gains on exchange differences under loans in foreign currency, income from debt settlement transactions, gain on fair value measurement of available-for-sale investments in the acquisition of a subsidiary performed in stages They are presented separately from of finance costs on the face of the consolidated statement of comprehensive income.

2.7. Expenses

Expenses are recognised in the Group when they are incurred based on the accrual and matching concepts (to the extent that this would not lead to recognition of an asset or liability not satisfying the definitions for assets and liabilities in the Framework and IFRS themselves).

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 consolidated statement of comprehensive income (within profit or loss for the year) on the line 'other operating income/(losses)'.

Finance costs are included in the consolidated statement of comprehensive income when incurred separately from finance costs and comprise: interest expenses under loans received, bank fees and charges under loans and guarantees, foreign exchange net loss from loans in foreign currencies, expenses/losses from investments in available-for-sale securities, expenses on debt settlement transactions, loss on fair value measurement of available-for-sale investments in the acquisition of a subsidiary performed in stages.

2.8. Mandatory dividend for distribution

The subsidiary company Sopharma Buildings REIT has the status of a joint-stock special-purpose investment company within the meaning of the Bulgarian Special Purpose Investment Companies Act (SPICA). For this reason, the company has specific policy for distribution of dividends to shareholders in line with the requirements of the law, namely:

- the company is obliged by law to distribute as dividend not less than 90% of the generated profit for the respective financial year adjusted in accordance with SPICA; and
- the distribution of the remaining 10% is determined by a decision of the General Meeting of Shareholders as per the common procedure of the Bulgarian Commercial Act, including for dividend payment.

The statutory dividend at an amount of not less than 90% of the generated profit is recognised as a liability in the current year and in decrease (mandatory distribution) of the current profit for the year. In 2015 and 2014 the subsidiary did not distribute mandatory dividend because it had reported a negative financial result (loss).

2.9. Property, plant and equipment

Property, plant and equipment (fixed tangible assets) are presented in the consolidated financial statements at revalued amount less 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.

Property, plant and equipment of acquired subsidiaries are measured at fair value at the transaction (business combination) date which is accepted as acquisition price for consolidation purposes.

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 Group credit resources with analogous maturity and purpose.

The Group has set a value threshold of BGN 500, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the time of their acquisition.

Subsequent measurement

The chosen by the Group 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.

The revaluation of property, plant and equipment is accepted to 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 Group 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;
- servers and systems – 4-12 years;
- furniture and fixtures – 6-12 years.

The useful life, set for any tangible fixed asset, is reviewed by the management of each company within the Group and respectively, by the parent company, 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 permanently 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 consolidated 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 treated as a decrease in this reserve (through other comprehensive income) unless it exceeds its amount and the excess is included as expense in the consolidated statement of comprehensive income (within profit or loss for the year).

Gains and losses on disposal (sale)

Tangible fixed assets are derecognised from the consolidated 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' on the face of the consolidated 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 consolidated statement of changes in equity.

2.10. 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 or other alternative sources of current prices. 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 consolidated 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 Group changes its approach and switches to measuring the asset at fair value less the estimated costs to sell.

2.11. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition (the consideration given) over the fair value of Group's share in the net identifiable assets of the acquired company at the date of acquisition (the business combination). Goodwill is initially measured in the consolidated financial statements at acquisition cost (cost) and subsequently – at cost less accumulated impairment losses. Goodwill is not amortised.

Goodwill arising on the acquisition of a subsidiary is presented in the consolidated statement of financial position in the group of 'intangible assets' while goodwill arising on the acquisition of a joint venture or an associate (entity) is incorporated in the total amount of the investment and is stated in the group of 'investments in joint ventures' or respectively 'investments in associates'.

The goodwill on the acquisition of joint ventures and associates (entities) is tested as part of the total balance (amount) of the investment. The individually recognised goodwill on the acquisition of subsidiaries (entities) is mandatory tested for impairment at least once in a year. Impairment losses on goodwill are not subsequently reversed. Gains or losses on the sale (disposal) of a particular subsidiary (entity) of the Group include the carrying amount of the goodwill relating to the entity sold (disposed of).

On the realisation of a particular business combination, each recognised goodwill is allocated to a particular cash generating unit and this unit is used for impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment losses on goodwill are presented in the consolidated statement of comprehensive income (within profit or loss for the year) in the item 'impairment of non-current assets'.

Other intangible assets

Intangible assets are stated in the consolidated financial statements at acquisition cost (cost) less accumulated amortisation and any impairment losses in value Intangible assets include mainly rights on intellectual property, software and complex intangible assets (licences and pharmacy chain locations).

The Group applies the straight-line amortisation method for the intangible assets with determined useful life from 5 to 16 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 amortisation expense in the consolidated statement of comprehensive income (within profit or loss for the year).

Intangible assets are derecognised from the consolidated 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' on the face of the consolidated statement of comprehensive income (within profit or loss for the year).

2.12. Investment property

Investment property is property lastingly held by the Group to earn rentals and/or for capital appreciation. They are presented in the consolidated statement of financial position at fair value. Gains or losses arising from a change in the fair value of investment property are recognised in the consolidated 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 of the consolidated statement of comprehensive income.

Investment property is derecognised from the consolidated statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset at the disposal date. They are presented under 'other operating income/(losses), net' in the consolidated 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 functional designation and the use 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 consolidated statement of comprehensive income (within other comprehensive income) and within 'revaluation reserve – property, plant and equipment' in the statement of changes in equity.

2.13. Investments in associates and joint ventures

Long-term investments, representing shares in associates and joint ventures, are presented in the consolidated financial statements under the equity method – value that includes the acquisition cost being the fair value of the consideration paid, including the direct costs on investment acquisition adjusted by investor's share of profits or losses and respectively the other reserves of the joint ventures and associates after the dates of their acquisition.

The share of profits and losses after the date of acquisition of an associate and a joint venture is presented on a separate line in the consolidated statement of comprehensive income (within profit or loss for the year) while the share of other components of comprehensive income – on the respective line of the consolidated statement of comprehensive income (within other comprehensive income) and as a separate movement of the individual components of reserves in the consolidated statement of changes in equity.

The investments in associates and joint ventures held by the Group together with the included goodwill are subject to review for impairment at the date of the financial statements. Where conditions for impairment are identified and its amount is determined, the impairment is included in the consolidated statement of comprehensive income (within profit or loss for the year) in the item 'gain/(loss) from associates and joint ventures'.

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

Investments in associates and joint ventures 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 significant influence over or joint control of the economic benefits from the investments is being lost. The income from their sale is presented in 'gain/(loss) from associates and joint ventures' of the consolidated statement of comprehensive income (within profit or loss for the year).

2.14. Available-for-sale investments and financial assets at fair value through profit

2.14.1. 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), held for a long term.

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 2.25.1)*.

Subsequent measurement

The available-for-sale investments (financial assets), held by the Group, are subsequently measured at fair value *(Note 2.31)* 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 consolidated statement of comprehensive income (within other comprehensive income) and recognised in the consolidated 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 (non-controlling interests) is recognised as current income and presented in the consolidated 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 Group 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 consolidated 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 consolidated 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 consolidated statement of comprehensive income (within other comprehensive income).

2.14.2. Financial assets at fair value through profit

The financial assets at fair value through profit are non-derivative assets acquired for the purpose of gaining current income through shares in funds for investing of cash collected in a portfolio of various companies. These instruments represent held shares in investments funds. The shares in investment funds are initially measured at acquisition cost. The direct transaction costs of the purchase are stated as expense. Subsequently, at the end of each reporting period, they are measured at fair value determined on the basis of the terms and conditions for participation. The fair value is calculated and analysed by the investment funds themselves. The effects of revaluation to fair value are recognised immediately in the consolidated statement of comprehensive income as 'finance income' or 'finance costs'.

2.15. Inventories

Inventories are valued in the consolidated financial statements as follows:

- raw materials, materials and goods – at the lower of acquisition cost and the net realisable value;
- finished products, semi-finished products and work in progress – at the lower of production cost and net realisable value.

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

- raw materials, materials 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, semi-finished products and work in progress – all necessary expenses on production that constitute the production cost, which includes the cost of direct materials and labour and the attributable proportion of production overheads (both variable and fixed), but excluding administrative expenses, exchange rate gains and losses and borrowing costs.

The inclusion of fixed production overheads in the production cost of finished products, semi-finished products and work in progress is based on normal production capacity.

They are allocated to finished products on the following bases chosen by the Group:

- for production of medicinal products – the standard rate of man-hours of directly engaged staff in the production of the particular unit;
- for production of infusion solutions – quantity of manufactured finished products;
- for production of plastic medical disposable products – planned cost of manufactured finished products.

Starting from the beginning of 2014, the parent company applies 'standard production cost' for current valuation of finished products, semi-finished products and work in progress, and respectively, 'standard acquisition cost' for basic raw materials and other production materials. At the end of each reporting period the management performs analysis of factors leading to variances on: (a) the supply of raw materials and other production materials – by comparing the actual and standard acquisition costs, and (b) the production of finished products, semi-finished products and work in progress – by comparing the actual and standard production costs. Where necessary, the value of inventories, included in the financial statements, is adjusted. On the basis of research on the good reporting practices in the pharmaceutical industry, the Company has adopted materiality thresholds regarding: (a) variance on supply of raw materials and other production materials – up to 2%, and (b) variance on production – up to 1%, within which the current value of the existing closing stocks of raw and other materials, finished products and work in progress are not adjusted for the purposes of the consolidated financial statements (*Note 2.32.3*).

Upon use (putting into production or sale) of inventories, they are currently expensed by applying the weighted average cost (cost) method.

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

2.16. Trade and other receivables

Trade receivables are recognised in the consolidated financial statements 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 method *(Note 2.25).*

An estimate allowance for doubtful and bad debts is made when significant uncertainty exists as to the collectability 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 consolidated statement of comprehensive income (within profit or loss for the year).

2.17. 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 and presented in the consolidated financial statements 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 consolidated statement of comprehensive income (within profit or loss for the year) as 'finance income' (interest) or 'finance 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 Group has unconditionally the right to settle its obligation within a term of more than 12 months after the end of the reporting period (Note 2.25).

2.18. Cash and cash equivalents

Cash includes cash in hand and cash at current accounts while cash equivalents include bank deposits, the funds of which are freely available to the companies of the Group in accordance with the terms and conditions agreed with the banks within the deposit term regardless of the original maturity of the respective deposit *(Note 2.25).*

For the purposes of the consolidated 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 investment purpose loans received is reported as payments for financial activities while the interest on loans related to current activities (working capital) is included in the operating activities;
- interest received from short-term bank deposits is included in the composition of cash flows from investing activities;
- VAT paid on fixed assets purchased from foreign suppliers is presented on the line 'taxes paid' while that paid on assets purchased from local suppliers is presented as 'cash paid to suppliers' in the cash flows from operating activities as far as it represents a part of the operating flows of the Group companies 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.

2.19. Trade and other payables

Trade and other current amounts payable are carried to the consolidated financial statements 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 method *(Note 2.25)*.

2.20. Interest-bearing loans and other borrowings

All loans and other borrowings are initially recognised in the consolidated financial statements 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 and presented in the consolidated financial statements 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, including any discount or premium on settlement, associated with these loans. Gains and losses are recognised in the consolidated statement of comprehensive income (within profit or loss for the year) as finance income or costs (interest) throughout the amortisation period, or when the liabilities are derecognised or reduced *(Note 2.25).*

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

2.21. Capitalisation of borrowing costs

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

2.22. Leases

Finance lease

Lessee

Finance leases, which transfer to the Group 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 consolidated statement of comprehensive income (within profit or loss for the year) as finance costs (interest) based on the effective interest rate *(Note 2.26).*

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 Group, is written-off from the assets 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 consolidated 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 consolidated 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 the composition of property, plant and equipment 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.

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

The employment and social security relations with workers and employees of the Group are based on the Labour Code and the provisions of the effective social security legislation for the companies operating in *Bulgaria*, the Polish Code – for the companies in *Poland*, the employment legislation and the Collective Labour Agreement – for the companies in *Ukraine*, the employment legislation, the General Collective Labour Agreement and the effective Employment Rules and Regulations – for the company in *Serbia*, the Labour Act – for the company in *Latvia*, the employment legislation – for the companies in *Belarus*, the Social Security Law of the Republic of Kazakhstan – for the company in *Kazakhstan* and the Labour Code – for the company in *Lithuania*.

Short-term benefits

Short-term benefits to hired personnel 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 each date of consolidated balance sheet, the companies of the Group measure 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

Sopharma

In accordance with Articles of Association of the parent company and upon a decision for approval of the General Meeting of Shareholders, the Executive Director is entitled to one-off payment (tantieme) at the amount of up to 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'.

Sopharma Trading

In accordance with the Articles of Association, the Executive Director is entitled to one-off payment (tantieme) at the amount of 1% of Company's net profit if the following two conditions are present simultaneously – a positive financial result for the respective year and a decision of the General Meeting. The payment of an amount not less that 40% of the tantieme is deferred over a period not shorter than three years (in equal monthly instalments). For the remaining personnel, including managing staff, the amount of bonuses is accrued in the period when worked-out.

The amounts of this type of remuneration are recognised after a decision of the General Meeting of Shareholders and are presented in the statement of financial position under 'payables to personnel'.

Momina Krepost

In accordance with the Articles of Association and following a decision of the General Meeting of Shareholders, the Executive Director is entitled to one-off payment (tantieme) at the amount of 1% of company's net profit.

Tantieme and bonus schemes

In accordance with Articles of Association of the parent company, the Executive Director is entitled to one-off payment (tantieme) at the amount of up to 1% of parent's net profit in case of a positive financial result reported for the past year and subject to a decision of the General Meeting of Shareholders.

Long-term retirement benefits

Defined contribution plans

For Bulgaria

The major duty of the companies - employers 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, 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 (2014: 60:40).

These 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 means 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.

For companies abroad

The rates of the social security contributions in Poland are approved by the Law on the National Social Security System, in Ukraine – Law on Pension Provision, in Serbia – the Law on Labour in the Republic of Serbia, in Latvia – the Law on Social Security, in Lithuania – Law on National Social Security, in Belarus – the Law on the Mandatory Contributions to the Fund for Social Security of the Population of the Ministry of Labour and Social Security, and in Kazakhstan – Law of the Republic of Kazakhstan on Social Security Obligations. The social security contributions are being apportioned between an employer and employees at ratios regulated by the relevant local laws.

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

The contributions, payable by the companies of the Group 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 requirements of the Labour Code, the employer of the companies 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 accordance with the Law on Labour in *Serbia*, the employer of the Serbian company is obliged to pay to its personnel on coming of age for retirement an indemnity at the amount of at least three average salaries calculated at the time of payment. In accordance with the employment legislation in *Ukraine* and the Collective labour Agreement of the Ukrainian company, the employer is obliged to pay to its personnel on coming of age for retirement an indemnity, which depending on the length of service with the entity may vary between UAH 100 and UAH 200 (between BGN 10 and BGN 25). Also, the company in Ukraine accrues social indemnities, which are paid prior to retirement of employees due to specific labour conditions. According to the employment legislation in Poland, the employer is obliged to pay upon retirement one gross monthly salary. According to the employment legislation, there are no obligations to the personnel on retirement in Lithuania, Latvia and Belarus.

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 are presented in the consolidated statement of financial position, and respectively, the change in their value – in the consolidated 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 date of issue of the consolidated financial statements, the companies of the Group assign certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation, and using the interest rates of long-term government bonds of similar term, quoted in the respective country where the company itself operates.

Termination benefits

In accordance with the local provisions of the employment and social security regulations of the Group companies, the employer is obliged, upon termination of the employment contracts prior to retirement, to pay certain types of indemnities.

The Group recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on an 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 consolidated statement of financial position at their present value.

2.24. Share capital and reserves

Sopharma AD (the parent company) is a joint-stock company and is obliged to register with the Commercial Register a specified ***share capital***, which should serve as a security for the creditors for execution of their receivables. Shareholders are liable for the obligations of the Company up to the amount of the capital share held by each of them and may claim returning of this share only in liquidation or bankruptcy proceedings. The parent 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 parent company is obliged to set aside a ***Reserve Fund (statutory reserve)*** 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 share capital increase.

The ***treasury shares*** are presented in the consolidated statement of financial position at acquisition cost (cost) and Group's equity is decreased by their gross purchase price. Gains or losses on sales of treasury shares are carried directly to Group's equity in the 'retained earnings' component.

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

- the revaluation surplus between the carrying amount of property, plant and equipment and their fair values at the date of each revaluation;
- the revaluation surplus between the carrying amount of property stated as owner-occupied property and their fair values at the date when they are transferred to investment property.

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

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

The revaluation reserve covers the impairment of the assets to which it relates. It may be used in the implementation of Group'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 consolidated statement of comprehensive income (within profit or loss for the year) when the financial assets are disposed of (sold) by the Group and/or on identified permanent impairment of particular financial assets.

The ***Translation of foreign operations reserve*** includes the effects of restating the financial statements of the companies abroad from local currency to the presentation currency of the Group. This reserve is recognised as a separate component of equity in the consolidated statement of financial position and as part of the profit or loss in the consolidated statement of comprehensive income on the line 'gains/(losses) on acquisition and disposal of subsidiaries, net' on disposal (sale) of a foreign operation (company).

2.25. Financial instruments

2.25.1. Financial assets

The Group classifies its financial assets in the following categories: loans and receivables,available-for-sale assets and assets at fair value through profit. The classification depends on the nature and purpose (designation) of the financial assets at the date of their acquisition. The management of the parent company together with the management of the respective subsidiary determine the classification of the financial assets for the purposes of the Group at the date of their initial recognition in the statement of financial position.

The Group companies usually recognise their financial assets in the statement of financial position on the trade date, being the date on which they commit to purchase the respective financial assets. All financial assets are initially measured at their fair value plus the directly attributable transaction costs.

Financial assets are derecognised from the Group's consolidated statement of financial position when the rights to receive cash from these assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity (person) external thereto. If the Group 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 consolidated 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 consolidated 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 respective Group 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 consolidated statement of financial position *(Notes 2.16, 2.17, 2.18 and 2.19)*. Interest income on loans and receivables is recognised by applying the effective interest rate except for short-term receivables (due in 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 consolidated statement of comprehensive income (within profit or loss for the year) under the item 'finance income'.

At the end of each reporting period, the Group companies assess whether events and circumstances have occurred that indicate the existence of objective evidence necessitating loans and receivables to be impaired *(Note 2.31).*

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. For the Group, these are usually shares, bonds or interest in other (third) companies, acquired for investment purposes (available-for-sale investments), and are included within non-current assets, except where a Group company intends to sell them in the following 12 months and is actively searching for a buyer *(Note 2.14.1).*

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 2.14.1).*

The effects, gains or losses, of revaluation to fair value of the available-for-sale investments are included in the consolidated statement of comprehensive income (within other comprehensive income) under the item 'net change in fair value of available-for-sale financial assets' and are accrued 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 consolidated 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 consolidated 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 within other comprehensive income (in '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 consolidated statement of comprehensive income (within profit or loss for the year) when the respective company's right to these dividends is established.

The available-for-sale investments are reviewed at each reporting date for events or circumstances indicating the existence of objective evidence for impairment of a particular financial asset or group of assets. They 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.

Financial assets at fair value through profit

The financial assets at fair value through profit are non-derivative assets acquired for the purpose of gaining current income through shares in funds for investing of cash collected in a portfolio of various companies. These instruments represent held shares in investments funds *(Note 2.14.2)*. The shares in investment funds are initially measured at acquisition cost. Subsequently, at the date of each consolidated financial statements, they are measured at fair value determined on the basis of the terms and conditions for participation. The fair value is calculated and analysed by the investment funds themselves. The effects of revaluation to fair value are recognised immediately in the consolidated statement of comprehensive income in the items 'finance income' or 'finance costs' depending on the financial result – profit or loss.

2.25.2. Financial liabilities and equity instruments

The Group classifies debt and equity instruments either as financial liabilities or as equity depending on the substance and the conditions of the contractual arrangements with the respective counterpart regarding these instruments.

Financial liabilities

The financial liabilities of the Group include loans and payables to suppliers and other counterparts. They are initially recognised in the consolidated 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 *(Notes 2.20, 2.21 and 2.23).*

2.26. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. The provisions are valued based on the best estimate of the respective company management and the Group at the date of the consolidated statement of financial position of the expenses necessary to settle the respective obligation. The estimate is discounted if the obligation is long-term. When part the resources required to settle the obligation are expected to be recovered from a third party, the respective company of the Group recognises a receivable if it is virtually certain that reimbursement will be received, its amount can be reliably measured and income (credit) is recognised in the same item of the consolidated statement of comprehensive income (within profit or loss for the year) where the provision itself is presented *(Note 2.26).*

2.27. Income taxes

Current income taxes of the Bulgarian companies of the Group are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate in Bulgaria for year 2015 was 10 % (2014: 10%).

The subsidiaries and joint ventures abroad are charged in accordance with the requirements of the respective local tax regulations by applying the following tax rates:

Country	***Tax rate***	
	2015	***2014***
Ukraine	18%	18%
Serbia	15%	15%
USA	15.35%	15.35%
United Kingdom	21%	21%
Latvia	15%	15%
Belarus	18%	18%
Lithuania	15%	15%
Poland	19%	19%
Romania	16%	16%
Kazakhstan	20%	20%

Deferred income taxes are determined using the liability method on all temporary differences of each consolidated company existing at the consolidated financial statements date, between the carrying amounts of the assets and liabilities and their tax bases, including for those arising from consolidation adjustments.

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) at the transaction date.

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 utilised, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit /(loss) at the transaction date.

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

Deferred taxes, related to items that are accounted for as other components of comprehensive income or an equity item in the consolidated 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 under the jurisdiction of which the respective deferred asset or liability is expected to be recovered or settled.

Deferred tax assets of a Group company are presented net against the deferred tax liabilities of this company when it is the tax payer in the respective jurisdiction, 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.

As at 31 December 2015, the deferred income taxes of the Group companies are assessed at the rate, valid for 2016, which is 10% for the Bulgarian companies, while those of the subsidiaries, joint ventures and associates abroad are as follows:

Country	***Tax rate 2016***
Ukraine	17%
Serbia	15%
Latvia	15%
Belarus	18%
Lithuania	15%
Poland	19%
Romania	16%
Kazakhstan	20%

2.28. Government grants

Gratuitous aids from public institutions (municipal, government and international institutions, 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 Group 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 usually proportionately to the amount of the recognised depreciation charge.

2.29. Earnings per share

Basic earnings per share are calculated by dividing net profit or loss attributable to ordinary equity holders of the parent company 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 capitalisation, bonus issue or splitting, 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 within the Group.

2.30. Segment reporting

The Group identifies its reporting segments and discloses segment information in accordance with the organisational and reporting structure used by the management of the parent company for current general monitoring and management of the Group and its components. Operating segments are business components, which are regularly measured by key members of the management who take operating decisions by using financial and operating information prepared specifically for the segment for the purposes of current monitoring and assessment of performance and allocating Group's resources.
Group's operating segments are currently monitored and directed separately as each of them represents a separate business area that bears various business risks and rewards. The operating segments by which the Group's management monitors, measures and controls the risks and returns thereof are identified in line with the main business activities performed with pharmaceuticals, namely: production and trade.

Information by operating segments

The Group uses one measuring unit – gross margin (profit) for measuring the results in the operating segments and allocation of resources between them. It is defined as the difference between segment revenue and segment expenses directly attributable to the respective segment.
Segment assets, liabilities, respective revenue, expenses and results include those that are and can be directly attributable to the respective segment as well as such that can be allocated on a reasonable basis, including inter-segment ones. Usually they include: (a) for revenue – sales of finished products and goods; (b) for expenses - raw materials and consumables used, depreciation and amortisation and production staff remuneration, carrying amount of goods sold; (c) for assets – property, plant and equipment, inventories, receivables from related parties, trade receivables and cash and cash equivalents; (d) for liabilities – current

payables to personnel and for social security, payables to related parties, trade payables and bank loans for direct financing (long-term and short-term).

Capital expenditures (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 Group manages its investments in securities, certain trade accounts and financial resources granted as well as taxes at Group and separate company level but 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 Group as well as revenue, expenses, liabilities and assets that are not subject to allocation are stated separately in the item 'total at Group 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, other receivables, tax accounts, general-purpose production and administrative equipment.

Intersegmental transfers: segment revenue, segment expense and segment results include internal transfers between business segments. These transfers are stated at competitive market prices charged to non-related clients for similar goods and are eliminated at consolidated financial statements level.

The investments in joint ventures and associates recorded under the equity method are excluded from the assets by segment and the revenue by segment. They are presented as part of unallocated assets and the income therefrom is presented in 'gains/(losses) from joint ventures and associates, net'.

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

In addition, the Group discloses information regarding important clients when the amount of achieved revenue from a client exceeds 10% of the total amount of consolidated revenue earned from Group's operations.

2.31. Fair value measurement

Some of Group'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> – *certain trade and other receivables and payables, 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 independent 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 or liability. Both the designated as a principal market and the most advantageous market are markets to which the Group companies 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 Group 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 techniques include direct 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 consolidated 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 Group applies mainly Level 2 and Level 3 fair value.

For assets and liabilities that are recognised at fair value in the consolidated financial statements on a recurring basis, the Group determines at the date of the consolidated financial statement 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.

Internal rules and procedures for measuring the fair value of various types of assets and liabilities have been developed centrally in the parent company. For the purpose, a specifically designated individual, subordinated to the Finance Director of the Group, organised the performance of the overall valuation process and also coordinates and observes the work of the external appraisers.

The Group uses the expertise of external certified appraisers to determine the fair value of the following assets and liabilities: available-for-sale financial assets Level 2 and Level 3, 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 the Finance Director / Chief Accountant, Executive Director and the Board of Directors of the respective company and the Finance Director of the Group.

In accordance with Group 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 of the Group companies 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 of the assessment of the fair value measurement procedure are presented to the audit committee and to the independent auditors of the respective companies as well as to the Finance Director and the independent auditors of the Group.

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

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

2.32.1. Recognition of tax assets

On recognition of deferred tax assets, the management of the Group has assessed the probability the individual deductible temporary differences to reverse in the future and each of the Group companies' capability to generate sufficient taxable profit for their offset. The management of the Group has assessed at the date of issue of the consolidated financial statements the subsidiaries that continue to report losses in the last years with regard to existing significant uncertainties as to whether and to what extent within the final term, determined with the respective local tax regulations for tax loss carry forward, these companies would be able to generate sufficient taxable profit. As a result of this analysis, it has taken a decision to not recognise deferred tax assets in the consolidated financial statements at the amount of BGN 4,243 thousand (2014: BGN 2,746 thousand) *(Note 30).*

2.32.2. Inventories

Normal capacity

The normal production capacity of each production company is determined on the basis of management assessments (made after relevant analyses) for optimum load of their production facilities and return on the investments made therein, with structure of the manufactured finished products accepted as being common for the company.

Allowance for impairment

At the end of each financial year, the Group companies review 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 Group companies impair the inventories to net realisable value.

As a result of the performed reviews and analyses in 2015, impairment of inventories at the amount of BGN 4,072 thousand has been recognised in the consolidated statement of comprehensive income (within profit or loss for the year) (2014: BGN 3,356 thousand) *(Note 9).*

2.32.3. Impairment of receivables

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

After 180 days of delay it is already considered that indicators for impairment may exist. In the assessment of the collectability of receivables, the management of the Group companies perform analysis of the total exposure of each counterpart in order to establish the actual possibility for their collection and not only at the level of past due individual receivables from the total amount due by the counterpart, including the potential for collecting interest for compensating delays. 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, guarantees) and thus with ensured collection (through future realisation of the collateral or guarantee payment). Where the management has concluded 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 impaired to 100% *(Notes 24, 25, 26).*

The amount of reversed impairment for 2015 (net of the recognised ones) is BGN 2,873 thousand (2014: BGN 860 recognised impairment net of the reversed) (Note 9).

2.32.3. Actuarial calculations

Calculations of certified actuaries have been used every year 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).*

2.32.4. Operating lease

The Group classified a building, part of which had been leased to related parties under operating lease terms, in the group of 'property, plant and equipment' of the consolidated statement of financial position. Since a significant part of the building was used by the Group as well, the management decided that the building should not be treated as investment property.

2.32.5. Litigation provisions

With regard to the pending litigations against companies of the Group, the management of respective companies have judged, jointly with their lawyers, that at this stage the probability and risks of a negative outcome therefrom is still below 50% and therefore, no provisions for payables under litigations have been included in the consolidated statement of financial position as at 31 December 2015 (31 December 2014: none) *(Note 40)*.

3. REVENUE

	2015	*2014*
	BGN '000	***BGN '000***
Goods	628,123	581,144
Finished products	246,861	259,373
Total	**874,984**	**840,517**

Sales of goods by type:

	2015	*2014*
	BGN '000	***BGN '000***
Sales of goods by type		
Tablet dosage forms	296,705	286,188
Ampoule dosage forms	179,330	153,311
Drops	36,063	33,760
Syrup dosage forms	35,902	25,339
Consumables, dressing materials and apparatuses	21,133	36,250
Ointments	18,549	17,511
Cosmetics	9,307	7,916
Food supplements and herbs	3,191	3,139
Other	27,943	17,730
Total	**628,123**	**581,144**

Sales of finished products by type:

	2015	*2014*
	BGN '000	***BGN '000***
Sales of finished products by type		
Tablet dosage forms	166,200	171,963
Ampoule dosage forms	33,364	35,430
Syrup dosage forms	11,097	13,881
Lyophilic products	9,579	11,028
Ointments	8,015	8,988
Inhalation products	3,433	3,155
Syringes	2,242	1,653
Drops	1,185	4,843
Other	11,746	8,432
Total	**246,861**	**259,373**

4. OTHER OPERATING INCOME AND LOSSES, NET

Other operating income and losses, net include:

	2015	*2014*
	BGN '000	*BGN '000*
Services rendered	7,160	10,549
Government grants	1,037	749
Rentals	942	798
Social activities and events	795	761
Income from penalties	204	389
Gain/(loss) on change in fair value of investment property *(Note 18)*	85	(23)
Gainon sales of materials	49	66
Gain on sales of non-current assets	36	337
Liabilities written-off	11	35
Insurance indemnities received	7	75
Net loss on exchange differences under trade receivables and payables and current accounts	(14,257)	(8,686)
Other	1,253	415
Total	**(2,678)**	**5,465**

The ***services rendered*** include:

	2015	*2014*
	BGN '000	*BGN '000*
Laboratory services	2,133	6,879
Advertising and marketing	1,205	1,331
Other	3,822	2,339
Total	**7,160**	**10,549**

5. MATERIALS AND CONSUMABLES USED

Expenses on materials include:

	2015	*2014*
	BGN '000	*BGN '000*
Basic materials	63,379	70,225
Electric energy	5,273	5,370
Spare parts, laboratory and technical materials	5,051	7,387
Heat power	3,775	4,472
Fuels and lubricating materials	2,595	3,574
Impairment of materials *(Note 9)*	1,231	880
Water	591	856
Scrapped materials	187	434
Other	4,314	3,136
Total	**86,396**	**96,334**

Expenses on basic materials include:

	2015	*2014*
	BGN '000	***BGN '000***
Substances (active ingredients)	30,144	34,799
Packaging materials	11,396	12,340
Liquid and solid chemicals	8,270	8,351
Herbs	3,455	3,135
Ampoules	2,115	3,031
Polypropylene, polyethylene, polystyrene	1,345	1,202
Aluminium foil	991	3,786
Solution sacks	-	647
Other	5,663	2,934
Total	**63,379**	**70,225**

6. HIRED SERVICES EXPENSE

Hired services expense includes:

	2015	*2014*
	BGN '000	***BGN '000***
Advertisements and marketing services	20,350	18,952
Rentals	7,102	6,307
Consulting services	6,541	9,561
Buildings and equipment maintenance	4,771	4,042
Forwarding and transportation services	4,456	3,977
Local taxes and charges	2,523	1,734
Subscription fees	2,177	1,812
Manufacturing of medicinal products	1,961	3,688
Security	1,510	1,253
Bank and regulatory charges	1,498	1,577
Services under civil contracts	1,431	1,478
Clinical trials	1,349	303
Insurance	1,249	1,243
Logistic services	1,036	1,316
Services on medicinal products registration	1,001	1,962
Announcements and communications	998	1,022
Motor vehicles repair	865	896
Medical services	820	753
Taxes on expenses	653	1,159
Commission fees	366	288
Destruction of pharmaceuticals	320	249
Documentation translation	284	267
Total	**65,661**	**67,207**

7. EMPLOYEE BENEFITS EXPENSE

	2015 BGN '000	2014 BGN '000
Current wages and salaries	62,544	61,084
Social security/health insurance contributions	12,850	12,828
Social benefits and payments	3,715	3,807
Tantieme	792	979
Accruals for unused paid leaves	777	800
Accruals for long-term retirement benefits to personnel *(Note 31)*	662	477
Social security/health insurance contributions on leaves	133	149
Other	28	756
Total	**81,501**	**80,880**

8. OTHER OPERATING EXPENSES

	2015 BGN '000	2014 BGN '000
Entertainment allowances	2,986	3,506
Receivables written-off	2,852	470
Business trip costs	1,678	1,905
Scrap and shortages of goods	1,056	817
Training	881	454
Donations	784	394
Scrapping of non-current assets	331	418
Taxes and interest on taxes paid	269	53
Unrecognised input tax	208	2,446
Scrap and shortages of finished products and work in progress	62	377
Awarded amounts under litigations	14	61
Reversed/(charged) impairment of current assets, net *(Note 9)*	(32)	3,336
Other	510	935
Total	**11,599**	**15,172**

9. IMPAIRMENT OF CURRENT ASSETS

Impairment losses on receivables, work in progress, finished products and goods, net include:

	2015	*2014*
	BGN '000	*BGN '000*
Impairment of receivables	*921*	*2,305*
Reversed impairment of receivables	*(1,409)*	*(1,601)*
Net change in the impairment of receivables *(Notes 9, 24, 25 and 26)*	(488)	704
Impairment of receivables under advances granted	(11)	119
Impairment of finished products and work in progress	2,424	2,400
Impairment of goods	417	76
Impairment of court receivables *(Note 26)*	(2,374)	-
Impairment of receivables under trade loans granted	-	37
	(32)	**3,336**
Impairment of materials *(Note 5)*	1,231	880
Total	**1,199**	**4,216**

10. IMPAIRMENT OF NON-CURRENT TANGIBLE AND INTANGIBLE ASSETS

Impairment losses on non-current tangible and intangible assets include:

	2015	*2014*
	BGN '000	*BGN '000*
Impairment of property, plant and equipment *(Note 16)*	-	378
Impairment of goodwill *(Note 17)*	-	116
Total	**-**	**494**

11. FINANCE INCOME

Finance income includes:	*2015*	*2014*
	BGN '000	*BGN '000*
Interest income on past due trade receivables	3,801	2,484
Interest income on loans granted	2,766	2,723
Net gain on transactions with investments in securities	161	47
Interest income on bank deposits	94	79
Income from equity investments (dividends)	6	59
Total	**6,828**	**5,392**

12. FINANCE COSTS

Finance costs include:	***2015***	***2014***
	BGN '000	***BGN '000***
Interest expense on loans received	8,868	8,800
Impairment of cash with banks under special supervision abroad	6,438	-
Net loss on exchange differences under loans in foreign currency	4,637	7,646
Bank fees and charges on loans and guarantees	834	720
Impairment of available-for-sale investments	454	88
Interest expense on finance lease	409	340
Total	**21,640**	**17,594**

The impairment of cash with banks under special supervision abroad, refers to the placement of a bank in Ukraine, in which the subsidiaries operating in the country have had cash availabilities, under a special supervision in 2015. The management of the Group does not expect these cash amounts to be recovered.

The net exchange losses on loans in foreign currency for 2015 are mainly result of the devaluation of the Ukrainian Hryvnia (UAH) against the Bulgarian Lev by about 27% as at 31 December 2015 as compared to 31 December 2014.

13. LOSSES/GAINS FROM ASSOCIATES AND JOINT VENTURES

	2015	***2014***
	BGN'000	***BGN'000***
(Losses)/gains from associates, net	(679)	546
(Losses)/gains from joint ventures	(596)	(236)
	(1,275)	**310**

(Losses)/gains from associates include:	***2015***	***2014***
	BGN'000	***BGN'000***
Share of the Group in the current (loss)/profit of associates	(64)	(61)
Effect of valuation of previously held shares shares on acquisition of significant influence over Group companies	212	607
Effect of valuation of previously held shares shares on acquisition of control over Group companies	(827)	-
Total	**(679)**	**546**

(Losses)/gains from joint ventures include:	***2015***	***2014***
	BGN'000	***BGN'000***
Impairment of investment in an associate	(360)	-
Share of the Group in the current (loss)/profit of joint ventures	(236)	(236)
Total	**(596)**	**(236)**

14. INCOME TAX EXPENSE

Consolidated statement of comprehensive income (profit or loss for the year)	**2015** *BGN '000*	**2014** *BGN '000*
Taxable profit of the Group companies for the year	33,060	30,743
Revaluation reserve included as an increase in the annual tax return	(349)	(261)
Taxable profit for the year	32,711	30,482
Current income tax expense for the year – 10%, 15%, 15.35%, 18%, 19%, 20% (2014: 10%, 15%, 15.35%, 18%, 19%, 20%)	4,450	4,481
Deferred income taxes		
Origination and reversal of temporary differences	525	467
Tax rate change (Ukraine)	-	134
Total income tax expense carried to the consolidated statement of comprehensive income (within profit or loss for the year)	**4,975**	**5,082**

Reconciliation of income tax expense applicable to the consolidated accounting profit or loss	**2015** *BGN '000*	**2014** *BGN '000*
Accounting profit for the year	27,575	29,199
Income tax – 10%, 15%, 15.35%, 18%, 19%, 20% (2014: 10%, 15%, 15.35%, 18%, 19%, 20%)	1,977	2,090
Unrecognised amounts under the tax return		
Related to increases	5,121	2,632
Related to decreases	(3,757)	(1,923)
Tax loss for the current year on which no deferred tax assets are recognised	1,634	2,284
Recognised deferred taxes on temporary differences from prior periods	-	(135)
Tax rate change (Ukraine)	-	134
Total income tax expense carried to the consolidated statement of comprehensive income (within profit or loss for the year)	**4,975**	**5,082**

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

	2015			2014		
	BGN '000			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						
Loss on revaluation of property, plant and equipment	-	-	-	(46)	3	(43)
Remeasurements of defined benefit pension plans	(317)	5	(312)	(479)	-	(479)
	(317)	**5**	**(312)**	**(525)**	**3**	**(522)**
Items that may be reclassified to profit or loss						
Net change in the fair value of available-for-sale financial assets	139	-	139	274	-	274
Exchange differences from restating foreign operations	(39)	-	(39)	(274)	-	(274)
	100	**-**	**100**	**-**	**-**	**-**
Other comprehensive income for the year	**(217)**	**5**	**(212)**	**(525)**	**3**	**(522)**

15. OTHER COMPREHENSIVE INCOME

Other components of comprehensive income include:

	Items of other comprehensive income attributable to the Group		**Other components of comprehensive income attributable to non-controlling interests**		**Total items of other comprehensive income**	
	2015	***2014***	***2015***	***2014***	***2015***	***2014***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Items that will not be reclassified to profit or loss						
(Loss)/gain on revaluation of property, plant and equipment	-	(3)	-	(43)	-	(46)
Remeasurements of defined benefit pension plans	(263)	(479)	(54)	-	(317)	(479)
Items that may be reclassified to profit or loss						
Net change in fair value of available-for-sale financial assets:	140	229	(1)	45	139	274
Gains arising during the year	*432*	*366*	*(1)*	*45*	*431*	*411*
Less: Reclassification adjustments for (gains)/losses included in profit or loss for the current year	*(292)*	*(137)*	-	-	*(292)*	*(137)*
Exchange differences from restating foreign operations	1,620	313	(1,659)	(587)	(39)	(274)
Income tax relating to items of other comprehensive income	5	-	-	3	5	3
Other comprehensive income for the year	**1,502**	**60**	**(1,714)**	**(582)**	**(212)**	**(522)**

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		*Plant and equipment*		*Other*		*Assets in progress*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
	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	**194,562**	**192,498**	**194,434**	**184,016**	**41,923**	**43,106**	**12,624**	**7,532**	**443,543**	**427,152**
Additions	648	5,535	4,662	5,253	3,047	2,920	18,883	13,466	27,240	27,174
Acquired assets in newly acquired subsidiaries	11,263	-	5,640	-	423	-	111	-	17,437	-
Effects of foreign currency restatements	(498)	(45)	(813)	14	(315)	4	(390)	-	(2,016)	(27)
Disposals	(128)	(3,884)	(3,431)	(1,186)	(2,829)	(4,897)	(1,399)	(315)	(7,787)	(10,282)
Written-off book value of assets on disposal of subsidiaries	-	(9)	-	(71)	-	(22)	-	-	-	(102)
Allowance for impairment	-	-	-	(274)	-	(98)	-	-	-	(372)
Transfer to property, plant and equipment	2,439	467	9,552	6,682	113	910	(12,104)	(8,059)	-	-
Transfer from investment property	127	-	2	-	-	-	-	-	129	-
Balance at 31 December	**208,413**	**194,562**	**210,046**	**194,434**	**42,362**	**41,923**	**17,725**	**12,624**	**478,546**	**443,543**
Accumulated depreciation and impairment										
Balance at 1 January	**27,553**	**20,614**	**91,883**	**77,816**	**25,066**	**21,994**	**4**	**-**	**144,506**	**120,424**
Depreciation charge for the year	6,154	5,978	13,123	12,573	4,270	6,323	3	-	23,550	24,874
Allowance for impairment	-	-	-	6	-	-	-	-	-	6
Effects of foreign currency restatements	236	1,988	315	2,627	43	875	-	5	594	5,495
Depreciation written-off	(1)	(1,027)	(2,637)	(1,115)	(2,471)	(4,118)	-	(1)	(5,109)	(6,261)
Written-off depreciation of assets on disposal of subsidiaries	-	-	-	(24)	-	(8)	-	-	-	(32)
Balance at 31 December	**33,942**	**27,553**	**102,684**	**91,883**	**26,908**	**25,066**	**7**	**4**	**163,541**	**144,506**
Carrying amount at 31 December	**174,471**	**167,009**	**107,363**	**102,551**	**15,453**	**16,857**	**17,718**	**12,620**	**315,005**	**299,037**
Carrying amount at 1 January	**167,009**	**171,884**	**102,551**	**106,200**	**16,857**	**21,112**	**12,620**	**7,532**	**299,037**	**306,728**

As at 31 December 2015, the tangible fixed assets of the Group include: land amounting to BGN 47,340 thousand (31 December 2014: BGN 43,664 thousand) and buildings of carrying amount BGN 127,131 thousand (31 December 2014: BGN 123,345 thousand).

Tangible fixed assets in progress as at 31 December include:

- expenses on construction of new buildings – BGN 10,898 thousand (31 December 2014: BGN 3,256 thousand);
- advances granted – BGN 3,372 thousand (31 December 2014: BGN 4,345 thousand);
- buildings reconstruction – BGN 3,186 thousand (31 December 2014: BGN 1,368 thousand);
- supply of equipment – BGN 24 thousand (31 December 2014: BGN 3,514 thousand);
- other – BGN 238 thousand (31 December 2014: BGN 136 thousand).

Finance lease

The carrying amount of the tangible fixed assets (motor vehicles) of the Group obtained under finance lease as at 31 December 2015 is BGN 3,699 thousand (31 December 2014: BGN 3,883 thousand).

Operating lease

The Group has leased fixed tangible assets with carrying amount of BGN 3,396 thousand as at 31 December 2015 to related parties (31 December 2014: BGN 3,388 thousand). In addition, tangible fixed assets at carrying amount of BGN 391 thousand were leased to third parties as at 31 December 2015 (31 December 2014: BGN 324 thousand).

Other data

The following encumbrances were constituted on tangible fixed assets of the Group as at 31 December 2015 in relation to received loans *(Notes 27 and 31)* as follows:

- Land and buildings with carrying amount of BGN 17,806 thousand and BGN 73,697 thousand, respectively (31 December 2014: respectively, BGN 26,629 thousand and BGN 83,743 thousand);
- Pledges on facilities with carrying amount of BGN 549 thousand (31 December 2014: BGN 739 thousand);
- Pledges on equipment, transportation vehicles and furniture and fixtures – BGN 33,440 thousand (31 December 2014: BGN 34,894 thousand);
- Pledges on assets in progress – BGN 681 thousand (31 December 2014: BGN 168 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 of the Group 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 displayed in the consolidated financial statements.

The following two basic approaches and valuation methods were used in these revaluations to measure the fair value of the different types (groups) 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 adjusted market price determined under the comparative method was accepted as fair value;
- 'Assets (expenses)-based approach' through the 'Method of amortised recoverable amount' – for special-purpose buildings for which no actual market existed, and comparative sales of analogous assets – their amortised recoverable amount was accepted as their fair value and under the hypothesis of their common use in technologically-related production business process (including the term) and taking into account: physical ware, functional and economic impairment.

Revaluation reserve at the amount of BGN 3,099 thousand was then recognised as a result of the revaluation net of impairment.

As at 31 December 2015 the Group's management again analysed the price changes of its key tangible fixed assets and concluded that no conditions and grounds were available for a new revaluation of the assets before the expiry of the adopted usual term *(Note 2.9).*

17. INTANGIBLE ASSETS

	Goodwill		*Intellectual property rights*		*Software*		*Other*		*Assets in progress*		*Total*	
	2015 BGN '000	*2014 BGN '000*	*2015 BGN '000*	*2014 BGN '000*	*2015 BGN '000*	*2014 BGN '000*	*2015 BGN '000*	*2014 BGN '000*	*2015 BGN '000*	*2014 BGN '000*	*2015 BGN '000*	*2014 BGN '000*
Book value												
Balance at 1 January	**20,103**	**21,912**	**11,978**	**13,552**	**10,357**	**8,383**	**3,346**	**3,344**	**1,096**	**909**	**46,880**	**48,100**
Additions	1,533	-	93	53	344	1,814	623	-	3,451	665	**6,044**	**2,532**
Acquired assets in subsidiaries	-	-	10,662	-	83	-	-	-	56	-	**10,801**	**-**
Effects of foreign currency restatements	(1,076)	(1,797)	(1,037)	(262)	(151)	(28)	(317)	2	(2)	-	**(2,583)**	**(2,085)**
Transfer	-	-	(6)	287	74	191	1,470	-	(1,538)	(478)	-	-
Written-off book value of assets on disposal of subsidiaries	-	(12)	-	(905)	-	-	-	-	-	-	-	**(917)**
Disposals	-	-	(576)	(747)	(453)	(3)	-	-	402	-	**(627)**	**(750)**
Balance at 31 December	**20,560**	**20,103**	**21,114**	**11,978**	**10,254**	**10,357**	**5,122**	**3,346**	**3,465**	**1,096**	**60,515**	**46,880**
Accumulated amortisation and impairment												
Balance at 1 January	**9,185**	**9,069**	**6,685**	**5,616**	**5,228**	**4,082**	**1,564**	**972**	**30**	**14**	**22,692**	**19,753**
Amortisation charge for the year	-	-	1,546	1,768	993	1,122	407	474	-	4	**2,946**	**3,368**
Allowance for impairment	-	116		-	-	-	-	-	-	-	-	**116**
Effects of foreign currency restatements	-	-	135	83		24		118	-	12	**135**	**237**
Written-off amortisation of assets on disposal of subsidiaries	-	-	-	(383)	-	-	-	-	-	-	-	**(383)**
Amortisation written-off	-	-	(310)	(399)	(450)	-	-	-	-	-	**(760)**	**(399)**
Balance at 31 December	**9,185**	**9,185**	**8,056**	**6,685**	**5,771**	**5,228**	**1,971**	**1,564**	**30**	**30**	**25,013**	**22,692**
Carrying amount at 31 December	**11,375**	**10,918**	**13,058**	**5,293**	**4,483**	**5,129**	**3,151**	**1,782**	**3,435**	**1,066**	**35,502**	**24,188**
Carrying amount at 1 January	**10,918**	**12,843**	**5,293**	**7,936**	**5,129**	**4,301**	**1,782**	**2,372**	**1,066**	**895**	**24,188**	**28,347**

Intangible assets in progress as at 31 December include:

- expenses on acquisition of software – BGN 3,169 thousand. (31 December 2014: BGN 935 thousand)
- expenses on permits for use of medicinal products – BGN 36 thousand (31 December 2014: BGN 131 thousand);
- advances granted – BGN 156 thousand (31 December 2014: none);
- other – BGN 74 thousand.

The rights on intellectual property include products of development activities related to medicinal substances (active ingredients) and dosage forms, acquired patents and trademarks and complex intangible assets (licenses and networks of pharmacies).

Within the total intellectual property, owned by the Group, the largest share belongs to internally created trademarks, which have not been capitalised in the consolidated statement of financial position.

These trademarks grant exceptional rights on the names of pharmaceuticals while those with biggest relative share in the sales of the Group are: Carsil, Tempalgin, Broncholitin, Tabex, Analgin, Tribestan, Vicetin, Sydnopharm, Antistenocardin, Spasmalgon, Softensif, Chlofadon, Chlofasolin, Sofafailin, Sopral, Vasopren, Buscolisin, Nivalin, Maraslavin, Dimex, Allergosan, Aminalon.

Capitalised trademarks as a result of performed business combinations are as follows: Probiotic, Laxomucil, Alfalipoin, Influrex, etc. The Group holds a patent for production of dosage forms containing Ranitidin.

The intangible assets acquired through business combinations, mainly in Belarus, include exclusive contracts with suppliers, licences and a distribution network.

Goodwill impairment

The management of the Group performed the necessary procedures for the mandatory test for impairment of the goodwill, recognised in the consolidated statement of financial position, on the acquisition of a subsidiaries. For the purpose, each individual company was accepted as a 'cash generating unit'.

The calculations were made by the management of the Group with the assistance of an independent certified appraiser and a detailed review was performed on the availability of events and facts that could serve as indicators for changes in the assumptions and assessments made at 31 December 2015.

The (pre-tax) projected cash flows were based on the financial budgets, developed by the management of the respective companies and of the Group as a whole, that covered 3 to 5-year period as well as other medium-term and long-term plans and intents for the development and restructuring of the activities within the Group. The recoverable amount of each cash generating unit was determined on the basis of the 'value in use'. The key assumptions used in the calculations of recoverable amount were as follows:

- growth rate within a three (or five) year period – from 0% to 55%;
- growth rate of EBITDA – mainly in the range from minus 22% to 172%;
- growth after the projected period upon calculation of terminal value – 0%;
- discount rate (based on WACC) – from 6.90% to 36.90%.

The key assumptions used in the calculations had been determined specifically for each goodwill bearing 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 judgments of Group's management for impairment of recognised goodwill were made through the prism of its projections and intents as to the future economic benefits, expected by the Group from its subsidiaries including through the use of their internally created trademarks, commercial and industrial experience and the generated thereby and expected for the future volumes of revenue, ensuring position in the Bulgarian and international markets (development and retaining), the expectations for future sales and restructuring of the activities, etc.

As a result of the performed analyses, the Group management has concluded that as at 31 December 2015 there are no conditions for recognition of additional impairment of recognised goodwill.

As at 31 December 2014 there was recognised impairment of goodwill at the total amount of BGN 116 thousand for 6 subsidiaries in Belarus.

The newly acquired goodwill is as a result of business combinations of five companies in Belarus and one in Bulgaria. (Note 43)

18. INVESTMENT PROPERTY

	31.12.2015 *BGN '000*	*31.12.2014* *BGN '000*
Balance at 1 January	**10,606**	**10,526**
Additions	-	103
Disposals	(13)	-
Net gain/(loss) on fair value adjustment, included in profit or loss	98	(23)
Transfer to property, plant and equipment *(Note 14)*	(129)	-
Balance at 31 December	**10,562**	**10,606**

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

Group of assets	*31.12.2015* *BGN '000*	*31.12.2014* *BGN '000*
Warehouse premises	3,801	3,787
Offices	3,921	3,900
Production buildings	2,440	2,492
Social objects	400	427
Total	**10,562**	**10,606**

There are established encumbrances on investment property as at 31 December 2015 – mortgage of offices – at the amount of BGN 1,199 thousand (31 December 2014: BGN 1,199 thousand).

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*
Balance at 1 January 2014	**3,851**	**3,859**	**2,382**	**434**	**10,526**
Purchases and capitalised costs	-	-	103	-	103
Net change in fair value through profit or loss – unrealised	(64)	41	7	(7)	(23)
Balance at 31 December 2014	**3,787**	**3,900**	**2,492**	**427**	**10,606**
Disposals	-	-	(13)	-	(13)
Net change in fair value through profit or loss – unrealised	14	21	90	(27)	98
Transfer to property, plant and equipment	-	-	(129)	-	(129)
Balance at 31 December 2015	**3,801**	**3,921**	**2,440**	**400**	**10,562**

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:

Groups of assets (Level 2)	**Valuation approaches and techniques**	**Significant unobservable inputs**
Warehouse premises Production buildings	*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 to entrance into rental deals
	b. Cost approach Valuation technique: Method of replacement costs – depreciated recoverable amount (ancillary supportive valuation technique)	Adjusted prices for construction of identical properties and purchase prices of machinery and equipment, similar to those attached
Offices Social objects	*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 to entrance into rental deals
	b. Market approach Valuation technique: Market multiples method (supportive valuation technique)	Comparability adjustments

19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31.12.2015	*31.12.2014*
	BGN '000	*BGN '000*
Investments in associates	1,536	7,672
Investments in joint ventures	3,688	4,715
Total	**5,224**	**12,387**

19.1. Acquisition of interest in an associate

As at 31 December 2015, the Group has significant influence in the following companies:

Company	**% interest**	**Acquisition cost**	**Date of shares acquisition**
		BGN '000	
OOO Mobil Line (through SOOO Brititrade – 30%)	33.55	612	28.02.2015
ODO SalusLine (through SOOO Brititrade – 25%)	29.63	1,144	28.02.2015
OOO Zdorovei (through OOO Farmacevt Plus – 25%)	16.25	-	31.12.2015

All three associates have the trade in pharmaceutical products as principal activities.

In 2015, Sopharma AD acquired the control package of shares in Medica AD and as a result the latter was transformed from an associate into a subsidiary.

The principal activities of the associate Medica AD as at 31 December 2014 include production and trade in pharmaceuticals.

Company	**% interest**	**Acquisition cost**	**Date of shares acquisition**
		BGN '000	
Medica AD	24.38	7,272	04.11.2014 г.

The movement of the investments in associates is presented below:

	31.12.2015	*31.12.2014*
	BGN '000	*BGN '000*
Balance at 1 January	**7,672**	**1,002**
Acquisition of shares	1,502	4,109
Transfer from available-for-sale investments	254	3,882
Transfer to subsidiaries	(7,672)	-
Transfer to joint ventures	-	(1,974)
Share in the current profit/(loss) for the year	(64)	(61)
Effect of revaluation of previously held shares at fair value	212	607
Effects of transactions with companies of the Group	(39)	-
Effects of foreign currency restatements	(329)	107
Balance at 31 December	**1,536**	**7,672**

Group's share in the results of the associates and their aggregated assets (including goodwill) and liabilities is as follows:

31.12.2015	**Share in assets**	**Share in liabilities**	**Share in revenue**	**Share in profit/(loss)**	**Interest**
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***%***
OOO Mobil Line	552	192	679	(18)	33.55
ODO SalusLine	1,173	407	1,206	(46)	29.63
OOO Zdorovei	126	120	-	-	16.25

31.12.2014	**Share in assets**	**Share in liabilities**	**Share in revenue**	**Share in profit/(loss)**	**Interest**
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***%***
Medica AD	7,141	684	710	(61)	24.38

The investment in associates as at 31 December 2015 included also the recognised goodwill amounting to BGN 464 thousand. (31 December 2014: BGN 196 thousand).

19.2. Acquisition of interest in joint ventures

The joint ventures as at 31 December 2015 are as follows:

Company	**% interest**	**Acquisition cost**	**Date of shares acquisition**
		BGN '000	
OOO Ivem & K	38.50%	558	31.12.2015
OOO Ariens	32.50%	86	31.12.2015
OOO Vivaton Plus	50%	501	20.12.2012
OOO Med-dent	50%	622	17.12.2013
OOO Bellerophon	50%	430	21.11.2014
BOOO SpetzApharmacia	50%	2,005	20.01.2014
ZAO Interpharm	50%	1,682	31.12.2014

The joint ventures as at 31 December 2014 were as follows:

Company	**% interest**	**Acquisition cost**	**Date of shares acquisition**
		BGN '000	
OOO Vivaton Plus	50%	501	20.12.2012
OOO Med-dent	50%	622	17.12.2013
OOO Bellerophon	50%	430	21.11.2014
BOOO SpetzApharmacia	50%	2,005	20.01.2014
ZAO Interpharm	50%	1,682	31.12.2014

The principal activities of the acquired joint venture are disclosed in *Note 1*.

On 30 November 2015, the Group acquired an indirect share in OOO Ariens and OOO Ivem & K, Belarus, through the purchase of 50% of the capital (joint control). The shares in OOO Ariens were acquired by the subsidiary OOO Farmacevt Plus, Belarus, while those in OOO Ivem & K – by the subsidiaries OOO Farmacevt Plus, Belarus and OOO Tabina, Belarus.

The Group acquired indirect interest in OOO Med-dent, OOO Vivaton Plus, OOO Bellerophon, BOOO SpetzApharmacia, Belarus, through the purchase of 50% of the capital (joint control). The shares were acquired by the subsidiary Briz SIA, Latvia. In 2014, the Group lost its control on the subsidiary ZAO Interpharm, Belarus. The retained investment was transformed into a joint venture.

The movement of investments in joint ventures is presented below:

	31.12.2015	*31.12.2014*
	BGN '000	*BGN '000*
Balance at 1 January	**4,715**	**638**
Acquisition of shares	644	430
Share in the current loss for the year	(236)	(236)
Effects of transactions with companies of the Group	14	(62)
Effects of foreign currency restatements	(1,089)	(21)
Allowance for impairment	(360)	-
Capital increase	-	310
Transfer from associates	-	1,974
Transfer from subsidiaries	-	1,682
Balance at 31 December	**3,688**	**4,715**

19.3. General information on the joint ventures

At 31 December the Group exercises a joint control in seven companies. The investments in joint ventures have been measured in the consolidated financial statements by applying the equity method and are as follows:

Company name	*Principal activities*	*Country*	*Carrying amount of the investment*	*Ownership interest share*	*Carrying amount of the investment*	*Ownership interest share*
			31.12.2015	*31.12.2015*	*31.12.2014*	*31.12.2014*
OOO Vivaton Plus	Trade in pharmaceuticals	Belarus	121	50.00%	161	50.00%
OOO Med-dent	Trade in pharmaceuticals	Belarus	372	50.00%	508	50.00%
BOOO SpetzApharmacia	Trade in pharmaceuticals	Belarus	1,097	50.00%	1,857	50.00%
OOO Bellerophon	Trade in pharmaceuticals	Belarus	281	50.00%	424	50.00%
ZAO Interpharm	Trade in pharmaceuticals	Belarus	1,173	50.00%	1,765	50.00%
OOO Ivem & K	Retail trade	Belarus	558	61.50%	-	-
OOO Ariens	Trade in pharmaceuticals	Belarus	86	66.50%	-	-
			3,688		**4,715**	

The table below presents summarised financial information on each joint venture, which is material for the Group.

Financial indicators				*31.12.2015*							*31.12.2014*		
	OOO Vivaton Plus	***OOO Med-dent***	***BOOO Spetz Apharmacia***	***OOO Bellerophon***	***ZAO Interpharm***	***OOO Ivem & K***	***OOO Ariens***	***OOO Vivaton Plus***	***OOO Med-dent***	***BOOO Spetz Apharmacia***	***OOO Bellerophon***	***ZAO Interpharm***
Summarised information from the statement of financial position	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Current assets, including:	495	145	651	261	870	2,026	535	742	326	777	358	893
Cash and cash equivalents	*11*	*8*	*32*	*13*	*24*	43	12	*21*	*8*	*24*	*36*	*25*
Non-current assets	225	8	274	155	2,021	1,027	138	410	84	399	242	593
Current liabilities, including:	(799)	(108)	(606)	(218)	(495)	(2,748)	(809)	(1,135)	(225)	(617)	(284)	(331)
Current financial liabilities (excluding trade and other payables and provisions)	*(45)*	(5)	(31)	(12)	(69)	(129)	(21)	(66)	(12)	(40)	(13)	(101)
Non-current liabilities, including:	(29)	-	(53)	(25)	(354)	(131)	(17)	(60)	(12)	(99)	(40)	(104)
Non-current financial liabilities (excluding trade and other payables and provisions)	*(29)*	-	*(20)*	*(25)*	*(354)*	(131)	(17)	*(60)*	*(12)*	*(32)*	*(40)*	*(104)*
Net assets	**(107)**	**44**	**265**	**173**	**2,042**	**174**	**(153)**	**(43)**	**173**	**460**	**276**	**1,051**

Summarised information from the statement of comprehensive income	***2015***	***2015***	***2015***	***2015***	***2015***	***2015***	***2015***	***2014***	***2014***	***2014***	***2014***	***2014***
	BGN'000	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***	***BGN'000***
Revenue	1,786	1,479	3,707	2,012	5,380	9	2	3,659	1,725	4,490	987	6,724
Depreciation and amortisation expense on tangible and intangible assets	*(40)*	*(54)*	*(17)*	*(25)*	*(270)*	-	-	*(103)*	*(181)*	*(28)*	*(10)*	*(145)*
Interest costs	-	-	-	-	-	-	-	*(6)*	-	-	-	-
Interest costs	*5*	*2*	*(2)*	2	*44*	-	-	*40*	*30*	*9*	(4)	*11*
Net profit/(loss) for the year	(44)	(41)	(71)	(29)	(244)	-	-	(314)	(143)	(55)	40	(84)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	(44)	(41)	(71)	(29)	(244)	-	-	(314)	(143)	(55)	40	(84)
Proceeds from dividends under investments in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-

The table below presents the reconciliation between the summarised financial information on the material interests in joint ventures and their carrying amount at 31 December, included in these consolidated financial statements:

31 December 2015	*OOO Ivem & K*	*OOO Ariens*	*OOO Vivaton Plus*	*OOO Med-dent*	*BOOO Spetz Apharmacia*	*OOO Bellerophon*	*ZAO Interpharm*	*Total*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Net assets	174	(153)	(107)	88	265	173	2,042	2,482
Group's share (%)	38.50%	32.50%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Group's share in the net assets	67	(50)	(53)	44	133	87	1,021	1,249
Goodwill	331	106	19	169	205	205	69	1,105
NCI's share in the investment	160	30	145	161	749	(8)	83	1,320
Adjustments from transactions with companies of the Group	-	-	10	(2)	9	(3)	-)	14
Carrying amount of the investment	**558**	**86**	**121**	**372**	**1,096**	**281**	**1,173**	**3,688**

31 December 2014	*OOO Vivaton Plus*	*OOO Med-dent*	*BOOO SpetzApharmacia*	*OOO Bellerophon*	*ZAO Interpharm*	*Total*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Net assets	(43)	173	460	276	1,051	1,918
Group's share (%)	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Group's share in the net assets	(21)	87	230	138	526	960
Goodwill	190	436	1,650	302	1,239	3,817
Adjustments from transactions with companies of the Group	(8)	(15)	(23)	(16)	-	(62)
Carrying amount of the investment	**161**	**508**	**1,857**	**424**	**1,765**	**4,715**

19.4. General information on the associates

Company name	*Principal activities*	*Country*	*Carrying amount*	*Ownership interest share / Voting rights share*	*Carrying amount*	*Ownership interest share / Voting rights share*
			31.12.2015	*31.12.2015*	*31.12.2014*	*31.12.2014*
OOO Mobil Line	Trade in pharmaceuticals	Belarus	514	33.55%	-	-
ODO SalusLine	Trade in pharmaceuticals	Belarus	1,022	29.63%	-	-
OOO Zdorovei	Trade in pharmaceuticals	Belarus	-	16.25%	-	-
Medika AD	Production and trade in pharmaceuticals	Bulgaria			7,672	*24.38%*
			1,536		**7,672**	

The table below presents summarised financial information on each associate, which is material for the Group:

Financial indicators	***OOO Mobil Line***	***ODO SalusLine***	***OOO Zdorovei***
Summarised information from the statement of financial position	***31.12.2015***	***31.12.2015***	***31.12.2015***
	BGN '000	***BGN '000***	***BGN '000***
Current assets	432	864	579
Non-current assets	1,212	3,096	199
Current liabilities	(361)	(836)	(650)
Non-current liabilities	(210)	(539)	(89)
Net assets	**1,073**	**2,585**	**39**
Summarised information from the statement of comprehensive income	***01.01-31.12.2015***	***01.01-31.12.2015***	***01.01-31.12.2015***
	BGN '000	***BGN '000***	***BGN '000***
Revenue	2,025	4,069	2
Net profit for the year	(55)	(155)	-
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	(55)	(155)	-

Financial indicators	*Medica AD*
	31.12.2014
	BGN '000
Summarised information from the statement of financial position	
Current assets	14,758
Non-current assets	14,499
Current liabilities	(2.128)
Non-current liabilities	(641)
Net assets	**26,488**
	01.01-31.12.2014
Summarised information from the statement of comprehensive income	***BGN '000***
Revenue	2,911
Net profit for the year	189
Other comprehensive income for the year, net of tax	(4)
Total comprehensive income for the year	185

The table below presents the reconciliation between the summarised financial information on the material interests in associates and their carrying amount at 31 December, included in these consolidated financial statements:

31 December 2015	**Mobil Line**	**SalusLine**	**Zdorovei**
	BGN '000	*BGN '000*	*BGN '000*
Net assets	1,073	2,585	39
Group's share (%)	33.55%	29.63%	16.25%
Group's share in the net assets	360	766	6
Goodwill	156	254	(6)
Other adjustments	(2)	2	-
Carrying amount of the investment	**514**	**1,022**	**-**

19.5. Cash outflows from acquisition of joint ventures and associates

In 2015:

Cash flows on acquisition of control:	***BGN '000***
Joint venture (OOO Ariens)	91
Joint venture (OOO Ivem & K)	562
Associate (OOO Mobil Line)	724
Associate (ODO SalusLine)	1,356
Associate (OOO Zdorovei)	-
Associate (Medika AD)	3,979
Associate (ODO Alenpharm-plus)	1,423
	8,135

In 2014:

Cash flows on acquisition of shares:	***BGN '000***
Associate (Medica AD)	3,139
Joint venture (BOOO SpetzApharmacia)	972
Joint venture (OOO Bellerophon)	430
Joint venture (OOO Vivaton Plus)	190
Joint venture (OOO Med-dent)	123
	4,854

20. AVAILABLE-FOR-SALE INVESTMENTS

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

	Country	*31.12.2015*	*Interest*	*31.12.2014*	*Interest*
		BGN '000	*%*	*BGN '000*	*%*
Doverie Obedinen Holding AD	Bulgaria	2,805	19.88	2,759	14.88
Lavena AD	Bulgaria	1,567	11.03	1,307	11.02
Olainfarm AD	Latvia	1,553	0.77	1,256	0.77
Extab Pharma Inc. – USA	USA	290	5.00	-	-
Elana Money Market Fund	Bulgaria	257	1.14	252	1.14
MF Elana Eurofund	Bulgaria	252	6.34	-	-
OOO Pharmico	Belarus	172	2.00	172	2.00
Hydroizomat AD	Bulgaria	132	10.65	202	10.63
ODO DKM-Pharm	Belarus	100	2.00	100	2.00
OOO Set Aptek	Belarus	70	2.00	70	2.00
Elana Agrocredit AD	Bulgaria	67	1.26	102	1.95
Sopharma Properties REIT	Bulgaria	39	0.05	-	-
Todorov AD	Bulgaria	22	4.74	26	4.70
ODO Alenpharm-plus	Belarus	-	-	207	10.00
ODO SalusLine	Belarus	-	-	162	10.00
OOO Mobil Line	Belarus	-	-	92	10.00
OOO GalenaPharm	Belarus	-	-	86	10.00
OOO Danapharm	Belarus	-	-	39	10.00
ODO Medjel	Belarus	-	-	31	10.00
Other		98		105	
Total		**7,424**		**6,968**	

The Group's intentions towards its shareholding in Doverie Obedinen Holding AD are purely investment related and, therefore, the investment is treated as "Available-for-sale".

The other available-for-sale financial assets as at 31 December 2015, amounting to BGN 98 thousand (31 December 2014: BGN 105 thousand), include a number of minority interests of the Group in the capital of six companies (31 December 2014: eight companies).

The investments in Extab Pharma Inc., USA and all other companies in Belarus are valued and presented in the consolidated financial statements at acquisition cost.

The available-for-sale investments measured at fair value as at 31 December 2015 are as follows:

	Number of shares held	*Fair value per share*	*31.12.2015*	*Number of shares held*	*Fair value per share*	*31.12.2014*
			BGN '000			*BGN '000*
Doverie Obedinen Holding AD	3,725,145	0.81	2,805	2,789,345	0.99	2,759
Lavena AD	29,393	51.78	1,567	29,380	44.49	1,307
Olainfarm AD	108,500	13.54	1,553	108,500	11.58	1,256
Elana Money Market Fund	1,667	0.15	257	1,667	0.15	252
MF Elana Eurofund	958	0.15	252	-	-	-
Hydroizomat AD	318,301	0.41	132	317,901	0.64	202
Elana Agrocredit AD	64,350	1.03	67	100,000	1.02	102
Sopharma Properties REIT	9,220	4.23	39	-	-	-
Todorov AD	161,014	0.14	22	162,500	0.16	26
Chimimport AD	1,000	1.38	1	-	-	-
Total			**6,695**			**5,904**

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

Fair value hierarchy

Available-for-sale investments	***Fair value 31.12.2015***	***Level 1***	***Level 2***	***Level 3***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Doverie Obedinen Holding AD	2,805	-	-	2,805
Lavena AD	1,567	-	1,567	-
Olainfarm AD	1,553	1,553	-	-
Elana Money Market Fund	257	257	-	-
MF Elana Eurofund	252	252	-	-
Hydroizomat AD	132	-	132	-
Elana Agrocredit AD	67	67	-	-
Sopharma Properties REIT	39	39	-	-
Todorov AD	22	22	-	-
Chimimport AD	1	1	-	-
Total	**6,695**	**2,191**	**1,699**	**2,805**

Available-for-sale investments	***Fair value 31.12.2014***	***Level 1***	***Level 2***	***Level 3***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Doverie Obedinen Holding AD	2,759	-	-	2,759
Lavena AD	1,307	-	1,307	-
Olainfarm AD - Latvia	1,256	1,256	-	-
Elana Money Market Fund	252	252	-	-
Hydroizomat AD	202	-	202	-
Elana Agrocredit AD	102	102	-	-
Todorov AD	26	26	-	-
Total	**5,904**	**1,636**	**1,509**	**2,759**

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

Available-for-sale investments	***Level 1***	***Level 2***	***Level 3***	***Total***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Balance at 1 January 2014	**1,453**	**1,624**	**4,978**	**8,055**
Purchases	271	53	1,351	1,675
Transfer to investments in associates and joint ventures *(Note 19)*	-	-	(3,882)	(3,882)
Sales	-	(121)	(146)	(267)
Realised gain/(loss) included in the current profit and loss for the year in the item *Finance costs – Net loss on transactions with securities*	-	(2)	2	-
Unrealised (loss)/gain included in the current profit and loss for the year *(Note 11)*	(24)	(64)	-	(88)
Unrealised gain/(loss) included in other comprehensive income *(Note 15)*	(64)	18	457	411
Balance at 31 December 2014	**1,636**	**1,508**	**2,760**	**5,904**
Purchases	356	95	894	1,345
Issue of shares	70	-	-	70
Sales	(180)	(115)	-	(295)
Realised gain/(loss) included in the current profit and loss for the year in the item *Finance costs – Net loss on transactions with securities*	7	-	-	7
Unrealised loss included in the current profit and loss for the year *(Note 11)*	(4)	(70)	(401)	(475)
Unrealised gain/(loss) included in other comprehensive income *(Note 15)*	306	281	(448)	139
Balance at 31 December 2015	**2,191**	**1,699**	**2,805**	**6,695**

Valuation techniques and significant unobservable inputs

The table below shows the valuation techniques applied 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 rate of revenue growth * revenue growth rate after the projected period * projected annual rate of costs growth * discount rate (based on WACC)
	b. Market approach Valuation technique: Market multiples method (supportive valuation technique)	-

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 rate of revenue growth	* 1 % (weighted average 1%)	* the projected annual rate of revenue growth 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 rate of costs growth	* 0 % (weighted average 0 %)	* the projected annual rate of costs growth was lower (higher);
	* discount rate (based on WACC)	* 10.8 % (weighted average 10.8%)	* the discount rate was lower (higher)

21. LONG-TERM RECEIVABLES FROM RELATED PARTIES

The *long-term receivables from related parties* as at 31 December refer to companies related through key managing personnel and under a common indirect control, and include:

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Long-term loans granted to related parties	20,213	32,857
Receivable under a long-term rental deposit granted	292	293
Total	**20,505**	**33,150**

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***	***Maturity***	***Interest %***	***31.12.2015***		***31.12.2014***	
	'000			***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
					including interest		***including interest***
EUR	16,177	01.12.2018	5.00%	13,074	*18*	26,038	*217*
EUR	3,272	01.12.2018	5.00%	7,139	*739*	6,819	*419*
Total				**20,213**	**757**	**32,857**	***636***

The long-term loans granted to related parties are intended to support the financing of these companies' activities under common strategic objectives. They are secured by pledges on securities (shares).

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

22. OTHER LONG-TERM RECEIVABLES

The ***other non-current receivables*** of the Group as at 31 December include:

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Receivables under a sold investment in a subsidiary	3,258	-
Loans granted	240	293
Other	48	60
Total	**3,546**	**353**

The receivables under a sold investment in a subsidiary at the amount of BGN 3,258 thousand (USD 2,000 thousand) represent receivables under a sold investment in the subsidiary Extab Corporation, USA – 75% of the shares held. The receivables are with a deferred payment and expected maturity on 31 December 2018 – the date when the regulatory actions for registration of medicinal products permits are expected to be completed.

The loans granted by the Group as at 31 December 2015 are to third parties, without collateral and with an agreed annual interest of 8% (31 December 2014: 8%) and the due date is 14 November 2021.

23. INVENTORIES

Inventories include:	***31.12.2015***	***31.12.2014***
	BGN '000	***BGN '000***
Goods	78,904	79,237
Finished products	38,159	36,414
Materials	34,916	30,464
Work in progress	5,888	5,986
Semi-finished products	5,262	3,809
Total	**163,129**	**155,910**

Goods *by type* are as follows:	***31.12.2015***	***31.12.2014***
	BGN '000	***BGN '000***
Tablet dosage forms	36,501	44,070
Ampoule dosage forms	11,046	12,196
Syrups	6,977	6,782
Consumables, dressing materials and apparatuses	5,172	2,662
Goods in transit	4,262	245
Drops	3,425	4,057
Ointments	2,979	3,611
Other	8,542	5,614
Total	**78,904**	**79,237**

Finished products existing at 31 December include:

	31.12.2015	*31.12.2014*
	BGN '000	***BGN '000***
Tablet dosage forms	22,493	23,008
Ampoule dosage forms	5,811	5,713
Syrups	3,265	2,493
Other	6,590	5,200
Total	**38,159**	**36,414**

Materials by type are as follows:

	31.12.2015	*31.12.2014*
	BGN '000	***BGN '000***
Basic materials	29,501	26,804
Materials in transit	3,078	1,323
Auxiliary materials	505	485
Technical materials	496	474
Spare parts	379	372
Other	957	1,006
Total	**34,916**	**30,464**

Basic materials by type are as follows:

	31.12.2015	*31.12.2014*
	BGN '000	***BGN '000***
Substances (active ingredients)	15,832	14,528
Chemicals	4,370	4,423
Vials, tubes and ampoules	3,032	2,809
Packaging materials	1,962	1,478
PVC and aluminium foil	1,492	1,262
Herbs	1,201	1,170
Other	1,612	1,134
Total	**29,501**	**26,804**

As at 31 December 2015, there were established special pledges on inventories at the amount of BGN 82,439 thousand (31 December 2014: BGN 81,986 thousand) as collateral under received by the Group bank loans and issued bank guarantees *(Notes 29, 34 and 40).*

24. TRADE RECEIVABLES

Trade receivables include:	***31.12.2015***	***31.12.2014***
	BGN '000	***BGN '000***
Receivables from clients	*205,624*	*194,010*
Impairment of uncollectable receivables	*(1,585)*	*(2,382)*
Receivables from clients, net	204,039	191,628
Advances to suppliers	*1,712*	*4,875*
Impairment of advances	*(162)*	*(173)*
Advances granted, net	1,550	4,702
Total	**205,589**	**196,330**

The ***receivables from clients*** are interest-free and are mainly denominated in BGN and EUR.

Usually the Group companies negotiate with their clients payment terms within the range of 30 to 180 days for receivables under sales unless there are determined specific conditions for maturity for particular clients or in the cases where new markets and products are developed and new trade counterparts are attracted. The Group has set a common credit period of 180 days for which no interest is charged to clients. Any delay after this period is regarded by the Group as an indicator for impairment. The managing bodies of the Group companies assess collectability by analysing the exposure of the particular client, the opportunities for settlement (of the client and through the collateral) and take decision on the amount, recognition and charging of the respective impairment.

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

	BGN '000	***BGN '000***
up to 30 days	61,638	56,906
from 31 to 90 days	50,279	45,588
from 91 to 180 days	2,980	4,907
from 181 to 365 days	2,807	2,158
from 1 to 2 years	111	7
over 2 years	1,653	2,771
Total	**119,468**	**112,337**

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

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
from 31 to 90 days	15,651	18,455
from 91 to 180 days	11,956	8,889
from 181 to 365 days	15,597	13,988
from 1 to 2 years	12,162	9,504
over 2 years	6,631	1,246
Total	**61,997**	**52,082**

With regard to the past due but not impaired receivables, there are usually already achieved or pending agreements for interest-bearing rescheduling of payments for each specific client (including penalty interest for delay).

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

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
from 31 to 90 days	1,765	262
from 91 to 180 days	3,978	112
from 181 to 365 days	8,172	19,697
from 1 to 2 years	7,049	8,052
over 2 years	3,195	1,468
Allowance for impairment	(1,585)	(2,382)
Total	**22,574**	**27,209**

The impairment amount is calculated on an individual basis by applying the discounted cash flows method with a discount rate based on the price of attracted resources by the company adjusted against the average net yield and conservative prognosis on the expected cash flows, determined on the grounds of debtor's history and the concluded agreements, respectively, court rulings. Where the management has concluded 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 impaired to 100% *(Note 2.32.3).*

As at 31 December 2015, there were established special pledges on trade receivables at the amount of BGN 86,876 thousand (31 December 2014: BGN 88,577 thousand). They were established as collateral under received by the Group bank loans and issued bank guarantees *(Notes 29, 34 and 40).*

Movement in the allowance for impairment

	2015 BGN '000	2014 BGN '000
Balance at the beginning of the year	**2,382**	**2,758**
Impairment amount	*1,216*	*2,164*
Amounts written-off under uncollectable receivables	*(226)*	*(1,596)*
Reversed impairment	*(1,758)*	*(944)*
Transfer to impairment of court and awarded receivables *(Note 26)*	*(29)*	-
Balance at the end of the year	**1,585**	**2,382**

The ***advances granted*** to suppliers are regular and are mainly denominated in BGN and EUR and are for the purchase of:

	31.12.2015 BGN '000	31.12.2014 BGN '000
Raw materials and consumables	*740*	*2,894*
Services	*475*	*1,174*
Goods	*265*	*710*
Other	*232*	*97*
Allowance for impairment	*(162)*	*(173)*
Total	**1,550**	**4,702**

25. RECEIVABLES FROM RELATED PARTIES

Receivables from related parties include:	31.12.2015 BGN '000	31.12.2014 BGN '000
Receivables from companies related through key managing personnel	21,545	14,471
Receivables from companies under a common indirect control	5,889	10,385
Receivables from joint ventures	-	462
Total	**27,434**	**25,318**

The ***receivables from related parties*** by type are as follows:

	31.12.2015 BGN '000	31.12.2014 BGN '000
Trade loans granted	21,545	22,253
Receivables on sales of finished products and materials	5,889	3,065
Total	**27,434**	**25,318**

The trade loans granted to related parties by type of related party are unsecured and are as follows:

	31.12.2015	*31.12.2014*
	BGN '000	*BGN '000*
Companies related through key managing personnel	21,545	14,475
Companies under a common indirect control	-	7,778
Total	**21,545**	**22,253**

The ***granted loans*** are as follows:

Currency	*Contracted amount*	*Maturity*	*Interest*	*31.12.2015*		*31.12.2014*	
	'000		*%*	*BGN '000*	*BGN '000* *including interest*	*BGN '000*	*BGN '000* *including interest*
to companies related through key managing personnel							
EUR	12,577	31.12.2016	4.50%	8,310	26	9,537	18
EUR	7,845	31.12.2016	4.50%	7,982	146	7,632	155
BGN	6,000	22.07.2016	5.50%	4,636	1	1,236	26
BGN	1,300	31.12.2016	5.50%	503	42	477	17
BGN	190	31.12.2016	5.50%	114	-	128	1
BGN	34,020	31.12.2015	5.50%	-	-	3,097	9
to companies under a common indirect control							
BGN	120	31.12.2015	6.00%	-	-	146	40
Total:				**21,545**	**215**	**22,253**	**266**

The ***receivables on sales of finished products and materials*** are interest-free and denominated in BGN and in EUR.

The Group companies usually negotiate payment terms between 90 and 180 days for receivables on sales of finished products and up to 30 days for receivables on sales of materials (including substances – active ingredients). The Group has set a maximum credit period of up to 365 days for sales counterparts – related parties. Any delay after this period is regarded by the Group as an indicator for impairment. The managing bodies of the Group companies assess collectability by analysing the specific receivables and the position of the debtor company as well as the circumstances for the delay and the opportunities for repayment and after that, they take a decision on whether impairment shall be recognised and charged on an individual basis and at what amount.

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

	31.12.2015	*31.12.2014*
	BGN '000	*BGN '000*
up to 30 days	2,265	970
from 31 to 90 days	1,925	607
from 91 to 180 days	36	86
from 181 to 270 days	114	-
from 271 to 360 days	230	-
Total	**4,570**	**1,663**

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

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
from 31 to 90 days	883	321
from 91 to 180 days	32	234
from 181 to 365 days	145	473
from 1 to 2 years	259	244
Total	**1,319**	**1,272**

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

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
over 1 year	-	271
Allowance for impairment	-	(141)
Total	**-**	**130**

Movement in the allowance for impairment

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Balance at 1 January	**141**	**186**
Impairment amount	-	141
Reversed impairment	-	(186)
Impairment of uncollectable receivables written-off	(117)	-
Balance at 31 December	**24**	**141**

Special pledges have been established as at 31 December 2015 on receivables from related parties at the amount of BGN 18,229 thousand as collateral under bank loans received (31 December 2014: BGN 16,229 thousand) *(Note 29 and 34).*

26. OTHER SHORT-TERM RECEIVABLES AND ASSETS

Other receivables and prepayments of the Group include:

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Court and awarded receivables	*4,308*	*8,644*
Impairment of court receivables	*(2,379)*	*(4,753)*
Court and awarded receivables, net	1,929	3,891
Taxes refundable	5,418	8,580
Loans granted to third parties	2,940	1,517
Prepayments	1,978	4,057
Receivables on deposits placed as guarantees	554	381
Amounts granted to investment intermediaries	440	125
Financial assets at fair value through profit	314	-
Government grants *(Note 33)*	-	2,604
Guarantees under litigations *(Note 40)*	-	863
Other	932	427
Total	**14,505**	**22,445**

The court and awarded receivables originate mainly in relation to sales to state hospitals. Repayment schedules have been agreed or are in a process of agreement for most of them. For this reason, the management of the Group made an assessment that only a partial impairment was necessary for the above receivables.

As at 31 December 2015, the Group holds 210,958.41 shares in the trust fund Raiffeisen (Bulgaria) Liquidity Fund (31 December 2014: 544,291.74 shares).

The financial assets at fair value through profit, held by the Group, are classified as Level 1 in the fair value hierarchy *(Note 2.14.2).*

As at 31 December 2014, the receivables under government grants at the amount of BGN 2,604 thousand originated in relation to investment and current expenses, subject to refund from a grant under Operational Programme "Development of the Competitiveness of the Bulgarian Economy 2007 – 2013" in line with a payment request of 11 November 2014 submitted to the Ministry of Economy and Energy – General Directorate "European Funds for Competitiveness" (financing institution). *(Note 33).*

As at 29 April 2015 the completed project was approved by the financing institution and the submitted request for payment was satisfied.

Taxes refundable include:	***31.12.2015***	***31.12.2014***
	BGN '000	***BGN '000***
Excise duties	2,692	4,040
VAT	1,839	1,950
Income tax	882	2,590
Withholding taxes	5	-
Total	**5,418**	**8,580**

Prepayments include:	***31.12.2015***	***31.12.2014***
	BGN '000	***BGN '000***
Insurance	777	796
Subscriptions	518	492
Advertisements	52	717
Rentals	44	1,714
Licence and patent fees	43	36
Vouchers	18	18
Other	526	284
Total	**1,978**	**4,057**

The loans granted to third parties amounted to BGN 2,940 thousand (31 December 2014: BGN 1,517 thousand) and were granted to eight entities (2014: nine entities) – counterparts for working capital. The annual interest agreed for these loans for 2015 was between 5.05% and 7% (2014: 5.05% and 8%).

27. CASH AND CASH EQUIVALENTS

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Cash at current bank accounts	23,773	20,750
Impairment of cash at current bank accounts *(Note 12)*	(6,438)	-
Short-term deposits	4,300	3,007
Cash in hand	1,393	1,454
Short-term blocked funds	86	88
Cash and cash equivalents presented in the consolidated statement of cash flows	**23,114**	**25,299**
Blocked cash under court cases and issued bank guarantees	372	1,523
Cash and cash equivalents presented in the consolidated statement of financial position	**23,486**	**26,822**

The available cash and cash equivalents of the Group are mainly denominated in BGN, UAH and in EUR (31 December 2014: BGN, EUR and BYR).

The average level of the annual interest on current accounts in BGN and foreign currency is within the range from 0.01% to 1% (2014: from 0.01% to 1%) and that on deposit accounts in BGN and foreign currency is mainly within the range from 0.3% to 17% (2014: from 0.3% to 25%).

The short-term blocked funds as at 31 December 2015 amounting to BGN 86 thousand (31 December 2014: BGN 88 thousand), represent mainly blocked funds under performance guarantees.

28. EQUITY

Share capital

As at 31 December 2015, the registered share capital of Sopharma AD amounted to BGN 134,798 thousand distributed in 134,797,899 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.

The share capital of Sopharma AD WAS increased by 2,797,899 new shares with nominal value of BGN 1 each and issue value of BGN 4.14 equal to the fair price of 1 share of Sopharma AD in relation to the merger of Bulgarian Rose Sevtopolis AD into Sopharma AD (takeover). Exchange ratio was set for the purpose, which was calculated on bases of the net assets fair value of both companies.

Ordinary shares issued and fully paid	*Shares*	*Share capital net of treasury shares*
	number	*BGN '000*
Balance at 1 January 2014	**126,324,658**	**113,005**
Treasury shares purchased	(304,388)	(1,259)
Treasury shares sold	650,577	2,165
Expense on treasury shares	-	(6)
Balance at 31 December 2014	**126,670,847**	**113,905**
Balance at 1 January 2015	**126,670,847**	**113,905**
Effects of a subsidiary merger	2,797,899	2,798
Treasury shares	(153,342)	(521)
Sold treasury shares	1,350	5
Expense on treasury shares	-	(2)
Balance at 31 December 2015	**129,316,754**	**116,185**

The ***treasury shares*** were 5,481,145 at the amount of BGN 18,613 thousand (31 December 2014: 5,329,153 shares at the amount of BGN 18,095 thousand).

The number of shares purchased through an investment intermediary in the current year was 105,166 (2014: 304,031 shares) and no shares were sold (2014: 650,577 shares). As at 31 December 2015 the company has shares, held by its subsidiaries and associates, as follows:

- by Unipharm AD – 191,166 shares (31 December 2014: 191,166 shares);
- by Medica AD – 27,573 shares (31 December 2014: associate – 2,390 shares);
- by Sopharma Trading AD – 43,110 shares (31 December 2014: 23,857 shares).

Statutory reserves at the amount of BGN 45,256 thousand (31 December 2014: BGN 33,555 thousand) were set aside from allocation of profit of the parent company and included all amounts for the Reserve Fund.

The ***revaluation reserve – for property, plant and equipment***, amounting to BGN 23,445 thousand (31 December 2014: BGN 23,754 thousand), was set aside from excess of the carrying amount of property, plant and equipment of the Group companies over their fair values at the dates of the respective regular revaluation. The effect of deferred taxes on the revaluation reserve is stated directly through other components of comprehensive income for the year.

The ***available-for-sale financial assets reserve***, amounting to BGN 1,330 thousand – a positive figure (31 December 2014: BGN 1,190 thousand – a positive figure), was set aside from the effects of subsequent measurement of available-for-sale investments to fair value (including the consolidated share of the change in this reserve in associates on their valuation under the equity method).

The ***translation of foreign operations reserve***, amounting to BGN 2,563 thousand – a negative figure (31 December 2014: BGN 4,335 thousand – a negative figure), was set aside from exchange differences arising as a result of translation of the currency in the financial statements of foreign companies to the presentation currency of the Group.

The ***retained earnings reserve*** includes the component 'other reserves', which contains the amounts distributed from profits of the Group companies generated in prior years, as well as the component 'accumulated profits and losses'.

Retained earnings, amounting to BGN 222,238 thousand at 31 December (31 December 2014: BGN 203,260 thousand), include also the recognised accumulated actuarial loss at the amount of BGN 1,601 thousand (31 December 2014: BGN 1,284 thousand), stated upon remeasurements of defined benefit pension plans in relation with the amendment to IAS 19 *Employee Benefits.*

Basic earnings per share

	2015	***2014***
Weighted average number of shares	129,157,449	126,700,075
Net profit for the year, attributable to the equity holders of the parent (BGN’000)	21,314	20,178
Basic earnings per share (BGN)	**0.17**	**0.16**

29. LONG-TERM BANK LOANS

	Contracted loan amount in original currency	*Maturity*	*31.12.2015*			*31.12.2014*		
			Non-current portion	*Current portion*	*Total*	*Non-current portion*	*Current portion*	*Total*
	'000		*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Credit lines and working capital loans								
BGN	4,250	16.04.2023	1,304	210	1,514	3,925	315	4,240
BGN	120	25.08.2020	88	24	112	-	-	-
BYR	300,000	12.02.2016	-	10	10	14	28	42
BYR	1,000,000	25.03.2016	-	92	92	-	-	-
BYR	500,000	25.03.2016	-	49	49	-	-	-
EUR	1,452	31.12.2017	488	578	1,066	1,055	579	1,634
EUR	450	31.12.2017	162	173	335	337	175	512
EUR	689	04.01.2016	-	72	72	72	862	934
EUR	2,505	31.10.2016	-	4,946	4,946	-	-	-
EUR	2,050	17.06.2018	4,052	-	4,052	-	-	-
EUR	113	30.11.2015				-	61	61
Investment-purpose loans								
EUR	32,000	15.04.2021	30,819	7,380	38,199	37,972	7,391	45,363
EUR	2,000	30.06.2018	1,467	974	2,441	2,445	973	3,418
EUR	479	25.10.2018	496	276	772	-	348	348
EUR	1,617	30.01.2015				-	40	40
Total			**38,876**	**14,784**	**53,660**	**45,820**	**10,772**	**56,592**

The Group has gradually established a policy for annual re-negotiation of the terms and conditions of initially agreed long-term credit lines, including maturity terms. Starting from the date of re-negotiation, the extended credit lines are presented as short-term bank loans *(Note 34).*

The bank loans obtained in Euro are contracted mainly at interest rate, determined on the basis of EURIBOR plus a mark-up of up to 4.9%, or fixed to 12.5%, or BELIBOR of up to 2%; for loans in BGN – interest is based on SOFIBOR plus a mark-up of up to 3.5%; and for loans in BYR – up to 36% (2014: in EUR – EURIBOR plus a mark-up of up to 5% or BELIBOR with a mark-up of 5%; in USD – fixed rate of up to 10%; and in BYR – up to 30.1%). Loans are intended for providing working capital.

Investment-purpose loans are intended for purchase of tangible fixed assets and expanding of activities.

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

- Real estate mortgages *(Note 16);*
- Special pledges on:
  - machinery and equipment *(Note 16);*
  - inventories *(Note 23);*
  - trade receivables *(Note 24).*

As at 31 December 2015, there were no established special pledges on receivables from related parties, subject to consolidation, eliminated for the purpose of the consolidated financial statements (31 December 2014: BGN 1,481 thousand), as collateral under received by the Group bank loans and issued bank guarantees *(Notes 29, 34 and 40).*

30. DEFERRED TAX ASSETS AND LIABILITIES

The total change in ***deferred tax assets and liabilities*** of the Group for the respective financial year is as follows:

	2015	**2014**
	BGN '000	***BGN '000***
Balance at 1 January	**(1,879)**	**(1,668)**
including: Deferred tax assets	*3,849*	*3,027*
including: Deferred tax liabilities	*(5,728)*	*(4,695)*
Acquired on purchase of a subsidiary	(2,059)	-
Recognised in profit or loss for the year	(525)	(601)
Recognised in other comprehensive income	4	25
Derecognised on disposal of a subsidiary	-	104
Recognised in the statement of changes in equity and the current tax return	67	
Translation to presentation currency reserve	156	261
Balance at 31 December	**(4,236)**	**(1,879)**
including: Deferred tax assets	*3,716*	*3,849*
including: Deferred tax liabilities	*(7,952)*	*(5,728)*

On recognising deferred tax assets, the probability of a reversal of the individual differences and the abilities of the Group companies to generate sufficient taxable profit in the future, have been taken into account *(Note 2.33.2).*

The change in the balance of ***deferred tax assets/(liabilities)*** for 2015 by items of temporary differences is as follows:

Deferred tax assets (by temporary differences)	*Balance at 1 January 2014*	*Acquired on purchase of a subsidiary*	*Recognised in profit or loss for the year*	*Recognised in other comprehensive income*	*Derecognised on disposal of a subsidiary*	*Recognised in the statement of changes in equity and the current tax return*	*Translation to presentation currency reserve*	*Balance at 31 December 2015*
	Assets/(Liabilities)							*Assets/(Liabilities)*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Intangible assets	171	-	(249)	-	-		(10)	(88)
Available-for-sale investments	100	-	(33)	-	-		(9)	58
Inventories	4,162	7	(1,209)	-	-		-	2,960
Trade receivables	1,100	2	826	-	-		-	1,928
Cash	-	-	17	-	-		-	17
Retirement benefit obligations	693	21	197	5	-	-	(23)	891
Other current liabilities	375	87	82	-	-		(28)	516
Property, plant and equipment	(7,495)	(632)	(473)	-	-	67	39	(8,494)
Intangible assets acquired in business combinations	(985)	(1,544)	317	-	-	-	188	(2,024)
	(1,879)	**(2,059)**	**(525)**	**5**	**-**	**67**	**155**	**(4,236)**

The change in the balance of ***deferred tax assets/(liabilities)*** for 2014 by items of temporary differences is as follows:

Deferred tax assets (by temporary differences)	*Balance at 1 January 2014*	*Acquired on purchase of a subsidiary*	*Recognised in profit or loss for the year*	*Recognised in other comprehensive income*	*Derecognised on disposal of a subsidiary*	*Recognised in the statement of changes in equity and the current tax return*	*Translation of foreign operations reserve*	*Balance at 31 December 2014*
	Assets/(Liabilities)							*Assets/(Liabilities)*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Intangible assets	197	-	(26)	-	-	-	-	171
Available-for-sale investments	243	-	(139)	-	-	-	(4)	100
Inventories	4,090	-	59	-	-	-	13	4,162
Trade receivables	1,476	-	(374)	-	-	-	(2)	1,100
Retirement benefit obligations	696	-	(3)	-	-	-	-	693
Other current liabilities	288	-	94	-	-	-	(7)	375
Property, plant and equipment	(7,246)	-	(458)	25	11	-	173	(7,495)
Intangible assets acquired in business combinations	(1,412)	-	246	-	93	-	88	(985)
Total	**(1,668)**	**-**	**(601)**	**25**	**104**	**-**	**261**	**(1,879)**

As at 31 December 2015, the Group has not recognised deferred tax assets at the amount of BGN 4,243 thousand (31 December 2014: BGN 2,746 thousand) for the accumulated temporary differences related to tax losses carried forward – BGN 23,797 thousand (31 December 2014: BGN 16,656 thousand).

31. RETIREMENT BENEFIT OBLIGATIONS

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

	31.12.2015	*31.12.2014*
	BGN '000	***BGN '000***
Long-term retirement benefit obligations	4,022	3,575
Long-term benefit obligations for tantieme	177	211
Total	**4,199**	**3,786**

Long-term retirement benefit obligations

The long-term payables to personnel include the present value of the obligation of the Group companies, operating mainly in *Bulgaria, Ukraine and Serbia*, to pay indemnities to the hired personnel at the date of the statement of financial position on 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 at least the last 10 years of the service period for the same employer – six gross monthly salaries at the time of retirement *(Note 2.23)*.

Employer's obligations to personnel on retirement for the companies abroad are as follows:

- *Serbia* – the employer is obliged to pay 3 average salaries;
- *Ukraine* – the employer is obliged to pay between BGN 8 and BGN 16 depending on the length of service as well as a social pension, which the company accrues after employees' retirement due to specific work conditions;
- *Latvia and Belarus* – the employer does not have a legal obligation to personnel upon retirement;
- *Kazakhstan* – according to the Kazakhstan legislation, the employer does not have a legal obligation to personnel upon retirement.

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

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

	2015	***2014***
	BGN '000	***BGN '000***
Present value of the obligation at 1 January	**3,575**	**3,412**
Effects of acquisition of subsidiaries	154	
Current service cost for the year	463	296
Interest cost for the year	196	183
Net actuarial loss recognised for the period	17	11
Past service cost in relation to staff curtailment	(14)	(13)
Payments made in the year	(553)	(518)
Effect of restatement	(133)	(275)
Remeasurement gains or losses for the year, including:	317	479
Actuarial losses arising from changes in financial assumptions	*346*	*42*
Actuarial losses arising from changes in demographic assumptions	*258*	3
Actuarial losses arising from experience adjustments	*(287)*	*434*
Present value of the obligations at 31 December	**4,022**	**3,575**

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

	2015	***2014***
	BGN '000	***BGN '000***
Current service cost	463	296
Interest cost	196	183
Net actuarial loss recognised for the period	17	11
Past service cost in relation to staff curtailment	(14)	(13)
Components of defined benefit plan costs recognised in profit or loss (Note 7)	**662**	**477**
Remeasurement gains or losses on the retirement benefit obligations, including:		
Actuarial losses arising from changes in financial assumptions	346	42
Actuarial losses arising from changes in demographic assumptions	258	3
Actuarial losses arising from experience adjustments	(287)	434
Components of defined benefit plans cost recognised in other comprehensive income (Note 15)	**317**	**479**
Total	**979**	**956**

The following actuarial assumptions were used for calculating the present value of the liabilities for the companies in Bulgaria as at 31 December 2015:

- The discount factor is calculated by using 2.8% annual interest rate as basis (2014: 3.8%). 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 (2014: 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 2012 – 2014 (2014: 2011 – 2013);
- Staff turnover rate – from 0% to 20% for the five age groups formed (2014: from 0% to 20 %).

This defined benefit plan exposes the Group companies to the following risks: investment risk, interest risk, longevity risk and salary growth related risk: The management of the parent defines them as follows:

- investment risk – as far as this is unfunded plan, the Group companies 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 salary growth, discount rate and staff turnover rate on the amount of the stated current service cost and interest cost for 2016 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 2016:

	Increase	***Decrease***
	BGN '000	*BGN '000*
Change in salary growth	52	(45)
Change in discount rate	(7)	10
Change in staff turnover rate	(38)	42

Effects of changes in the basic assumptions on the amount of the stated liability as at 31 December 2015:

	Increase	***Decrease***
	BGN '000	*BGN '000*
Change in salary growth	320	(280)
Change in discount rate	(278)	325
Change in staff turnover rate	(221)	246

The weighted average duration of the defined benefit obligation to personnel is from 4 to 15 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***	***Poor health retirement***	***Total***
	BGN '000	***BGN '000***	***BGN '000***
Payments in 2016	678	18	696
Payments in 2017	465	15	480
Payments in 2018	417	16	433
Payments in 2019	472	18	490
Payments in 2020	531	15	546
	2,563	**82**	**2,645**

Long-term benefit obligations for tantieme

As at 31 December 2015, the long-term benefit obligations to personnel include also the amount of BGN 177 thousand (31 December 2014: BGN 211 thousand), representing a payable to personnel related to tantieme payment for a period of more than 12 months – until 2018 (2014: until 2017).

32. FINANCE LEASE LIABILITIES

As at 31 December, the finance lease liabilities are under revocable contracts for motor vehicles acquisition. They are presented net of the future interest due and are as follows:

Term	***31.12.2015***	***31.12.2014***
	BGN '000	***BGN '000***
Up to one year *(Note 39)*	1,068	943
Over one year	1,957	2,103
Total	**3,025**	**3,046**

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

Term	***31.12.2015***	***31.12.2014***
	BGN '000	***BGN '000***
Up to one year	1,226	1,023
From one to three years	2,143	2,197
	3,369	3,220
Future finance costs under finance leases	(344)	(174)
Total	**3,025**	**3,046**

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

33. GOVERNMENT GRANTS

The government grants to Group companies as at 31 December include:

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Government grants, non-current portion	9,343	7,558
Government grants, current portion *(Note 39)*	1,376	939
Total	**10,719**	**8,497**

The government grants received as at 31 December are to the following Group companies:

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Sopharma AD	6,868	4,265
Biopharm Engineering AD	2,604	2,569
Unipharm AD	1,238	1,645
Sopharma Trading AD	9	18
Total	**10,719**	**8,497**

The government grants are received by the Group companies under European Operational Programmes mainly in relation to the acquisition of machinery and equipment *(Notes 16 and 40).*

The current portion of the grants, amounting to BGN 1,376 thousand (31 December 2014: BGN 939 thousand), will be recognised as current income over the following 12 months from the date of the consolidated statement of financial position and is presented as 'other current liabilities' *(Note 39).*

34. SHORT-TERM BANK LOANS

The ***short-term bank loans*** of the Group as at 31 December are as follows:

Currency	*Contracted amount in original currency*	*Maturity*	*31.12.2015*	*31.12.2014*
	'000		*BGN '000*	*BGN '000*
Bank loans (overdrafts)				
EUR	20,000	31.08.2016	30,491	38,847
EUR	19,000	31.08.2016	28,003	32,375
EUR	10,000	31.01.2016	19,553	19,518
EUR	7,000	22.06.2016	11,184	13,691
EUR	10,000	20.03.2016	2,193	13,477
BGN	10,000	30.09.2016	10,001	9,990
BGN	10,000	30.09.2016	9,978	9,984
BGN	5,000	15.08.2016	9,787	9,786
EUR	5,000	25.04.2016	9,757	9,764
EUR	7,500	25.04.2016	10,742	7,809
EUR	3,000	25.04.2016	5,861	5,861
EUR	3,500	02.09.2016	5,744	5,349
EUR	2,050	31.10.2016	3,904	3,904
BGN	293,000	30.04.2016	180	-
EUR	689	04.01.2016	-	-
EUR	1,000	09.07.2016	976	1,964
EUR	5,000	15.08.2016	4	1,083
BGN	500	20.09.2016	70	263
BYR	500,000	05.10.2016	-	59
USD	50	10.02.2016	-	55
			158,428	**183,779**
Credit lines				
EUR	8,434	30.09.2016	15,872	15,874
BGN	18,000	30.10.2016	10,006	9,965
BGN	8,000	28.02.2016	-	4,494
EUR	5,000	31.08.2016	6,479	3,119
EUR	129	31.08.2015	-	129
			32,357	**33,581**
Total			**190,785**	**217,360**

The bank loans obtained in Euro are contracted at interest rate determined on the basis of EURIBOR plus a mark-up of up to 3% or or fixed rate of up to 25.5%, or EONIA plus a mark-up of up to 2.1%; for loans in BGN – interest is based on SOFIBOR plus a mark-up of up to 3.26%; for loans in USD – fixed rate of up to 10% and for BYR – fixed rate of up to 27% (2014: for loans in EUR – EURIBOR plus a mark-up of up to 3% or EONIA plus a mark-up of up to 2.1%, for loans in BGN – SOFIBOR plus a mark-up of up to 3.26%, for loans in USD – LIBOR plus a floating mark-up of up to 3.25% or fixed – 14%). Loans are intended for providing working capital.

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

- machinery and equipment *(Note 16);*
- raw materials, consumables and finished products *(Note 23);*
- trade receivables *(Note 24).*

As at 31 December 2015, there were special pledges on receivables from related parties, subject to consolidation, eliminated for the purpose of the consolidated financial statements at the amount of BGN 18,229 thousand (31 December 2014: BGN 16,229 thousand). They were established as collateral under received by the Group bank loans and issued bank guarantees *(Notes 29, 34 and 40).*

35. TRADE PAYABLES

Trade payables include:	***31.12.2015*** ***BGN '000***	***31.12.2014*** ***BGN '000***
Payables to suppliers	87,046	70,624
Advances from clients	394	1,128
Total	**87,440**	**71,752**

The ***payables to suppliers*** refer to:	***31.12.2015*** ***BGN '000***	***31.12.2014*** ***BGN '000***
Suppliers outside Bulgaria	63,786	52,633
Suppliers from Bulgaria	23,260	17,991
Total	**87,046**	**70,624**

The payables to suppliers are regular, interest-free and refer to supplies of materials, goods and services. The average credit period, for which usually no interest is charged on trade payables, is up to 180 days.

The payables to suppliers are denominated as follows:

- in EUR: BGN 37,456 thousand (31 December 2014: BGN 39,776 thousand);
- in BGN: BGN 23,688 thousand (31 December 2014: BGN 16,230 thousand);
- in USD: BGN 4,024 thousand (31 December 2014: BGN 6,510 thousand);
- in BYR: BGN 20,197 thousand (31 December 2014: BGN 6,688 thousand);
- in other currency: BGN 1,681 thousand (31 December 2014: BGN 1,420 thousand).

36. PAYABLES TO RELATED PARTIES

The ***payables to related parties*** refer to:

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Payables to companies related through key managing personnel	1,702	175
Payables to companies related through a main shareholder	411	761
Payables to companies under a common indirect control	151	676
Payables to main shareholding companies	102	2
Payables to other related parties	-	20
Total	**2,366**	**1,634**

The payables to related parties by type are as follows:

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Payables on supply of goods and materials	2,348	1,475
Other	18	159
Total	**2,366**	**1,634**

The payables to related parties refer mainly to supply of goods and materials. The payables to related parties are regular, denominated in BGN, interest-free and are not additionally secured through a special pledge or guarantee by the Group.

37. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

Payables to personnel and for social security include:

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Payables to personnel, including:	7,310	6,000
current wages and salaries	*3,342*	*2,792*
tantieme	*2,486*	*1,810*
accruals on unused compensated leaves	*1,482*	*1,398*
Payables for social security/health insurance, including:	1,584	1,514
current payables under contributions for social security security	*1,375*	*1,292*
accruals on unused compensated leaves	*209*	*222*
Total	**8,894**	**7,514**

38. TAX PAYABLES

Tax payables include:

	31.12.2015	*31.12.2014*
	BGN '000	*BGN '000*
VAT	4,976	4,640
Withholding taxes	518	572
Individual income taxes	427	416
Income taxes	378	245
Other	69	150
Total	**6,368**	**6,023**

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

Company	**Full-scope tax audit**	**VAT inspection**	**Inspection under the social security legislation**
Sopharma AD	31.12.2011	30.11.2011	30.09.2013
Sopharma Trading AD	31.12.2011	31.12.2011	31.12.2004
Biopharm Engineering AD	31.12.2014	28.02.2015	30.04.2009
Momina Krepost AD	31.12.2005	31.10.2006	31.10.2006
Pharmalogistica AD	31.12.2005	31.03.2007	none
Sopharma Buildings REIT	none	31.05.2015	none
Electroncommerce EOOD	31.12.2005	30.04.2006	none
Unipharm AD	31.12.2011	31.12.2011	31.08.2013
Ivančić and Sinovi d.o.o.	none	31.12.2012	none
PAO Vitamini	31.12.2013	31.12.2013	01.04.2014
OOO Sopharma Ukraine	31.12.2014	none	none
SIA Briz	31.12.2010	28.02.2014	31.12.2014
SOOO Brititrade	31.12.2011	31.12.2011	31.12.2011
OOO Tabina	31.12.2010	31.12.2010	31.12.2006
ODO Alean	28.02.2011	28.02.2011	28.02.2010
SOOO Brizpharm	31.12.2012	31.12.2012	none
ODO Vestpharm	30.04.2005	30.04.2005	31.03.2004
OOO NPK Biotest	31.12.2011	31.12.2011	31.03.2007
ODO BelAgroMed	28.02.2003	28.02.2003	30.05.2005
OOO Vivaton Plus	29.02.2012	29.02.2012	29.02.2012
OOO Med-dent	31.12.2010	31.12.2010	31.12.2007
BOOO SpetzApharmacia	31.03.2014	31.03.2014	31.12.2007
OOO Bellerophon	01.04.2010	01.04.2010	none
Medica AD	31.12.2002	31.01.2013	30.06.2008

Tax audit of the companies in Bulgaria 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 ultimately the tax liability of the respective company — tax liable person except in the cases explicitly stated by law. For the companies outside Bulgaria a tax audit is performed as follows: in Ukraine, Latvia and Belarus – within a term of three years, in Poland, Kazakhstan and Lithuania – within a term of five years, and in Serbia – within a term of ten years.

The companies Phyto Palauzovo AD, OOO Farmacevt Plus, TOO Sopharma Kazakhstan, OOO farmatea, UAB TBS Pharma, OOO Galenapharm, OOO Danapharm, Sopharma Warsaw SP. Z.O.O. have not been subject to full-scope tax audits, VAT audits and inspections under the social security regulations.

39. OTHER CURRENT LIABILITIES

Other current liabilities include:	***31.12.2015*** ***BGN '000***	***31.12.2014*** ***BGN '000***
Finance lease liabilities *(Note 32)*	1,068	943
Government grants *(Note 33)*	1,376	939
Dividends payable	749	572
Trade loans received from third parties	570	393
Awarded amounts under litigations	359	1,612
Deductions from work salaries	178	198
Liabilities under sold rights on shares issued	-	880
Other	558	104
Total	**4,858**	**5,641**

40. CONTINGENT LIABILITIES AND COMMITMENTS

Litigations

Sopharma AD

In relation to the amount of EUR 1,034 thousand (BGN 2,022 thousand) awarded by the Court of Arbitration in Paris, Sopharma AD initiated cases in Poland against former members of the Management Board of the convicted company for caused damages and non-performance of the obligations regarding the bankruptcy of the said company. As at 31 December 2015, the cases are pending in the District Court and the Regional Court of Warsaw.

Biopharm Engineering AD

In 2015, the company was a subject of full-scope tax audit for the period 1 January 2010 – 31 December 2014, including under the application of VATA for periods from 1 November 2010 to 28 February 2015. In the issued Tax Assessment Notice, dated 26 November 2015, the tax authorities assessed additional tax liabilities at the amount of BGN 223 thousand, including BGN 194 thousand (principal and interest) under VATA and BGN 94 thousand (principal and interest) corporate tax.

The company appealed the issued Tax Assessment Notice and revenue authorities assigned a new audit, which is expected to be completed in 2016.

The position of company's management is that the amounts, by which the financial result for prior periods under CITA was increased in the course of the audit, do not lead to tax liabilities and has not included provisions in these financial statements.

Issued and granted guarantees

Sopharma AD

The Company is a co-debtor under received bank loans, issued bank guarantees and concluded lease agreements as well as a guarantor before banks and suppliers of the following companies:

	Maturity	**Currency**	**Amount**		**Debt status**
			Original		***31.12.2015***
			Currency	**BGN '000**	**BGN '000**
Sopharma Properties REIT	2024	EUR	22,619	44,239	35,168
Telecomplect AD	2016	BGN	5,009	5,009	5,009
Veta Pharma AD	2016	BGN	1,000	1,000	533
Mineralcommerce AD	2017	EUR	150	293	255
Mineralcommerce AD	2016	BGN	250	250	242
Pharmaplant AD	2016-2019	BGN	1,329	1,329	236
Total					**41,443**

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

(a) under loans of companies related through key managing personnel:

- Mortgages of real estate – BGN 1,119 thousand (31 December 2014: none) *(Note 16)*;

(b) under loans of third parties:

- Special pledge on inventories – BGN 2,623 thousand (31 December 2014: BGN 2,623 thousand) *(Note 23)*.

Bank guarantees

Sopharma Trading AD

The bank guarantees issued for the Company amount to BGN 1,540 thousand (31 December 2014: BGN 10,597 thousand) and are to guarantee payments to suppliers of goods, for good performance – ensuring future deliveries of pharmaceutical and medicinal products to hospitals under concluded contracts, customs office guarantees and tender participation.

The bank guarantees have been issued by:

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Raiffeisenbank EAD	5,010	3,807
SG Expressbank AD	3,936	3,986
ING Bank NB	3,776	2,804
	12,722	**10,597**

The collateral for issued bank guarantees is as follows:

- Special pledge on goods in circulation at the amount of BGN 9,801 thousand (31 December 2014: BGN 9,801 thousand) (Note 23);
- Special pledge on receivables from clients with a carrying amount of BGN 2,347 thousand (31 December 2014: none) (Note 24);
- Special pledge on PPE (motor vehicles) with a carrying amount of BGN 2 thousand (31 December 2014: BGN 37 thousand) (Note 16).

Unipharm AD

The following have been issued as at 31 December 2015: bank guarantees at the amount of BGN 85 thousand within the loan agreement limit, a bank guarantee for arranging discounts under Ordinance 10 for medicinal products to the NHIF at the amount of BGN 16 thousand and a bank guarantee at the amount of BGN 20 thousand secured in cash.

Under a contract for issuance of multiple bank guarantees, dated 23 February 2012 have been established pledges on assets of the company as follows:

- Pledge on current and future movables (materials, finished products, goods) with a carrying amount of BGN 200 thousand;
- Pledge on current and future payment accounts opened with DSK Bank EAD.

Assets held under safe custody

Sopharma Trading AD

According to concluded pre-distribution contracts, the company has received goods for safe custody amounting to BGN 2,892 thousand as at 31 December 2015 (31 December 2014: BGN 3,476 thousand).

Significant irrevocable agreements and commitments

Sopharma AD

The Company received three government grants under Operational Programme "Development of the Competitiveness of the Bulgarian Economy" 2007 – 2013 (*Note 33 and Note 39)*, related to technological renovation and modernisation of tablet production facilities and implementation of innovative products in the ampoule production section *(Note 16).* The Company undertook a commitment that for a period of 5 years after the completion of the respective projects they shall not be subject to significant modifications affecting the essence and the terms and conditions for their execution or giving rise to unjustified benefits to the company, neither modifications resulting from a change in the nature of ownership over the assets acquired in relation to the grants. 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.

Unipharm AD

The company is a beneficiary under three grant contracts for acquisition of assets.In accordance with the contractual provisions, the tangible and intangible fixed assets, acquired with project funds, should remain within the assets of the beneficiary and the receiving region (Republic of Bulgaria) for a period of minimum five years after execution of the total investment. 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.

Biopharm Engineering AD

The company has assumed a commitment under a grant contract with a term of five years after completion of the project for acquisition of

(a) line for production of amino acid solution for parenteral nutrition, which includes components for inflation, filling and hermetisation in aseptic environment, and

(b) clean rooms construction (omega profile ceilings, separation walls, doors, blocking devices, lighting, air conditioning, etc.) *(Note 16)*. The term commenced on 27 April 2015 (the date on which the project was ultimately approved by the financing institution) and according to the contract the project should not suffer significant changes referring to its nature, the conditions of its performance or leading to unjustifiable benefits for the company as well as changes resultant from modification in the nature of ownership of infrastructural component or discontinuance of production activities. On non-compliance with these requirements, the financing shall be returned. At the date of approval for issue of the financial statements, all contractual requirements were being fulfilled.

Sopharma Trading AD

The significant *revocable* contracts for the obtained assets under operating lease are as follows:

2015	***2014***
Lease contract for real estate, equipment and software:	Lease contract for real estate, equipment and software:
• contract term: by 01/12/2019 annual lease payment: BGN 684 thousand	• contract term: by 01/12/2014 annual lease payment: BGN 684 thousand
Lease contract for real estate (SFBT):	Lease contract for real estate (SFBT):
• contract term: by 01/09/2021 annual lease payment: BGN 804 thousand	• contract term: by 01/09/2021 annual lease payment: BGN 699 thousand
Lease contract for real estate:	Lease contract for real estate:
• contract term: by 01/01/2017 annual lease payment: BGN 246 thousand	• contract term: by 01/01/2017 annual lease payment: BGN 246 thousand
Lease contract for real estate:	Lease contract for real estate:
• contract term: by 01/11/2016 annual lease payment: BGN 72 thousand	• contract term: by 01/11/2016 annual lease payment: BGN 68 thousand
Other lease contracts for:	Other lease contracts for:
• machinery and equipment – 2 with total annual lease payment of BGN 42 thousand	• machinery and equipment – 2 with total annual lease payment of BGN 42 thousand
• motor vehicles – 37 of 21/11/2013 with annual lease payment of BGN 158 thousand	• motor vehicles – 37 from 21/11/2013 with annual lease payment of BGN 158 thousand
• motor vehicles – 5 of 27/12/2013 with annual lease payment of BGN 18 thousand	• motor vehicles – 5 of 27/12/2013 with annual lease payment of BGN 18 thousand
• motor vehicles – 43 of 26/06/2014 with annual lease payment of BGN 153 thousand	
• motor vehicles – 2 of 11/02/2015 with annual lease payment of BGN 8 thousand	
• motor vehicles – 17 of 11/06/2015 with annual lease payment of BGN 70 thousand	

Other

Sopharma AD 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 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. SEGMENT REPORTING

The segment reporting in the Group is organised on the basis of two basic business segments – 'production of pharmaceutical products' and 'distribution of pharmaceutical products (goods)'. The group 'other' includes mainly production and distribution of non-pharmaceutical products.

The ***items of income, expenses and result of business segments*** determined in the Group include:

	Production of pharmaceutical products		*Distribution of pharmaceutical products (goods)*		*Other*		*Elimination*		*Consolidated*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
External sales	*244,911*	*257,737*	*604,510*	*570,512*	*25,563*	*12,268*	*-*	*-*	*874,984*	*840,517*
Intersegmental sales	*105,758*	*118,018*	*27*	*-*	*-*	*185*	*(105,785)*	*(118,203)*	*-*	*-*
Total revenue	**350,669**	**375,755**	**604,537**	**570,512**	**25,563**	**12,453**	**(105,785)**	**(118,203)**	**874,984**	**840,517**
Segment result (margin)	**125,582**	**139,657**	**49,385**	**49,791**	**7,731**	**2,878**	**675**	**(1,288)**	**183,373**	**191,038**
Non-allocated operating income									(2,678)	5,465
Non-allocated operating expenses									(144,255)	(156,479)
Profit from operations									**36,440**	**40,024**
Finance (costs)/income, net									(14,812)	(12,202)
Impairment of non-current assets									-	(494)
Gain (loss) on disposal of subsidiaries									7,222	1,561
Losses from associates, net									(1,275)	310
Profit before income tax									**27,575**	**29,199**
Income tax expense									(4,975)	(5,082)
Net profit for the year									**22,600**	**24,117**
Attributable to owners of the parent									21,314	20,178
Non-controlling interests									1,286	3,939

The ***assets and liabilities of the business segments*** include:

Assets by business segment	*Production of pharmaceutical products*		*Distribution of pharmaceutical products (goods)*		*Other*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Property, plant and equipment	159,540	156,395	43,021	43,300	22,336	10,844	224,897	210,539
Inventories	82,121	77,113	75,007	77,353	6,001	1,444	163,129	155,910
Receivables from related parties	42,523	55,716	5,380	2,401	36	351	47,939	58,468
Trade receivables	26,992	26,256	166,604	160,352	11,993	9,722	205,589	196,330
Cash and cash equivalents	11,250	14,240	10,097	8,784	1,767	2,275	23,114	25,299
Segment assets	**322,426**	**329,720**	**300,109**	**292,190**	**42,133**	**24,636**	**664,668**	**646,546**
Non-allocated assets							170,959	170,817
Total assets							**835,627**	**817,363**

Liabilities by business segment	*Production of pharmaceutical products*		*Distribution of pharmaceutical products (goods)*		*Other*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Payables to personnel and for social security	1,876	1,861	2,743	1,900	324	309	4,943	4,070
Trade payables	11,041	8,264	75,334	62,262	1,065	1,226	87,440	71,752
Payables to related parties	1,253	298	1,102	1,326	11	10	2,366	1,634
Bank loans	110,663	142,907	133,782	131,045	-	-	244,445	273,952
Segment liabilities	**124,833**	**153,330**	**212,961**	**196,533**	**1,400**	**1,545**	**339,194**	**351,408**
Non-allocated liabilities							38,793	34,318
Total liabilities							**377,987**	**385,726**

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

	Production of pharmaceutical products		*Distribution of pharmaceutical products (goods)*		*Other*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Capital expenditures	10,228	8,674	9,418	1,475	697	419	20,343	10,568
Depreciation and amortisation	13,322	13,990	6,239	5,865	865	630	20,426	20,485
Non-monetary expenses, other than depreciation and amortisation	3,677	3,906	(2,478)	188	-	-	1,199	4,094

The distribution of Group revenue *by type and by geographic area* is as follows:

	Bulgaria		*Europe*		*Other countries*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Sales of finished products	86,113	86,263	140,884	154,619	19,864	18,491	246,861	259,373
Sales of goods	531,316	498,693	96,575	82,241	232	210	628,123	581,144
	617,429	**584,956**	**237,459**	**236,860**	**20,096**	**18,701**	**874,984**	**840,517**

The carrying amount as at 31 December 2015 of Group's non-current assets other than financial instruments, *distributed by geographic area*, is as follows:

	Bulgaria		*Europe*		*Other countries*		*Total*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Property, plant and equipment	293,743	276,445	21,027	22,244	235	348	315,005	299,037
Intangible assets	15,306	8,782	8,765	4,446	56	42	24,127	13,270
Goodwill	6,830	6,094	4,545	4,824	-	-	11,375	10,918
Investment property	9,363	9,407	1,199	1,199	-	-	10,562	10,606
	325,242	**300,728**	**35,536**	**32,713**	**291**	**390**	**361,069**	**333,831**

The total revenue from transaction with the largest clients of the Group and the respective business segment is as follows:

	2015	***%***	***2014***	***%***
	BGN '000		***BGN '000***	
Client 1	152,621	17%	133,387	16%

Client 1 is an association of a group of enterprises with similar business characteristics, which are under common control by the Bulgarian state.

42. FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Group 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 Group.

The financial risks are currently identified, measured and monitored through various control mechanisms in order to establish adequate prices for the finished products and services of the Group companies 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 management of the parent company and respectively, the managing bodies of the subsidiaries, in line with the policy defined by the Board of Directors of the parent. The Board of Directors 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.

The structure of financial assets and liabilities is as follows:

	31.12.2015	***31.12.2014***
	BGN '000	***BGN '000***
Financial assets	***292,729***	***291,536***
Loans and receivables, including:	**284,991**	**284,568**
Receivables and loans *(Notes 21, 22, 24, 25 and 26)*	261,877	259,269
Cash and cash equivalents *(Note 27)*	23,114	25,299
Available-for-sale financial assets *(Note 20)*	**7,424**	**6,968**
Financial assets at fair value through profit *(Note 26)*	**314**	**-**
Financial liabilities	***339,389***	***352,061***
Financial liabilities at amortised cost	**339,389**	**352,061**
Short-term and long-term bank loans *(Notes 29 and 34)*	244,445	273,952
Other loans and liabilities *(Notes 32, 33, 35, 36 and 39)*	94,944	78,109

Foreign currency risk

The Group companies perform their operations with active exchange with foreign suppliers and clients and therefore, they are exposed to currency risk.

The Group through the companies in Belarus and Ukraine carries out business in these countries and, therefore, has significant exposure in BYR and UAH. The currency risk is related with the adverse floating of the exchange rate of these currencies 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 rest of the companies abroad perform sales mainly to the local markets, which leads to currency risk to their currencies as well – Serbian Dinar (RSD), Polish Zloty (PLN), Lithuanian Lit (LTL), US Dollar (USD), British Pound (GBP) and Kazakhstani Tenge (KZT).

Most operations of the Group companies are usually denominated in BGN and the fact that the BGN is fixed to the EUR reduces the potential currency volatility for the companies of the Group.

To control foreign currency risk, there is an implemented system in the whole Group for planning import supplies, sales in foreign currency as well as procedures for daily monitoring of US dollar exchange rates and control on pending payments. The exposures of almost all subsidiaries in Bulgaria to foreign currency risk are insignificant because almost all sales are performed to the local market in Bulgarian Levs (BGN). The import of goods is performed mainly in Euro (EUR). The loans denominated in a foreign currency have been granted mainly in EUR.

The assets and liabilities of the Group denominated in BGN and presented by a foreign currency are as follows:

31.12.2015	***in BGN***	***in EUR***	***in BYR***	***in UAH***	***in USD***	***in other currency***	***Total***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Available-for-sale financial assets	5,529	1,553	-	-	342	-	7,424
Financial assets at fair value through profit	314	-	-	-	-	-	314
Loans and receivables, including:	185,120	66,247	11,759	7,471	6,214	8,180	284,991
Receivables and loans	*170, 093*	*64,738*	*10,753*	*5,784*	*4,805*	*5,704*	261,877
Cash and cash equivalents	*15,027*	*1,509*	*1,006*	1,687	*1,409*	*2,476*	23,114
Total financial assets	**190,963**	**67,800**	**11,759**	**7,471**	**6,556**	**8,180**	**292,729**
Short-term and long-term bank loans	67,933	167,293	9,148	-	-	71	244,445
Other loans and liabilities	27,673	40,227	20,945	272	4,024	1,803	94,944
Total financial liabilities	**95,606**	**207,520**	**30,093**	**272**	**4,024**	**1,874**	**339,389**

31.12.2014	***in BGN***	***in EUR***	***in BYR***	***in UAH***	***in USD***	***in other currency***	***Total***
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Available-for-sale financial assets	4,745	1,256	2	-	960	5	6,968
Loans and receivables, including:	178,768	81,115	12,596	4,624	2,265	5,200	284,568
Receivables and loans	*163,111*	*78,645*	*11,316*	*2,004*	*1,430*	*2,763*	259,269
Cash and cash equivalents	*15,657*	*2,470*	*1,280*	*2,620*	*835*	*2,437*	25,299
Total financial assets	**183,513**	**82,371**	**12,598**	**4,624**	**3,225**	**5,205**	**291,536**
Short-term and long-term bank loans	97,229	173,322	2,064	-	55	1,282	273,952
Other loans and liabilities	21,867	40,037	7,194	481	3,633	4,897	78,109
Total financial liabilities	**119,096**	**213,359**	**9,258**	**481**	**3,688**	**6,179**	**352,061**

Foreign currency sensitivity analysis

The foreign currency sensitivity of the Group exposures is mainly related with the Ukrainian Hryvnia (UAH) and the Belarusian Ruble (BYR). With regard to the other currencies in which the Group operates or in which other companies of the Group operate (Serbian Dinar, Polish Zloty, US Dollar and Kazakhstani Tenge) the foreign currency risk of the Group is limited, because their exposures in these currencies are relatively small and are more easily regulated by the managing bodies of the respective subsidiaries.

The effect of foreign currency sensitivity to 10 % increase/decrease in current exchange rates of BGN to Belarusian Ruble (BYR), Ukrainian Hryvnia (UAH), US Dollar (USD) and in general to the other foreign 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 consolidated financial result and on the equity of the Group.

	2015			**2014**		
	BYR	**UAH**	**USD**	**BYR**	**UAH**	**USD**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Financial result	(1,650)	648	214	301	373	(334)
Retained earnings	(1,650)	648	214	301	373	(334)

In case of 10 % increase in the rate of BYR to BGN, the final effect on Company's post-tax profit for 2015 would be an increase by BGN 1,650 thousand (7.3%), and for 2014 – an increase by BGN 301 thousand (1.5%). The effect in terms of value on Group's equity – through the component 'retained earnings' – would be the same. The Group analyses the currency exposure in this currency and undertakes timely measures to reduce its effects on the results of the Group.

In case of 10% increase (2014: 10%) in the exchange rate of UAH to BGN, the ultimate impact on the (post-tax) profit of the Group for 2015 would be an increase by BGN 648 thousand (2.9%), and for 2014 – an increase by BGN 373 thousand (1.9%). The effect in terms of value on Group's equity – through the component 'retained earnings' – would be the same.

In case of 10% increase (2014: 10%) of USD to BGN, the ultimate impact on the (post-tax) profit of the Group for 2015 would be an increase by BGN 214 thousand (0.9%), and for 2014 – a decrease by BGN 334 thousand (1.4%). The effect in terms of value on Group's equity – through the component 'retained earnings' – would be the same.

Respectively, on 10% decrease in the exchange rates of UAH, BYR and USD to BGN, the ultimate impact on the (post-tax) profit of the Group would be equal and reciprocal of the stated above.

'Other currencies' include mainly: BGN 2,930 thousand in PLN net financial assets, BGN 2,530 thousand in RSD net financial assets (2014: BGN 1,294 thousand in PLN net financial assets, BGN 1,870 thousand in RSD net financial assets).

The impact of the remaining currencies (other than the Ukrainian Hryvnia, Belarusian Ruble, USD and Euro for 2015) on Group's (post-tax) profit in case of 10% increase in their exchange rates to the Bulgarian Lev is as follows:

	2015		**2014**	
	PLN	**RSD**	**PLN**	**RSD**
	BGN '000		**BGN '000**	
Financial result	237	215	105	106
Retained earnings	237	215	105	106

Respectively, on 10% decrease in the exchange rates of the Polish Zloty and Serbian Dinar to the Bulgarian Lev, the ultimate impact on the (post-tax) profit of the Group would be equal and reciprocal of the stated above.

The effect on equity is of the same amount and in a direction of a decrease and reflects in the component 'retained earnings'.

Group's management is of the opinion that the presented above currency sensitivity analysis based on the balance sheet structure of foreign currency denominated assets and liabilities is representative for the usual currency sensitivity of the Group for the reporting year.

Price risk

The Group companies are exposed to price risk of inventories based on three main factors:

(a) a possible increase of purchase prices of raw materials and consumables, since a significant portion of the raw materials used are imported and they represent a significant share of production costs;

(b) a possible increase in supplier prices of goods; and

(c) the growing competition on the Bulgarian pharmaceutical market, affecting the prices of pharmaceuticals.

For the purpose of mitigating this influence, the management of the Group applies a strategy aimed at optimisation 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.

The Group is exposed to a significant price risk also with regard to the shares held thereby, classified as available-for-sale investments, mostly through the parent company. 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, the management has taken a decision for a 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 Group'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 consolidated 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 Group 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 Group works on its main markets with counterparts with history of their relations on main markets, which include a big number of licensed Bulgarian and foreign traders of pharmaceuticals.

The cooperation with the state hospitals also requires the implementation of deferred payments policy. There is a concentration of significant credit risk in this type of counterparts that form 44% of Group's trade receivables (31 December 2014: 48%). It is mitigated through implemented procedures for selection and current monitoring of the liquidity and financial stability of these trade partners. On delay in payments of the receivables from these counterparts, the Group has set a period of 30 days after which it starts activities for collection of receivables. With regard to *clients – hospitals*, in case of 30 days of delay after the date on which the credit period expires, interest for delay is being charged and if delinquencies are not settled after further 30 days, a meeting with the management is arranged for the purpose of signing rescheduling agreement. If the agreement is not complied with, legal proceedings are initiated. With regard to *clients – pharmacies*, in case of a 5-day delay after the expiry of the credit period, the subsequent sales under deferred payment terms are suspended. If delinquencies are not settled up yo the 45th day, all sales are ceased and negotiations are held for concluding an agreement. If the agreement is not complied with, legal proceedings are initiated.

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

The credit policy of the Group envisages that every new client shall be investigated with regard to its creditworthiness prior to being offered the standard terms of supply and payment.

The analysis, performed by the Group, includes but is not limited to visits to clients' premises, but also – collection of information on monthly turnovers and in some cases a promissory note is required in favour of the Group company for 130% - 135% of the credit granted. These limits are reviewed on a monthly basis. The clients that cannot cover the creditworthiness criteria may perform purchases in cash.

As at 31 December 2015, the Group has concentration in trade receivables from a single counterpart that exceeds 10% of the total amount of trade receivables as presented in the consolidated statement of financial position. The concentration of the first five clients with regard to trade receivables of the Group is as follows:

	31.12.2015	*% credit exposure to total trade receivables*	*31.12.2014*	*% credit exposure to total trade receivables*
	BGN '000	%	***BGN '000***	%
Client 1	20,638	10%	19,637	7%
Client 2	16,786	8%	16,595	7%
Client 3	12,740	6%	15,083	6%
Client 4	6,675	3%	5,156	4%
Client 5	6,010	3%	4,446	3%

Collectability of receivables is controlled directly by the Executive, Finance and Trade Director of the parent company and, respectively, by the managing bodies of the subsidiaries. Their responsibility is to provide operating control and regulate receivables in conformity with the actual market situation and the needs of the Group. The Group 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 management of the Group currently monitors and regulates the concentration of receivables by client and counterpart in total for the Group.

The financial resources of the Group as well as the settlement operations are concentrated mainly in different first-class banks. To distribute cash flows among them, the management of the parent company and the subsidiaries take into consideration a great deal of factors, as the amount of capital, reliability, liquidity, the credit potential and rating of the bank etc.

Liquidity risk

The liquidity risk is the adverse situation when the Group encounters difficulty in meeting unconditionally its obligations within their maturity.

The Group generates and maintains a significant volume of liquid funds. An internal source of liquid funds for the Group is its main economic activity of its companies generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. To isolate any possible general liquidity risk, the group 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 supplemented by current monitoring of the maturities of assets and liabilities, control over cash outflows and ensuring their current balancing with inflows, including renegotiation of maturities and optimisation of debt structure, increase and internal restructuring of self-generated funds and their investment.

Maturity analysis

The table below presents the financial non-derivative liabilities of the Group, classified by remaining term to maturity, determined against the contractual maturity at the consolidated financial statements date. 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 2015	*up to 1 month*	*1 to 3 months*	*3 to 6 months*	*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*
Short-term and long-term bank loans	27,768	20,866	31,504	131,994	13,479	4,367	2,409	**252,387**
Other loans and liabilities	40,430	42,271	9,786	1,415	622	1,180	-	**95,704**
Total liabilities	**68,198**	**63,137**	**41,290**	**133,409**	**14,101**	**25,547**	**2,409**	**348,091**

31 December 2014	*up to 1 month*	*1 to 3 months*	*3 to 6 months*	*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*
Short-term and long-term bank loans	22,568	10,735	41,326	156,166	17,254	25,662	9,848	**283,559**
Other loans and liabilities	31,846	29,380	895	1,544	4,448	118	10,214	**78,445**
Total liabilities	**54,414**	**40,115**	**42,221**	**157,710**	**21,702**	**25,780**	**20,062**	**362,004**

Risk of interest-bearing cash flows

Interest-bearing assets are in the structure of Company's are: cash, bank deposits and loans granted at fixed interest rate. On the other hand, the borrowings of the Group 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 Group partially dependent on interest risk. This risk is covered in two ways:

(a) optimisation of resources and structure 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, are maintained in a proportion favourable for the Group companies. The fixed 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 managing bodies of the Group companies together with the management of the parent currently monitor and analyse the exposure of the respective company to the changes in interest levels. Simulations are carried out for various scenarios of refinancing, renewal of existing positions, and alternative financing. The impact of a defined interest rate shift, expressed in points or percentage, on the financial result and equity is calculated based on these scenarios. For each simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

Interest analysis *31 December 2015*	*interest-free* *BGN '000*	*with floating interest %* *BGN '000*	*with fixed interest %* *BGN '000*	*Total* *BGN '000*
Available-for-sale financial assets	7,424	-	-	7,424
Loans and receivables, including:	201,117	7,568	76,620	285,305
Receivables and loans	*191,267*	*15*	*70,909*	*262,191*
Cash and cash equivalents	*9,850*	*7,553*	*5,711*	*23,114*
Total financial assets	**208,541**	**7,568**	**76,620**	**292,729**
Short-term and long-term bank loans	988	233,288	10,169	244,445
Other loans and liabilities	91,716	2,729	499	94,944
Total financial liabilities	**92,704**	**236,017**	**10,668**	**339,389**

Interest analysis *31 December 2014*	*interest-free* *BGN '000*	*with floating interest %* *BGN '000*	*with fixed interest %* *BGN '000*	*Total* *BGN '000*
Available-for-sale financial assets	6,968	-	-	6,968
Loans and receivables, including:	182,612	12,957	88,999	284,568
Receivables and loans	*179,869*	*15*	*79,385*	*259,269*
Cash and cash equivalents	*2,743*	*12,942*	*9,614*	*25,299*
Total financial assets	**189,580**	**12,957**	**88,999**	**291,536**
Short-term and long-term bank loans	3,331	270,468	153	273,952
Other loans and liabilities	75,054	2,610	445	78,109
Total financial liabilities	**78,385**	**273,078**	**598**	**352,061**

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

Increase / decrease in interest rate	***Impact on post-tax financial result and equity profit/(loss)***	
	2015 **BGN'000**	**2014** **BGN'000**
Increase	(1,114)	(1,246)
Decrease	1,114	1,246

Capital risk management

The capital management objectives of the Group 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. Analogous approach is applied also at the level of a separate Group company with regard to its capital structure and financing.

The Group currently monitors capital availability and structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by the total amount of employed capital. Net debt is calculated as total borrowings (current and non-current ones) as presented in the consolidated statement of financial position less cash and cash equivalents. Total employed capital is equal the sum of equity (including non-controlling interest) and net debt.

It is a characteristic feature for both presented periods that the Group finances its operations both through its own generated profit and by maintaining a certain level of trade and other current payables and loans (bank, commercial ones). In 2015, the strategy of the parent company management was to maintain the ratio within 35-45 % at a Group level (2014: 35-45%). The table below shows the gearing ratios based on capital structure as at 31 December:

	2015 ***BGN '000***	***2014*** ***BGN '000***
Total borrowings, including:	**247,470**	**276,997**
Bank loans	244,445	273,952
Loans and finance lease liabilities	3,025	3,045
Less: Cash and cash equivalents	**(23,114)**	**(25,299)**
Net debt	**224,356**	**251,698**
Total equity of the Group	**457,638**	**431,637**
Total capital of the Group	**681,994**	**683,335**
Gearing ratio	**0.33**	**0.37**

The liabilities shown in the table are disclosed in *Notes 28, 29, 32 and 34.*

Fair values

The fair value concept presumes realisation of the financial instruments through sales. However, in most cases especially in regard of trade receivables and payables as well as loans and deposits with banks, the Group expects to realise these financial assets also through their total refund or respectively, settlement over time. Therefore, they are presented at 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 consolidated statement of financial position based on market value (deposits placed with banks, 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 no sufficient market experience, stability and liquidity exist in regards of purchases and sales of certain financial assets and liabilities, still no adequate and reliable quotes of market prices are available thereof.

The management of the parent company 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.

43. ACQUISITIONS AND INCREASING THE INTERESTS IN SUBSIDIARIES

43.1. Acquisition of subsidiaries

In 2015, the Group through Sopharma Trading AD established the following companies by contribution for 100% of interest in the capital of the companies.

	date of acquisition	**effective interest %**	**amount of capital contribution**
			BGN '000
Through Sopharma Trading AD			
Sopharmacy EOOD	19.01.2015	72.13%	2,105
Sopharma Trading d.o.o. Belgrade	05.06.2015	72.13%	579*
Through Sopharmacy EOOD			
Sopharmacy 2 EOOD	05.06.2015	72.13%	355
Sopharmacy 3 EOOD	02.12.2015	72.13%	350

** capital of BGN 400 thousand was transferred but registered in 2016*

In 2015, the Group acquired the following new subsidiaries:

	date of acquisition	**effective interest %**	**acquired net assets at fair value**
			BGN '000
Medica AD, including Medica Zdrave EOOD	26.10.2015	66.72%	32,216
Through Sopharma Trading AD			
Pharma Online EOOD	03.12.2015	72.13%	541
Though Briz SIA			
OOO Danapharm	28.02.2015	48.14%	596
OOO Galenapharm	28.02.2015	48.14%	1,366
ODO Medjel	28.02.2015	48.14%	580
ODO Alenpharm-plus	30.06.2015	48.14%	3,631
OOO Farmatea	30.11.2015	33.73%	757

In 2014, the parent company established TOO Sopharma Kazakhstan through contribution at the amount of BGN 502 thousand for 100% of the shares in company's capital. In addition, at 31 December 2014 Sopharma Trading AD transferred an advance payment at the amount of BGN 7 thousand to set up a subsidiary, Sopharmacy EOOD, the registration of which was entered in February 2015.

The principal activities of the acquired subsidiaries are disclosed in *Note 1*.

The carrying amounts and fair values of the net assets on acquisition of new subsidiaries *(Note 2.3.2)* are presented below:

In 2015:

	fair value	*carrying amount*
	BGN '000	***BGN '000***
Property, plant and equipment *(Note 16)*	17,461	16,703
Intangible assets *(Note 17)*	11,929	448
Inventories	8,711	8,711
Other receivables and assets	11,700	11,700
Cash and cash equivalents	1,695	1,695
Loans	(5,319)	(5,318)
Trade payables	(2,258)	(2,258)
Other current liabilities	(4,232)	(2,412)
Total net assets	**39,687**	**29,269**

	Total net assets at:		***Non-controlling interests***	***Share of non-controlling interest***		***Net assets acquired by the Group***	
	fair value	***carrying amount***		***fair value***	***carrying amount***	***fair value***	***carrying amount***
	BGN '000	***BGN '000***	***%***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Medica AD, including Medica Zdrave EOOD	32,216	28,402	33%	10,631	9,373	21,585	19,029
Pharma Online EOOD	541	2	28%	151	1	390	1
OOO Danapharm	596	39	52%	309	20	287	19
OOO Galenapharm	1,366	134	52%	708	69	658	65
ODO Medjel	580	69	52%	301	36	279	33
ODO Alenpharm-plus	3,631	547	52%	1,883	284	1,748	263
OOO Farmatea	757	76	66%	502	50	255	26
	39,687	**29,269**		**14,485**	**9,833**	**25,202**	**19,436**

The investment price on the acquisition of subsidiaries and the resulting goodwill at the date of the transaction for acquisition of control by the parent company itself were as follows:

In 2015:

The Group, through Sopharma Trading AD, contributed share of the capital of Sopharmacy EOOD – BGN 2,105 thousand, Sopharmacy 2 EOOD – BGN 355 thousand, Sopharmacy 3 EOOD – BGN 350 thousand, Sopharma Trading d.o.o. Belgrade – BGN 579 thousand.

In addition, the Group has also the following purchases of subsidiaries:

Acquisition cost	Medica AD, including Medica Zdrave EOOD	Pharma Online EOOD	OOO Danapharm	OOO Galenapharm	ODO Medjel	ODO Alenpharm-plus	OOO Farmatea	**Total**
	Bulgaria	**Bulgaria**	**Belarus**	**Belarus**	**Belarus**	**Belarus**	**Belarus**	
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Transfer from associates	7,672	-	-	-	-	-	-	7,672
Transfer from available-for-sale investments	-	-	39	86	31	207	-	363
Interest by the acquisition of control date	4,545	-	-	-	-	1,545	-	6,090
Measurement to fair value of previous interest by the date of acquisition of control	(884)	-	21	51	27	(344)	-	(1,129)
Amounts paid in current period	10,839	420	726	1,608	592	2,396	755	17,336
Contingent payment	-	180	-	-	-	-	-	180
Share of the non-controlling interests in the investment on indirect acquisition	-	-	(351)	(779)	(209)	(2,040)	(256)	(3,716)
Total acquisition cost	**22,172**	**600**	**435**	**966**	**360**	**1,764**	**499**	**26,796**
Fair value of the acquired net assets	**(21,495)**	**(541)**	**(287)**	**(658)**	**(279)**	**(1,748)**	**(255)**	**(25,263)**
Goodwill	**677**	**59**	**148**	**308**	**81**	**16**	**244**	**1,533**

Share of the capital of TOO Sopharma Kazakhstan, amounting to BGN 502 thousand, was paid ***in 2014***.

The cash outflows from acquisition of control were as follows:

In 2015:

Cash flows on acquisition of control	Medica AD, including Medica Zdrave EOOD	Pharma Online EOOD	OOO Danapharm	OOO Galenapharm	ODO Medjel	ODO Alenpharm-plus	OOO Farmatea	Total
	Bulgaria	**Bulgaria**	**Belarus**	**Belarus**	**Belarus**	**Belarus**	**Belarus**	
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Consideration paid in cash	10,839	420	726	1608	592	2,396	755	17,336
Cash and cash equivalents in the acquired companies	(1,543)	(28)	(4)	(35)	(12)	(58)	(52)	(1,732)
Cash outflow on acquisition of control, net	**9,296**	**392**	**722**	**1,573**	**580**	**2,338**	**703**	**15,604**

43.2. Increasing interest (purchases of non-controlling interests)

The Group performed the following transactions for purchase of additional shares of non-controlling interests:

In **2015** the Group acquired the following shares:

In 2015 **Increases in interests (purchases of non-controlling interests)**	**transaction date**	**Effective % change in interest**	**acquired net assets**
			BGN '000
Momina Krepost AD	31.10.2015	39.45%	1,883
Sopharma Trading AD	28.02.2015	0.30%	193
Pharmalogistica AD	31.12.2015	1.83%	79
OOO Farmacevt Plus	02.10.2015	9.25%	65
ODO Alean	16.04.2015	17.86%	37
Unipharm AD	31.12.2015	0.14%	32
ODO Vestpharm	23.03.2015	3.31%	24
Phyto Palauzovo AD	31.12.2015	47.51%	13
ODO BelAgroMed	13.03.2015	3.31%	9
SOOO Brizpharm	31.12.2015	0.39%	1
			2,336

In 2014:

Increases in interests (purchases of non-controlling interests)	**transaction date**	**effective % change in interest**	**acquired net assets**
			BGN '000
SIA Briz	31.12.2014	12.99%	3,130
OOO NPK Biotest	31.12.2014	16.00%	368
ODO Vestpharm	31.12.2014	16.47%	171
OOO Farmacevt Plus	31.12.2014	6.63%	69
OOO Tabina	31.12.2014	11.56%	66
ODO BelAgroMed	31.12.2014	16.66%	63
SOOO Brizpharm	31.12.2014	7.66%	45
ODO Alean	31.12.2014	9.22%	38
UAB TBS Pharma	31.12.2014	6.62%	3
Momina Krepost AD	31.12.2014	0.04%	2
SOOO Brititrade	31.12.2014	12.80%	(29)
			3,926

The acquisition cost of the purchased additional shares in 2015, the effects and the cash outflows, relating to these transactions, were as follows:

Increases in interests (purchases of non-controlling interests)	**Total**
	BGN '000
Acquisition cost	
Consideration paid in cash	2,940
Indirect acquisition	827
Share of the non-controlling interests on indirect acquisition	(233)
Total acquisition cost	**3,534**
Fair value of the acquired net assets	(2,336)
Effects assumed by the Group at the account of Group's 'accumulated profits' reserve	1,198
Cash outflow on increases in interests (purchases of non-controlling interests)	**2,940**

The acquisition cost of the purchased additional shares in 2014, the effects and the cash outflows, relating to these transactions, were as follows:

Increases in interests (purchases of non-controlling interests)	**Total**
Acquisition cost	***BGN '000***
Paid through issue of capital	(13,887)
Consideration paid in cash	(426)
Indirect acquisition through investment in a subsidiary	(1,629)
Share of the non-controlling interests on indirect acquisition	260
Total acquisition cost	**(15,682)**
Fair value of the acquired net assets	12,580
Effects assumed by the Group at the account of Group's 'accumulated profits' reserve	(3,102)

Cash outflow on increases in interests (purchases of non-controlling interests)	**(426)**

44. DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES AND DECREASING THE INTERESTS IN SUBSIDIARIES

44.1. Total disposal of subsidiaries and joint ventures

In 2015 the Group reported disposal of its interest in the following subsidiaries:

Company	**Date of sale**	**Effective interest % disposed**	**Effective interest % retained**
Extab Corporation, USA	14.05.2015	75.00%	5.00%
Extab Pharma Limited, United Kingdom	14.05.2015	75.00%	5.00%

In 2014 the Group reported disposal of its interest in the following subsidiary:

Company	**Date of sale**	**Effective interest %**
ZAO Interpharm	31.12.2014	36.96%

The net assets of the disposed of company are presented as follows:

Disposal with loss of control		
Date of disposal of interest	**31.12.2015**	**31.12.2014**
	BGN '000	***BGN '000***
Property, plant and equipment *(Note 16)*	-	71
Intangible assets *(Note 17)*	-	522
Inventories	-	807
Other receivables and assets	96	60
Cash and cash equivalents	10	25
Deferred tax liabilities		(104)
Trade payables	(21)	(228)
Other payables and liabilities	(571)	(102)
Net assets	**(486)**	**1,051**

The financial result from the disposal of the subsidiary is as follows:

	2015	*2014*
	BGN '000	*BGN '000*
Consideration received	3,285	395
Receivable	3,258	-
Fair value of retained interest	290	1,765
	6,833	**2,160**
Less:		
Net assets written-off	486	(1,051)
Goodwill	-	(12)
Share of non-controlling interests	(97)	464
Gain on disposal of a subsidiary	**7,222**	**1,561**

Net cash flows on disposal of a subsidiary	*BGN '000*	*BGN '000*
Consideration received	3,285	395
Less:		
Cash	(10)	(25)
Net cash flows on disposal of a subsidiary	**3,275**	**370**

44.2. Decreasing interests (sales of non-controlling interests)

In 2015:

Decreases in interests (sales of non-controlling interests)	**transaction date**	**effective % change in interest**	**net assets sold**
			BGN '000
Sopharma Trading AD	31.12.2015	0.06%	(39)
SOOO Brititrade	31.12.2015	13.23%	650
			611

Decreases in interests (sales of non-controlling interests)	**Total** *BGN '000*
Proceeds from partial disposal of shares in Group's subsidiaries	489
including advance paid in a prior period	*325*
Carrying amount of the net assets at the date of partial disposal of shares in subsidiaries	611
Cash inflow on partial disposal of shares in subsidiaries	**114**

In 2014:

Decreases in interests (sales of non-controlling interests)	**transaction date**	**% change in interest**	**net assets sold**
			BGN '000
Sopharma Trading AD	31.12.2014	-4.03%	(2,523)
Sopharma Buildings REIT	31.12.2014	-2.14%	(31)
Unipharm AD	31.12.2014	-0.09%	(22)
			(2,576)

Decreases in interests (sales of non-controlling interests)	**Total**
	BGN '000
Proceeds from partial disposal of shares in Group's subsidiaries	5,045
Carrying amount of the net assets at the date of partial disposal of shares in subsidiaries	(2,576)
Effects assumed by non-controlling interests at the account of Group's 'retained earnings' reserve	**2,469**
Received advance payment for partial disposal of shares in Group's subsidiary	540
Cash inflow on partial disposal of shares in subsidiaries	**5,585**

45. RELATED PARTY TRANSACTIONS

Related parties	***Relation type***	***Relation period***	
Telecomplect Invest AD	Main shareholding company	2015	2014
Donev Investments AD	Main shareholding company	2015	2014
Sopharma Properties REIT	Company related through a main shareholder	2015	-
Sopharma Properties REIT	Company under a common indirect control	-	2014
Sofprint Group AD	Company related through a main shareholder	2015	-
Sofprint Group AD	Company under a common indirect control	-	2014
Elpharma AD	Company related through key managing personnel	2015	-
Elpharma AD	Company under a common indirect control	-	2014
Telso AD	Company related through key managing personnel	2015	2014
Telecomplect AD	Company related through key managing personnel	2015	2014
DOH Group	Company related through key managing personnel	2015	2014

Related party transactions are as follows:

Supplies from related parties:	*2015*	*2014*
	BGN '000	*BGN '000*
Supply of inventories from:		
Companies related through a main shareholder	8,577	-
Associates	567	-
Companies under a common indirect control through key managing personnel	373	294
Companies under a common indirect control	-	10,472
	9,517	**10,766**
Supply of services from:		
Companies under a common indirect control through key managing personnel	3,349	4,275
Companies related through a main shareholder	2,619	-
Main shareholding companies	227	250
Companies under a common indirect control	1	2,842
	6,196	**7,367**
Supply of property, plant and equipment from:		
Companies under a common indirect control through key managing personnel	20	435
	20	**435**
Supplies for acquisition of non-current assets:		
Companies under a common indirect control through key managing personnel	7,000	3,099
	7,000	**3,099**
	22,733	**21,670**

Sales to related parties	*2015*	*2014*
	BGN '000	*BGN '000*
Sales of inventories to:		
Associates	7,431	-
Companies under a common indirect control through key managing personnel	6,601	4,897
Joint ventures	2,986	2,762
Companies related through a main shareholder	783	-
Companies under a common indirect control	-	1,847
	17,801	**9,506**

Sales of services to:		
Companies under a common indirect control through key managing personnel	404	322
Companies under a common indirect control	133	90
Companies related through a main shareholder	42	-
Associates	21	14
	600	**426**
Other sales to:		
Companies under a common indirect control through key managing personnel	2	67
	2	**67**
Interest on loans granted:		
Companies under a common indirect control through key managing personnel	2,603	2,239
Companies under a common indirect control	-	336
	2,603	**2,575**
	21,006	**12,574**

The accounts and balances with related parties are disclosed in *Notes 21, 25 and 39.*

The composition of key management personnel of the Group includes the disclosed in Note 1 Executive Director and the members of the Board of Directors of the parent company. Additionally, it includes the Executive Directors, the members of Boards of Directors and the General Managers of the subsidiaries in the Group.

Salaries and other benefits of key managing personnel amount to BGN 4,771 thousand (2014: BGN 4,508 thousand) and are as follows:

- current wages and salaries – BGN 4,300 thousand (2014: BGN 4,195 thousand);
- tantieme – BGN 471 thousand (2014: BGN 313 thousand).

46. SUMMARISED INFORMATION ON SUBSIDIARIES

The table below presents the groups of subsidiaries depending on the availability of lack of non-controlling interests (NCI):

	31.12.2015 number	**31.12.2014 number**
Subsidiaries entirely owned by the Group	4	5
Subsidiaries with non-controlling interests material for the Group	10	9
Subsidiaries with non-controlling interests immaterial for the Group	23	14
	37	**28**

The table below presents information on the share, which the material non-controlling interest have in the operations of the Group:

Country and subsidiary	***NCI share in ownership / Voting rights share held by NCI (if different from the share in ownership)***		***Profit / (loss) distributed to NCI***		***NCI at 31 December***	
	31.12.2015	**31.12.2014**	**2015**	**2014**	**31.12.2015**	**31.12.2014**
	%	%	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Bulgaria						
Sopharma Trading AD	27.87	28.11	3,190	2,991	18,132	17,598
Unipharm AD	47.94	48.22	193	416	11,384	11,955
Medica AD	33.28	-	97	-	10,793	-
Pharmalogistica AD	21.63	23.46	(39)	(23)	935	1,053
Momina Krepost AD	7.22	46.67	(12)	(50)	345	2,306
Bulgarian Rose Sevtopolis AD	-	50.01	-	469	-	12,633
			3,429	3,803	41,589	45,545
Latvia						
SIA Briz	33.87	33.87	300	224	12,829	12,593
Serbia						
Ivančić and Sinovi D.o.o.	49.00	49.00	1,384	1,052	5,280	4,775
Belarus						
ODO Alenpharm-plus	51.86	-	(328)	-	1,275	-
OOO NPK Biotest	53.71	53.71	(55)	20	830	1,235
SOOO Brititrade	48.09	34.86	(2,969)	408	(2,367)	197
			(3,352)	428	(262)	1,432
Immaterial NCI			(812)	(711)	6,269	3,193
Total			**949**	**4,796**	**65,705**	**67,538**

The table below presents summarised financial information on subsidiaries having non-controlling interests material for the Group. The amounts, presented in the table, are before the elimination of intragroup balances and transactions and after adjustments made to reflect differences in the Group accounting policies and the accounting base, as well as the effects of valuation of assets and liabilities at fair value at the acquisition date.

Financial indicators	***Sopharma Trading AD***	***Unipharm AD***	***Medica AD***	***SIA Briz***	***Ivančić and Sinovi d.o.o.***	***ODO Alenpharm-plus***	***Pharma-logistica AD***	***Momina Krepost AD***	***OOO NPK Biotest***	***SOOO Brititrade*****
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Summarised statement of financial position as at 31 December 2015										
Current assets	225,514	8,739	15,043	33,367	7,389	4,043	346	2,427	1,502	21,521
Non-current assets	31,750	18,374	21,566	36,400	5,319	3,149	4,193	2,952	1,846	7,662
Current liabilities	(187,988)	(1,528)	(2,370)	(31,197)	(1,788)	(128)	(25)	(303)	(1,751)	(34,082)
Non-current liabilities	(4,227)	(1,839)	(1,809)	(692)	(145)	(4,605)	(193)	(303)	(51)	(23)
Equity attributable to:	**65,049**	**23,746**	**32,430**	**37,878**	**10,775**	**2,459**	**4,321**	**4,773**	**1,546**	**(4,922)**
Equity holders of the parent	*46,917*	*12,362*	*21,637*	*25,049*	*5,495*	*1,184*	*3,386*	*4,428*	*716*	*(2,555)*
Non-controlling interests	*18,132*	*11,384*	*10,7993*	*12,829*	*5,280*	*1,275*	*935*	*345*	*830*	*(2,367)*
Summarised statement of comprehensive income for the year ended 31 December 2015										
Revenue	603,280	18,269	3,497	33,683	16,266	3,232	168	4,080	5,268	53,534
Net profit for the year attributable to:	**11,443**	**402**	**291**	**887**	**2,825**	**(633)**	**(182)**	**(161)**	**(102)**	**(6,173)**
Equity holders of the parent	*8,253*	*209*	*194*	*587*	*1,441*	*(305)*	*(143)*	*(149)*	*(47)*	*(3,204)*
Non-controlling interests	*3, 090*	*193*	*97*	*300*	*1,384*	*(328)*	*(39)*	*(12)*	*(55)*	*(2,969)*
Total comprehensive income for the year attributable to:	**11,328**	**152**	**214**	**887**	**2,825**	**(633)**	**(169)**	**(168)**	**(102)**	**(6,173)**
Equity holders of the parent	*8,170*	*79*	*143*	*587*	*1,441*	*(305)*	*(132)*	*(156)*	*(47)*	*(3,204)*
Non-controlling interests	*3,158*	*73*	*71*	*300*	*1,384*	*(328)*	*(37)*	*(12)*	*(55)*	*(2,969)*
Dividends paid to non-controlling interests	(2,497)	(577)	-	(64)	(879)	-	-	-	-	-
Summarised statement of cash flows for the year ended 31 December 2015										
Net cash flows from/(used in) operating activities	22,462	2,412	1,050	1,240	2,600	59	(182)	328	646	4,928
Net cash flows from/(used in) investing activities	(6,729)	(1,164)	(445)	(1,410)	(313)	-	(3)	(18)	(663)	(9,246)
Net cash flows from/(used in) financing activities	(13,576)	(1,196)	155	239	(3,010)	-	-	(305)	(14)	4,273
Effects of restatements for foreign subsidiaries and hyperinflationary economies	-	-	-	-	(12)	(15)	-	-	(19)	(29)
Net increase/(decrease) in cash and cash equivalents	**2,157**	**52**	**760**	**68**	**(735)**	**44**	**(185)**	**5**	**(50)**	**(74)**

Summarised statement of cash flows for the year ended 31 December 2015

Financial indicators	***Sopharma Trading AD***	***Unipharm AD***	***Medica AD***	***SIA Briz***	***Ivančić and Sinovi d.o.o.***	***ODO Alenpharm-plus***	***Pharmalogistica AD***	***Momina Krepost AD***	***OOO NPK Biotest***	***SOOO Brititrade*****
Net cash flows from/(used in) operating activities	**(4,951)**	**2,861**	**1,868**	**374**	**3,091**	**-**	**(14)**	**287**	**622**	**(1,016)**
Net cash flows from/(used in) investing activities	**(1,215)**	**(1,610)**	**(1,718)**	**(7,743)**	**(82)**	**-**	**(102)**	**(78)**	**(518)**	**15**
Net cash flows from/(used in) financing activities	**5,797**	**(975)**	**-**	**7,005**	**(1,572)**	**-**	**-**	**(207)**	**(133)**	**772**
Effects of restatements for foreign subsidiaries and hyperinflationary economies	**-**	**-**		**2**	**(140)**	**-**	**-**	**-**	**(10)**	**22**
Net increase/(decrease) in cash and cash equivalents	**(369)**	**276**	**150**	**(362)**	**1,297**	**-**	**(116)**	**2**	**(40)**	**(207)**

This is a translation from Bulgarian of the consolidated financial statements of Sopharma Group for year 2015.

47. EVENTS AFTER THE REPORTING PERIOD

On 18 January 2016, by virtue of Art. 149, para 6 of the Public Offering of Securities Act, Sopharma AD filed a commercial proposal for the purchase of all shares of Medica AD from the other shareholders.

On 18 February 2016 the Group purchased 31,05% of the shares of Medika AD and as a result its interest increased to 97.77%.

On 19 January 2016, Sopharma Trading AD concluded a factoring agreement with recourse with Societe Generale Factoring EOOD. The factoring limit is BGN 20 million. By this agreement the Company releases collateral at the amount of BGN 23,469,960, including BGN 11,734,980 – pledge on goods and BGN 11,734,980 – pledge on receivables.

On 21 January 2016, Sopharma AD deposited in the Financial Supervision Commission an agreement for termination by common consent of the contract for transformation through a merger, signed between Sopharma AD and Momina Kreport AD. The decision for termination of the procedure was taken in the interest of both parties and for the purpose of keeping their good market positions.

On 4 February 2016 the Group restructured its ownership in the subsidiary OOO Farmatea, Belarus by selling 49% of the shares of OOO Farmatea to OOO Farmacevt Plus (through Briz Ltd, Latvia). There is no change in the status of the company for the Group.

On 16 February 2016, the Group, through its subsidiary SOOO Brititrade, increased its interest in the capital of the associate OOO Mobil Line to 80% and as a result the latter acquired the status of a subsidiary.

On 24 February 2016 the Group purchased 10,25% of the shares of SOOO Brizpharm (through Briz Ltd, Latvia) and as a result its interest increased to 46,19%.

By resolution No 60638/23.03.2016 of the Ministry of Justrice of Romania, Medica Balkans EOOD, a subsidiary of Medica AD, was deleted from the Commercial Register of Romania, considered as from 24 March 2016.