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Annual Consolidated Activity Report
Independent Auditor's Report
Consolidated Financial Statements

CHIMIMPORT AD

31 December 2011

CHIMIMPORT
PUBLIC HOLDING COMPANY

Contents

	Page
Annual consolidated activity report	**-**
Independent auditor's report	**-**
Consolidated statement of financial position	**1**
Consolidated statement of comprehensive income	**3**
Consolidated statement of changes in equity	**4**
Consolidated statement of cash flows	**6**
Notes to the consolidated financial statements	**7**

CHIMIMPORT PUBLIC HOLDING COMPANY

Consolidated statement of financial position as at 31 December

	Note	31.12.2011 BGN'000	31.12.2010 BGN'000	31.12.2009 BGN '000
Assets				
Non-current assets				
Property, plant and equipment	9	526 230	550 630	587 442
Investment property	11	92 554	55 678	54 350
Investments accounted for using the equity method	7	167 558	102 494	105 524
Goodwill	12	42 140	46 993	49 250
Other intangible assets	13	81 221	56 914	45 884
Long-term financial assets	14	1 342 702	1 226 814	1 108 843
Long-term related party receivables	47	2 181	3 439	11 354
Deferred tax assets	15	2 120	2 311	2 503
Non-current assets		2 256 706	2 045 273	1 965 150
Current assets				
Inventories	16	36 204	32 651	34 262
Short-term financial assets	17	1 379 739	1 071 875	675 739
Related party receivables	47	266 675	206 798	88 127
Trade receivables	18	146 621	157 948	151 997
Tax receivables	19	4 654	5 083	7 314
Other receivables	20	209 299	327 370	161 199
Cash and cash equivalents	21	1 021 696	681 959	437 801
Current assets		3 064 888	2 483 684	1 556 439
Assets classified as held for sale	22	30 601	33 476	6 535
Total assets		**5 352 195**	**4 562 433**	**3 528 124**

Prepared by: ______________________ **Executive director:** ______________________
/A. Kerezov/ **/I. Kamenov/**

Date: 29 April 2012

Audited according to the auditor's report dated 2 May 2012:

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №032 "Грант - Торнтон" ООД

ХИМИМПОРТ АД СОФИЯ

The accompanying notes on pages from 7 to 146 form an integral part of the consolidated financial statements.

CHIMIMPORT PUBLIC HOLDING COMPANY

Consolidated statement of financial position as at 31 December (continued)

Equity and liabilities	Note	31.12.2011 BGN'000	31.12.2010 BGN'000	31.12.2009 BGN'000
Equity				
Share capital	23.1	230 345	229 759	229 862
Share premium	23.2	225 643	219 761	219 995
Other reserves	23.3	70 917	(3 124)	(9 093)
Retained earnings		558 803	506 531	380 630
Profit for the year		111 681	132 234	129 610
Equity attributed to the shareholders of parent company		**1 197 389**	**1 085 161**	**951 004**
Non-controlling interests		216 844	217 796	195 339
Total equity		**1 414 233**	**1 302 957**	**1 146 343**
Specialized reserves	**24**	**138 486**	**119 967**	**106 751**
Liabilities				
Non-current liabilities				
Long-term financial liabilities	25	719 811	855 309	614 523
Payables to secured persons	26	424 466	353 798	120 976
Long-term trade payables	27	22 318	23 178	24 317
Long-term related party payables	47	2 037	826	-
Finance lease liabilities	10.1	19 870	26 126	32 899
Pension and other employee obligations	28.2	2 188	2 118	2 206
Other liabilities	30	1 204	2 326	2 725
Provisions		387	387	383
Deferred tax liabilities	15	21 869	21 637	19 396
Non-current liabilities		**1 214 150**	**1 285 705**	**817 425**
Current liabilities				
Short-term financial liabilities	25	2 377 693	1 506 223	1 260 153
Trade payables	27	80 539	234 624	106 815
Short-term related party payables	47	22 024	25 630	7 452
Finance lease liabilities	10.1	6 538	8 814	10 083
Pension and other employee obligations	28.2	12 573	12 588	13 480
Tax liabilities	29	10 260	13 512	13 765
Other liabilities	30	75 690	52 413	45 857
Current liabilities		**2 585 317**	**1 853 804**	**1 457 605**
Liabilities held for sale		9	-	-
Total liabilities		**3 799 467**	**3 139 509**	**2 275 030**
Total equity, reserves and liabilities		**5 352 195**	**4 562 433**	**3 528 124**

Prepared by: ____________________ **Executive director:** ____________________

/A. Kerezov/ /I. Kamenov/

Date: 29 April 2012

Audited according to the auditor's report dated 2 May 2012:

ХИМИМПОРТ АД СОФИЯ

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №032 "Грант Торнтон" ООД

CHIMIMPORT PUBLIC HOLDING COMPANY

Consolidated statement of comprehensive income for the year ended 31 December

	Note	2011 BGN'000	2010 BGN'000
Income from non-financial activities	31	477 879	636 783
Expenses for non-financial activities	32	(421 667)	(557 357)
Change in fair value of investment property	33	43 083	(1 714)
Gain/(Loss) on sale of non-current assets	34	30 838	(2 353)
Net result from non-financial activities		**130 133**	**75 359**
Insurance income	35	323 650	289 963
Insurance expense	36	(298 588)	(275 972)
Net insurance result		**25 062**	**13 991**
Interest income	37	220 353	199 819
Interest expense	38	(145 293)	(113 255)
Net interest income		**75 060**	**86 564**
Gains from transactions with financial instruments	39	286 435	298 826
Losses from transactions with financial instruments	40	(244 111)	(178 925)
Net result from transactions with financial instruments		**42 324**	**119 901**
Administrative expenses	41	(188 981)	(167 346)
Gains from purchases	42	-	6 940
Dividend income		2 227	1 193
Share of profit from equity accounted investments	7	10 899	8 995
Other financial income	43	43 011	29 064
Allocation of income to secured persons		(11 127)	(16 770)
Profit before tax		**128 608**	**157 891**
Tax expense	44	(6 005)	(9 011)
Net profit for the period		**122 603**	**148 880**
Other comprehensive income			
Share of other comprehensive income of associates		-	(3 323)
Gains from financial assets		182	5 566
Total comprehensive income		**122 785**	**151 123**
Profit for the year attributable to:			
the shareholders of Chimimport AD		111 681	132 234
non-controlling interests		10 922	16 646
Total comprehensive income attributable to:			
the shareholders of Chimimport AD		111 746	134 428
non-controlling interests		11 039	16 695
Basic earnings per share in BGN	45	0.7586	0.9122
Diluted earnings per share in BGN	45	0.5122	0.6099

Prepared by: ______________________ **Executive director:** ______________________

/A. Kerezov/ **/I. Kamenov/**

Date: 29 April 2012

Audited according to the auditor's report dated 2 May 2012:

ХИМИМПОРТ АД СОФИЯ

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №032 "Грант - Торнтон" ООД

The accompanying notes on pages from 7 to 146 form an integral part of the consolidated financial statements.

CHIMIMPORT PUBLIC HOLDING COMPANY

Consolidated statement of changes in equity for the year ended 31 December

All amounts are presented in BGN'000	Equity attributable to the shareholders of Chimimport AD					Non-controlling interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Adjusted balance at 1 January 2011	**229 759**	**219 761**	**(3 124)**	**638 765**	**1 085 161**	**217 796**	**1 302 957**
Increase in share capital and reserves resulting from sale of treasury shares by subsidiaries	795	6 181	-	-	6 976	-	**6 976**
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(209)	(299)	-	-	(508)	-	**(508)**
Business combinations			(12 854)	6 870	(5 984)	(11 991)	**(17 975)**
Transactions with owners	**586**	**5 882**	**(12 854)**	**6 870**	**484**	**(11 991)**	**(11 507)**
Profit for the year	-	-	-	111 681	111 681	10 922	**122 603**
Other comprehensive income							
Share of other comprehensive income of associates	-	-	-	(39)	(39)	39	**-**
Gains from financial assets	-	-	104	-	104	78	**182**
Total comprehensive income for the year	**-**	**-**	**104**	**111 642**	**111 746**	**11 039**	**122 785**
Transfer of retained earnings to other reserves	-	-	86 791	(86 791)	-	-	**-**
Other changes	-	-	-	(2)	(2)	-	**(2)**
Balance at 31 December 2011	**230 345**	**225 643**	**70 917**	**670 484**	**1 197 389**	**216 844**	**1 414 233**

Prepared by: ______________________
/A. Kerezov/

Executive director: ______________________
/I. Kamenov/

Date: 29 April 2012

Audited according to the auditor's report dated 2 May 2012

Специализирано одиторско предприятие София Рег. №032 "Грант - Торнтон" ООД

ХИМИМПОРТ София

CHIMIMPORT
PUBLIC HOLDING COMPANY

Consolidated statement of changes in equity for the year ended 31 December (continued)

All amounts are presented in BGN'000	Equity attributable to the shareholders of Chimimport AD					Non-controlling interest	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2010	**229 862**	**219 995**	**(9 093)**	**532 649**	**973 413**	**195 339**	**1 168 752**
Changes in accounting policy, note 5	-	-	-	(22 409)	(22 409)	-	(22 409)
Adjusted balance at 1 January 2010	229 862	219 995	(9 093)	510 240	951 004	195 339	1 146 343
Increase in share capital and reserves resulting from sale of treasury shares by subsidiaries	131	383	-	-	514	-	514
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(234)	(617)	-	-	(851)	-	(851)
Business combinations	-	-	452	(386)	66	5 762	5 828
Transactions with owners	**(103)**	**(234)**	**452**	**(386)**	**(271)**	**5 762**	**5 491**
Profit for the year	-	-	-	132 234	132 234	16 646	148 880
Other comprehensive income							
Share of other comprehensive income of associates	-	-	-	(3 323)	(3 323)	-	(3 323)
Gains from financial assets	-	-	5 517	-	5 517	49	5 566
Total comprehensive income for the year	**-**	**-**	**5 517**	**128 911**	**134 428**	**16 695**	**151 123**
Balance at 31 December 2010	**229 759**	**219 761**	**(3 124)**	**638 765**	**1 085 161**	**217 796**	**1 302 957**

Prepared by: ______________ /A. Kerezov/

Executive director: ______________ /I. Kamenov/

Date: 29 April 2012

Audited according to the auditor's report dated 2 May 2012:

ХИМИМПОРТ АД София

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №032 "Грант Торнтон" ООД

CHIMIMPORT PUBLIC HOLDING COMPANY

Consolidated statement of cash flows for the year ended 31 December

	Note	31.12.2011 BGN'000	31.12.2010 BGN'000
Proceeds from short-term loans		195 840	267 516
Payments for short-term loans		(192 030)	(195 481)
Proceeds from sale of short-term financial assets		630 191	185 617
Purchase of short-term financial assets		(627 706)	(226 816)
Cash receipt from customers		453 072	661 265
Cash paid to suppliers		(421 245)	(559 495)
Proceeds from secured persons		89 187	90 292
Payments to secured persons		(22 164)	(28 329)
Payments to employees and social security institutions		(97 928)	(112 103)
Cash receipts from banking operations		43 689 240	44 187 527
Cash paid for banking operations		(43 213 525)	(43 822 002)
Cash receipts from insurance operations		148 970	149 747
Cash paid for insurance operations		(79 756)	(77 751)
Income taxes paid		(13 096)	(9 355)
Other cash outflows		(23 029)	(9 358)
Net cash flow from operating activities		**516 021**	**501 274**
Investing activities			
Net payments for acquisition of subsidiaries		(640)	(322)
Dividends received		685	955
Sale of property, plant and equipment		26 767	8 400
Purchase of property, plant and equipment		(34 904)	(13 594)
Purchase of intangible assets		(1 920)	(506)
Sale of investment property		18	265
Purchase of investment property		(7 518)	(2 345)
Sale of non-current financial assets		503 871	131 022
Purchase of non-current financial assets		(782 496)	(176 472)
Interest payments received		46 562	34 038
Proceeds from loans granted		71 818	105 758
Payments for loans granted		(75 216)	(300 281)
Other cash (outflows)/ inflows		(2 091)	13 390
Net cash flow from investing activities		**(255 064)**	**(199 692)**
Financing activities			
Dividends paid on preference shares		(3 706)	(8 506)
Sale of treasury shares		9 055	1 022
Proceeds from loans received		166 427	50 117
Payments for loans received		(65 620)	(57 774)
Interest paid		(19 861)	(29 951)
Payments for finance leases		(5 807)	(11 248)
Other cash inflows/(outflows)		(538)	(860)
Net cash flow from financing activities		**79 950**	**(57 200)**
Exchange losses on cash and cash equivalents		(1 170)	(224)
Cash and cash equivalents, beginning of year		681 959	437 801
Net change in cash and cash equivalents		340 907	244 382
Cash and cash equivalents, end of year	21	**1 021 696**	**681 959**

Prepared by: ____________________
/A. Kerezov/

Executive director: ____________________
/I. Kamenov/

Date: 29 April 2012

Audited according to the auditor's report dated 2 May 2012:

ХИМИМПОРТ • АД • СОФИЯ

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №032 "Грант - Торнтон" ООД

Notes to the consolidated financial statements

1. Nature of operations

Chimimport AD was registered as a joint-stock company at Sofia city court on 24 January 1990. The address of the Company's registered office is 2 St. Karadja Str., Sofia, Bulgaria.
The Company is registered on the Bulgarian Stock Exchange – Sofia on 30 October 2006.

Chimimport AD (The Group) includes the parent company and all subsidiaries, presented in note 6.1. Information about the names, country of incorporation and percent of the shares of the subsidiaries, included in the consolidation, is provided in note 6.1.

The Group is engaged in the following business activities:

- Acquisition, management and sale of shares in Bulgarian and foreign companies;
- Financing of companies in which interest is held;
- Bank services, finance, insurance and pension insurance;
- Securitization of real estate and receivables;
- Extraction of oil and natural gas;
- Construction of output capacity in the area of oil-processing industry, production of biodiesel and production of rubber items;
- Production and trading with oil and chemical products;
- Production of vegetable oil, purchasing, processing and trading with grain foods;
- Aviation transport and ground activities on servicing and repairing of aircrafts and aircraft engines;
- River and sea transport and port infrastructure;
- Commercial agency and brokerage;
- Commission, forwarding and warehouse activity.

The parent company has a two-tier management structure consisting of a Supervisory Board and a Managing Board.

The members of the Supervisory Board are as follows:
Chimimport Invest AD
CCB Group EAD
Mariana Bazhdarova

The members of the Supervisory Board are as follows:
Alexander Kerezov
Ivo Kamenov
Marin Mitev
Nikola Mishev
Miroliub Ivanov
Tzvetan Botev

The parent company is represented by its executive directors Ivo Kamenov and Marin Mitev, together and separately.

As at 31 December 2011 the Group has 5 688 employees (2010: 6 524 employees; 2009: 6 524 thousand).

The ultimate owner of the Group that prepares consolidated financial statements is Chimimport Invest AD registered in Bulgaria. Its shares are not listed on a stock exchange.

2. Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

The financial statements are the consolidated statements of the Company. The parent company has released its separate financial statements on 31 March 2011.

The separate elements of the consolidated financial statements of the Group are in the currency of the main economic environment in which it carries out its activities ("functional currency"). The consolidated financial statements are presented in Bulgarian leva (BGN), which is the functional currency of the parent company. This is also the functional currency of the parent company and all subsidiary companies, excluding those operating in the Netherlands, Germany and Slovakia, which functional currency is Euro and the subsidiaries operating in Macedonia, which functional currency is Macedonian denars. The representation currency of the Group is Bulgarian leva.

All amounts are presented in thousand Bulgarian leva (BGN'000) (including the comparative information for 2010 and 2009) unless otherwise stated.

The consolidated financial statements are prepared under the going concern principle.

As at the date of preparation of the financial statements, the management has assessed the ability of the Group to continue performing its main activity on going concern basis based on available information for foreseeable future. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated annual report and accounts.

3. Changes in accounting policies

3.1. Overall considerations

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning 1 January 2011:

- Annual Improvements to IFRSs 2010 effective from 1 January 2011 unless otherwise stated, adopted by the EU on 18 February 2011.

Significant effects on current, prior or future periods arising from the first-time application of these new requirements in respect of presentation, recognition and measurement are described as follows:

Annual Improvements to IFRSs 2010 effective from 1 January 2011 unless otherwise stated, adopted by the EU on 18 February 2011:
-IFRS 7 amendment clarifies the disclosure requirements of the standard to remove inconsistencies, duplicative disclosure requirements and specific disclosures that may be misleading.

-IAS 1 amendment clarifies that entities may present the required reconciliations for component of other comprehensive income either in the statement of changes in equity or in the notes to the consolidated financial statements.

The following standards, amendments and interpretations to existing standards, are not relevant to the business activities of the Group and have no effect on the consolidated financial statements:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (amended) – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters – effective from 1 July 2010, adopted by the EU on 30 June 2010;
- IAS 24 "Related Party Disclosures" (amended) effective from 1 January 2011, adopted by the EU on 19 July 2010;
- IAS 32 "Financial Instruments: Presentation" (amended) effective from 1 February 2010, adopted by the EU on 24 December 2009;
- IFRIC 14 "Prepayments of a Minimum Funding Requirement" (amended) effective from 1 January 2011, adopted by the EU on 19 July 2010;

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" effective from 1 July 2010, adopted by the EU on 23 July 2010.

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below.

IFRS 7 "Financial Instruments: Disclosures" – Derecognition, effective from 1 July 2011, not yet adopted by the EU
The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

IFRS 9 "Financial Instruments" effective from 1 January 2013, not yet adopted by the EU
IFRS 9 "Financial instruments" represents the first milestone in the comprehensive IASB project to replace IAS 39 "Financial instruments: Recognition and measurement" by the end of 2010. It replaces multiple measurement categories in IAS 39 with a single principle-based approach to classification. IFRS 9 requires all financial assets to be measured at either amortised cost or full fair value. Amortised cost provides decision-useful information for financial assets that are held primarily to collect cash flows that represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value represents the most relevant measurement basis. IFRS 9 eliminates the need for multiple impairment models; such that only one impairment model for financial assets carried at amortised cost will be required.

IFRS 10 "Consolidated Financial Statements" effective from 1 January 2013, not yet adopted by the EU

IFRS 10 "Consolidated Financial Statements" introduces a new, principle-based definition of control which will apply to all investees to determine the scope of consolidation.

IFRS 12 "Disclosure of Interests in Other Entities" effective from 1 January 2013, not yet adopted by the EU
IFRS 12 "Disclosure of Interests in Other Entities" is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other unconsolidated structured entities.

IFRS 13 "Fair Value Measurement" effective from 1 January 2013, not yet adopted by the EU
IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Standard clarifies that fair value is based on a transaction taking place in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. The principal market is the market with the greatest volume and level of activity for the asset or liability.

IAS 1 "Financial Statement Presentation" – Other Comprehensive Income, effective from 1 July 2012, not yet adopted by the EU
The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately.
The title used by IAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'. However IAS 1 still permits entities to use other titles. Early adoption is permitted and full retrospective application is required.

IAS 12 "Income Taxes" – Deferred Tax, effective from 1 January 2012, not yet adopted by the EU
Currently IAS 12 "Income Taxes" requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 "Investment Property". Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21 "Income taxes- recovery of revalued non-depreciable assets", would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

IAS 19 "Employee Benefits" effective from 1 January 2013, not yet adopted by the EU
These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. 'Actuarial gains and losses' are renamed 'remeasurements' and will be recognised immediately in 'other comprehensive income'. Remeasurements recognised in other comprehensive income will not be recycled through profit or loss in subsequent periods. The amendments should be applied retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'.

IAS 28 "Investments in Associates and Joint Ventures" (Revised) effective from 1 January 2013, not yet adopted by the EU
IAS 28 "Investments in Associates and Joint Ventures" (Revised) continues to prescribe the mechanics of equity accounting. Changes to its scope have however been made as a result of the publication of IFRS 11"Joint Arrangements".

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IAS 27 "Separate Financial Statements" (Revised) effective from 1 January 2013, not yet adopted by the EU
IFRS 1 "First-time Adoption of International Financial Reporting Standards" (amended) – Fixed dates and Hyperinflation, effective from 1 July 2011, not yet adopted by the EU
IFRS 11 "Joint Arrangements" effective from 1 January 2013, not yet adopted by the EU

IFRIC 20 "Stripping costs in the production phase of a surface mine" effective from 1 January 2013, not yet adopted by the EU.

4. Summary of accounting policies

4.1. Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below.

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2. Presentation of consolidated financial statements

The consolidated financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements" (revised 2007). The Group has elected to present the consolidated statement of comprehensive income as a single statement.

Two comparative periods are presented for the consolidated statement of financial position when the Group:

(i) applies an accounting policy retrospectively,

(ii) makes a retrospective restatement of items in its consolidated financial statements, or

(iii) reclassifies items in the consolidated financial statements.

The Group presents comparative information for two comparative periods due to change in accounting policy related to investment property measurement. Further information regarding the changes in accounting policy is presented in note 5. When necessary, the comparative information is reclassified and/or recomputed, so that consistency with changes in presentation for the current year is achieved.

4.3. Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2011. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The parent company obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealized gains and losses on transactions between Group companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit and loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When the Group ceases to have control of a subsidiary, any retained interest in the entity is measured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The profit or loss on disposal is calculated as the difference between i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and ii) the previous carrying amount of the assets including goodwill and liabilities of the subsidiary and any non-controlling interest.

4.4. Business combinations

Business combinations are accounted for using the purchase method. For business combinations occurring since 1 January 2010, the requirements of IFRS 3R have been applied (see note 6). The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree that is present ownership interests and entitles their holders to a proportionate share of the entity's net assets in the event of liquidation.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair value of any identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if the interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period which cannot exceed one year from the acquisition date or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not measured until it is finally settled within equity. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Prior to 1 January 2010, business combinations were accounted under the previous version of IFRS 3.

4.5. Transactions with non-controlling interests

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are treated as transactions with equity owners of the Group. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the parent company.

4.6. Investments in associates and joint ventures

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control. They are accounted for using the equity method.

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method. The cost of the investment includes transaction costs.

Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the Group's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within 'Share of profit/ (loss) from equity accounted investments' in profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Unrealized gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a group perspective.

Amounts reported in the financial statements of associates and jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the sum of the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

4.7. Foreign currency translation

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the BGN (the Group's presentation currency) are translated into BGN upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into BGN at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into BGN at the closing rate.

4.8. Segment reporting

The Group operates in the following operating segments:

- production, trade and services
- finance sector
- transport sector
- real estate property sector
- construction and engineering sector

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under IFRS 8 "Operating Segments" are the same as those used in its consolidated financial statements.

Group assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Information about the results of the separate segments that is regularly reviewed by the chief operating decision maker does not include isolated unrepeated events. Finance income and costs are also not included in the results of operating segments which are regularly reviewed by the chief operating decision maker.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. No asymmetrical allocations have been applied between segments.

4.9. Revenue

Revenue comprises revenue from the sale of goods and the rendering of services from any of the business segments of the Group. Revenue from major products and services is shown in note 31. Revenue from non-financial activities, note 3334. Gains from sale of non-current assets, note 35 Insurance income, note 37. Interest revenue, note 39. Gains from transactions with financial instruments.

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and rebates, allowed by the Group. In case of similar assets with similar values are exchanged, the transaction is not recognized as generating income.

Revenue is recognized, provided all of the following conditions are satisfied:

- the amount of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the costs incurred or to be incurred can be measured reliably; and
- when the criteria for each of the Group's different activities has been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are described below.

4.9.1. Sale of goods

When selling goods revenue is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods supplied. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

4.9.2. Rendering of services

Revenue from rendering of services is recognized when the outcome of the transaction can be measured reliably.

4.9.3. Bank activities

4.9.3.1. Interest revenue and expenses

Interest revenue and expenses are recognized on a time proportion basis using the effective interest rate method as the difference between the amount at initial recognition of the respective asset or liability and the amount at maturity is amortized.

For loans granted by the Bank and amounts owed to depositors, where the interest is calculated on a daily basis by applying the contracted interest rate to the outstanding balance, the effective interest rate is considered to be approximately equal to the contracted interest rate due to the nature of the contractual terms.

Interest earned as a result of securities held for trade or securities available-for-sale is recognized as interest revenue. Interest revenue includes the amount of amortization of any discount, premium or other difference between the initial cost of debt securities and their amount at maturity.

Upon acquisition of an interest-bearing security, the interest accrued as of the acquisition date is accounted for as interest receivable.

4.9.3.2. Fees and commissions

Fees and commissions consist mainly of fees for payment transactions in BGN and in foreign currency, fees for granting and management of loans, opening of letters of credit and issuance of guarantees. Fees and commissions are recognized when the service is performed.

Commissions arising from foreign currency transactions are reported in the statement of comprehensive income on their receipt. Fees and commissions for granting and management of loans, when considered to be part of the effective income, are amortized during the loan term and are recognized as current financial income during the period by adjusting the effective interest income.

4.9.4. Insurance activities

Revenue recognition from premiums over insurance contracts is based on the amount, due by the insured (insuring) person for the whole term of the insurance, which the Group has the right to receive according to insurance contracts signed during the accounting period and for insurances with terms covering whole or parts of the next accounting period.

Reinsurance premiums from inward reinsurance are recognized as revenue based on the premiums due in the accounting period from assignors in connection with reinsurance contracts.

In case of co-insurance revenue is recognized only for the insurer's part from the whole amount of premiums.

Premiums signed away to reinsurers for common insurance include premiums due to reinsurers according to reinsurance contracts for reinsurance of risks over signed during the period contracts on direct insurance and inward reinsurance. The reinsurance premiums, which are not paid as at reporting date, are accounted for as payables.

The amounts that are subject to reimbursement from the reinsurer in relation to the claims paid during the period by the insurer, are accounted for as reinsurer's share including the case in which the settlement of the relations with reinsurers occurs in following accounting period.

Premiums signed away to reinsurers include the premiums payable to the reinsurers for the reporting period in relation to reinsurance contracts for reinsurance of risks over signed during the period contracts, as well as reinsurance of risks related to the premium periods starting during the reporting period.

The reinsurance premiums, which are not paid as of the balance sheet date, are reported as payables.

4.9.5. Aviation activity

Revenue from sales of airline tickets is recognized when the transportation service is rendered.

When the sale of airplane tickets includes loyalty customers' incentives, the consideration received from the customer is allocated between the components of the arrangement using fair values. Revenue of such sales is recognized when the client exchanges the incentives for goods provided by the Company.

4.9.6. Pension insurance activities

Revenue related to pension insurance activities is recognized by the fair value of the received or receivable remuneration. The revenue is recognized when the service is completed or when the risk is transferred to the customer. The pension funds of the Group recognize as revenue the fees from Voluntary Pension Fund (VPF), Universal Pension Fund (UPF), and Professional Pension Fund (PPF).

4.9.7. Health insurance activities

The Group recognizes as revenue premiums from health insurance contracts based on the payment due to the insured person or the insurer for the all covered period and also in the cases when the covered period covered the next reporting period. The negotiated health insurance contracts, depending on their duration, can be separated on long-term contracts and short-term contracts. The short-term contracts ensured health insurance defense for the fixed period and give an opportunity the condition of the contract to be corrected at the end of the negotiated date, for example the sum of health insurance premium or the range over the payment. For the recognized revenue of health insurance premiums are formed health insurance reserves in accordance with ZOTP, which bear the respective risks of the health insurance packages to a sufficient extend.

When according to the health insurance contract premiums are due by installments, each future installment recognized as revenue as at the date of the statement of financial position is reflected as a receivable.

4.9.8. Revenue from government grants

Revenue from government grants is recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grant will be received.

Revenue from government grants is recognized over the periods in which the related costs for which the grants are intended to compensate are recognised as expenses.

Government grants related to depreciable assets are recognized as revenue over the useful life of a depreciable asset by reduced depreciation charges.

4.9.9. Interest and dividend income

Interest income is reported on an accrual basis using the effective interest method. Dividend income, other than those from investments in associates, is recognized at the time the right to receive payment is established.

4.10. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

4.11. Interest expenses and borrowing costs

Interest expenses are reported on an accrual basis using the effective interest method.

Borrowing costs primarily comprise interest on the Group's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'Interest expenses'.

4.12. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. See note 4.4 for information on how goodwill is initially determined. For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is carried at cost less accumulated impairment losses. Refer to note 4.16 for a description of impairment testing procedures.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.13. Intangible assets

Intangible assets include trademarks, licenses and patents, software products, relations with clients, research and development products, assets for research and valuation of mineral resources and other. They are accounted for using the cost model. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the consolidated statement of comprehensive income for the respective period.

Subsequent expenditure on an intangible asset after its purchase or its completion is expensed as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives are reviewed at each reporting date.

Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- software 2-5 years
- trade marks 6-7 years
- property rights 5-7 years
- licenses 7 years
- certificates 5 years
- industrial property rights 27 - 30 years
- others 7 - 10 years

Amortization has been included in the consolidated statement of comprehensive income within 'Amortization of non-financial assets', included in item Expenses for non-financial activities and Administrative expenses.

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss within 'Gain/ (Loss) from sale of non-current assets'.

4.14. Property, plant and equipment

Items of property, plant and equipment are initially measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

After initial recognition, the property, plant and equipment is carried at its cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Impairment losses are recognized in the consolidated statement of comprehensive income for the respective period.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance. All other subsequent expenditure is recognized as incurred.

Residual values and useful lives of property, plant and equipment are reviewed by the management at each reporting date.

Property, plant and equipment acquired under finance lease agreement, are depreciated based on their expected useful life, determined by reference to comparable assets or based on the period of the lease contract, if shorter.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

• Buildings	25 years
• Machines	3-5 years
• Fixtures and fittings	from 4 to 25 years
• Vehicles	from 4 to 10 years
• Aircrafts	10 years
• Engines	from 10 to 12 years
• Marine vessels	30 years
• Equipment	7 years
• Others	7 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within 'Gain/(Loss) on sale of non-current assets'.

4.15. Leases

Lessee

In accordance with IAS 17 "Leases", the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The finance lease liabilities are reduced by subsequent lease payments, which consist of repayment of principal and finance costs.

Assets acquired under the terms of finance lease are depreciated or amortized in accordance with IAS 16 "Property, Plant and Equipment" or IAS 38 "Intangible Assets".

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Lessor

Assets subject to operating lease agreements are presented in the consolidated statement of financial position and are depreciated and amortized in accordance with the depreciation and amortization policy of the Group for similar assets and with the requirements of IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". Income from operating lease contracts is recognized on a straight-line basis in the consolidated statement of comprehensive income for the reporting period.

Assets held under a finance lease agreement are presented in the consolidated statement of financial position as a receivable at amount equal to the net lease investment. The sales revenue from assets is recognized in the consolidated income statement for the reporting period. The recognition of the finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding.

4.16. Impairment testing of assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All assets and cash-generating units are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.17. Investment property

The investment property of the Group includes buildings held to earn rentals and/or for capital appreciation, and are accounted for using the cost model.

The investment property is initially measured at cost, which comprises the purchase price and any directly attributable expenses, e. g. legal fees, property transfer taxes and other transaction costs.

The investment property is revalued annually and is included in the consolidated statement of financial position at its open market value. This is determined by an independent valuer with professional qualification and significant experience with respect to both the location and the nature of the investment property and supported by sufficient market evidence.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognized in profit or loss within 'Operating revenue'.

Subsequent expenditure relating to investment property, which is already recognized in the Group's financial statements, is added to the carrying amount of the investment property when it is probable that this expenditure will enable the existing investment property to generate future economic benefits in excess of its originally assessed value. All other subsequent expenditure is recognized as incurred.

The investment property is derecognized upon its sale or permanent withdrawal from use in case that no future economic benefits are expected from its disposal. Gains or losses arising from the disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Depreciation is calculated using the straight-line method over the estimated useful life of the buildings, which is 25 years.

Rental income and operating expenses from investment property are reported within 'Revenue from non-financial activity' and 'Expenses for non-financial activities' respectively, and are recognized as described in note 4.9 and note 11.

4.18. Assets of exploration and evaluation of mineral resources

The exploration and evaluation of the mineral resources of the Group is related to the search and exploration of crude oil and natural gas. After being granted the rights for these activities, all corresponding expenses are capitalized initially in a specific "Block".

The Group recognizes as exploration and evaluation assets all accrued expenses in the process of search of resources, exploration with commercial purpose, expenses that can be related directly to specific exploration area "Block", for which the Group has permission for search and exploration, issued by the state. These expenses include at least the following types:

- Acquisition of exploration rights
- Topographic, geologic, geochemical and geophysical exploration
- Exploration drilling
- Probing for analysis
- Activities, related to evaluation of technical execution and commercial applicability of the extraction of mineral resources.

All expenses made before the permission for search and exploration are assigned to the gain or loss for the period, they were incurred in.

Exploration and evaluation assets of mineral resources can be classified as follows:

- Permission for search and exploration, issued by MEW and MEE, in compliance with the Mineral Resources Act and the related taxes.
- All expenses for topographic, geological, geochemical and geophysical exploration, exploration drilling, digging work, probing for an analysis and other activities, related to the evaluation of the technical execution and the commercial applicability of the extracted mineral resources, as well as other expenses for exploration and evaluation, which are made for a specific area, for which the Group has a permission to explore, are also capitalized. These expenses also include employee remuneration, materials and used fuel, expenses for logistics and payments to suppliers.

The exploration and evaluation expenses of mineral resources are capitalized and recognized as intangible assets until the technical feasibility and trade application of the mineral resource are determined. After proving the technical feasibility and trade application of the discovered mineral resource, the cost of exploration and evaluation are transformed in "Property, plant and equipment".

All capitalized expenses are reviewed technically, financially and on a management level, at least annually, with the purpose of confirmation of the continuation of the exploration activities and benefiting from the discovery, as well as for impairment testing. In case that the Group does not intend to continue the exploration activities or indications for impairment are identified, the expenses are written-off.

The exploration and evaluation assets of the mineral resources are measured at cost at their initial recognition. The elements of their cost include the search and evaluation activities.

"The search activities" - means activities with the purpose of discovery of oil accumulation. The search include, without being limited to, geological, geophysical, photographic, geochemical and other analyses, studying and explorations, as well as drilling, further deepening, abandonment or besiege and perforation, as well as testing of searching drillings for oil discovery, and the purchase, renting or acquisition of such resources, materials, equipment for such activities, which can be included in the approved annual working projects and budgets.

"Evaluation activities" - means evaluation works (part of the search) and working program for evaluation, being done after the discoveries, aiming to outline the natural reservoir, to which the discovery is related, in terms of thickness and lateral distribution, and evaluation of the extractable quantities in it, and should include, without being limited to, geological, geophysical, photographic, geochemical and other analyses.

4.19. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All financial assets are recognized on their transaction date.

Financial assets and financial liabilities are subsequently measured as described below.

4.19.1. Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss regardless of the measurement of the financial assets are presented within 'Finance costs', 'Finance income' or 'Other financial items', except for impairment of trade receivables which is presented within 'Expenses for non-financial activities'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available feature of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group. Impairment of trade receivables are presented within 'Other expenses', included in line 'Expenses for non-financial activity'.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Group has the intention and ability to hold them until maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they do not have fixed date of payment. Changes in fair value are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, net of income taxes, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income'. Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Impairment for uncollectibility regarding the banking activity of the Group.

The financial assets are impaired in the presence of an indication of impairment: information for financial difficulties; contractual breach; restructuring of the debt; exclusion of the securities from the Stock exchange.

Available-for-trading financial assets are tested for impairment, regarding the preparation of the annual consolidated financial statements, as far as the impairment has not reflected on the revaluation as at the date of the annual financial statements. When conditions for impairment are present, a recoverable value of the financial assets is determined. If the expected recoverable value is smaller than the gross carrying amount, an impairment test is performed, and the carrying amount of the financial assets is reduced to their recoverable value. The difference is accounted for as current financial expense and a reduction of the value of financial assets.

Available-for-sale financial assets measured at their fair value are tested for impairment, regarding the consolidated financial statements, as far as the impairment is not reflected in the revaluation as at the date of the consolidated financial statements. When there are conditions present for impairment, a recoverable value is determined. If the expected recoverable value is less than the gross carrying amount, an impairment test is performed as follows:

- if no revaluation reserve is formed as at the date of impairment – the difference between the gross carrying amount and the expected recoverable value is reflected as current financial expense and reduction of the value of financial assets.
- if revaluation reserve is formed as at the date of impairment, which has a positive value and is less than the amount of the impairment – in this case the gross carrying amount of the assets and the value of the revaluation reserve (which remains zero) is reduced by the part of the impairment up to the value of the revaluation reserve. The remaining part of the impairment is reflected as current financial expense and reduction of the gross carrying amount of the assets.
- if revaluation reserve is formed as at the date of impairment, which has a negative value – the difference between the carrying amount and the expected recoverable value is reflected as current financial expense and the reduction of the value of the financial asset, and the negative value of the revaluation reserve is transferred, and is reflected on the current financial expenses.
- if revaluation reserve is formed as at the date of impairment, which has a positive value and is larger than the amount of the impairment – in this case the value of the investment is reduced by the value of the revaluation reserve and the part of the impairment.

Financial assets held-to-maturity by the Bank are tested for impairment in relation to the preparation of the consolidated financial statements. Impairment of uncollectibility for owned by the Bank securities, carried at amortized cost, are defined as difference between the gross carrying amount and the present value of the future cash flows, discounted with the initial effective interest rate. If, the present value of the future cash flows of the securities is lower than the gross carrying amount, impairment is performed. The difference is reflected as current financial expense and reduction of the value of the credits. The reduction of impairment of uncollectibility is recognized in the statement of comprehensive income for the current period. Recoverable amounts, previously written-down are recognized as revenue by reduction of the impairment of uncollectibility during the year.

Loans and advance payments, initially recognized within the Bank with fixed maturity, are tested for impairment in regards to the preparation of the annual consolidated financial statements. Impairment of uncollectibility for loans, granted by the Bank, carried at amortized cost, are defined as difference between the gross carrying amount and the present value of the future cash flows, discounted with the initial effective interest rate, if necessary. The management defines the expected future cash flows after review of the individual client receiving the credit, credit exposure and other influencing factors. In case the present value of the future cash flows of the credits is lower than the gross carrying amount, impairment is performed. The difference is reflected as current financial expense and reduces the value of the credits. The reduction of impairment of uncollectibility is recognized in the statement of comprehensive income for the current period. Recovered amounts, previously written-down, are recognized as revenue by reduction of the impairment of uncollectibility during the year. The uncollectable credits and advance payments, which cannot be recovered, are written-down and are net from accumulated impairment for uncollectibility. After all legal procedures are concluded, and when the value of the loss is defined, these credits are written-down.

The Bank has adopted a methodology for the calculation of loans' impairment provisions based on IFRS and in accordance with the bank legislation in Bulgaria. The Bank classifies loans in a few groups. Percentages that exceed the regulations' minimal requirement are applied for loans out of the group of regular loans. The contracted cash flows are decreased by those percentages to determine future cash flows after which they are discounted by the effective interest rate, as stated above. Other specific regulations' requirements are related to conditions for reclassification of invalid loans as valid and the recognition of liquid collateral for the purpose of determining the loan impairment provisions.

The amount of losses which are not specifically identified, but can be expected based on previous experience with loans with similar risk characteristics, is also incurred as a provision expense and the gross carrying amount of the loans is decreased. The losses are evaluated based on historic experience, credit rating of clients and the economic environment of the debtor.

4.19.2. Financial liabilities

The Group's financial liabilities include bank and other loans and overdrafts, trade and other payables and finance lease liabilities.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavorable terms. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'Interest expenses', 'Interest income' or 'Other finance income/ (expenses)'.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Bank loans are raised for support of long-term and short-term funding of the Group's operations. They are recognized in the consolidated statement of financial position of the Group, net of any costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the financial liability to the extent that they are not settled in the period in which they arise.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends payable to shareholders are recognized when the dividends are approved at the general meeting of the shareholders.

4.20. Derivative financial instruments

Derivative financial instruments are recognized initially at fair value and reported as derivatives for trading in the consolidated statement of financial position. The derivatives fair value is based on their market value or similar valuation models. The derivative assets are presented as financial assets held-for-trading, and the derivative liabilities are presented as other liabilities. Changes in the fair value of derivatives designated as held-for-trading are recognized in net income from business operations in the consolidated statement of comprehensive income.

4.21. Receivables and liabilities under repurchase agreements

Receivables and liabilities under repurchase agreements are recognized at cost, which represents the funds placed/obtained by the Bank owned by the Group, secured by the value of the securities. Interest due on the fair value of the funds placed/obtained for the term of the agreement is accounted for and recognized as interest income/expense in the period of its occurrence.

Securities pledged as collateral for repurchase agreements are not derecognized from the statement of financial position of the Group where the risks and rewards of ownership are not transferred.

Securities received as collateral for repurchase agreements are not reported in the statement of financial position of the Group where the risks and rewards of ownership are not transferred.

4.22. Provisions for credit-related contingent liabilities

The amount of provisions for guarantees and other off-balance credit-related commitments is recognized as an expense and a liability when the Group has current legal or constructive obligations, which have occurred as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reasonable estimate of the amount of the liability can be made. Any loss resulting from recognition of provisions for liabilities is reported in the consolidated statement of comprehensive income for the respective period.

4.23. Inventories

Inventories include raw materials, finished goods, work in progress and trading goods. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value. The amount of impairment of inventories to their net realizable value is recognized as an expense for the period of impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realisable value. The reversal of the write-down is accounted for as decrease in inventory expenses for the period in which the reversal takes place.

The Group determines the cost of inventories by using the weighted average cost.

When inventories are sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognized.

4.24. Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.38.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4.25. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current bank accounts, demand deposits, deposits up to 3 months, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents, for the purpose of preparation of the consolidated statement of cash flows, include cash in hand, balances on accounts of the Bulgarian National Bank (BNB) and nostro accounts, which are unrestricted demand deposits at other banks, as well as placement with loans and advances to other banks with a maturity up to 3 months.

4.26. Non-current assets and liabilities classified as held for sale and discontinued operations

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probable, the asset or disposal group is classified as 'held for sale' and presented separately in the consolidated statement of financial position.

Liabilities are classified as 'held for sale' and presented as such in the consolidated statement of financial position if they are directly associated with a disposal group.

Assets classified as 'held for sale' are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some 'held for sale' assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's accounting policy for those assets. No assets classified as 'held for sale' are subject to depreciation or amortization subsequent to their classification as 'held for sale'.

Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as described in note 22.

4.27. Equity, reserves and dividend payments

Share capital of the Group represents the nominal value of shares that have been issued.

Share premium includes any premiums received on the initial and subsequent issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

When the subsidiaries of the Group purchase shares from the parent company of the Group (treasury shares), the paid remuneration, including all inherent taxes, is reduced from the Group's equity, until the shares are sold outside the Group. In case these shares are sold outside the Group, the received remuneration, net of the necessary inherent taxes, is included in the owner's equity.

Other reserves are formed on the base of the requirements of the Commercial act for the formation of legal reserves.

Retained earnings include all current and prior period retained profits and uncovered losses.

All transactions with the owners of the Group are presented separately in the consolidated statement of changes in equity.

4.28. Social security and pension contracts

The pension insurance company of the Group manages and represents three pension funds for supplementary pension insurance – Voluntary, Professional and Universal.

The Voluntary Pension Fund performs supplementary voluntary pension insurance for personal supplementary voluntary pension. The insurance cases covered are: old age, disability and death. Each individual above 16 years of age may insure himself or herself voluntarily.

The pension plans offered are developed upon previously determined insurance installments.

The voluntary insurance payments could be at the expense of the individual itself and/or employer and/or other insurer.

The types of pension plans are:
- Individual pension plan – on the basis of single or periodical installments at the expense of the individual;
- Collective pension plan – on the basis of single or periodical installments at the expense of an employer or other insurer;

The additional pension is for life or over a term period as the chosen type and term of pension is stated in the pension contract when the right to receive the pension is obtained.

The insurance payments are based on:
- Additional pensions for old age and disability;
- Single or periodical disbursement of the funds from individual batches;
- Disbursement if inherited pension;
- Single or periodical disbursements of the remaining funds from an individual batch to the heirs of the insured person or the pensioner.

The amount of the personal supplementary old-age life pension is calculated based on:
- The accumulated funds in the individual batch;
- The technical interest rate;
- Biometric tables.

The right to supplementary pension can be obtained by depositing lump-sum contributions. The amount of the pension is determined based on actuarial reports.

The technical interest rate and the biometric tables are approved by the deputy director of the Financial Supervisory Commission, who is in charge of "Insurance control" department.

The insurance contract is terminated in the following cases:
- When the insured person deceases;
- When the insured person transfers the whole amount of his/her individual batch to a third party or another pension fund;
- When the insured person withdraws the whole amount from his/her individual batch.

The Professional Pension Fund offers periodic professional pensions for early retirement. The professional pension for early retirement is disbursed until the right to length of service and age pension is acquired under the requirements of part one of the Social Security Code (SSC).

The insured persons of the fund have the right to:
- a periodic pension for early retirement when working under the conditions of I and II category labor, according to the labor category.
- Single disbursement of up to 50% of the amount accumulated in the individual batch in the case of permanent loss of working capacity of over 70.99%.
- Single or periodical disbursement of the accumulated funds from an individual batch to the heirs of a deceased insured person or a pensioner of the fund.

The amount of the professional pension for early retirement is calculated based on:
- The accumulated funds in the individual batch;
- The period for the pension disbursement;
- The technical interest rate, approved by the deputy director of the Financial Supervisory Commission.

When acquiring the right to length of service and age pension under requirements of part one of SSC before the period of the professional pension has ended, the remaining funds in the individual batch are disbursed with the last professional pension.

The insurance contract is terminated in the following cases:

- When the insured person deceases;
- When withdraw all accumulated amounts in the individual batch of the insured person after acquiring the right to a length of service and age pension under the requirements of part one of the Social Security Code, if not become entitled to vocational pension under the terms of SSC;
- When the insured person enters an actual insurance contract with a professional pension fund, managed by another pension insurance company, signed with the Group's given consent for change of the fund.

The insurance is realized with monthly cash insurance contributions, the amount of which is determined in SSC as a percentage of the insurance income.

Universal Pension Fund: The supplementary life insurance for old age is based on a contract between the Group and in the insured persons. The choice of a Universal Pension Fund is a result of the official allocation done by National Income Agency.

An insured person has the right to a personal supplementary length of service and age pension from an universal pension fund, when he/she acquires the right to a length of service and age pension under the requirements of part one of SSC, or 5 years before turning the age for receiving pension under the condition that the accumulated funds allow the disbursements of such a pension, not smaller that the size of the minimal length of service and age pension under article 68, paragraph 1-3.

The insured persons of the fund have the right to:

- supplementary life pension for old age after acquiring the right to a length of service and age pension under the requirements of part one of the Social Security Code.
- single disbursement of up to 50% of the amount accumulated in the individual batch in the case of permanent loss of working capacity of over 70.99%.
- single or periodical disbursement of the accumulated funds from an individual batch to the heirs of a deceased insured person or a pensioner of the fund.

The amount of the personal supplementary old-age life pension is calculated based on:

- the accumulated funds in the individual batch;
- the technical interest rate;
- biometric tables.

The technical interest rate and the biometric tables are approved by the deputy director of the Financial Supervisory Commission, who is in charge of "Insurance control" department.

The insurance contract is terminated in the following cases:

- when the insured person deceases;
- when the insured person enters an actual insurance contract with a pension fund, managed by another pension insurance company, signed with the Group's given consent for change of the fund.

The insurance is realized with monthly cash installments. SSC determines their amount as a percentage of the insurance income.

4.29. Specialized reserves for pension insurance activity

With respect to SSC the Group sets aside pension reserves in order to guarantee minimal pay-out from the activity of the supplementary obligator pension insurance. The pension reserves, formed up to now are 1.00% of the assets of the funds. The accumulated reserves are invested according to the SSC requirements.

4.30. Health insurance reserves

The Group allocates health insurance reserves in accordance with the Health Insurance Act and the related sub-delegated legislation. The accumulated reserves are invested in accordance with the Health Insurance Act, by ensuring of security, profitability, and liquidity in compliance with the health insurance contracts.

4.31. Post employment benefits and short-term employee benefits

The Group reports short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected that the leaves will occur within 12 months after the end of the accounting period during which the employees have performed the work related to those leaves. The short-term payables to personnel include wages, salaries and related social security payments.

In accordance with Labor Code requirements, in case of retirement, after the employee has gained the legal right of pension due to years of services and age, the Group is obliged to pay him/her compensation at the amount of up to six gross wages.

The liability recognized in the consolidated statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date together with adjustments for unrecognized actuarial gains or losses and past service costs.

Management estimates the DBO annually with the assistance of independent actuaries. The estimate of its post-retirement benefit obligations is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately.

Interest expenses related to pension obligations are included in 'Interest expenses' in profit or loss. All other post employment benefit expenses are included in 'Employee benefits expense'.

Short-term employee benefits, including holiday entitlement, are current liabilities included in 'pension and other employee obligations', measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

4.32. Insurance operations

The Group applies IFRS 4 – Insurance contracts. The standard defines the requirements for disclosure of the accounting policy and representation of the comparative information with respect to the insurance assets and liabilities as well as income and expenses related to insurance activity. The accounting policy of the Group is taken into consideration with respect to the specificity of the insurance services and the respective legal requirements.

4.33. Insurance contracts

Insurance contracts are those that transfer significant insurance risk over to the Group. The Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event, which are at least 10% higher than the benefits payable if the insured event had not occurred.

Once classified as insurance contracts at the date of the inception, the Group continues to present them as insurance contracts over their lifetime, even if the insurance risk reduces significantly during this period.

4.34. Reinsurance contracts

The Group assumes and cedes to reinsurers some of the risk undertaken in the normal course of business. The expected benefits arising from reinsurers contracts are recognized as assets in the statement of financial position at the time of their occurrence.

The Group performs an impairment review on all reinsurance assents on a regular basis. Reinsurance assets are impaired only if there is objective evidence that the Group may not receive the entire amount due to it under the term of the contract and that this can be measured reliably. The difference is performed as change in the reinsurers' share into a reserve for outstanding payments in the technical statements for the insurance activity.

The Group also performs active reinsurance. The premiums and the collaterals on active reinsurance are accounted together with the registered insurance premiums and the paid gross collaterals on direct insurance operations.

4.35. Insurance reserves

Insurance reserves are formed by the insurance company in order to cover present and future liabilities to insured persons or organizations in accordance with the insurance contract and they are not equity element. Insurance reserves are calculated by the actuary of the Group by the use of actuarial methods, which consist of mathematical and statistical methods and rules. Insurance reserves are presented in gross in the Group's statement of financial position, as well as the reinsurer's portion. When the insurance is denominated in foreign currency, the corresponding reserves are formed in the same currency. The insurance reserves that have been formed during the prior period are recognized as income from released insurance reserves in the current period. The reserves formed at the year-end are recognized as expense for the formation of insurance reserves in the statement of comprehensive income. The insurance reserves referring to the reinsurers' share formed in the prior period are recognized as expense for released insurance reserves in the current period statement of comprehensive income and the reserves formed at the year-end are recognized as income from released insurance reserves in the current period statement of comprehensive income.

4.36. Adequacy test of insurance reserves

An adequacy test is performed by the actuaries to ensure that the reserves, reduced by deferred acquisition costs, are sufficient to meet potential future payments. In accordance with the regulatory requirements the amount of the reserves formed should be completely secured with investments in highly liquid assets (given in percentage, regulated by the applicable acts and regulations).

When performing an adequacy test, the cash flows related to payment of collaterals, cash flows generated by collected premiums, and paid commissions are taken into consideration.

4.37. Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Contingent liabilities are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.38. Significant management judgment in applying accounting policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements. Critical estimation uncertainties are described in note 4.39.

4.38.1. Leases

In applying the classification of leases in IAS 17 “Leases”, management considers its leases of aircrafts, vehicles, property and other assets as finance lease arrangements. In some cases, the lease transaction is not always conclusive, and management uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership.

4.38.2. Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

4.38.3. Held-to-maturity investments

Management has confirmed its intention and ability to hold the bonds that are classified as held-to-maturity investments until they mature. This is based on the Group's current liquidity and capital maintenance requirements and plans.

4.38.4. Lack of control of subsidiaries

The parent company possesses 100 % of the share capital of subsidiary Hemus Air EAD and Air Ban EOOD indirectly through subsidiaries. The entity's ownership interest does not constitute control according to management contract from 2009 for transfer of voting right.

For these reasons the investment in company Hemus Air EAD and Air Ban EOOD has been reclassified as financial asset in accordance with IAS 39.

4.38.5. Revenue from sale of air tickets with expired validity

The Group mainly provides transportation services of passengers in the period the air tickets have been issued for. Revenue from passenger transportation is recognized when the transportation is actually performed. There are cases when the clients do not use their air-tickets and therefore the validity of the ticket expires and it is no longer available for use. In this case the Group writes-off the existing obligation for transportation service as other income. The amount of other income includes the airport fees and taxes related to the expired air ticket. Revenue recognition of tickets and airport fees with expired validity is based on statistical information extracted from the databases maintained by the Company. The management believes that the expiration of the validity of each ticket, when not being used, gives reason for recognition of revenue. This understanding is based on the basic principle for the recognition of revenue, precisely that it is based on actual services rendered.

4.38.6. Revenue from sale of air tickets when the flight has been interrupted and/or rerouted

As a member of the International Air Transport Association – IATA, the Group should follow the rules for air transportation set forth by IATA. According to IATA resolutions 735d and 735e, in cases of involuntary rerouting and/or flight interruptions, the airline company is obliged to issue a FIM (flight interruption manifest). The FIM is valid for a certain flight of the agent airline company that is different from the airline company that has initially issued the original flight ticket.

According to chapter A2, p. 2.6.1 of RAM (Revenue Accounting Manual), when there is a FIM issued, the accepting side (the agent airline company) charges the issuer of the FIM with the applicable full one-way tariff for the respective pair of cities where the transportation has occurred. A FIM can include number of tickets and the obligation should be recognized using the tariff valid for the travel class of each passenger, applicable for the flight date. After receiving the invoice, the receiving airline company (that has performed the flight) has the right within 6 months to make a reedit based on the prorate value in accordance with chapter A2, p. 2.6.2 and chapter A10, p. 4.1. of RAM. Upon receiving the redebit invoice, the open balance can be closed. After the 6 month period for objections /redebit/ has expired, the amounts that have not been disputed, are recognized as income.

The revenue recognition is based on past experience and the Management considers that 90 % of the value of all issued and undisputed FIMs gives basis for the recognition of revenue based on actual services performed.

4.38.7. Revenue from sale of air ticket when customer loyalty incentives are used

The Group has ongoing customer loyalty programmes where customers can collect bonus points (award credits), which can be exchanged for free tickets for flights of Bulgaria Air AD, can get free transportation of additional luggage, flight in business class with a ticket for economy class, vouchers for the business lounge at the airport and other incentives for loyal customers.

The Group reports award credits as a separately identifiable component of a sale in which incentives are given. The fair value of the received remuneration or receivable in respect of the initial sale is distributed among the bonus points (award credits) and other components of the sale. The remuneration allocated to the bonus points is measured by reference to their fair value, i.e. amount for which the award credits could be sold separately. The company by itself provides the incentives for loyal customers and recognizes the remunerations allocated to the incentives as revenue when these incentives in the form of bonus points are redeemed and the Company implements its obligation of delivery. The amount of the recognized revenue is based on the number of award credits that are exchanged for prizes in proportion to the total number that is expected to be exchanged.

4.39. Estimation uncertainty

When preparing the consolidated financial statements management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

4.39.1. Impairment

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows (see note 4.16). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

The Group has incurred an impairment loss of BGN 701 thousand on goodwill in 2011 (2010: BGN 2 257 thousand) in order to reduce the carrying amount of goodwill to its recoverable amount (see note 12).

4.39.2. Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date.

At 31 December 2011 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analyzed in notes 13 and 9. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

4.39.3. Inventories

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amounts of inventory assets BGN 36 204 thousand (2010: BGN 32 651 thousand; 2009: BGN 34 262 thousand) is affected by the future service providing and market realization of inventories.

4.39.4. Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds.

4.39.5. Provisions

The Group is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Group's position in the related disputes.

4.39.6. Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of goodwill. Details of acquired assets and liabilities are given in note 6.

5. Effect of change in accounting policy

On 1 January 2011 the Company changed its accounting policy with respect to the subsequent measurement of investment property from the cost model to the fair value model, with changes in fair value recognized in profit or loss. The Company's management believes that subsequent measurement using the fair value model provides more relevant information about the financial performance of these assets assists users to better understand the risks associated with these assets.

This change in accounting policy was applied retrospectively and has the following impact on earnings per share (basic and diluted) for 2010 – decrease of BGN 0.0113 for basic earnings per share and BGN 0.0071 for diluted earnings per share. The following table summarises the adjustments made to the consolidated statement of financial position on implementation of the new accounting policy.

All amounts are in BGN '000	**Investment property**	**Deferred tax liabilities**	**Retained earnings**
Carrying amount as at 1 January 2010 before policy change	47 394	18 748	532 649
Effect of change in accounting policy as at 1 January 2010	6 956	648	(22 409)
Recalculated carrying amount 1 January 2010	**54 350**	**19 396**	**510 240**
Carrying amount as at 31 December 2010 before policy change	50 357	21 737	660 091
Effect of change in accounting policy as at 31 December 2010	5 321	(100)	(21 326)
Recalculated carrying amount 31 December 2010	**55 678**	**21 637**	**638 765**

Effects on the consolidated statement of comprehensive income by the change in accounting policy are as follows:

	2010 BGN'000
Change in fair value of investment property	(1 714)
Decrease in depreciation	(79)
Effect on the financial result	**(1 793)**

6. Basis of consolidation

6.1. Investments in subsidiaries

The subsidiaries included in the consolidation are as follows:

Name of the subsidiary	**Country of incorporation**	**Main activities**	**31.12.2011** %	**31.12.2010** %	**31.12.2009** %
Central Cooperative Bank AD	Bulgaria	Finance	77.12%	75.33%	75.30%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	78.78%	62.24%	62.18%
Stater Bank AD	Macedonia	Finance	-	70.65%	-
CCB Group EAD	Bulgaria	Finance	100.00%	100.00%	100.00%
CCB Assets Management EOOD	Bulgaria	Finance	77.12%	100.00%	100.00%
ZAD Armeec	Bulgaria	Finance	87.19%	87.90%	87.90%
ZAED CCB Life	Bulgaria	Finance	100.00%	100.00%	100.00%
ZOK CCB Health EAD	Bulgaria	Finance	100.00%	100.00%	100.00%
POAD CCB Sila	Bulgaria	Finance	46.75%	46.78%	89.30%
DPF CCB Sila	Bulgaria	Finance	46.75%	46.78%	89.30%
UPF CCB Sila	Bulgaria	Finance	46.75%	46.78%	89.30%
PPF CCB Sila	Bulgaria	Finance	46.75%	46.78%	89.30%
Chimimport Holland B.V.	The Netherlands	Finance	100.00%	100.00%	100.00%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	51.88%	53.94%	54.16%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	59.77%	60.07%	60.84%
Bulgarska Petrolna Rafinieria EOOD	Bulgaria	Production, Trade and Services	51.88%	53.94%	54.16%
Slanchevi lachi Provadia EOOD	Bulgaria	Production, Trade and Services	59.77%	60.07%	60.84%
Prime Lega Consult OOD	Bulgaria	Production, Trade and Services	70.00%	70.00%	70.00%
SK HGH Consult OOD	Bulgaria	Production, Trade and Services	59.34%	59.34%	59.34%
Omega Finance OOD	Bulgaria	Production, Trade and Services	83.80%	83.80%	83.80%
Sofgeoprouchvane EOOD	Bulgaria	Production, Trade and Services	-	53.94%	54.16%
PDNG – Serviz EOOD	Bulgaria	Production, Trade and Services	51.88%	53.94%	54.16%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	37.75%	37.75%	37.91%

Chimimport Group EAD	Bulgaria	Production, Trade and Services	100.00%	100.00%	100.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%	60.00%
Chimoil Trade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%	60.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%	60.00%
Orgachim Trading 2008 OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%	60.00%
Chimceltex OOD	Bulgaria	Production, Trade and Services	60.00%	60.13%	60.13%
Fertilizers Trade OOD	Bulgaria	Production, Trade and Services	52.00%	52.00%	52.00%
Dializa Bulgaria OOD	Bulgaria	Production, Trade and Services	50.00%	50.00%	50.00%
Chimimport Pharma AD	Bulgaria	Production, Trade and Services	60.00%	60.00%	60.00%
Siliko 07 OOD	Bulgaria	Production, Trade and Services	50.00%	50.00%	50.00%
Medical Center Health Medica OOD	Bulgaria	Production, Trade and Services	90.00%	90.00%	90.00%
Chimsnab AD Sofia	Bulgaria	Production, Trade and Services	-	97.29%	93.33%
Brand New Ideas EOOD	Bulgaria	Production, Trade and Services	-	-	100.00%
IT Systems Consult EOOD	Bulgaria	Production, Trade and Services	100.00%	100.00%	100.00%
Aris 2003 EOOD	Bulgaria	Production, Trade and Services	-	-	60.13%
Anitas 2003 EOOD	Bulgaria	Production, Trade and Services	100.00%	100.00%	100.00%
Goliama Dobrudjanska Melnitsa EAD	Bulgaria	Production, Trade and Services	-	60.07%	60.84%
Chimtrans OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%	60.00%
Plovdivska Stokova Borsa AD	Bulgaria	Production, Trade and Services	75.00%	-	-
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	51.88%	53.94%	-
Trans intercar EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%
MAYAK KM AD	Bulgaria	Sea and River Transport	78.16%	77.44%	77.62%
Port Balchik AD	Bulgaria	Sea and River Transport	61.78%	62.07%	70.63%
Bulgarian Shipping Company EAD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%
Parahodstvo Bulgarsko Rechno Plavane AD	Bulgaria	Sea and River Transport	81.91%	82.16%	82.36%
Blue sea horizon corp	Seychelles	Sea and River Transport	82.16%	82.16%	-
Interlihter EOOD	Slovakia	Sea and River Transport	81.91%	82.16%	82.36%
VTC AD	Bulgaria	Sea and River Transport	42.29%	41.90%	42.00%
Port Lesport AD	Bulgaria	Sea and River Transport	99.00%	99.00%	99.00%

Lesport Project Management EOOD	Bulgaria	Sea and River Transport	99.00%	99.00%	99.00%
Bulgarian Logistic Company EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%	100.00%
Port Pristis OOD	Bulgaria	Sea and River Transport	45.61%	45.19%	-
Portstroi Invest	Bulgaria	Sea and River Transport	100.00%	-	-
Bulgarian Aviation Group EAD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Aviation Transport	99.99%	99.99%	99.99%
Bulgaria Air Russia	Russia	Aviation Transport	99.99%	-	-
Molet EAD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%
Airport Services EOOD	Bulgaria	Aviation Transport	100.00%	100.00%	100.00%
Bulgaria Air Technique EOOD	Bulgaria	Aviation Transport	100.00%	99.99%	-
Energoproekt AD	Bulgaria	Construction and engineering	83.20%	83.20%	83.20%
Triplan Architects EOOD	Bulgaria	Construction and engineering	83.20%	83.20%	83.20%
Golf Shabla AD	Bulgaria	Real Estate	36.38%	35.06%	35.20%
Sporten Complex Varna AD	Bulgaria	Real Estate	65.00%	65.00%	65.00%
Bulchimex OOD	Germany	Real Estate	100.00%	100.00%	100.00%

6.2. Acquisition of Plovdivska stokova borsa AD in 2011

In 2011 the Group acquired additional 67.00% share in the share capital and voting rights of Plovdivska Stokova Borsa AD. As a result the share of the Group in the share capital of Plovdivska stokova borsa AD has increased from 8% to 75%.

As a result of the acquisition goodwill is recognized at the amount of BGN 790 thousand. The Group owned 88 shares of the capital of the company before the acquisition.

The total cost of acquisition was BGN 2 101 thousands and includes the components stated below:

	BGN'000
Purchase price, settled in cash	2 101
Total consideration	**2 101**

The fair value amounts recognized for each class of the acquiree's assets and liabilities of Plovdivska Stokova Borsa AD recognized at the acquisition date are as follows:

	Recognized at acquisition date
Property, Plant and Equipment	56
Other intangible assets	2
Financial Assets	273
Receivables and other assets	1649
Cash and Cash equivalents	106
Payables	(158)
Net value of the assets	1928
Non-controlling interest	(482)
Fair value of identifiable net assets acquired by the Group	1 446

The non-controlling interest in Plovdivska Stokova Borsa AD recognized at the acquisition date was measured at the value of their proportion of identifiable assets and liabilities.

Goodwill has been recognized as a result of the acquisition as follows

	BGN'000
Total consideration	2 101
Fair value of identifiable net assets acquired by the Group	(1 446)
Goodwill	**655**

No major lines of business have been disposed of as a result of the combination.

6.3. Acquisition of Stater Bank AD in 2010 and merger in 2011 with CCB AD, Skopje

In 2010 the Group acquired 323 839 ordinary shares with voting rights of Stater Bank AD's share capital with headquarter in Kumanovo, Republic of Macedonia. As a result the Group acquired 70.65 % of Stater Bank AD's share capital which led to controlling interest in the capital of the subsidiary. Before the acquisition the Group possessed 5 975 preferred shares with no voting right of the capital of the subsidiary.

The acquisition of Stater Bank AD was realized in order to expand the banking sector of the Group in Macedonia and expected decrease in costs for bank activity due to economies of size.

The acquisition costs at the total of BGN 8 539 thousands was paid entirely in cash. Total fair value of acquired net assets is BGN 21 702 thousands. The recognized gain as a result of the acquisition amounts to BGN 6 793 thousands, which is reported in the consolidated statement of comprehensive income in line "Gain from purchases".

The total cost of acquisition was BGN 8 539 thousands and includes the components stated below:

	BGN'000
Purchase price, settled in cash	8 539
Total consideration	**8 539**

The fair value amounts recognized for each class of the acquiree's assets and liabilities of Stater Bank AD recognized at the acquisition date are as follows:

	Recognized at acquisition date
	BGN'000
Cash and balances on accounts of the Bulgarian National Bank	7 290
Granted credits and advances to clients	10 941
Other assets	298
Financial assets available for sale	30 605
Fixed assets	5 805
Intangible assets	5 988
Distained assets	4 747
Payables to other depositors	(39 944)
Other payables	(3 530)
Net value of the assets	22 200
Net deferred tax	(498)
Net value of the assets, net of deferred tax	**21 702**
Non-controlling interests	**(6 370)**
Fair value of identifiable net assets acquired by the Group	**(15 332)**

	BGN'000
Consideration transferred settled in cash	(11 336)
Cash and cash equivalents acquired	11 068
Net cash outflow on acquisition	**(268)**

The non-controlling interest (29.35 %) in Stater Bank AD recognized at the acquisition date was measured at the value of their proportion of identifiable assets and liabilities.

Gain has been recognized as a result of the acquisition as follows:

	BGN'000
Total consideration	8 539
Fair value of identifiable net assets acquired	(15 332)
Gain	**6 793**

No major lines of business have been disposed of as a result of the combination.

On 3 January 2011 Stater Bank AD, Kumanovo merged with Central cooperative bank AD, Skopje. Following this date all assets of Stater Bank AD, Kumanovo is transferred to Central Cooperative Bank AD in its capacity of acquiring company and Stater Bank AD, Kumanovo ceases its existence as a legal entity. As a result of the merger the Group has acquired 483 121 ordinary shares of the share capital of Central Cooperative Bank AD, Skopje (56.35%).

6.4. Acquisition of Portstroy Invest EOOD

In 2011 the Group gains control over Portstroy Invest EOOD with registered office in Varna, Bulgaria by incorporation of the company as a result of which owns 100% of the share capital and voting rights of the company.

The incorporation of Portstroy Invest EOOD is conducted for the purpose of providing commercial services related to port activity.

The total cost of acquisition was BGN 5 thousands and includes the components stated below:

	BGN'000
Purchase price, settled in cash	5
Total consideration	**5**

The allocation of the purchase price to the assets and liabilities of Portstro Invest OOD was completed in 2011. The amounts recognized for each class of the acquiree's assets, liabilities and contingent liabilities recognized at the acquisition date are as follows:

	Recognized at acquisition date
	BGN'000
Cash and cash equivalents	5
Total current assets	**5**
Total identifiable net assets and liabilities	**5**
Non-controlling interests	**-**
Fair value of identifiable net assets acquired by the Group	**5**

	BGN'000
Consideration transferred settled in cash	5
Cash and cash equivalents acquired	(5)
Net cash outflow on acquisition	**-**

No goodwill or gain has been recognized as a result of the acquisition.

6.5. Acquisition of Bulgaria air OOO, Russia

In 2011 the Group gained control over Bulgaria air OOO, Russia with registered office in Moscow, Russia by incorporation of the company as a result of which owns 99% of the share capital and voting rights of the company.

The incorporation of Bulgaria air OOO, Russia is conducted for the purpose of providing commercial services related to real estate and other related services.

The total acquisition price for the Group is below BGN thousand as well as the fair value of total identifiable net assets recognized at acquisition.

6.6. Acquisition of Port Pristis OOD

In 2010 the Group obtained control of Port Pristis OOD with headquarters in Rousse, Bulgaria by incorporation of the company, as a result of which acquired 45.19 % of its share capital and voting rights.

The incorporation of Port Pristis OOD is conducted for the purpose of commercial services provided in ports and other related services.

The total cost of acquisition was BGN 55 thousands and includes the components stated below:

	BGN‘000
Purchase price, settled in cash	55
Total consideration	**55**

The allocation of the purchase price to the assets and liabilities of Port Pristis OOD was completed in 2010. The amounts recognized for each class of the acquiree’s assets, liabilities and contingent liabilities recognized at the acquisition date are as follows:

	Recognized at acquisition date BGN‘000
Cash and cash equivalents	100
Total current assets	**100**
Total identifiable net assets and liabilities	**100**
Non-controlling interests	**(45)**
Fair value of identifiable net assets acquired by the Group	**55**

	BGN‘000
Consideration transferred settled in cash	55
Cash and cash equivalents acquired	(55)
Net cash outflow on acquisition	**-**
Transaction costs of the acquisition	-
Net cash paid relating to the acquisition	**-**

No goodwill or gain has been recognized as a result of the acquisition:

	BGN‘000
Total consideration	55
Fair value of identifiable net assets acquired	(55)
Goodwill/ (Gain)	**-**

6.7. Acquisition of Bulgaria Air Technique EOOD

In 2010 the Group obtained control of Bulgaria Air Technique EOOD with headquarters in Sofia, Bulgaria by incorporation of the company, as a result of which acquired 99.99 % of its share capital and voting rights.

The incorporation of Bulgaria Air Technique EOOD is conducted to provide services related to repair of aircrafts and other related services.

The total cost of acquisition was BGN 200 thousands and includes the components stated below:

	BGN'000
Purchase price, settled in cash	200
Total consideration	**200**

The allocation of the purchase price to the assets and liabilities of Bulgaria Air Technique EOOD was completed in 2010. The amounts recognized for each class of the acquiree's assets, liabilities and contingent liabilities recognized at the acquisition date are as follows:

	Recognized at acquisition date
	BGN'000
Cash and cash equivalents	200
Total current assets	**200**
Total identifiable net assets and liabilities	**200**

	BGN'000
Consideration transferred settled in cash	200
Cash and cash equivalents acquired	(200)
Net cash outflow on acquisition	**-**
Transaction costs of the acquisition	-
Net cash paid relating to the acquisition	**-**

No goodwill or gain has been recognized as a result of the acquisition:

	BGN'000
Total consideration	200
Fair value of identifiable net assets acquired	(200)
Goodwill/ (Gain)	**-**

6.8. Acquisition of Chimoil BG EOOD

On 12 August 2010 the Group acquired 53.94 % of the share capital in Chimoil BG EOOD with headquarters Sofia, Bulgaria.

The total cost of acquisition was BGN 3 thousands and includes the components stated below:

	BGN'000
Purchase price, to be settled in cash	3
Total consideration	**3**

The allocation of the purchase price to the assets and liabilities of Chimoil BG EOOD was completed in 2010. The amounts recognized for each class of the acquiree's assets, liabilities and contingent liabilities recognized at the acquisition date are as follows:

	Recognized at acquisition date
	BGN'000
Cash and cash equivalents	5
Total current assets	**5**
Total identifiable net assets and liabilities	**5**
Non-controlling interests	**(2)**
	3

	BGN'000
Consideration transferred settled in cash	-
Cash and cash equivalents acquired	5
Net cash inflow on acquisition	**5**

As at 31 December 2010 the acquisition price is not paid to the previous owner.

6.9. Disposal of Brand New Ideas EOOD

In 2010 the Group disposed of its equity interest (100 %) in its subsidiary Brand New Ideas EOOD for the total of BGN 1 000 thousands.

The carrying amounts of the net assets of the subsidiary Brand New Ideas EOOD recognized in the consolidated financial statements at the date of disposal were at the total of BGN 737 thousands. The Group recognized profit at the total of BGN 263 thousands.

	BGN'000
Total net assets	(737)
Total consideration received	1 000
Gain on disposal	**263**

6.10. Disposal of ownership interest in 2010

On 12 February 2010 a merger under a universal inheritance of POD Lukoil Garant - Bulgaria AD into POAD CCB – Sila was registered in the Registry Agency as a result of which the share of the Group in POAD CCB - Sila decreased from 89.30 % to 46.78 %. The Group continues to recognize its participation as controlling because it continues to control the operational and financial policies of the company.

More detailed information about the acquired net assets is presented below:

Carrying amount of each class of acquired assets and liabilities as at 12 February 2010	**BGN'000**
Plant and equipment	135
Intangible assets	3
Deferred tax assets	8
Current receivables	489
Financial assets	4 588
Cash and cash equivalents	1 024
Pension reserves	(1 368)
Non-current liabilities	(68)
Payables to employees and social security institutions	(139)
Other payables	(33)
Net value of the assets	**4 639**
Net assets for non-controlling interest	(4 639)
Share acquired by the Group	-

The acquisition cost of POD Lukoil Garant - Bulgaria AD as at 12 February 2010 was BGN 5 000 thousands, which has increased the share capital of POAD CCB - Sila and the shares of POAD CCB - Sila are provided to the shareholders of POAD Lukoil Garant - Bulgaria AD.

The difference between the acquisition cost and the acquired net assets amounts to BGN 361 thousands and is recognized as a decrease in the share capital of the Group.

7. Investments accounted for using equity method

7.1. Investments in associates

The Group owns shares in the share capital of the following companies:

Name	**2011 BGN'000**	**Share %**	**2010 BGN'000**	**Share %**	**2009 BGN'000**	**Share %**
Fraport TSAM AD	87 313	40,00%	78 446	40,00%	75 242	40,00%
ZAO TAT Avia	53 542	45,00%	-	-	-	-
PIC Saglasie Co.Ltd.	17 736	49,43%	17 333	49,43%	17 317	49,43%
Amadeus Bulgaria OOD	3 460	45,00%	3 301	45,00%	3 055	45,00%
Lufthansa Technik Sofia OOD	3 838	24,90%	1 848	20,00%	79	20,00%
Dobrich fair AD	1 112	37,92%	1 039	37,92%	-	-
Kavarna Gas OOD	557	35,00%	527	35,00%	481	35,00%
Holding Nov Vek AD	-	-	-	-	9 350	28,20%
	167 558		**102 494**		**105 524**	

The financial information about the associates can be summarized as follows:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Assets	506 599	344 930	212 612
Liabilities	266 862	253 318	76 655
Revenues	232 360	145 880	123 651
Profit for the period	29 075	25 987	18 245
Profit attributable to the Group	10 899	8 995	6 477

In 2011 the Group has invested BGN 53 524 thousand in acquisition of 45% of the share capital of ZAO TAT-Avia. The associate is registered in Tatarstan, Russia with main business activity management of companies operating in the aviation sector.

In 2011 the Group has increased its share in Lufthansa Technik Sofia AD with cash payment at the amount of BGN 640 thuosand.

In 2010 the Group reports gain from acquisition of Dobrich fair AD at the total of BGN 147 thousand. The gain from the acquisition is included in line "Gain from purchases" in the consolidated statement of comprehensive income.

Investments in associates are presented in the financial statements of the Group using the equity method. Associates have a reporting date as at 31 December.

7.2. Investments in joint ventures

As at 31 December 2011 the group owns 50% of the voting rights nad share capital of Varnaferry OOD established in 2011 by Parahodstvo Balgarsko Rechno Plavane AD and Parahodstvo Bulgarski Morski Flot AD. The share capital of Varnaferry OOD amounts to BGN 100 thousand. The registered office of Varnaferry OOD is in Varna and main business activity is see transport and other related services. As at 31 December 2011 the investment in Varnaferry OOD at the amount of BGN 50 thousand is fully impaired.

The investment in the joint venture is presented in the financial statements of the Group using the equity method. Associates have a reporting date as at 31 December. The financial information about the joint venture can be summarized as follows:

	2011 BGN'000
Assets	7 254
Liabilities	(7 268)
Revenues	159
Loss for the period	(114)
Loss attributable to the Group not recognized in result for the current reporting period	**(58)**

8. Segment reporting

The management responsible for making the business decisions determines the business segments on the grounds of the types of activities, the main products and services rendered by the Group. The activities of the Group are analyzed as a whole of business segments that may vary depending on the nature and development of a certain segment by considering the influence of the risk factors, cash flows, products and market requirements.

Each business segment is managed separately as long as it requires different technologies and resources or marketing approaches. The adoption of IFRS 8 had no influence on the identification of the main business segments of the Group in comparison with those determined in the last consolidated financial statements.

According to IFRS 8 the profits reported by segments are based on the information used for the needs of the internal management reporting and is regularly reviewed from those responsible for the business decisions. All inter-segment transfers are priced and carried out at market price and condition basis.

According to IFRS 8 the Group applies the same evaluation policy as in the last consolidated financial statements. The operating segments of the Group are as follows:

- Production, trade and services
- Finance sector
- Transport sector
- Real estate sector
- Construction and engineering sector

Information about the operating segments of the Group is summarized as follows:

Operating segments 31 December 2011	Production, trade and services BGN '000	Financial sector BGN '000	Transport sector BGN '000	Real estate sector BGN '000	Construction and engineering sector BGN '000	Elimination BGN '000	Consolidated BGN '000
Income from non-financial activities from external customers	70 723	19 138	386 211	217	1 590	-	477 879
Change in fair value of investment property	-	20 441	-	-	-	22 642	43 083
Gain from sale of non-current assets	18 316	12 652	329	-	622	(1 081)	30 838
Inter-segment income from non-financial activities	26 001	4 573	4 691	-	1 907	(37 172)	-
Total income from non-financial activities	**115 040**	**56 804**	**391 231**	**217**	**4 119**	**(15 611)**	**551 800**
Result from non-financial activities	**28 736**	**56 804**	**25 738**	**(237)**	**659**	**18 433**	**130 133**
Insurance income from external customers	-	323 650	-	-	-	-	323 650
Inter-segment insurance income	-	5 671	-	-	-	(5 671)	-
Total insurance income	**-**	**329 321**	**-**	**-**	**-**	**(5 671)**	**323 650**
Result from insurance	**-**	**27 669**	**-**	**-**	**-**	**(2 607)**	**25 062**
Interest income	9 848	236 969	13 270	507	114	(40 355)	220 353
Interest expenses	(12 693)	(153 689)	(18 437)	(136)	(693)	40 355	(145 293)
Result from interest	**(2 845)**	**83 280**	**(5 167)**	**371**	**(579)**	**-**	**75 060**
Gains from transactions with financial instruments from external customers	11 211	274 376	847	-	1	-	286 435
Inter-segment gains from transactions with financial instruments	38	3 465	-	-	-	(3 503)	-
Gains from transactions with financial instruments	**11 249**	**277 841**	**847**	**-**	**1**	**(3 503)**	**286 435**
Result from transactions with financial instruments	**8 844**	**31 944**	**796**	**-**	**1**	**739**	**42 324**
Administrative expenses	**(15 082)**	**(171 509)**	**(13 408)**	**-**	**-**	**11 018**	**(188 981)**
Gain from purchases	737	37 476	1 224			(37 210)	2 227
Net result from equity accounted investments in associates	103	403	10 393	-	-	-	10 899
Other financial income/ expense	(218)	55 890	(4 141)	(419)	14	(8 115)	43 011
Profit for allocating insurance batches	-	(11 127)	-	-	-	-	(11 127)
Profit for the period before tax	**20 275**	**110 830**	**15 435**	**(285)**	**95**	**(17 742)**	**128 608**
Tax expenses	(1 992)	(3 426)	(705)	62	(29)	85	(6 005)
Net profit for the year	**18 283**	**107 404**	**14 730**	**(223)**	**66**	**(17 657)**	**122 603**

Operating segments **31 December 2011**	**Production, trade and services** **BGN '000**	**Financial sector** **BGN '000**	**Transport sector** **BGN '000**	**Real estate sector** **BGN '000**	**Construction and engineering sector** **BGN '000**	**Elimination** **BGN '000**	**Consolidated** **BGN '000**
Assets of the segment	887 006	5 670 495	771 520	59 034	16 375	(2 219 793)	5 184 637
Equity accounted investments in associates	4 667	17 133	64 240	-	2	81 516	167 558
Total consolidated assets	**891 673**	**5 687 628**	**835 760**	**59 034**	**16 377**	**(2 138 277)**	**5 352 195**
Specialized reserves	**-**	**138 486**	**-**	**-**	**-**	**-**	**138 486**
Liabilities of the segment	425 230	3 846 716	422 786	12 830	12 982	(921 068)	3 799 476
Total consolidated liabilities	**425 230**	**3 846 716**	**422 786**	**12 830**	**12 982**	**(921 068)**	**3 799 476**

Operating segments 31 December 2010	**Production, trade and services**	**Financial sector**	**Transport sector**	**Real estate sector**	**Construction and engineering sector**	**Elimination**	**Consolidated**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Income from non-financial activities from external customers	246 233	24 096	362 115	231	4 108	-	636 783
Change in fair value of investment property	-	(1 714)	-	-	-	-	(1 714)
Gain from sale of non-current assets	(2 783)	20	404	-	-	6	(2 353)
Inter-segment income from non-financial activities	19 861	2 618	6 463	**2 176**	272	(31 390)	-
Total income from non-financial activities	**263 311**	**25 020**	**368 982**	**2 407**	**4 380**	**(31 384)**	**632 716**
Result from non-financial activities	**27 252**	**25 020**	**21 848**	**(98)**	**487**	**850**	**75 359**
Insurance income from external customers	-	289 963	-	-	-	-	289 963
Inter-segment insurance income	-	11 331	-	-	-	(11 331)	-
Total insurance income	**-**	**301 294**	**-**	**-**	**-**	**(11 331)**	**289 963**
Result from insurance	**-**	**24 891**	**-**	**-**	**-**	**(10 900)**	**13 991**
Interest income	8 810	218 364	9 120	510	117	(37 102)	199 819
Interest expenses	(11 794)	(124 450)	(14 132)	(31)	(431)	37 583	(113 255)
Result from interest	**(2 984)**	**93 914**	**(5 012)**	**479**	**(314)**	**481**	**86 564**
Gains from transactions with financial instruments from external customers	4 755	292 561	3 500	-	-	(1 990)	298 826
Inter-segment gains from transactions with financial instruments	27	-	1 084	-	-	(1 111)	-
Gains from transactions with financial instruments	**4 782**	**292 561**	**4 584**	**-**	**-**	**(3 101)**	**298 826**
Result from transactions with financial instruments	**4 782**	**110 649**	**4 580**	**-**	**-**	**(110)**	**119 901**
Administrative expenses	**(6 988)**	**(155 098)**	**(11 617)**	**(16)**	**(7)**	**6 380**	**(167 346)**
Dividends income		**1 193**				**-**	**1 193**
Gain from purchases	-					6 940	6 940
Net result from equity accounted investments in associates	90	16	8 542	-	-	347	8 995
Other financial income/ expense	(576)	42 184	(4 059)	-	1	(8 486)	29 064
Profit for allocating insurance batches	-	(16 770)	-	-	-	-	(16 770)
Profit for the period before tax	**21 576**	**125 999**	**14 282**	**365**	**167**	**(4 498)**	**157 891**
Tax expenses	(1 893)	(6 163)	(929)	(41)	(18)	33	(9 011)
Net profit for the year	**19 683**	**119 836**	**13 353**	**324**	**149**	**(4 465)**	**148 880**

Operating segments 31 December 2010	Production, trade and services BGN '000	Financial sector BGN '000	Transport sector BGN '000	Real estate sector BGN '000	Construction and engineering sector BGN '000	Elimination BGN '000	Consolidated BGN '000
Assets of the segment	896 897	4 656 410	644 486	47 428	11 927	(1 899 703)	4 357 445
Equity accounted investments in associates	4 667	17 133	10 076	-	111	70 507	102 494
Total consolidated assets	**901 564**	**4 673 543**	**654 562**	**47 428**	**12 038**	**(1 829 196)**	**4 459 939**
Specialized reserves	**-**	**119 967**	**-**	**-**	**-**	**-**	**119 967**
Liabilities of the segment	449 736	3 013 490	264 875	998	8 698	(598 288)	3 139 509
Total consolidated liabilities	**449 736**	**3 013 490**	**264 875**	**998**	**8 698**	**(598 288)**	**3 139 509**

9. Property, plant and equipment

Property, plant and equipment of the Group include land, buildings, plant and equipment, vehicles, repairs of rented fixed assets, assets in process of acquisition, etc. Their carrying amount can be analyzed as follows:

	Land	Building	Machines	Equipment	Vehicles	Repairs	Others	Assets in process of acquisition	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2011	118 379	113 278	70 939	163 271	142 870	26 347	45 069	55 114	735 267
Additions:									
- through business combinations	-	68	-	202	-	-	582	-	852
- separately acquired	253	1 525	2 993	1 760	7 047	743	2 265	39 893	56 479
Disposals									
- through business combinations	(1 358)	(14 589)	(6 063)	(316)	(1 870)	-	-	-	(24 196)
- separately disposed of	(37)	(10 771)	(1 266)	(1 133)	(12 334)	(237)	(131)	(9 634)	(35 543)
Balance at 31 December 2011	117 237	89 511	66 603	163 784	135 713	26 853	47 785	85 373	732 859
Depreciation									
Balance at 1 January 2011	-	(25 079)	(43 115)	(26 863)	(48 926)	(15 549)	(25 105)	-	(184 637)
Additions through business combinations	-	577	769	(16)	344	-	47	-	1 721
Disposals	-	2 297	919	974	6 690	124	117	-	11 121
Depreciation	-	(3 855)	(9 668)	(4 867)	(10 263)	(5 857)	(324)	-	(34 834)
Balance at 31 December 2011	-	(26 060)	(51 095)	(30 772)	(52 155)	(21 282)	(25 265)	-	(206 629)
Carrying amount at 31 December 2011	**117 237**	**63 451**	**15 508**	**133 012**	**83 558**	**5 571**	**22 520**	**85 373**	**526 230**

- for the period ending 31 December 2010

	Land	Building	Machines	Equipment	Vehicles	Repairs	Others	Assets in process of acquisition	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 1 January 2010	123 563	123 068	87 537	114 285	121 065	28 296	46 375	85 064	729 253
Additions:									
- through business combinations	-	4 842	2 885	23 757	4 018	-	-	-	35 502
- separately acquired	579	1 293	7 954	27 984	18 754	1 858	1 041	15 593	75 056
Disposals									
- through business combinations	-	-	(23 507)	-	-	(2 200)	(196)	(106)	(26 009)
- assets, held for sale	(5 010)	(12 844)	(2 814)	(2 701)	(121)	-	(7)	(797)	(24 294)
- separately disposed of	(753)	(3 081)	(1 116)	(54)	(846)	(1 607)	(2 144)	(44 640)	(54 241)
Balance at 31 December 2010	118 379	113 278	70 939	163 271	142 870	26 347	45 069	55 114	735 267
Depreciation									
Balance at 1 January 2010	-	(20 749)	(33 886)	(18 931)	(33 197)	(8 417)	(26 631)	-	(141 811)
Additions through business combinations	-	(766)	(1 117)	(985)	(6 890)	(4)	-	-	(9 762)
Disposals – assets held for sale	-	551	787	111	53	-	6	-	1 508
Disposals	-	219	1 728	18	2 440	93	2 119	-	6 617
Depreciation	-	(4 334)	(10 627)	(7 076)	(11 332)	(7 221)	(599)	-	(41 189)
Balance at 31 December 2010	-	(25 079)	(43 115)	(26 863)	(48 926)	(15 549)	(25 105)	-	(184 637)
Carrying amount at 31 December 2010	**118 379**	**88 199**	**27 824**	**136 408**	**93 944**	**10 798**	**19 964**	**55 114**	**550 630**

The carrying amount of the Group's property, plant and equipment pledged as security as at 31 December 2011 is presented as follows:

	Land BGN'000	Building BGN'000	Machines BGN'000	Vehicles BGN'000	Other BGN'000	Total BGN'000
Carrying amount as at 31 December 2011	19 179	35 714	57 578	18 673	1 185	132 329
Carrying amount as at 31 December 2010	20 282	39 705	59 231	26 404	653	146 275
Carrying amount as at 31 December 2009	18 212	30 284	24 074	32 478	30	105 078

10. Leases
10.1. Finance leases as lessee

The Group participates in its capacity of a lessee in the following more significant finance lease contracts:
- two contracts for the purchase of two vehicles Volkswagen Golf;
- finance lease contract for the purchase of Opel Corsa Classic from DSK Autoleasing EOOD with maturity date 1 July 2013;
- finance lease for the purchase of management software for an insuarance company from eINS EOOD with maturity date 31 October 2013;
- finance lease for the purchase of Dell computers from Mobiltel EAD with maturity date 12 October 2013;
- seven finance lease contracts with Imorent Bulgaria EOOD for river, dry cargo, covered, self-propelled units type Europe II, drilling tools, stabilizer, a triple and a sixfold axis semi-trailer GOLDHOFER, emergency tool set, equipment for core drilling, drilling equipment – AC Ideal Ring System, maturing in 2015, 2016 and 2017.
- two finance lease contracts with Porsche leasing for the purchase of vehicles, with maturity date 16 October 2014.
- two contracts with Unicredit Leasing AD for the purchase of a manufacturing machinery and a forklift truck with gas engine, with maturity date in 2012.
- eleven finance lease contracts with Interlease EAD for the purchase of a tester for express determination of quantitative indicators of grain and flour, truck tractors and a bus with maturity dates 2012 and 2013, and 2014, respectively.
- four finance lease contracts, signed with Interlease Auto EAD for for automobiles with maturity 2012.
- 77 finance lease contracts, signed with Interlease Auto EAD for the purchase of automobiles with maturity 2012.
- two contracts with Hypo Alpe- Adria- Autoleasing EOOD for 4 cars with maturity in 2012.

The net carrying amount of the assets acquired under the terms of lease contracts amounts to BGN 39 794 thousand (2010: 31 673 thousand, 2009: BGN 58 142 thousand). The assets are included in the consolidated financial statements in item "Property, plant and equipment"(See note 9).

Finance lease liabilities are secured by the related assets held under finance lease arrangements.

Future minimum finance lease payments at the end of each reporting period under review are as follows:

31 December 2011	**Within 1 year BGN‘000**	**1 to 5 years BGN‘000**	**After 5 Years BGN‘000**	**Total BGN‘000**
Lease payments	7 528	21 542	100	29 170
Finance charges	(990)	(1 771)	(1)	(2 762)
Net present values	**6 538**	**19 771**	**99**	**26 408**

31 December 2010	**Within 1 year BGN‘000**	**1 to 5 years BGN‘000**	**After 5 Years BGN‘000**	**Total BGN‘000**
Lease payments	10 452	26 338	2 837	39 627
Finance charges	(1 638)	(3 002)	(47)	(4 687)
Net present values	**8 814**	**23 336**	**2 790**	**34 940**

31 December 2009	**Within 1 year BGN‘000**	**1 to 5 years BGN‘000**	**After 5 Years BGN‘000**	**Total BGN‘000**
Lease payments	12 043	32 274	6 793	51 110
Finance charges	(1 960)	(5 987)	(181)	(8 128)
Net present values	**10 083**	**26 287**	**6 612**	**42 982**

The lease agreements include fixed lease payments and purchase option in the last year of the lease term. The agreements are non-cancellable but do not contain any further restrictions. No contingent rents were recognized as an expense and no sublease income is expected to be received as all assets are used exclusively by the Group.

10.2. Operating leases as lessee

The Group's future minimum operating lease payments are as follows:

	Within 1 year BGN‘000	**1 to 5 years BGN‘000**	**After 5 Years BGN‘000**	**Total BGN‘000**
31 December 2011	44 396	152 342	70 087	**266 825**
31 December 2010	48 155	123 004	10 327	**181 486**
31 December 2009	48 253	170 835	3 749	**222 837**

Lease payments recognized as an expense during the period amount to BGN 55 091 thousands (2010: 51 714 thousand).

During 2011 the Group has the following more significant operating lease contracts.

- Aircrafts Boeing 737-500 – 2 aircrafts with lessor Ansett. The terms of the contracts are as follows: for LZ BOR until 24 October 2013, and for LZ BOY until 08 March 2013.

- Aircraft Boeing 737-400 – 1 aircraft with lessor Aisling Airlease, Ireland. The term of the contract of MSN 28702 with initials BDB is until 03 June 2014.
- Aircraft Airbus 320 - 1 aircraft with lessor CIT Aerospace International. The term of the contract of LZ FBC is until 09 December 2014.
- Aircraft Airbus 320 - 1 aircraft with lessor CIT Aerospace International. The term of the contract of LZ FBD is until 30 April 2015.
- Aircraft Airbus 320 – 1 aircraft with lessor GECAS. The term of the contract for LZ FBE is until 28 January 2017.
- Aircraft Airbus 319 – 1 aircraft with lessor GECAS. The contract maturity date for the LZ FBF is 30 April 2015.
- Aircraft Airbus 319 – 2 aircrafts with lessor Aviation Company Hemus Air EAD. The contract maturity date is re-negotiated every year.
- Aircraft BAE 146 300 – 4 aircrafts with lessor Aviation Company Hemus Air EAD. The contract maturity date is re-negotiated every year.
- Aircraft Embraer 190AR – 4 aircrafts with lessor ALC Blarney with term ending in 2020.

The Group is party to lease contracts of a massive office building located in the center of Sofia, which will be used as a headquarters of the Bank. The right of use over the building was established for the period up to 2016. The Group is party to operating leases of fourteen massive office buildings located in several major cities across the country that will be used for branches of the Bank. The right of use over the buildings is established for a period up to 2020.

The Group's operating lease agreements do not contain any contingent rent clauses or purchase options.

10.3. Operating leases as lessor

In 2011, 2010 and 2009 the Group provides aircrafts to other companies under the conditions of operating lease contracts

The rental revenue recognized in 2011 amounts to BGN 36 121 thousand (2010: BGN 37 726 thousand).

Aircraft	Type of aircraft	Contract date	Term	
VQBAP(BOT)	Boeing 737-300	17.08.2008	17.08.2013	Tatarstan
VQBBN (BOY)	Boeing 737-500	09.12.2008	09.03.2013	Tatarstan
VQBBO(BOR)	Boeing 737-500	16.02.2009	16.11.2013	Tatarstan
VQBDC(BOO)	Boeing 737-300	29.06.2009	29.06.2014	Tatarstan
MSN 28702	Boeing 737-400	26.05.2009	26.05.2014	Tatarstan

In 2011, 2010 and 2009 the Group leases out properties included in Property, plant and equipment, as well as investment property under operating lease contracts.

Rental revenue in 2011 amounts to BGN 4 350 thousands (2010: BGN 3 379 thousand).

Future minimum lease payments are as follows:

	Minimum lease payments due			
	Within 1 year BGN'000	**1 to 5 years BGN'000**	**After 5 years BGN'000**	**Total BGN'000**
31 December 2011	16 451	8 500	-	**24 951**
31 December 2010	37 862	22 136	57	**60 055**
31 December 2009	34 231	56 334	14	**90 579**

In 2011 priority charter agreement signed with Alma tour BG AD (insolvent) and Alma tour Fly OOD has been terminated early as a result of which future minimum lease payments of the Group related to aircraft rent have decreased compared to future minimum lease payaments as at 31 December 2011.

As of 31 December 2011 the Group operates under the following more significant lease contracts as a lessor:
- Agreements dated 16 November 2010 and 16 November 2009 with Agrokom EOOD for lease of capacity in Grain base – Dobrich, Byala and Ruse with terms of lease till 16 March 2015 and 16 March 2016 respectively;
- Agreement dated 1 July 2011 with Klas Olio OOD for the lease of warehouses in Grain base Karapelit with term of the lease 1 July 2012;
- Agreement dated 1 April 2009 with Golyama Dobrudzhanska melnitsa EOOD for a lease of equipment with term of the lease 1 April 2012;
- Agreement dated 1 July 2010, agreement dated 01 October 2009 and agreement dated 15 September 2010 with Oliva AD for a lease of capacity in Grain base in Lozovo district, Bourgas; Strajica, V. Tarnovo and Tervel with term of lease till 1 July 2012; 01 October 2013 and 01 July 2014 respectively;
- Agreement with Mobiltel EAD dated 1 September 2005 for use of roof spaces with term of lease till 1 September 2015;
- Agreements dated 17 May 2006 and 28 June 2011 with BTC Mobile EOOD for lease of roof spaces with term of lease till 17 May 2016 and 28 June 2012 respectively.
- Lease Agreements dated 2010 and 2011 with Intershipping AD for the lease of five marine vessels.

11. Investment property

Investment property includes land and buildings, as well as hangars which are owned to earn rentals and capital appreciation.

Investment property is recognized in the consolidated financial statements of the Group using fair value model. Changes to the carrying amounts presented in the consolidated statement of financial position can be summarized as follows:

	Land BGN '000	Buildings BGN '000	Total BGN '000
Carrying amount at 1 January 2009	13 675	7 520	**21 195**
Additions:			
-through business combinations and reclassifications	402	13 340	**13 742**
-from subsequent expenditure	-	3 032	**3 032**
-from acquisitions	-	15 150	**15 150**
Disposals	(616)	(4 628)	**(5 244)**
Net gain from fair value adjustments	-	6 475	**6 475**
Carrying amount at 31 Dcember 2009	**13 461**	**40 889**	**54 350**
Additions:			
-from subsequent expenditure	10 973	1 391	**12 364**
Disposals	-	(9 401)	**(9 401)**
Net loss from fair value adjustments	-	(1 635)	**(1 635)**
Carrying amount at 31 December 2010	**24 434**	**31 244**	**55 678**
Additions:			
-from subsequent expenditure	-	48	**48**
-from acquisitions	116	5 353	**5 469**
Disposals	-	(174)	**(174)**
Net (loss)/ gain from fair value adjustments	(856)	32 389	**31 533**
Carrying amount at 31 December 2011	**23 694**	**68 860**	**92 554**

The fair value of the investment property is determined by the Group in accordance with valuation reports from certified valuers and the current market prices.

Investment property that is hangars and additional buildings with carrying amount at the amount of BGN 11 640 thousand are pledged as collateral in relation to bank loan received from Bulgarian Development Bank AD.

Rental income from investment property for 2011 amounts to BGN 2 292 thousand (2010: BGN 3 420 thousand, 2009: BGN 1 077 thousand) and are recognized in the consolidated statement of comprehensive income in "Income from non-financial activities". Contingent rents are not recognized. The direct operating expenses amounting to BGN 508 thousand are recognized as "Expenses for non-financial activities" (2010: BGN 1 036 thousand, 2009: BGN 129 thousand).

12. Goodwill

The main changes in the carrying amount of goodwill result from sale of Golyama Dobridjanska Melnica AD, the recognized impairment of goodwill from Zarneni Hrani Bulgaria AD and acquisition of Plovdivska Stokova Borsa AD.

	Goodwill
	BGN'000
2010	
Gross carrying amount at 1 January	49 250
Impairment for the period	(2 257)
Gross carrying amount at 31 December	**46 993**
2011	
Gross carrying amount at 1 January	46 993
Acquired through business combination	655
Derecognized on disposal of a subsidiary	(4 804)
Recolassified	(3)
Impairment loss recognized	(701)
Gross carrying amount at 31 December	**42 140**

For the purpose of annual impairment testing in 2011 the carrying amount of goodwill is allocated to the following cash-generating units:

	2011	2010	2009
	BGN'000	BGN'000	BGN'000
Zarneni Hrani Bulgaria AD	17 295	17 926	18 432
ZAD Armeec	8 541	8 541	8 541
Central Cooperative Bank AD – Skopje	5 336	5 399	7 140
Central Cooperative Bank AD	5 311	5 311	5 311
Goliama Dobrudzhanska Melnitsa EOOD	3 507	4 798	4 798
CCB Group EAD	655	3 507	3 507
Plovdivska Stokova Borsa AD	580	-	-
Parahodstvo Balgarsko Rechno Plavane AD	358	580	580
Oil and Gas Exploration and Production AD	217	358	358
Bulchimeks OOD	164	217	217
Port Lesport AD	83	164	164
Slanchevi Lachi Provadia EAD	47	90	100
Omega Finance OOD	46	47	47
POAD CCB Sila	-	46	46
Chimsnab AD	-	6	6
Chimimport Fertilizers OOD	-	3	3
	42 140	**46 993**	**49 250**

The recoverable amount of cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using constant growth rates characteristic of the sector in which each cash-generating unit operates.

The discount rates used reflect specific risks relating to the sector in which each cash-generating unit operates.

In 2010 goodwill related to Zarneni Hrani Bulgaria AD, Central Cooperative Bank AD – Skopje and Slanchevi Lachi Provadia EAD are impaired at the total of BGN 2 257 thousands. In 2010 Zarneni Hrani Bulgaria AD, Central Cooperative Bank AD – Skopje and Slanchevi Lachi Provadia EAD are impaired at the total of BGN 701 thousand. In 2009 impairment of goodwill is recognized at the total of BGN 1 772 thousands. The goodwill impairment was included within “Expenses for non-financial activities” in the consolidated statement of comprehensive income.

13. Other intangible assets

The carrying amounts of the intangible assets of the Group for the reporting periods can be analyzed as follows:

	Trade marks BGN'000	Licenses and patents BGN'000	Software products BGN'000	Customer relationships BGN'000	Internally generated intangible assets BGN'000	Exploration and evaluation expenditures BGN'000	Property rights BGN'000	Other BGN'000	Total BGN'000
Gross carrying amount									
Balance at 1 January 2011	38 375	7 941	6 948	8 258	1 145	3 275	18 032	-	83 974
Additions:									
- separately acquired	6 510	786	409	-	-	7 939	25 599	3 716	44 959
Disposals									
- through business combinations and reclassification	-	-	-	(1 516)	-	-	-	-	(1 516)
- separately disposed of	-	(509)	(6)	-	-	(7 469)	-	(2 812)	(10 796)
Balance at 31 December 2011	44 885	8 218	7 351	6 742	1 145	3 745	43 631	904	116 621
Amortization									
Balance at 1 January 2011	(12 890)	(3 378)	(3 968)	(848)	(52)	-	(5 924)	-	(27 060)
Disposals	-	2	6	-	-	-	-	-	8
Amortization	(3 678)	(565)	(1 108)	(410)	-	-	(2 079)	(508)	(8 348)
Balance at 31 December 2011	(16 568)	(3 941)	(5 070)	(1 258)	(52)	-	(8 003)	(508)	(35 400)
Carrying amount at 31 December 2011	**28 317**	**4 277**	**2 281**	**5 484**	**1 093**	**3 745**	**35 628**	**396**	**81 221**

	Trade marks BGN'000	Licenses and patents BGN'000	Software products BGN'000	Customer relationships BGN'000	Internally generated intangible assets BGN'000	Exploration and evaluation expenditures BGN'000	Property rights BGN'000	Total BGN'000
Gross carrying amount								
Balance at 1 January 2010	34 701	5 600	3 679	6 569	1 145	1 790	10 585	64 069
Additions:								
- through business combinations	-	1 308	2 396	3 615	-	-	-	7 319
- separately acquired	3 674	1 033	1 189	-	-	4 737	7 447	18 080
Disposals								
- through business combinations and reclassification	-	-	-	(1 926)	-	-	-	(1 926)
- separately disposed of	-	-	(316)	-	-	(3 252)	-	(3 568)
Balance at 31 December 2010	38 375	7 941	6 948	8 258	1 145	3 275	18 032	83 974
Amortization								
Balance at 1 January 2010	(9 652)	(3 108)	(2 400)	(520)	(52)	-	(2 453)	(18 185)
Additions through business combinations	-	-	(408)	-	-	-	-	(408)
Disposals	-	-	310	-	-	-	-	310
Amortization	(3 238)	(270)	(1 470)	(328)	-	-	(3 471)	(8 777)
Balance at 31 December 2010	(12 890)	(3 378)	(3 968)	(848)	(52)	-	(5 924)	(27 060)
Carrying amount at 31 December 2010	**25 485**	**4 563**	**2 980**	**7 410**	**1 093**	**3 275**	**12 108**	**56 914**

Established Property Right

Established property rights to use buildings apply for twenty six massive office buildings located in several major cities across the country that will be used for branches of CCB AD. Property rights for the buildings are established in 2008, 2010 and 2011 for a period until 2016, 2020 and 2022 for an amount at the total of BGN 43 631 thousand.

The carrying amount of the established property rights includes the taxes and fees related to their establishment. The carrying amount of each property right is amortized in equal installments for the period of use of the building.

Trade marks

In 2011 the Group has acquired trade mark, representing name of multifunctional building in Sofia, Bulgaria – Arena Armeec, Sofia, for the total amount of BGN 6 510 thousand. The useful life of the intangible asset is 6 years.

Exploration and evaluation expenditures

The expenses for research and valuation include granted rights and capitalized expenses for research and valuation.

As at 31 December 2011 the Group recognized exploration and evaluation expenditures in Block 1-12 Knezha, Block 1-4 Kavarna, Block Shabla and Block 1-17 Ovcha mogila in the amount of BGN 3 475 thousand (2010: BGN 3 275 thousand, 2009: BGN 1 790 thousand).

	2011 BGN‘000	2010 BGN‘000	2009 BGN‘000
Block 1-12 Knezha	2 467	1 873	-
Block 1-4 Kavarna	715	1 318	1 591
Block Shabla	502	35	199
Block 1-17 Ovcha mogila	61	49	-
	3 745	**3 275**	**1 790**

As at the end of the reporting period management has made a technical and financial review of the assets for exploration and evaluation for the purpose of confirmation of the intention to continue exploration activities. For some of the exploration plots impairment indications were identified. As a result, Exploration and evaluation at the amount of BGN 7 469 thousand were impaired (2010: BGN 3 252 thousand). These expenses are presented in the consolidated statement of comprehensive income within “Other expenses”.

All amortization expenses are included in the consolidated statement of comprehensive income within “Expenses for non-financial activities”.

No intangible assets have been pledged as security for liabilities.

14. Long-term financial assets

Financial assets, recognized in the consolidated statement of financial position, include the following financial asset categories:

	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000
Loans and receivables	14.1	862 903	858 617	779 170
Held-to-maturity financial assets	14.2	130 919	157 949	106 252
Financial assets at fair value through profit or loss	14.3	2 520	1 245	99 413
Available-for-sale financial assets	14.4	346 360	209 003	124 008
		1 342 702	**1 226 814**	**1 108 843**

14.1. Loans and receivables

Loans and receivables	**Note**	**2011 BGN'000**	**2010 BGN'000**	**2009 BGN'000**
Long-term bank loans and client advance payments	14.1.1	748 770	668 201	700 255
Less impairment		(12 191)	(12 211)	(13 410)
		736 579	655 990	686 845
Other long-term loans	14.1.2	126 324	202 627	92 325
		862 903	**858 617**	**779 170**

14.1.1. Analysis of long-term bank loans and client advance payments

Analysis by type of the client:

	2011 BGN'000	**2010 BGN'000**	**2009 BGN'000**
Natural persons			
-in BGN	141 612	236 136	198 226
-in foreign currency	31 378	46 760	31 515
Legal entities			
-in BGN	263 887	173 854	282 430
-in foreign currency	311 893	211 451	188 084
	748 770	668 201	700 255
Impairment for uncollectibility	(12 191)	(12 211)	(13 410)
Total bank loans granted and client advance payments	**736 579**	**655 990**	**686 845**

Analysis by economic sectors:	2011 BGN'000	2010 BGN'000	2009 BGN'000
Agriculture and forestry	33 501	22 603	26 371
Manufacturing	54 117	15 672	32 786
Construction	48 048	56 076	79 881
Trade and finance	353 777	286 822	259 683
Transport and communications	35 469	41 688	38 007
Natural persons	172 990	196 173	229 741
Others	50 868	49 167	33 786
	748 770	668 201	700 255
Impairment for uncollectibility	(12 191)	(12 211)	(13 410)
Total bank loans granted and client advance payments	**736 579**	**655 990**	**686 845**

Interest rates

Loans granted in Bulgarian leva and foreign currency, are accumulated with variable interest rates. According to the terms of the contracts the interest rate is calculated by a base interest rate plus a premium. The regular loan premium is between 3% and 7%, depending on the credit risk, related to the respective borrower. On overdue loans is accrued interest corresponding to the accumulated interest of non-allowed overdraft, amounting to 35 %.

14.1.2. Other long-term loans

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Pavleks 97 EOOD	50 617	46 258	44 611
Cession receivables contracts	33 735	27 416	17 135
Rostinvest AD	17 057	14 874	10 352
Akin EOOD	8 032	7 311	-
Franchise Developments OOD	7 489	7 000	6 527
Armada Group EOOD	6 200	5 600	-
Holding Nov Vek AD	2 437	8 488	-
General Stock Investment EOOD	-	15 229	-
ABAS EOOD	-	36 256	-
Technoimportexport	-	6 513	-
Prima Chim EOOD	-	5 313	5 313
NEI AD, Razgrad	-	2 981	3 415
Invest Capital Consult EOOD	-	3 149	2 001
Army Group EOOD	-	2 774	2 440
Others	757	13 465	531
	126 324	**202 627**	**92 325**

Receivable from Pavleks 97 EOOD amounting to BGN 50 617 thousand includes a principal amounting to BGN 37 333 thousand and interest receivables at the amount of BGN 13 284 thousand. The loan is provided under a contract for temporary financial assistance for the amount of BGN 41 000 thousand at annual interest rate of 12.50%. The maturity date is 31.12.2014.

Receivable from Rostinvest AD amounting to BGN 17 057 thousand includes a principal amounting to BGN 15 000 thousand and interest receivables at the amount of BGN 2 057 thousand. The loan is provided under a contract for temporary financial assistance for the amount of BGN 15 000 thousand at annual interest rate of 10.00%. The maturity date is 23.05.2014.

Receivable from AKIN EOOD amounting to BGN 8 032 thousand includes a principal amounting to BGN 5 155 thousand and interest receivables at the amount of BGN 2 877 thousand. The loan is provided under a contract for temporary financial assistance at annual interest rate of 14.00%. The maturity date is 31.12.2014.

Receivable from Franchise Developments OOD at the amount of BGN 7 489 thousand includes a principal amounting to BGN 5 693 thousand and interest receivables at the amount of 1 796 thousand. The loan is provided under contract for temporary financial assistance for the amount of BGN 6 532 thousand at annual interest of 8.50% dated from 15.08.2005. The maturity date is 31.12.2014.

Receivable from Armada Group EOOD amounting to BGN 6 200 thousand includes a principal amounting to BGN 5 000 thousand and interest receivables at the amount of BGN 1 200 thousand. The loan is provided under a contract for temporary financial assistance for the amount of BGN 5 000 thousand at annual interest rate of 12%. The maturity date is 31.12.2014.

Receivable from Holding Nov Vek AD amounts to BGN 2 437 thousand. The loan is provided under a contract for temporary financial assistance for the amount of BGN 5 000 thousand at annual interest rate of 10.00% dated from 23.10.2008. The maturity date is 31.12.2014.

14.2. Held-to-maturity financial assets

Held-to-maturity financial assets consist of corporate bonds, bonds issued by Bulgarian government, and foreign trade company, including the amount of the accrued interests, based on their original maturity, as well as purchase of Bulgarian government bonds according to the requirements of the Insurance Code for the investments in insurance reserves and own resources.

The carrying amounts of these held-to-maturity financial assets, measured at amortized cost, are as follows:

	2011	2010	2009
	BGN'000	BGN'000	BGN'000
Carrying amount at amortized cost			
Mid-term Bulgarian government bonds	88 302	111 241	80 823
Corporate bonds	20 903	40 553	19 263
Long-term Bulgarian government bonds	21 714	6 155	6 166
	130 919	**157 949**	**106 252**

Bulgarian securities pledged as collateral

As at 31 December 2011, 31 December 2010 and 31 December 2009 government bonds, issued by the Bulgarian government at the amount of BGN 94 569 thousand, BGN 78 800 thousand and BGN 65 677 thousand respectively, are pledged as collateral for servicing budget accounts.

14.3. Financial assets at fair value through profit or loss

The long-term financial assets of the Group represent investing of own resources and specialized reserves according to the Social security Code to cover the minimal profitability of the additional mandatory pension fund. The financial assets are represented at fair value through profit or loss, defined as such at first recognition.

	2011	2010	2009
	BGN'000	BGN'000	BGN'000
Capital investments with market value	1 088	-	54 910
Long-term Bulgarian government bonds	-	-	35 702
Other	1 432	1 245	8 801
	2 520	**1 245**	**99 413**

All presented amounts of the financial assets are determined through published quotes of the listed securities on an active market or valuation of securities based on expert valuation, in accordance with the rules of the Group for the valuation of assets and liabilities.

14.4. Available-for-sale financial assets

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Bulgarian corporate bonds	131 473	62 232	14 905
Capital investments with market value	66 593	65 468	49 077
Long-term Bulgarian government bonds	64 869	29 899	-
Interest in Aviation company Hemus Air EAD	38 505	38 505	38 505
Mid-term Bulgarian government bonds	19 262	6 303	19 368
Foreign corporate bonds	16 179	4 443	-
Interest in ZAO TAT Aero	9 479	-	-
Interest in Air Ban EOOD	-	2 153	2 153
	346 360	**209 003**	**124 008**

Available-for-sale financial assets are nominated in Bulgarian leva and publicly traded in Bulgaria and abroad. Their fair value is determined based on their quoted prices at the reporting date.

The Group owns 100% of the share capital of Hemus Air EAD. These investments are reclassified as non-current financial asset available-for-sale in 2009 in accordance with the terms of Contracts for transfer of control from 2009 for transfer of voting rights.

Bulgarian securities pledged as collateral
As at 31 December 2011 government bonds, issued by the Bulgarian government at the amount of BGN 5 234 thousand (2010: BGN 5 236 thousand, 2009: BGN 4 491 thousand), are pledged as collateral for servicing budget accounts.

15. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences can be summarized as follows:

Deferred tax liabilities/ (assets)	**1 January 2011**	**Recognized in equity**	**Recognized in profit and loss**	**31 December 2011**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Non-current assets				
Property, plant and equipment	13 603		(322)	**13 281**
Long - term financial assets	(406)	4	(17)	**(419)**
Investment property	615		2 016	**2 631**
Others	2 230		(1 039)	**1 191**
Current assets				
Trade and other receivables	(527)		161	**(366)**
Financial assets	5 189		(889)	**4 300**
Others	(220)	(141)	220	**(141)**
Non-current liabilities				
Pension and other employee obligations	(165)		96	**(69)**
Others	-	(69)	69	**-**
Current liabilities				
Pension and other employee obligations	(514)		(51)	**(565)**
Others	(288)		668	**380**
Unused tax losses	(191)		(283)	**(474)**
	19 326	**(206)**	**629**	**19 749**
Recognized as:				
Deferred tax asset	**(2 311)**			**(2 120)**
Deferred tax liability	**21 637**			**21 869**

Deferred taxes for the comparative period 2010 can be summarized as follows:

Deferred tax liabilities/ (assets)	1 January 2010 BGN'000	Recognized in equity BGN'000	Recognized in business combination BGN'000	Recognized in profit and loss BGN'000	31 December 2010 BGN'000
Non-current assets					
Property, plant and equipment	13 777	-	-	(174)	**13 603**
Long - term financial assets	107	(331)	-	(182)	**(406)**
Investment property	1 289	-	-	(674)	**615**
Others	2 252	57	874	(953)	**2 230**
Current assets					
Trade and other receivables	-	(21)	-	(506)	**(527)**
Financial assets	1 971	-	-	3 218	**5 189**
Others	-	1	-	(221)	**(220)**
Non-current liabilities					
Pension and other employee obligations	(686)	(71)	-	592	**(165)**
Others	(1 093)	-	-	1 093	**-**
Current liabilities					
Pension and other employee obligations	(72)	-	-	(442)	**(514)**
Other provisions	(6)	(3)	-	(55)	**(64)**
Others	(646)	(1)	-	423	**(224)**
Unused tax losses	-	79	-	(270)	**(191)**
	16 893	**(290)**	**874**	**1 849**	**19 326**
Recognized as:					
Deferred tax asset	**(2 503)**				**(2 311)**
Deferred tax liability	**19 396**				**21 637**

All deferred tax assets and liabilities have been recognized in the consolidated statement of financial position.

16. Inventories

Inventories recognized in the consolidated statement of financial position can be analyzed as follows:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Raw materials	18 931	18 965	18 168
Finished goods	1 156	280	1 323
Trading goods	14 683	12 230	13 046
Work in progress	907	1 144	1 725
Others	527	32	-
	36 204	**32 651**	**34 262**

In 2011 inventories of the Group amounting to BGN 2 156 thousand (2010: BGN 1 680 thousand, 2009: BGN 3 207 thousand) are pledged as collateral benefitting UniCredit Bulbank AD, Eurobank EFG Bulgaria AD, BNP Pariba, CCB AD and Teximbank AD.

17. Short-term financial assets

Short-term financial assets for the presented reporting periods include various investments considered to be held for short-term trading.

	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000
Loans and receivables	17.1	674 051	548 757	532 966
Financial assets at fair value through profit or loss	17.2	542 326	425 829	83 609
Held-to-maturity financial assets	17.3	130 504	29 650	21 551
Held for sale financial assets	17.4	32 858	67 639	37 613
		1 379 739	**1 071 875**	**675 739**

17.1. Loans and receivables

	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000
Bank loan and client advance payments	17.1.1	468 678	418 648	372 381
Less impairment		(17 284)	(13 814)	(8 660)
		451 394	**404 834**	**363 721**
Other short-term loans contracts	17.1.2	222 657	143 923	169 245
		674 051	**548 757**	**532 966**

17.1.1. Short-term bank loans and client advance payments

The short-term bank loans and client advance payments occurred in relation with bank activity of the Group.

Analysis by type of the client:	2011 BGN'000	2010 BGN'000	2009 BGN'000
Natural persons			
-in BGN	88 099	33 530	104 971
-in foreign currency	22 470	3 249	16 689
Legal entities			
-in BGN	162 143	232 922	150 498
-in foreign currency	195 966	148 947	100 223
	468 678	418 648	**372 381**
Impairment for uncollectibility	(17 284)	(13 814)	(8 660)
Total bank loans and client advance payments	**451 394**	**404 834**	**363 721**

Analysis by economic sectors:	**2011 BGN‘000**	**2010 BGN‘000**	**2009 BGN‘000**
Agriculture and forestry	20 841	14 230	13 965
Manufacturing	33 667	9 866	17 503
Construction	29 891	35 303	42 301
Trade and finance	219 999	178 548	138 627
Transport and communications	22 066	26 245	20 289
Natural persons	110 569	123 503	121 660
Others	31 645	30 953	18 036
	468 678	418 648	**372 381**
Impairment for uncollectibility	(17 284)	(13 814)	(8 660)
Total bank loans and client advance payments	**451 394**	**404 834**	**363 721**

17.1.2. Contracts for other short-term loans

	2011 BGN‘000	**2010 BGN‘000**	**2009 BGN‘000**
ABAS EOOD	39 950	-	33 272
Cession receivables	31 130	20 500	12 485
General Stock Investment EOOD	28 869	8 294	9 449
PFK Cherno more AD	17 104	14 803	7 814
Neftena Targovska Kompaniya EOOD	16 618	5 473	6 827
Niko Commerce EOOD	10 447	10 796	10 132
Ital commerce 75 EOOD	9 776	-	-
Technoimportexport AD	6 951	-	5 651
AC Tatarstan	6 364	10 309	-
AKS 77 EOOD	2 513	-	-
Airport Kazan	-	16 387	3 931
Bulgarian Mills	-	11 780	-
Finance Consulting EAD	-	9 000	-
Loveshki melnisti	-	8 322	-
Sila Holding AD	-	1 920	9 655
INO EOOD	-	-	12 989
Lorian EOOD	-	-	8 625
New Industrial Company EOOD	528	-	7 387
AKIN EOOD	-	-	7 025
Business center Izgrev EOOD	-	-	5 904
Others	52 407	26 339	28 099
	222 657	**143 923**	**169 245**

The short-term loans are granted at annual interest levels between 7% - 14% depending on the credit terms.

The fair value of these loans granted is not individually determined. The management considers the carrying amount to be a reasonable approximation of their fair value.

17.2. Financial assets at fair value through profit or loss

The financial assets classified in this category meet the requirements for financial assets held for trading.

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Bulgarian corporate securities	385 449	279 601	55 671
Shares from EU countries	56 311	23 011	-
Long-term Bulgarian government bonds	40 896	55 150	154
Short-term Bulgarian government bonds	13 066	16 123	11 601
Derivatives, held-for-trade	9 462	8 412	13 538
Mid-term Bulgarian government bonds	7 947	7 024	2 645
Others	29 195	36 508	-
	542 326	**425 829**	**83 609**

Bulgarian corporate securities
As at 31 December 2011 the Group owns corporate securities, issued by municipalities, non-financial and financial companies, amounting to BGN 385 449 thousand (2010: BGN 277 932 thousand, 2009: BGN 55 671 thousand). These securities represent shares of public trade companies, listed on the Bulgarian Stock Exchange and foreign stock exchanges, which are stated at fair value, as they are liquid on the stock market as well as securities of companies that are not publicly traded on Bulgarian stock exchange and their fair value is evaluated by a licensed valuer.

Long-term Bulgarian government bonds
As at 31 December 2011 the long-term bonds, amounting BGN 40 896 thousand (2010: BGN 55 150 thousand, 2009: BGN 154 thousand) are recognized at fair value and include securities in BGN.

Short-term Bulgarian government bonds
As at 31 December 2011 the short-term Bulgarian government bonds, amounting BGN 13 066 thousand (2010: BGN 16 123 thousand, 2009: BGN 11 601 thousand) are recognized at fair value and include securities in BGN issued by the Bulgarian government. The maturity of the short-term bonds is in 1 year.

Derivatives, held-for-trade
As at 31 December 2011 derivatives held-for-trade amounting to BGN 9 462 thousand (2010: BGN 8 412 thousand, 2009: BGN 13 538 thousand) are recognized at fair value and consist of contracts for trade of foreign exchange, securities, forward contracts and foreign exchange swaps traded on the open market.

Mid-term Bulgarian government bonds
As at 31 December 2011 the mid-term bonds, amounting BGN 7 947 thousand (2010: BGN 7 024 thousand, 2009: BGN 2 645 thousand) are recognized at fair value and they include securities in BGN issued by the Bulgarian government.

17.3. Financial assets held-to-maturity

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Short-term bonds issued by the National Bank of the Republic of Macedonia	51 270	19 996	11 465
Short-term Macedonian government securities	38 231	4 684	1 279
Short-term Bulgarian government bonds	41 003	4 522	8 807
Others	-	448	-
	130 504	**29 650**	**21 551**

Short-term government bonds issued by the Republic of Macedonia
The short-term government bonds and the bonds issued by the National Bank of the Republic of Macedonia do not have market value and their fair value cannot be determined reliably.

Short-term Bulgarian government bonds
As at 31 December 2011 the short-term Bulgarian government bonds, amounting BGN 41 033 thousand (2010; BGN 4 522 thousand, 2009: BGN 8 807 thousand) are held-to-maturity and consist of securities in BGN issued by the Bulgarian government.

17.4. Financial assets available-for-sale

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Repurchase agreements receivables	31 159	26 187	-
Foreign capital investments	1 697	13 195	-
Short-term bonds issued by the National Bank of the Republic of Macedonia	-	28 252	-
Short-term Bulgarian government bonds	-	3	11 354
Others	2	2	26 259
	32 858	**67 639**	**37 613**

Repurchase agreements receivables
As at 31 December 2011 the Group has signed agreements with a repurchase clause for securities for a total amount of BGN 31 159 thousand, including the interest receivables, amounting to BGN 15 104 thousand. The Group has pledged these receivables with Bulgarian government and corporate securities, at approximately equal value, as collateral.

18. Trade receivables

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Trade receivables, gross	147 196	158 687	153 094
Impairment	(575)	(739)	(1 097)
Trade receivables	**146 621**	**157 948**	**151 997**

The trade receivables as at 31 December 2011 and the comparative periods 31 December 2010, 31 December 2009 are as follows:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Advances for acquisition of investments	60 000	60 000	60 000
Neftena Targovska Kompania EOOD	18 881	18 599	16 602
Ital Komers 75 AD	7 019	-	-
RS Consult EOOD	6 708	6 708	6 708
RS Trade EOOD	6 707	6 707	6 707
Galaxy Aviation, Ireland	3 658	-	-
Ottornio Investments Limited	3 000	-	-
Bank clients	2 953	1 506	3 333
Tatarstan Airlines	2 679	1 476	5 876
IATA br. Bulgaria	1 508	1 399	1 457
Networld	1 002	761	241
Lorian EOOD	-	18 749	-
Finance Consulting EAD	-	3 725	-
Alma Tour Fly OOD	-	2 315	685
TIM Club EOOD	-	1 341	-
Bulgarian Mills EOOD	-	-	15 028
Velgraf Asset Management EAD	-	-	4 453
N. V. Desmet Ballestra Group S.A.	-	-	2 631
Others /below BGN 1 000 thousand/	32 506	34 662	28 276
	146 621	**157 948**	**151 997**

All receivables are short-term. The carrying amount of the trade receivables is considered a reasonable approximation of their fair value.

All trade receivables of the Group have been reviewed for indications of impairment. Certain trade receivables were written off and the relevant impairment amounting to BGN 575 thousand (2010: BGN 739 thousand; 2009: 1 097 thousand) has been recognized in the consolidated statement of comprehensive income within "Expenses for non-financial activities". The written off trade receivables are mostly due from trade customers that are experiencing financial difficulties.

19. Tax receivables

	2011 BGN'000	2010 BGN'000	2009 BGN'000
VAT receivables	1 766	2 411	6 549
Excise receivables	88	416	236
Corporate income tax receivables	2 428	743	387
Other	372	1 513	142
	4 654	**5 083**	**7 314**

20. Other receivables

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Court receivables	61 505	1 721	1 531
Insurance and reinsurance receivables	50 858	42 991	42 858
Advance payments	29 171	173 458	18 918
Prepaid expenses	15 294	11 954	4 611
Short-term deposits and guarantees	11 379	12 339	14 819
Foreign activity	10 030	9 773	9 189
Cession receivables	9 279	42 900	27 560
Receivables from shares	80	16 214	24 600
Rai Bank AD	-	5 955	5 955
Others	21 703	10 065	11 158
	209 299	**327 370**	**161 199**

The major part of court receivables amounting to BGN 59 800thousand out of BGN 61 505 thousand (2010: BGN 0 thousand; 2009: BGN 0 thousand) relate to litigation brought by Bulgaria Air AD against Alma Tour BG AD (insolvent) and Alma Tour Fly OOD in relation to unfulfilled obligations under contract for priority chartering in their capacity as a charterer and guarantor.

Receivables from insurance and reinsurance amounting to BGN 50 858 thousand (2010: BGN 42 991 thousand; 2009: BGN 42 858 thousand) include receivables for accrued premiums under insurance contracts as well as estimates of reinsurance and co-insurance contracts.

The major part of advance payments amounting to BGN 20 769 thousand is in relation with concluded contracts for purchases of grain harvest and other commodities.

The major part of prepaid expenses amounting to BGN 15 294 thousand (2010: BGN 11 954 thousand; 2009: BGN 4 611 thousand) represent prepaid advertising, rent, insurance and other expenses by Central Cooperative Bank AD at the amount BGN 9 184 thousand.

The presented balances "Foreign activity" at the total of BGN 10 030 thousand (2010: BGN 9 773 thousand, 2009: USD 6 500 thousand) represent internal receivables from "Geokom – service" Libya arising from the payment of liabilities of "Geokom – service" Libya to its personnel by Oil and Gas Exploration and Production AD, Sofia.

The major part of cession receivables as at 31 December 2011 amounting to BGN 9 279 thousand include cession receivables under cession contract with Loveshki Melnici 2005 EOOD amounting to BGN 9 007 thousand.

The major part of the guarantees under lease contracts amounting to BGN 9 119 thousand (2010: BGN 10 034 thousand) represent paid guarantee amounts under concluded contracts for operating lease of aircrafts, guarantee receivables for airport service, rental guarantees for facilities and other contracts and guarantee for duty-free foreign exchange trade at Customs Sofia.

21. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Cash at bank and in hand:			
- BGN	379 253	473 885	278 235
- EUR	608 535	164 539	135 087
- USD	24 525	35 042	8 590
- other currencies	9 383	8 493	15 889
	1 021 696	**681 959**	**437 801**

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Placements with, and advances to, banks	184 404	168 537	119 530
Current accounts with the Central Bank	369 880	404 120	236 930
Short-term investments	432 339	81 395	64 368
Blocked cash and cash equivalents	3 161	3 445	3 015
Deposits in conformity with the Insurance Code	31 912	24 462	13 958
	1 021 696	**681 959**	**437 801**

Restricted cash related to activity other than banking as at 31 December 2011 amounts to BGN 14 683 thousand (2010: BGN 655 thousand).

Placements with and advances to banks and in cash, short-term investments and blocked cash and cash equivalents can be presented as follow:

	2011 BGN'000	2010 BGN'000	2009 BGN'000

Cash in hand:	141 491	127 800	105 939
Term deposits with local banks			
- in BGN	90 185	8 347	16 800
- in foreign currency	116 701	67 983	29 775
Term deposits with foreign banks in foreign currency	254 720	3 670	3 137
Restricted accounts with local banks			
- in BGN	3 161	3 445	3 015
Nostro accounts with local banks			
- in BGN	11	52	27
- in foreign currency	1 678	1 355	204
Nostro accounts with foreign banks in foreign currency	11 957	40 725	28 016
Total placements with, and advances to, banks	**619 904**	**253 377**	**186 913**

22. Non-current assets, classified as held-for-sale

The carrying amount of the assets classified as held-for-sale can be presented as follows:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Non-current assets			
Intangible assets	-	946	-
Property, plant and equipment	30 461	32 530	6 535
Current Assets			
Receivables	97		
Cash and cash equivalents	43		
Assets, classified as held-for-sale	**30 601**	**33 476**	**6 535**

Non-current assets, classified as held-for-sale, at the amount of BGN 20 552 thousand (2010: BGN 23 346 thousand 2009: BGN 0) are granaries (buildings, machines and others) that are not used by the Group and action on their sale is taken.

Non-current assets, classified as held-for-sale, at the amount of BGN 9 909 thousand (2010: BGN 9 184 thousand, 2009: BGN 6 535 thousand) are real estate properties, acquired by the banks in the Group in their capacity of mortgage creditors of granted and not serviced debt. Those assets will not be used by the Bank in its business activities, as a result of which the Group takes action on their sale in 2011.

Current assets, classified as held-for-sale, amounting to BGN 140 thousand (2010: BGN 0; 2009: BGN 0) are cash and cash equivalents at the amount of BGN 43 thousand and trade and tax receivables at the amount of BGN 97 thousand.

23. Equity

23.1. Share capital

The share capital of Chimimport AD as at 31 December 2011 consists of 150 857 596 (2010: 150 858 809, 2009: 150 577 390) ordinary shares with a par value of BGN 1 per share and 88 770 671 (2010: 88 787 458, 2009: 89 068 877) preferred shares with a par value of BGN 1, including 5 170 175 (2010: 5 784 484, 2009: 5 643 171) ordinary shares and 4 131 489 (2010: 4 102 889 2009: 4 140 794) preferred shares, acquired by companies of Chimimport Group. The ordinary shares of Chimimport AD are registered and subject to unrestricted transfers and entitle 1 voting right and liquidation quota. The preferred shares do not entitle voting rights. They give the owner the right to a cumulative guaranteed dividend and to a guaranteed liquidation quota of the Group's estate.

	2011	2010	2009
Shares issued and fully paid:			
- beginning of the year	229 758 894	229 862 302	144 138 806
- issued during the year /preferred shares/		-	89 646 283
- reduction of preferred shares due to convertion into ordinary shares during the year	(16 787)	(281 419)	(577 406)
- increase in ordinary shares due to convertion of preferred shares into ordinary shares during the year	16 787	281 419	577 406
- treasury shares /ordinary and preferred/, acquired by subsidiaries during the year	585 709	(103 408)	(3 922 787)
Shares issued and fully paid as at period end	**230 344 603**	**229 758 894**	**229 862 302**

On 12 June 2009 Chimimport AD issued mandatory convertible preferred shares with 9% guaranteed fixed annual dividend and guaranteed liquidation quota. 89 646 283 preferred shares are issued and paid with issue value amounting to BGN 2.22 each, representing 99.61% of the offered shares. The accumulated capital during the public offering amounts to BGN 199 015 thousand. The obligatory conversion of the shares occurs at the end of the seventh year after the registration of the capital increase in the Trade register.

The accumulated funds above the nominal value of the share capital amounting to BGN 105 082 thousand are allocated as follows:

- BGN 27 622 thousand – share premium
- BGN 8 348 thousand – current dividend payables
- BGN 70 008 thousand – non-current dividend payables
- BGN 3 391 thousand – share issue expenses

Dividend payables and share premium, resulting from the conversion of 858 825 preferred shares and the acquisition of 585 709 shares of the Group by subsidiaries, are allocated as follows:

- BGN 28 272 thousand – share premium
- BGN (1 432) thousand – reduction of share premium due to treasury shares acquired by subsidiaries
- BGN 16 770 thousand – current dividend payables

- BGN (849) thousand – reduction of current dividend payables due to treasury shares acquired by subsidiaries
- BGN 56 245 thousand – non-current dividend payables
- BGN (2 846) thousand – reduction of non-current dividend payables due to treasury shares acquired by subsidiaries

The list of the principal shareholders, holding ordinary shares of the Group, is as follows:

	2011 Number of ordinary shares	2011 %	2010 Number of ordinary shares	2010 %	2009 Number of ordinary shares	2009 %
Chimimport Invest AD	108 533 269	71.94%	109 348 114	72.48%	109 724 464	72.87%
Artio International Equity Fund	10 693 367	7.09%	10 693 367	7.09%	10 693 367	7.10%
CCB Group EAD	4 395 005	2.91%	5 192 408	3.44%	5 192 408	3.45%
CACEIS Bank Deutschland GmbH	2 833 188	1.88%	2 840 358	1.88%	1 275 706	0.85%
DIAS Investment Company	1 500 000	0.99%	1 501 935	1.00%	1 171 377	0.78%
EFG EUROBANK ERGASIAS	1 378 750	0.91%	1 362 229	0.90%	1 362 229	0.90%
Unicredit Bank Austria	1 161 064	0.77%	1 198 300	0.79%	1 266 249	0.84%
PIC Saglasie Co.Ltd.	850 672	0.56%	255 672	0.17%	244 672	0.16%
LIC Saglasie AD	765 000	0.51%	-	0.00%	-	0.00%
Consolid Commerce	704 276	0.47%	704 276	0.47%	704 276	0.47%
The Bank of New York Mellon	633 049	0.42%	328 842	0.22%	91 250	0.06%
Other legal entities	11 061 102	7.33%	10 768 767	7.14%	12 600 137	8.37%
Other natural persons	6 366 854	4.22%	6 664 541	4.43%	6 251 255	4.15%
Chimimport Invest AD	**150 875 596**	**100.00%**	**150 858 809**	**100.00%**	**150 577 390**	**100.00%**
Shares of the Group, acquired by subsidiaries						
CCB Group AD	(4 395 005)	2.91%	(5 192 408)	3.44%	(5 192 408)	3.45%
ZAD Armeec	(463 100)	0.31%	(463 100)	0.31%	(405 848)	0.27%
CCB AD	(57 000)	0.04%	(56 309)	0.04%	-	-
POAD CCB Sila	(255 070)	0.17%	(72 667)	0.05%	(44 915)	0.03%
	(5 170 175)	**3.43%**	**(5 784 484)**	**3.83%**	**(5 643 171)**	**3.75%**
Net number of shares	**145 705 421**		**145 074 325**		**144 934 219**	

The list of principle shareholders, holding shares (ordinary shares and preferred shares) of the capital of Chimimport AD is presented as follows:

	2011 Number of shares /ordinary and preferred/	2011 %	2010 Number of shares /ordinary and preferred/	2010 %	2009 Number of shares /ordinary and preferred/	2009 %
Chimimport Invest AD	179 885 551	75.06%	180 713 551	75.41%	181 149 195	75.59%
Artio International Equity Fund	17 109 388	7.14%	17 109 388	7.14%	17 729 376	7.40%
CCB Group EAD	7 468 658	3.12%	8 266 061	3.45%	8 307 853	3.47%
CACEIS Bank Deutschland GmbH	2 833 188	1.18%	2 840 358	1.19%	1 275 706	0.53%
UniCredit Bank Austria	1 909 993	0.80%	2 102 255	0.88%	2 257 850	0.94%
Dias investment company	1 500 000	0.63%	1 501 935	0.63%	1 171 377	0.49%
Efg eurobank ergasias	1 378 750	0.58%	1 800 964	0.75%	1 362 229	0.57%
Other legal entities	18 838 765	7.86%	22 656 654	9.45%	19 548 826	8.16%
Other natural persons	8 721 974	3.64%	2 655 101	1.11%	6 843 855	2.86%
	239 646 267	**100%**	**239 646 267**	**100%**	**239 646 267**	**100%**
Shares of the Group, acquired by subsidiaries						
CCB Group AD	(7 468 658)	3.12%	(8 266 061)	3.45%	(8 307 853)	3.47%
ZAD Armeec	(463 100)	0.77%	(463 100)	0.19%	(551 864)	0.23%
CCB AD	(82 800)	0.03%	(81 509)	0.03%	-	-
POAD CCB Sila	(1 287 106)	0.54%	(1 076 703)	0.45%	(924 248)	0.39%
	(9 301 664)	**4.46%**	**(9 887 373)**	**4.13%**	**(9 783 965)**	**4.08%**
Net number of shares	**230 344 603**		**229 758 894**		**229 862 302**	

Withholding tax for dividends due from individuals and foreign legal entities, registered in countries that are not members of EU for 2010, 2011 and 2012 amounts to 5% and the tax is deducted from the gross amount of dividends.

23.2. Share premium

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Premium reserve from 2009, 2007 and 2006	219 761	219 995	260 475
Increase/ (Decrease) of the share premium resulting from purchase of shares by subsidiaries	5 882	(234)	(40 480)
	225 643	**219 761**	**219 995**

In 2011 the share premium is increased by BGN 5 882 thousand (2010: BGN 234 thousand, 2009: BGN (40 480) thousand) as a result of the sale of treasury shares by subsidiaries.

As at 31 December 2011 share premium amounts to BGN 219 761 thousand (2010: BGN 219 995 thousand, 2009: BGN 260 475 thousand). Share premium is formed by the following issues:

- Share premium amounting to BGN 28 256 thousand from the issue of preferred shares in 2009. The share premium is reduced by the portion of the issue expenses, attributable to equity, at the amount of BGN 2 033 thousand. In 2011, the share premium is increased by BGN 16 thousand, related to the converted during the year 16 787 preferred shares.
- Share premium amounting to BGN 199 418 thousand from secondary public offering of shares of the Group in 2007. The premium is reduced by the issue expenses at the amount of BGN 581 thousand.
- Share premium amounting to BGN 32 925 thousand from initial public offering of shares of the Group for the period of 7 September 2006 to 20 September 2006. Share premium of the issue is reduced by the share issue expenses at the amount of BGN 327 thousand.

23.3. Other reserves

As at 31 December 2011 amount of other reserves equals to BGN 70 917 thousand (2010: BGN (3 124) thousand, 2009 BGN 9 093 thousand). The increase in 2011 in amount of BGN 74 041thousand is due mainly to the distribution of retained earnings to other reserves.

24. Specialized reserves

	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000
Insurance reserves	24.1	134 732	116 894	105 582
Pension fund reserves	24.2	3 754	3 073	1 169
		138 486	**119 967**	**106 751**

24.1. Insurance reserves

	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000
Premium reserve carried forward	24.1.1	72 946	66 831	56 828
Reinsurers' share in the premium reserve carried forward		(9 294)	(6 930)	(6 848)
Reserve for outstanding payments	24.1.2	70 381	56 537	55 552
Reinsurers' share in the reserve for outstanding payments		(7 652)	(7 183)	(4 215)
Reserve for bonuses and discounts	24.1.3	1 370	1 240	-
Reinsurers' share in the reserve for bonuses and discounts		(997)	(743)	-
Additional reserve for filed, but not paid claims		1 649	2 322	-
Reinsurers' share in the shortage reserve		(58)	(7)	-
Reserve for Public liability insurance – motor vehicles		5 822	4 469	-
Contingency fund		315	315	311
Mathematical reserve	24.1.7	237	43	14
Unexpired risk reserve		13	-	3 940
		134 732	**116 894**	**105 582**

Insurance reserves are set aside in the course of the Group's insurance activity, conducted by ZAD Armeec, CCB Life EAD and HIC CCB Health EAD.

Reserves adequacy

The Company's actuary periodically assesses whether the general reserves formed, less the deferred acquisition expenses, are sufficient to cover any future payments. As required by regulatory institutions the sum of the formed reserves must be fully secured by investments in highly liquid assets.

In assessing the adequacy of reserves, the Company takes into account the cash flows for the payment of compensations, cash flows generated by the premiums collected and the commissions paid.

24.1.1. Premium reserve carried forward

Premium reserve carried forward as at 31 December 2011 amounts to BGN 72 946 thousand (2010: BGN 66 831 thousand, 2009: BGN 56 828 thousand).

The Group sets aside premium reserve carried forward on the basis of the amount of accrued insurance premiums. All insurance contributions that have to be paid according to the insurance policies are accrued for the whole term of the contract. For insurance premiums that relate to many years and have annual contributions, contribution is accrued for a one-year period. The exact-date method is applied separately for each policy. The premium carried forward for insurances Cargo and Hauler's Liability insurance is calculated for the one-month term of the insurance. The basis for calculation is separate for each promissory note. The calculations are performed by a program set in the INSIS information system.

The reinsurers' share in the premium reserve carried forward is calculated in proportion to the assigned premium on each promissory note. For the reinsurance contract „excess of loss" and "stop loss" reinsurers' share is not set aside.

24.1.2. Reserve for outstanding payments

24.1.2.1. Reserve for occurred and presented claims

The reserve for occurred and presented claims is calculated by applying the method claim by claim. For damages brought under court claims regarding Casco insurance and Public liability insurance of drivers, an adjustment coefficient is applied in accordance with art. 8, par. 5 of Regulation No 27 concerning the order and methodology for forming technical reserves of the insurers, reinsurers and health security insurance reserves. The coefficient values are 78% for Casco insurance, 38% for non-pecuniary damages and 55% for pecuniary damages on Public liability insurance of drivers. The Group has been presented a claim for the amount of BGN 1 181 thousand related to insurance policy issued to Alma Tour for "Tour operator liability" but reserves set aside are limited to the policy limit amounting to BGN 200 thousand.

Estimations are based on preliminary assessment and description of the damages. Calculations are carried out on the basis of statistical data about the registered claims in the information system INSIS. The reinsurer portion in the reserve for occurred and presented claims is calculated in accordance with the clauses contained in the reinsurance contract regarding the policy covering the damage.

As at 31 December 2011, 2010 and 2009 the reserve for outstanding payments amounts respectively to BGN 70 381 thousand, BGN 56 537 thousand and BGN 55 552 thousand.

24.1.2.2. Reserve for occurred, but not presented claims

The reserve for occurred, but not presented claims is calculated by applying the chain-ladder method with the accumulated amounts of each type of insurance offered by the Group. This method is applied for the period being 2000-2011. The only exception of the method used is the public liability insurance for motorists.

For Public liability insurance for the possession and use of motor vehicle, the reserve for occurred, but not presented claims is calculated by applying the chain-ladder method based on accumulated amounts for material and non-material damages respectively, solely using private data of the Group.

The period, used as a basis for calculating the reserve is eleven years – 2001-2011. The above mentioned method is in accordance with Ordinance 27, approved by decision N - 102/10.02.2011 of FSC. The reserve is calculated both for compulsory public liability insurance for the possession and use of motor vehicle and the frontier liability insurance, and for the Green card insurance.

When forming the reserve, the data for the claimed damages until 2006 comprise not only the data regarding the Public liability insurance, but also data for Frontier liability insurance and Green card insurance.

The reserve for occurred but not presented claims is calculated separately for the Green card insurance for the period 2007-2011, using the chain-ladder method based on accumulated amounts of the presented claims, using the weighted average development coefficients, for material and non-material damages, solely using private data of the Group. Data refers to the period from 2000 to 2011.

When calculating the reserve for the occurred, but not presented claims for the "Public Liability" insurance the claimed damages are reduced by BGN 981 thousand as the excess of damages claimed over the policy's limit of insurance "Tour operator Liability" of the bankrupt Alma Tour.

For insurances, on which the Group offers inward reinsurance and a statistic for the damages in the past 3 years is available, the reserve for occurred, but not presented claims is calculated separately for the direct insurances and for the inward reinsurance. In the case of inward reinsurance the presentation of damages in significantly delayed in time, as compared to the presentation of damages in the case of direct insurances and when there is enough data to implement the chain-ladder method separately for the two business types, it's advisable to calculate everything separately. For Aviation Casco and Fire and nature disasters insurances the Group calculates the reserve for occurred, but not presented claims separately – for the direct insurances and for the inward reinsurance.

The Group does not set aside reserve for occurred, but unclaimed damages for the following insurances: "Illness Insurance", "Rail Vehicles Insurance", "Casco of vessels", "Vessel public liability", "Insurance of guarantees" and "Court Expenses insurance", because using the chain-ladder method for calculation of reserve for occurred but unclaimed damages at insurances such as "Casco of vessels", "Vessel public liability", and "Insurance of guarantees" results to BGN 0. No premium income is realized relating to "Illness insurance", "Rail vehicles insurance" and "Court Expenses Insurance".

Basis for the calculation of the reserve is the statistic of the claims included in the information system INSIS for the period 2000-2011.

The reinsurers' part of the reserve for occurred, but not presented claims is calculated under the reinsurance contracts in the year of occurrence of the damage – for the contracts of quota this is the ceding percentage and when mainly facultative contracts are present the reinsurers' share in the reserve for not presented claims is calculated proportionally to the reinsurers' share in the sum of the paid and outstanding amounts for presented claims.

24.1.3. Reserve for bonuses and discounts

The reserve for bonuses and discounts is formed for all contracts, for which a premium return is provided - in the case of positive result after their final clearance or the premium on the basis of realized risks during the period of insurance (for example planned and realized amount of flight hours in the case of aviation insurances).

The following method is applied:

- For all currently active insurances with such articles in the contracts, the premium awarded for them is multiplied by the average rate of premium return, calculated on the basis of all such contracts concluded in recent years.

- For all past contracts with an article for participation there is an amount, allocated as an evaluation from the according department, servicing those contracts or the amount allocated is obtained by multiplying the accrued value of the contracts and the average rate of premium return, used to calculate the reserve for contracts that are currently in effect.

Basis of calculation - for each policy separately, according to a list prepared by sectional insurance departments.

The reinsurers' share in the reserve for bonuses and discounts is calculated proportionally to the ceded premium of reinsurers during the current year.

24.1.4. Reserve for presented, but not paid claims

The additional reserve for presented, but not paid claims in accordance with art. 8a from Regulation No 27 is formed for those types of insurances, for which there is an insufficiency of the reserve for presented claims at the end of the previous year, according to art. 8a, par.2.

The method of the pending amount is applied to all claims, presented before the beginning of 2011 and pending at the end of 2011, and is multiplied by the sufficiency coefficient for the reserve for presented, unpaid claims, determined according to Annex No 5 of Regulation No 27, reduced by one. The sufficiency coefficient is calculated by type of insurance.

For the "Casco" and "Fire and natural disasters", insurances the sufficiency coefficients for the reserve are formed, based on the data for 2011, because there is a large amount of claims on those types of insurance and it can be assumed that the coefficient is authentic. For the rest of the insurances with identified reserve insufficiency for presented, but unpaid claims – "Accident", "Aviation Casco", "Casco of vessels", "Vessel public liability", "Credits" and "Travel assistance" – the sufficiency coefficient is formed as an average amount of the coefficients for the past 3 years, because those insurances have a low amount of claims.

Calculation basis – the data claim by claim for the paid and pending claims in the past 3 years, derived from INSIS at the end of each of those years.

The reinsurers' share in the reserve for presented, but unpaid claims according to art. 8a from Regulation No 27 is calculated proportionally to the reinsurer's share in the amount of the damages paid during the year and the pending amounts for presented claims as at the end of the year.

24.1.5. Reserve for public liability insurance for drivers

The reserve in accordance with art. 11a of Regulation No27 is formed for the Public liability insurance for drivers in case that the amount of the premium reserve carried forward for each motor vehicles insured at the end of the year is lower than the minimal amount required to cover the risk for one motor vehicle insured, according to a Directive of FSC and the expected expenses after the end of the reporting period.

A method for the additional reserve is applied in accordance with art. 11a of Regulation No 27, which is formed, as required by Annex No 8 of Regulation No 27, as a difference between the required reserve for risk coverage and the expenses for types of motor vehicle, as established by a Decree from the vice-president of FSC and the set aside premium reserve carried forward.

The calculated administrative expenses for one policy of Public liability insurance-drivers for a period of one year in 2011 used when forming the additional reserve, in accordance with art. 11 are at the amount of BGN 17.36.

Calculation basis – the data for the entered into insurance policies Public liability insurance for drivers including those after 15 November 2010, derived from INSIS.

The reinsurers' share in the additional reserve for presented, but unpaid claims, in accordance with art. 8a in Regulation No 27 has been calculated proportionally for the reinsurer's share in the unearned premium.

24.1.6. Contingency fund

A contingency fund is set aside solely for Credit insurance in accordance with Article 6 paragraph 6 of Regulation № 27 on the procedures and methods for the formation of technical reserves by insurers and health insurance reserves. Method N1 from Appendix N1 of the regulation is applied.

The total amount of the contingency fund of the Group amounts to BGN 315 thousand (2010: BGN 315 thousand, 2009: BGN 311 thousand).

24.1.7. Mathematical reserve

The mathematical reserve as of 31 December 2011 for individual savings policies is 68 policies (2010: 85 policies, 2009: 47 policies), operative as at 31 December 2009, is set aside by applying the prospective method in accordance with art. 13 of Regulation № 27. The Zillmer adjustment is applied, representing the present value of the unpaid acquisition costs (art. 13, par. 8 of regulation № 27), is enclosed. The mathematical reserve is at the amount of BGN 237 thousand (2010: BGN 43 thousand, 2009: BGN 14 thousand).

24.2. Pension fund reserves

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Reserves for guaranteeing minimal yield on UPF	3 218	2 539	1 008
Reserves for guaranteeing minimal yield on PPF	529	526	153
Life pension reserve UPF	7	8	8
	3 754	**3 073**	**1 169**

Reserves of pension funds are set aside in the course of the Group's pension insurance activity performed by POAD Sila and the pension funds under its management.

25. Financial liabilities

		Current			Non-current		
	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000	2011 BGN'000	2010 BGN'000	2009 BGN'000
Financial liabilities measured at amortized cost:							
Liabilities to depositors	25.1	2 035 229	1 342 391	985 618	503 190	534 999	430 792
Liabilities for dividends	25.2	15 921	15 974	8 040	53 399	62 174	70 655
Bonds and debenture loan	25.3	135 115	2 256	128 935	-	128 884	2 973
Bank loans	25.4	42 702	38 781	54 210	151 891	106 952	103 372
Other borrowings	25.5	44 379	51 078	50 127	11 331	22 300	6 731
Insurance contract liabilities	25.6	18 846	14 515	13 015	-	-	-
Derivatives, held-for-trading	25.7	6 098	6 916	12 107	-	-	-
Deposits from banks	25.8	50 233	11 564	4 276	-	-	-
Liabilities under repurchase agreements	25.9	29 170	22 748	3 825	-	-	-
Total carrying amount		**2 377 693**	**1 506 223**	**1 260 153**	**719 811**	**855 309**	**614 523**

25.1. Long- and short-term liabilities to depositors

Analysis by term and type of currency:	2011 BGN'000	2010 BGN'000	2009 BGN'000
Demand deposits			
in BGN	384 933	351 315	315 710
in foreign currency	137 410	112 474	80 789
	522 343	463 789	396 499
Term deposits			
in BGN	938 001	514 819	345 376
In foreign currency	963 195	795 248	596 462
	1 901 196	1 310 067	941 838
Savings accounts			
in BGN	65 625	50 153	32 698
in foreign currency	36 902	35 918	33 966
	102 527	86 071	66 664
Other deposits			
in BGN	7 119	11 982	7 968
in foreign currency	5 234	5 481	3 441
	12 353	17 463	11 409
Total liabilities to depositors	**2 538 419**	**1 877 390**	**1 416 410**

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Individual deposits			
in BGN	954 963	552 578	376 990
in foreign currency	798 491	652 562	501 430
	1 753 454	1 205 140	878 420
Legal entities deposits			
in BGN	431 695	363 709	308 821
in foreign currency	339 288	290 012	219 074
	770 983	653 721	527 895
Deposits of other institutions			
in BGN	7 499	11 982	5 575
in foreign currency	6 483	6 547	4 520
	13 982	18 529	10 095
Total liabilities to other depositors	**2 538 419**	**1 877 390**	**1 416 410**

25.2. Dividend liabilities

As at 31 December 2011 dividend liabilities for the preferred shares are as follows:

	Current			Non-current		
	2011 BGN'000	2010 BGN'000	2009 BGN'000	2011 BGN'000	2010 BGN'000	2009 BGN'000
Dividend liabilities	15 921	15 974	8 040	53 399	62 174	70 655
	15 921	**15 974**	**8 040**	**53 399**	**62 174**	**70 655**

In 2011 and 2010 the Group has paid out guaranteed dividend to its preferred shareholders, as at 28 July 2011 and 19 July 2010, at the amount of BGN 17 635 thousand and BGN 9 626 thousand or BGN 0.1998 and BGN 0.1077 per share, respectively.

Dividend obligations of the Group are due to the issued in 2009 mandatory convertible preferred shares by 9% guaranteed fixed annual dividend. Each outstanding preferred share entitles the holder to cumulative guaranteed dividend at the amount of 9% of the issue price. Due to the fact that the preferred shares dividend is guaranteed, it is payable by the Group, no matter whether the General Meeting has decided to allocate dividends in the respective year or not. Due to the fact that the guaranteed dividend is cumulative, it is payable by the Group, no matter whether the Group has formed attributable profit for the respective year.

When converted, the preferred shareholders are considered ordinary shareholders at the date they are registered as such by the Central Depository.

25.3. Bonds and debenture loan

	Current			Non-current		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Chimimport Holland B.V.	135 115	-	125 962	-	128 884	-
Zarneni Hrani Bulgaria AD	-	2 256	2 973	-	-	2 973
	135 115	**2 256**	**128 935**	**-**	**128 884**	**2 973**

Chimimport Holland B.V. – bonds

On 22 August 2008 the Group by its subsidiary Chimimport Holland B.V. has issued *a debenture loan, amounting to EUR 65 million with a 7-year maturity. The loan is with attached coupons bearing a fixed annual interest rate amounting to 7%, as the coupon payments are carried out twice a year, respectively on 22 February and on 22 August. The first payment is due on 22 February 2009. According to the call option in the contract, agreed upon with Chimimport Invest AD, the bonds can be exchanged with ordinary shares of Chimimport AD with par value of BGN 1.00. The redemption of the bonds will be carried out on 22 August 2015 and the price of the redemption will be 118.9%. The increase of the principal amounts to EUR 12 785 thousand will be capitalized to the principal in the period of the 7-year maturity. The fair value of the bonds as of the issue date is EUR 65 000 thousand. The expenditures that are directly attributable to the issue of the bonds – amounting to EUR 2 737 thousand, are deducted from the value of the principal of the bonds. Those expenditures will be amortized in the 7-year maturity period, beginning on 22 September 2008. The value of the redemption and the respective expenditures, related to the bonds are accounted for on the basis of effective interest rate - 9.787968312%, applied to the principal, amounting to EUR 65 000 thousand. The market value of the bonds and the effective interest rate are calculated based on the method of discounted cash flows. The bonds are valued using the amortized value. In favor of the bond holders 11.6 million ordinary shares of Chimimport AD, owned by the main shareholder "Chimimport Invest" AD, are pledged as collateral

According to Condition 8 (c) from the Terms and Conditions of the issued by Chimimport Holland B.V. bonds as at 31 December 2011 and 31 December 2009, each debenture holder has the right to claim the repurchase right for all or a portion of the bonds. The repurchase right was exercisable on 22 August 2010. On 22 August 2010, none of the repurchase rights were exercised. The next date for exercising the right is 22 August 2012. As at 31 December 2011, the Group's liability to bondholders amounts to BGN 135 115 thousand, including principal at the amount of BGN 131 921 thousand and interest payables at the amount of BGN 3 194 thousand.

Zaneni Hrani Bulgaria AD – debenture loan

The debenture loan is signed on 10 November 2005 with Central Cooperative Bank AD, as the debenture holders are individuals and legal entities, which are not part of the Chimimport Group. As at 31 December 2011 the debenture loan is fully repaid.

25.4. Bank loans

	Note	Current 2011 BGN'000	Current 2010 BGN'000	Current 2009 BGN'000	Note	Non-current 2011 BGN'000	Non-current 2010 BGN'000	Non-current 2009 BGN'000
Bank loans	25.4.2	42 702	38 781	54 210	25.4.1	151 891	106 952	103 372

25.4.1. Long-term bank loans

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Corporate Commercial Bank AD	58 675	-	-
Bulgarian Development Bank AD	40 062	40 062	40 068
UniCredit Bulbank – revolving credit	17 995	17 995	17 995
Alpha Bank, branch Bulgaria – revolving credit	13 088	14 911	5 867
Landensbank Baden-Wuerttenberg – investment loans	8 551	13 053	13 576
DSK Bank EAD – investment credit, long-term portion	7 736	5 000	5 000
United Bulgarian Bank AD – investment credit	3 402	4 843	6 149
Eurobank EFG AD– long portion of investment bank loan	911	-	-
DSK Bank EAD – revolving credit	-	10 001	12 266
Hypovereisenbank AD	-	862	1 455
Other /below 1 000 thousand/	1 471	225	996
	151 891	**106 952**	**103 372**

Corporate Commercial Bank AD

In 2011 the Group has received two bank loans by Corporate Commercial Bank AD as follows:

- Long-term bank loan signed on 4 July 2011 for the amount of BGN 19 558 thousand with maturity date 25 June 2017. The interest rate equals 7.375%. All payments are made in euro. According to the repayment schedule, the Group repays the loan by payments as follows: BGN 1 370 thousand on 25 June 2013; BGN 3 323 thousand on 25 June 2014; BGN 4 499 thousand on 25 June 2015; BGN 4 499 thousand on 25 June 2016 and BGN 5 867 thousand on 25 June 2017. The loan is not secured by collateral and in case of deteriorating of financial position of the Group, it should provide additional collateral acceptable by the bank within the specified term. The outstanding balance of the loan as at 31 December 2011 amounts to BGN 19 558 thousand (EUR 10 000 thousand).
- Long-term bank loan signed on 4 July 2011 for the amount of BGN 39 117 thousand with maturity date 25 June 2017. The semi-annual interest rate equals 7.375%. All payments are made in euro. According to the repayment schedule, the Group repays the loan by 5 payments, the first of which is on 25 June 2013. The Group placed a first level collateral on current and future receivables arising from bank account contracts, signed with the bank. The outstanding balance of the loan as at 31 December 2011 amounts to BGN 39 117 thousand (EUR 20 000 thousand).

Bulgarian Development Bank AD

As at 31 December 2011 the Group has received the following loans by the Bulgarian Development Bank AD:

- program for targeted refinancing of commercial banks amounting to BGN 35 000 thousand as loan funds are provided by the Group for medium and long-term investment lending and project financing for technical innovation, introduction of new technologies, know-how, increase competitiveness and export potential projects under EU structural funds and short-term pre-export financing of small and medium enterprises registered under the Commercial Code. The deadline for repayment of the loan is 30 December 2018. The Group owes annual interest on the unpaid portion of the loan at the amount of 5%.
- program for providing targeted credit lines to commercial banks, used for financing farmers at the amount of BGN 5 062 thousand, including interest payments. The deadline for repayment of the loan is 30 March 2014. The Group owes annual interest on the unpaid portion of the loan at the amount of 5%.

UniCredit Bulbank AD – revolving loan

In 2007 the Group has received two revolving bank loans, with maturity date 20 September 2013 at the total amount of BGN 18 195 thousand with interest rates as follows: 1-month SOFIBOR, plus 3% premium and 1-month SOFIBOR, plus 3,5% premium Payments are made in Bulgarian leva. The loans are secured with mortgages on property, plant and equipment under the Law on Registered Pledges, as well as with pledge of inventories and future receivables. The outstanding amount of the loans as at 31 December 2011 amounts to BGN 18 195 thousand (EUR 9 303 thousand), of which long-term portion – BGN 17 995 thousand and short-term portion– BGN 200 thousand.

Alpha Bank, branch Bulgaria – revolving loan

The revolving bank loan contract dated 16 March 2011 between the Group and Alpha Bank, branch Bulgaria expires on 31 December 2015. The interest rate equals 12-month EURIBOR, plus 7.0% premium. All payments are carried out in euro. According to the repayment schedule, the Group repays the loan by 9 payments at the amount of EUR 1 117 thousand. The loan is secured with mortgages on real estate, pledge on machines, plant and equipment, owned by a subsidiary, and mortgage on real estate, owned by a subsidiary. The outstanding amount of the loan as at 31 December 2011 amounts to BGN 19 721 thousand (EUR 10 083 thousand), of which long-term portion – BGN 13 088 thousand and short-term portion – BGN 6 633 thousand.

Landensbank Baden-Wuerttenberg – Investment loans

The Group has received three revolving bank loans by Landensbank Baden-Wuerttenberg on 10 November 2006, 16 November 2006 and 29 August 2008, with maturity dates 30 April 2015, 28 August 2017 and 28 August 2017, respectively. The interest rate on all three loans equals 6-month EURIBOR, plus 0.875% premium. All payments are carried out in euro. The outstanding balance of the loans as at 31 December 2011 amounts to BGN 10 827 thousand (EUR 5 536 thousand), of which long-term portion – BGN 8 551 thousand and short-term portion – BGN 2 276 thousand.

DSK Bank EAD – investment bank loan/revolving loan
The Group is granted a loan by DSK Bank EAD under Contract 114, dated 6 June 2006, with maturity date 25 April 2016. The interest rate is 3-month EURIBOR, plus 4.5%. The loan is secured with real estate – "Dom na geologa", located in Varna, St. St. Constantine and Elena resort at the amount of BGN 6 293 thousand – owned by Park Bild OOD. Payments are carried out in euro. According to the repayment schedule, the Group repays the loan by monthly payments at the amount of EUR 97 thousand. The outstanding balance of the loan as at 31 December 2011 amounts to BGN 10 001 thousand (EUR 5 114 thousand), of which long-term portion – BGN 7 736 thousand and short-term portion – BGN 2 265 thousand.

United Bulgarian Bank AD – investment credit
As at 31 December 2011, the Group has received an investment loan from United Bulgarian Bank AD, with maturity date 18 February 2015. The payments are carried out in US dollars and the interest rate is 3-month LIBOR, plus 3.5% premium. The loan is secured with an aircraft BOING 737 – 300. The outstanding balance of the loan as at 31 December 2011 amounts to BGN 4 980 thousand (USD 3 294 thousand), of which long-term portion – BGN 3 402 thousand and short-term portion – BGN 1 578 thousand.
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Eurobank EFG Bulgaria AD – investment loan
In 2011 the Group has received a bank investment loan, with maturity date 31 December 2015 at the amount up to BGN 1 437 thousand with interest rate 3-month EUR LIBOR, plus 4.00% premium. Payments are carried out in euro. The loan is secured with mortgage on second and third floors of a building, located on Korab planina Str., as well as guarantor agreement, signed with Chimimport AD. The outstanding balance of the loans as at 31 December 2011 amounts to BGN 1 211 thousand (EUR 619 thousand), of which long-term portion – BGN 911 thousand and short-term portion – BGN 300 thousand.

25.4.2. Short-term bank loans

	2011 BGN'000	2010 BGN'000	2009 BGN'000
DSK Bank EAD	15 265	9 530	10 185
Bulgarian Development Bank AD – overdraft	10 884	9 588	9 198
Alpha Bank, branch Bulgaria – short-term portion and short-term revolving credit	6 633	8 830	20 390
Eurobank EFG Bulgaria AD – revolving bank loan	2 493	2 420	2 497
Landesbank Baden-Wuerttemberg – short-term portion	2 276	3 233	3 583
Oberbank Austria	1 956	-	-
United Bulgarian Bank AD – short-term portion	1 578	1 546	1 193
BNP Paribas S.A. – credit line	-	2 054	-
Eurobank EFG Bank Bulgaria AD – bank loan	-	-	3 287
Other	1 617	1 580	3 877
	42 702	**38 781**	**54 210**

DSK Bank EAD

Liabilities of the Group as at 31 December 2011 comprises the following loans:

- **bank loan** - The Group was granted a bank loan by DSK Bank EAD on 5 October 2011 at the amount of BGN 3 000 thousand with maturity date 5 October 2012. The interest rate equals 1-month SOFIBOR plus 4.00% premium as the interest cannot be less than 8.50% and greater than 10.00%. All payments are carried out in Bulgarian leva. The loan is secured with real estate – hotel complex “Geolog ”, located St. St. Constantine and Elena resort, owned by Park Bild OOD.
- **revolving bank loan** - The Group is granted an investment loan by DSK Bank EAD under a contract, dated 28 January 2008, with maturity date 25 March 2012. The interest rate equals 1-month SOFIBOR, plus 6% premium. Payments are carried out in Bulgarian leva. The loan is secured with mortgages on real estate, pledge in machines, plant and equipment, and with pledge on tangible fixed assets under the Law on registered pledges.
- **short-term portion of investment loan** – as at 31 December 2011 liabilities at the amount of BGN 2 265 thousand are the short-term portion of investment loan presented in note 25.4.1.

Bulgarian development bank - overdraft

On 12 May 2009 the Group has signed an overdraft contract with Bulgarian development bank AD for the amount of EUR 6 135 thousand. The repayment date is extended to 30 September 2012. Within this period the Group can obtain overdraft amounts, but only if previously received funds are repaid. The interest rate on the contract is 3-month EURIBOR, plus 7 points, but not less than 8.51%. The contract is secured by Group’s assets – a hangar, pledged rental receivables according to signed operating lease contract with Lufthansa Technik Sofia OOD, pledged assets of the related party Aviation company Hemus Air EAD and a warrantee of the related party Bulgarian Airways Group EAD. The outstanding balance of the loan as at 31 December 2011 amounts to BGN 10 884 thousand (EUR 5 565 thousand).

Alpha bank, branch Bulgaria –revolving credit

The revolving credit signed on 20 August 2008 woth Alpha bank, branch Bulgaria with maturity date on 11 August 2013 at interest rate at 12-month EURIBOR plus a premium of 7.5%. Payments are carried out in Euro. The contract is secured by real estate properties. Monthly payments are at the amount of EUR 94 thousand. The outstanding balance of the loan as at 31 December 2011 amounts to BGN 6 633thousand (EUR 3 391 thousand).

Eurobank EFG Bulgaria AD – revolving credit

The Group has received a bank loan by Eurobank EFG Bulgaria AD under a contract, dated 10 August 2006, with maturity date extended untill 10 August 2012. The interest rate is 3-month SOFIBOR plus 5.00% premium. Payments are carried out in Bulgarian leva. The loan is secured with a mortgage of real estates, pledge on fixed assets under the terms of the Law for the Registered Pledges. The outstanding balance of the loan as at 31 December 2011 amounts to BGN 2 493 thousand.

Oberbank Austria – bank loan

As at 31 December 2011, the Group has received a short-term loan by Oberbank Austria at the amount of BGN 1 956 thousand with maturity date on 30 November 2012.

25.5. Other borrowings

	Current				Non-current			
	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000
Other borrowings	25.5.2	44 379	51 078	50 127	25.5.1	11 331	22 300	6 731

25.5.1. Other non-current borrowings

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Niko Commerce EOOD	7 961	10 033	-
Dar Trade EOOD	1 296	1 320	-
Buildco EOOD	149	1 238	-
Bulgarian Mills EOOD	-	2 989	-
Financing from State Agricultural Fund	-	634	1 252
Other	1 925	6 086	5 479
	11 331	**22 300**	**6 731**

Other non-current borrowings are received under annual interest rates from 8% to 12% depending on the contract period.

As at 31 December 2011, the Group's borrowing from Niko Commerce EOOD amounts to BGN 7 961 thousand, including principal at the amount of BGN 6 813 thousand and interest payables at the amount of BGN 1 147 thousand. The liability is incurred under framework agreement for temporary financial assistance concluded on 3 October 2008 for the amount of BGN 11 000 thousand at 8% interest rate. The maturity date is 31 December 2014.

25.5.2. Other current borrowings

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Chimsnab Bulgaria AD	11 803	-	-
Aircraft Lease EOOD	9 573	-	-
Capital Management REIT	4 908	3 908	591
Velgraf asset Management AD	2 563	-	-
Sparg EOOD	1 211	1 244	1 430
Lorian EOOD	1 006	-	-
Finance Consulting AD	853	22	12 113
Neftena Targovska Kompaniya EOOD	176	9 188	4 120
Holding Varna AD	104	6 192	3 214
Bulgarian mills AD	-	13 998	11 244
Kamchiya AD	65	3 894	3 591
Viadjo air AD	-	5 200	-
Rentapark EOOD	-	3 657	-
Niko commerce EOOD	-	-	8 364
Other	12 117	3775	5 460
	44 379	**51 078**	**50 127**

Other current borrowings are received under annual interest rates from 8% to 12% depending on the contracted period. The period of repayment is on demand by the Group. The loans are not pledged with any collateral. The fair value of the loans is not separately determined as the management considers that the carrying amount of the loans is a reasonable approximation of their fair value.

25.6. Insurance contracts liabilities

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Insurance liabilities	6 890	6 540	6 136
Re-insurance liabilities	10 662	6 804	6 412
Transactions with Guarantee fund	1 294	1 171	467
	18 846	**14 515**	**13 015**

25.7. Derivatives, held-for-trading

As at 31 December 2011 derivatives, held-for-trading, amounting to BGN 6 098 thousand (2010: BGN 6 916 thousand, 2009: BGN 12 107 thousand), are presented at fair value and include purchase and sales of currency, securities, forward contracts, and currency swaps on the open market.

25.8. Deposits from Banks

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Demand deposits – local banks			
-in Bulgarian leva	4 116	339	84
-in foreign currency	3 296	286	118
Demand deposits from foreign banks in foreign currency	915	6 041	33
Term deposits from local banks in Bulgarian leva	4 040	4 898	4 041
Term deposits from foreign banks in foreign currency	37 866	-	-
	50 233	**11 564**	**4 276**

25.9. Liabilities under repurchase agreements

As at 31 December 2011 the Group has signed contracts with a clause for repurchase of securities with local companies, amounting to BGN 29 170 thousand (2010: BGN 22 748 thousand, 2009: BGN 3 825 thousand), including the outstanding interest payables. The Group has collateralized this liability with government securities. The maturity date of those agreements is in the period January-March 2012.

26. Liabilities to insured individuals

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Attracted funds in a voluntary pension fund	48 894	46 400	10 278
Attracted funds in a professional pension fund	53 033	52 708	14 471
Attracted funds in a universal pension fund	322 539	254 690	96 227
	424 466	**353 798**	**120 976**

The net assets value of the funds, managed by POAD CCB Sila AD as at 31 December 2011 amounts to BGN 424 466 thousand. The increase amounts to BGN 70 688 as a result of contributions and positive return on investment of the insured individuals, implemented in 2011.

The change in the net assets available for income is a result of:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Beginning of the period	**353 798**	**120 976**	**82 563**
Received pension contributions	75 641	72 084	33 883
Amounts received from pension funds, managed by other Pension Insurance Companies	23 648	17 973	4 501
Transferred net assets of Lukoil Garant Bulgaria – PPF, VPF and UPF as a result of merger	-	159 291	-
Other contributions	-	-	3
Total increase of pension contributions	**99 289**	**249 348**	**38 387**
Positive/ (negative) income from investment of funds	11 127	16 770	7 292
Result from investment of funds	**11 127**	**16 770**	**7 292**
Paid off pensions	(103)	(105)	(16)
One-time paid pensions to insured individuals	(3 940)	(5 569)	(824)
Funds for disbursement of funds to heirs of insured	(524)	(451)	(66)
Amounts paid to the National Revenue Agency	(10 433)	(2 944)	(519)
Amounts paid under social security contracts	**(15 000)**	**(9 069)**	**(1 425)**
Amounts, paid to insured individuals, transferred to other pension funds	(17 164)	(17 546)	(3 102)
Amounts paid to state budget	(97)	(114)	(18)
Entrance fee	(7)	(5)	(2)
Service fee	(155)	(138)	(67)
10% yield fee	(137)	(149)	(31)
5% service fee	(3 486)	(3 320)	(1 609)
1% investment fee	(3 343)	(2 625)	(897)
Transfer fee	(352)	(325)	(113)
Withdrawal fee	(7)	(5)	(2)
End of the period	**424 466**	**353 798**	**120 976**

The net assets available for income are distributed as follows:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Individual accounts	423 610	352 953	120 534
Reserve for minimal return	856	845	442
Net assets available for income	**424 466**	**353 798**	**120 976**

27. Trade payables

	Note	Current 2011 BGN'000	Current 2010 BGN'000	Current 2009 BGN'000	Note	Non-current 2011 BGN'000	Non-current 2010 BGN'000	Non-current 2009 BGN'000
Trade payables	27.2	80 539	234 624	106 815	0	22 318	23 178	24 317

27.1. Non-current trade payables

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Sofia Airport AD (public liabilities, payable to DG CAA)	21 289	19 171	17 728
C.I.T. Leasing Corporation	1 029	3 833	5 946
Other	-	174	643
	22 318	**23 178**	**24 317**

The net carrying amount of the trade payables is considered a reasonable estimate of their fair value.

Sofia Airport AD
Non-current trade payables at the amount of BGN 21 289 thousand (2010: BGN 19 171 thousands, 2009: BGN 17 278 thousand) comprise the carrying amount of airport fees payables and other public liabilities owed to Sofia Airport AD (DG CAA), calculated using the effective interest method. Under Agreement, dated 21 July 2009, the obligations of the Group are deferred until 20 July 2017 and no payments are due for the first three years. The Principal of the obligation amounts to BGN 17 998 thousand. The effective annual interest rate is fixed at 10,44%, taking into account the conditions of the agreement and other factors, which could influence. The payments are carried out in Bulgarian leva.

C.I.T. Leasing Corporation
The commercial loan is formed by the contract, signed on 05 December 2008 with the creditor C.I.T. Leasing Corporation for the purchase of an aircraft Boeing 737. The loan amounts to USD 7 600 thousand and is due in 53 equal monthly payments. The interest rate is 9.097%. The monthly payment is USD 173 401. The maturity date of the loan is the 10^{th} of every month. The security for the commercial loan is an aircraft Boeing 737 – 300, with a registration sign LZ BOO. As at 31 December 2011 the total amount of the loan is BGN 3 934 thousand, including non-current portion at the amount of BGN 1 029 thousand and current portion - BGN 2 905 thousand.

27.2. Current trade payables

	2011 BGN'000	2010 BGN'000	2009 BGN'000
DG-CAA Sofia Airport EAD	8 385	7 153	7 657
Lukoil Aviation Bulgaria EOOD	6 079	2 938	2 339
Sofia Airport EAD	4 524	5 468	5 276
Cit Leasing	2 905	2 586	2 187
Eurocontrol	2 442	3 126	2 536
LKS OOD	2 196	1 776	906
Cosmos Energy Ltd.	2 053	-	1 055
Holding Varna AD	1 912	2 333	2 071
Prodex LTD	1 471	-	-
CIT Aerospace International, Ireland	1 432	1 114	620
Zurneni Hrani Bulgaira Farin AD	992	2 966	2 056
Cye Petrol Ticaret LTD. STI.	664	1 156	-
Technoimportexport EOOD	164	-	1 308
Plovdivska Stokova Borsa AD	-	136 861	-
Balkan and Sea Properties REIT	-	15 418	-
Kazanlashka Melnitsa EOOD	-	13 416	13 416
Advance payments	-	11 345	16 135
Samokov Municipality	-	3 661	3 661
Galaxy Aviation	-	2 906	2 339
Other /below BGN 1 000 thousand/	45 320	20 401	43 253
	80 539	**234 624**	**106 815**

The fair values for trade and other receivables are not presented, since management considers the carrying amounts recognized in the consolidated statement of financial position to be a reasonable approximation of their fair value.

The most significant trade payables to DG-CAA Sofia Airport at the amount of BGN 8 385 thousand (2010: BGN 7 153 thousand, 2009 BGN 7 657 thousand) and to Sofia Airport at the amount of BGN 4 524 thousand, 2010 BGN 5 486 thousand, 2009 BGN 5 276 thousand) represent fees due for services on board of the aviation company.

The obligation to Lukoil Aviation AD amounting to BGN 6 079 thousand (2010: BGN 2 938 thousand, 2009: BGN 2 339 thousand) relates to supply of aircraft fuel.

Payables to Eurocontrol amounting to BGN 2 442 thousand (2010: BGN 3 126 thousand, 2009: BGN 2 536 thousand) relate to overflight charges.

LKS OOD is a catering supplier and payables amounting to BGN 2 196 thousand (2010: 1 776 thousand, 2009: BGN 906 thousand) relate to the supply of food and drinks on board of the aircrafts.

As of 31 December 2011 trade payables to Plovdivska Stokova Borsa AD amounting to BGN 136 861 thousand relate to request made for purchase of grain harvest in 2011.

28. Employee remunerations

28.1. Employee benefits expense

Employee benefits expense include current salaries and wages, as well as social security expenses, unused leaves and provisions for pension as follows:

	2011 BGN'000	2010 BGN'000
Wages expense	(81 125)	(78 748)
Social security costs	(14 087)	(13 535)
Employee benefits expense	**(95 212)**	**(92 283)**

28.2. Pension and other employee obligations

The liabilities for pension and other employee obligations recognized in the consolidated statement of financial position consist of the following amounts:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Non-current:			
Pension provisions	2 188	2 118	2 206
Non-current pension and other employee obligations	**2 188**	**2 118**	**2 206**
Current:			
Employee benefits obligations	9 208	8 995	10 165
Payables to social security institutions	2 526	2 642	2 887
Pension provisions	839	951	428
Current pension and other employee obligations	**12 573**	**12 588**	**13 480**

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2011.

In determining the pension obligation, actuarial assumptions were used. These assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions have led to the amounts determined as the Group's defined benefit obligations for the reporting periods under review and should be regarded as management's best estimate. However, the actual outcome may vary.

Changes in pension provisions under the Labour code are presented as follows:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Pension provisions, beginning of period	3 069	2 634	2 269
Increase of pension provisions due to an increased number of employees expected to retire in next 5 years	285	551	437
Discounted	(61)	(21)	(16)
Increase of pension provisions as result of discount rate	2	45	40
Increase of pensions as a result of changes in the gross salary	11	70	67
Paid compensations to employees	(279)	(210)	(163)
Written-off during the period	-	-	-
Pension provisions, end of period	**3 027**	**3 069**	**2 634**

29. Tax liabilities

Tax liabilities include:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Corporate income tax	3 277	3 912	6 686
Excise duty on imports	50	2 646	2 591
Other tax liabilities	6 933	6 954	4 488
	10 260	**13 512**	**13 765**

30. Other liabilities

Other liabilities can be summarized as follows:

		Current				Non-current		
	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000
Other liabilities	30.2	75 690	52 413	45 857	30.1	1 204	2 326	2 725

30.1. Other non-current liabilities

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Trans-European Transport Network financing	1 173	1 173	1 173
RAI Bank	-	851	851
Other	31	302	701
	1 204	**2 326**	**2 725**

As at 31 December 2011 the Group is a beneficiary under the Resolution for granting financial aid by the Commission of the European Community for projects of common interest "Studies related to the port expansion project for Lesport as part of Port Varna regarding implementation of European standards in Bulgaria" 2008-BG-90300-S in the field of the trans-European transport networks (TEN-T), issued 10 June 2009.

The group has an obligation to provide bank guarantee at the amount of EUR 600 thousand (BGN 1 173 thousand) under contract № 80800ББГ-А-0191, dated 24th of July 2009 in order to limit the financial risk associated with the pre-financing payment. Pledged as a security for the guarantee are the following:

- First pledge on mobile crane, owned by the Group;
- Second pledge on mobile crane, owned by the Group

30.2. Other current liabilities

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Tickets sold	20 465	16 551	23 240
Advances from customers	18 731	19 151	2 426
Leasing	13 819	5 377	3 851
Liabilities under concessionary remunerations	1 755	1 423	1 420
Cession payables	830	-	2 613
St. St. Constantine and Elena Holding AD	-	-	1 916
NEK EAD	-	-	1 800
Other	20 090	9 911	8 591
	75 690	**52 413**	**45 857**

Liabilities on tickets sold amounting to BGN 20 465 thousand (2010: BGN 16 551 thousand, 2009: BGN 23 240 thousand) represent the conducted tickets sales, which as at the date of the financial statements have not factually occurred i.e. conducting the carriage.

Substantial part of guarantees amounting to BGN 8 156 thousand (2010: BGN 0; 2009: BGN 0) represent liabilities from received guarantee deposit formed by contract for the sale of fixed assets with Cetisime Trade EOOD.

Another substantial part of guarantee amounting to BGN 3 673 thousand (2010: BGN 4 491 thousand; 2009: BGN 3 315) are guarantees on lease of aircrafts arising from contracts between the Group and Tatrastan Airlines for leased aircrafts.

31. Income from non-financial activities

The income from non-financial activities can be analyzed as follows:

	2011 BGN'000	2010 BGN'000
Income from sale of plane tickets	224 696	228 585
Income from services rendered	93 088	109 075
Income from sale of trading goods	47 153	208 158
Income from sale of finished goods	21 228	23 790
Other	91 714	67 175
	477 879	**636 783**

32. Expenses for non-financial activities

	Note	2011 BGN'000	2010 BGN'000
Cost of finished and trading goods sold		(39 520)	(189 062)
Cost of materials		(126 344)	(105 979)
Hired services		(178 453)	(176 067)
Depreciation and amortization		(31 253)	(37 513)
Employee expenses	28.1	(33 445)	(32 113)
Other		(12 652)	(16 623)
		(421 667)	**(557 357)**

Audit expenses for 2011 amount to BGN 59 thousand (2010: BGN 59 thousand).

33. Gain/(Loss) from change in the fair value of investment property

	2011 BGN'000	2010 BGN'000
Gain from change in the fair value of investment property	43 934	-
Loss from change in the fair value of investment property	(851)	(1 714)
	43 083	**(1 714)**

34. (Loss)/ Gain from sale of non-current assets

	2011 BGN'000	2010 BGN'000
Proceeds from sale of non-current assets	42 578	8 693
Carrying amount of non-current assets sold	(11 740)	(11 046)
Gain/(Loss) from sale of non-current assets	**30 838**	**(2 353)**

35. Insurance income

	Note	2011 BGN'000	2010 BGN'000
Insurance premium income	35.1	157 891	146 233
Income from released insurance reserves		132 771	116 126
Income from reinsurance operations		20 648	20 081
Regression income		6 626	7 236
Other insurance income		5 714	287
		323 650	**289 963**

35.1. Income from insurance premiums

	2011 BGN'000	2011 %	2010 BGN'000	2010 %
Casco	73 519	46,56%	73 386	50,18%
Motor public liability insurance	49 773	31,52%	38 121	26,07%
Fire and natural calamities	9 428	5,97%	9 571	6,55%
Casco of aircrafts	5 374	3,40%	4 448	3,04%
Aircraft public liability insurance	4 888	3,10%	5 007	3,42%
Accident	2 828	1,79%	3 059	2,09%
Travel assistance	2 606	1,65%	1 924	1,32%
General liability	2 475	1,57%	2 360	1,61%
Property damage	1 703	1,08%	1 336	0,91%
Additional insurance	901	0.57%	1 400	0,96%
Other financial losses	878	0,55%	2 654	1,81%
Cargo during transportation	730	0,46%	497	0,34%
Loans and leases	675	0,43%	1 064	0,73%
Guarantees	636	0,40%	399	0,27%
Casco of vessels	540	0,34%	407	0,28%
Life and annuity	514	0,33%	342	0,23%
Hospital care	93	0,06%	82	0,06%
Improve health and prevent disease	79	0,05%	45	0,03%
Vessels public liability insurance	70	0,04%	30	0,02%
Outpatient medical care	60	0,04%	47	0,03%
Reimbursement of expenses	57	0,04%	28	0,02%
Dental care	40	0,03%	25	0,02%
Additional services related to domestic disabilities	24	0,02%	1	0,00%
	157 891	**100,00%**	**146 233**	**100,00%**

36. Insurance expenses

	Note	2011 BGN'000	2010 BGN'000
Expenses for insurance reserves set aside		(153 746)	(131 283)
Indemnities paid off	36.1	(68 365)	(70 871)
Reinsurance expenses		(33 804)	(11 358)
Acquisition expenses		(29 947)	(33 502)
Liquidation of damages expenses		(2 356)	(2 396)
Other insurance expenses		(10 370)	(26 562)
		(298 588)	**(275 972)**

36.1. Indemnities paid off

During 2011 and 2010 the following indemnities, classified by group of insurance, have been paid off:

	2011 Indemnities paid off BGN'000	2011 Share %	2010 Indemnities paid off BGN'000	2010 Share %
Casco	48 270	70,61%	48 244	68,07%
Motor public liability insurance	13 874	20,28%	11 647	16,43%
Loans and leases	1 472	2,15%	4 000	5,64%
Fire and natural calamities	989	1,45%	1 768	2,50%
Travel assistance	886	1,30%	1 329	1,88%
Accident	866	1,27%	704	0,99%
General public liability insurance	685	1,00%	1 135	1,60%
Property damage	541	0,79%	406	0,57%
Casco of vessels	275	0,40%	928	1,31%
Casco of aircrafts	135	0,20%	140	0,20%
Cargo during transportation	101	0,15%	215	0,30%
Vessels public liability insurance	100	0,15%	73	0,10%
Other financial losses	72	0,11%	-	0,00%
Aircraft public liability insurance	57	0,08%	7	0,01%
Life insurance	37	0,05%	261	0,37%
Health care insurance	5	0,01%	14	0,02%
	68 365	**100,00%**	**70 871**	**100,00%**

37. Interest income

	2011 BGN'000	2010 BGN'000
Interest income by types of sources:		
Legal entities	150 671	134 047
Government securities	25 216	21 812
Banks	6 982	696
Individuals	36 124	42 096
Other	1 360	1 168
	220 353	**199 819**

38. Interest expenses

	2011 BGN’000	2010 BGN’000
Interest expenses by depositors:		
Legal entities	(56 340)	(49 257)
Individuals	(74 764)	(52 136)
Banks	(13 200)	(11 504)
Other	(989)	(358)
	(145 293)	**(113 255)**

39. Gains from transactions with financial instruments

	2011 BGN’000	2010 BGN’000
Revaluation of financial instruments	234 674	203 178
Gains from transactions with securities and shares	50 497	94 999
Other	1 264	649
	286 435	**298 826**

40. Losses from transactions with financial instruments

	2011 BGN’000	2010 BGN’000
Revaluation of financial instruments	(214 578)	(154 348)
Losses from transactions with securities	(27 601)	(24 053)
Other	(1 932)	(524)
	(244 111)	**(178 925)**

41. Administrative expenses

	Note	2011 BGN’000	2010 BGN’000
Employee benefits expense	28.1	(61 767)	(60 170)
Hired services expense		(58 177)	(51 246)
Depreciation and amortization		(35 239)	(12 709)
Cost of materials		(6 110)	(5 730)
Other		(27 688)	(37 491)
		(188 981)	**(167 346)**

42. Gain from purchases

	2011 BGN'000	2010 BGN'000
Stater Bank AD	-	6 793
Dobrich fair AD	-	147
Other	-	-
	-	**6 940**

43. Other financial income

	Note	2011 BGN'000	2010 BGN'000
Revenue from fees and commissions, net	43.1, 43.2	22 417	22 343
Net result from foreign exchange differences		3 995	3 100
Other		16 599	3 621
		43 011	**29 064**

43.1. Revenue from fees and commissions

	2011 BGN'000	2010 BGN'000
Bank transfers in Bulgaria and abroad	17 596	9 709
Servicing deposit accounts	2 507	3 187
Servicing loans	2 194	2 681
Servicing commitments and contingencies	1 163	1 299
Other fees and commissions income, different from banks	-	4 978
Other income	5 607	6 939
Total Revenue from fees and commissions	**29 067**	**28 793**

43.2. Fees and commissions expenses

	2011 BGN'000	2010 BGN'000
Bank transfers in Bulgaria and abroad	(3 175)	(2 546)
Servicing accounts	(167)	(180)
Release of precious parcels	(158)	(125)
Transactions with securities	(70)	(134)
Other fees and commissions expenses, different from banks	(2 838)	(3 108)
Other expenses	(242)	(357)
Total fees and commissions expenses	**(6 650)**	**(6 450)**

44. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate of 10 % (2010: 10%) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2011 BGN'000	2010 BGN'000
Profit before tax	128 608	157 891
Tax rate	10%	10%
Expected tax expense	**(12 861)**	**(15 789)**
Net effect of the decrease/ (increase) of the financial result	7 485	8 627
Current tax expense	**(5 376)**	**(7 162)**
Tax rate	**10%**	**10%**
Deferred tax (expense)/income, resulting from:		
- origination and reversal of temporary differences and changes in tax rates	(629)	(1 849)
Tax expenses	**(6 005)**	**(9 011)**

Note 15 presents additional information on the deferred tax assets and liabilities, including the amounts recognized directly in other comprehensive income.

45. Earnings per share

45.1. Earnings per share

Basic earnings per share have been calculated using the profit attributed to shareholders of the parent company as the numerator.

The weighted average number of outstanding shares used for basic earnings per share as well as the net profit, less the dividend expense, attributable to shareholders, is as follows:

	31 December 2011	31 December 2010
Profit attributable to the shareholders (BGN)	111 681 000	132 234 000
Weighted average number of outstanding shares	147 214 743	144 957 433
Basic earnings per share (BGN per share)	**0.7586**	**0.9122**

The weighted average number of shares /ordinary and preferred/, used in calculating the diluted basic earnings per share, as well as the net profit, adjusted with dividend expense, attributable to shareholders, is as follows:

	31 December 2011	31 December 2010
Net profit, attributable to shareholders, adjusted with dividend expense (BGN)	119 251 661	140 160 559
Weighted average number of shares	232 810 174	229 799 681
Diluted earnings per share (BGN per share)	**0.5122**	**0.6099**

46. Related party transactions

The Group's related parties include its owners, associates and key management personnel.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled by bank transfers or in cash.

46.1. Transactions with owners

Sale of goods and services, interest income and other income	**2011**	**2010**
	BGN'000	**BGN'000**
- interest income		
Chimimport Invest AD	15 058	9 651
Purchase of services, interest expense and other expenses		
- purchase of services		
Chimimport Invest AD	(90)	(25)
- interest expense		
Chimimport Invest AD	(284)	-

46.2. Transactions with associates and other related parties under common control

Sale of goods and services, interest income and other income	2011 BGN'000	2010 BGN'000
- sale of finished goods		
Kavarna Gas OOD	1 379	1 316
Fraport TSAM AD	181	248
Preslava EOOD	-	11
Other	-	3
- sale of finished goods		
Fraport TSAM AD	1 012	724
Asenova Krepost AD	73	83
Chimsnab Trade OOD	22	-
Aviation Company Hemus Air EAD	-	88
Other	-	41
- sale of services		
OAO Airport Kazan	467	-
Lufthansa Technik Sofia OOD	411	-
Aviation Company Hemus Air EAD	191	1 426
Consortium Shlegel - Energoproekt	71	-
Fraport TSAM AD	48	-
Asenova krepost AD	42	-
Chimsnab Trade OOD	4	11
M Car OOD	3	-
PIC Saglasie AD	2	-
Kavarna Gas OOD	1	-
Consortium Energoproekt – Royal Haskoning	-	1 649
CCB Leader VF	-	443
CCB Active VF	-	335
CCB Garant VF	-	6
Other	945	147
- interest income		
Aviation Company Hemus Air EAD	7 351	5 207
OAO Airport Kazan	255	-
Fraport TSAM AD	181	187
M Car OOD	161	-
Conor – Switzerland	86	608
Lufthansa Technik Sofia OOD	23	-
Kavarna Gas OOD	5	-
Holding Asenova Krepost AD	-	42
Asenova Krepost AD	-	22
Park Build EOOD	-	5
Other	1 397	682

Purchase of services and interest expense	**2011 BGN'000**	**2010 BGN'000**
- purchase of services		
Aviation Company Hemus Air EAD	(16 678)	(7 994)
Fraport TSAM AD	(3 393)	(6 200)
Lufthansa Technik Sofia OOD	(3 002)	-
M Car OOD	(120)	-
OAO Airport Kazan	(37)	-
Capital Invest EAD	(1)	(5)
M Car Stara Zagora EOOD	(1)	-
Chimsnab Trade OOD	-	(4)
Other	(8)	-
- interest expense		
Fraport TSAM AD	(480)	(443)
Holding Asenova krepost AD	(95)	-
PIC Saglasie Co.Ltd.	(75)	(1)
Dobrichki panair AD	(32)	-
Amadeus Bulgaria OOD	(29)	(17)
Invest Capital EAD	(11)	(13)
Asela AD	(4)	-
Capital Invest EAD	(3)	(8)
Chimsnab Trade OOD	(1)	(1)
Other	(327)	(5)

46.3. Transactions with key management personnel

Key management of the Group includes members of the Managing Board and Supervisory Board. Key management personnel remuneration includes the following expenses:

	2011 BGN'000	**2010 BGN'000**
Short-term employee benefits:		
Salaries, including bonuses	2 193	568
Social security costs	28	28
Group car allowance	8	11
Total short-term benefits	**2 229**	607
Total remunerations	**2 229**	**607**

47. Related party balances at year-end

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Non-current			
Non-current receivables from:			
- associates			
Fraport TSAM AD	1 347	2 738	5 867
Lufthansa Technik Sofia OOD	94	673	-
	1 441	**3 411**	**5 867**
- related parties			
Aviation Company Hemus Air EAD	96	-	5 459
Chimsnab Trade OOD	-	25	-
Other	644	3	28
	740	**28**	**5 487**
Total non-current receivables from related parties:	**2 181**	**3 439**	**11 354**
Current			
Current receivables from:			
- owners			
Chimimport Invest AD	147 383	137 979	27 925
	147 383	**137 979**	**27 925**
- associates			
Conor GmbH	9 422	-	-
Fraport TSAM AD	5 974	3 129	-
Lufthansa Technik Sofia OOD	726	1 256	2 151
PIC Saglasie Co.Ltd.	649	739	739
Kavarna Gas OOD	531	389	518
Holding Nov Vek AD	-	-	9 605
	17 302	**5 513**	**13 013**
- other related parties under common control			
Aviation Company Hemus Air EAD	86 555	58 876	36 577
OAO Airport Kazan	10 571	-	-
Consortium Energoproekt – Royal Haskoning	2 471	-	-
M Car OOD	2 186	-	-
Chimsnab Trade OOD	27	-	-
Asenova Krepost AD	26	728	-
Air Ban Ltd.	-	-	8 405
Other	154	3 702	2 207
	101 990	**63 306**	**47 189**
Total current receivables from related parties:	**266 675**	**206 798**	**88 127**

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Non-current payables to:			
- associates			
Fraport TSAM AD	1 430	496	-
Amadeus Bulgaria OOD	130	-	-
PIC Syglasie AD	88	-	-
Lufthansa Technik Sofia OOD	43	-	-
Kavarna Gaz OOD	22	-	-
	1 713	**496**	**-**
- other related parties under common control			
Aviation Company Hemus Air EAD	170	-	-
Asela AD	46	-	-
Chimsnab Trade OOD	27	-	-
Asenova krepost AD	21	-	-
Capital Invest EAD	9	-	-
Invest Capital EAD	3	-	-
Pamporovo property EOOD	2	-	-
Holding Asenova krepost AD	1	-	-
Other	45	330	-
	324	**330**	**-**
Total non-current payables to related parties:	**2 037**	**826**	**-**

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Current			
Current payables to:			
-owners			
Chimimport Invest AD	109	360	-
	109	**360**	**-**
-associates			
PIC Syglasie AD, together with PPF, UPF and DPF Syglasie	9 046	-	-
Fraport TSAM AD	2 773	22 793	3 263
Lufthansa Technik Sofia OOD	1 766	-	-
Dobrichki panair AD	897		
Amadeus Bulgaria OOD	395		
Kavarna Gaz OOD	62		
Holding Nov Vek AD	-	-	334
	14 939	**22 793**	**3 597**
- other related parties under common control			
Consortium Energoproekt – Royal Haskoning	2 797	-	-
Holding Asenova Krepost AD	2 192	-	-
Asenova Krepost AD	429	-	-
OAO Airport Kazan	237	-	-
Invest Capital EAD	226	-	-
M Car OOD	216	-	-
Asela AD	138	-	-
Aviation Company Hemus Air EAD	39	189	514
Capital Invest EAD	31	-	-
Chimsnab Trade OOD	19	-	-
Other	652	2 288	3 341
	6 976	**2 477**	**3 855**
Total current payables to related parties:	**22 024**	**25 630**	**7 452**

48. Contingent assets and contingent liabilities

As at 31 December 2011, the Group has the following contingent assets and liabilities:

As at 31 December 2011 and 2010, the Group has entered into lease contracts with customers for the total amount of BGN 88 295 thousand and BGN 71 012 thousand respectively. The future disbursement of the sum depends on whether the lessees fulfill certain requirements, including no overdue loans, granting collateral with certain quality and liquidity, etc.

In regards to its insurance activity in 2011, the Group is counterparty in 7 097 claims at the amount of BGN 10 085 thousand, including claims, filed for voluntary compliance and those which have been brought to court. Claims brought to the Group as at 31 December 2011 are 521 totaling BGN 1 172 thousand, including those filed for voluntary compliance and those which have been brought to court. As required by Regulation N27/ 29 March 2006, the Group sets aside reserve for claims that covers more than the amount claimed to the insurance companies of the Group.

The Group is a counterparty to bank guarantees issued under contract dated 2 October 2006 with DSK Bank EAD, secured by mortgage on the building "House of geologist" located in resort St. Constantine and Elena, owned by Park Build Ltd.:

- Bank guarantee in favor of Immorent Bulgaria at the amount of EUR 114 thousand
- Bank guarantee on behalf of PDNG AD in favor of the National Revenue Agency at the amount of BGN 299 thousand.
- Bank guarantee in favor of the Ministry of Economy, Energy and Tourism at the amount of BGN 113 thousand.

The Group is a counterparty to bank guarantees issued by UniCredit Bulbank at the amount of BGN 427 thousand. The bank guarantees expire on 30 November 2030.

On 27 October 2011 in relation to the expiring of the bank guarantee, issued by DSK Bank EAD on 6 August 2010, a new bank guarantee is issued at the amount of EUR 50 thousand, guaranteeing the activities of environmental protection and reclamation of damaged as a result of geological activities plots in Block 1-12 Kneja, Bulgarian land. The bank guarantee expires on 30 June 2015.

On 19 July 2010 DSK Bank EAD, Sofia has issued a bank guarantee at the amount of EUR 32 thousand, guaranteeing the fulfilling of the work program of the Group for the first year under the Treaty on prospecting and exploration of crude oil and natural gas in Block 1-12 Kneja, Bulgarian land.

Under Sofia City Court Decision №1 dated 27 May 2004 regarding Bulgarian Petroleum Refinery Ltd. a contract for pledge on commercial enterprise is registered – Bulgarian Petroleum Refinery Ltd, as a set of rights, obligations and factual relations including the assets describes in Annex №1 thereto signed between Bulgarian Post Bank AD and Bulgarian Petroleum Refinery Ltd. regarding the bank loan agreement № 532-1464/30.09.2003, concluded with Bulgarian Post Bank AD at the amount of EUR 4 807 thousand. The loan was repaid in full at the end of September 2008; the pledge has not yet been withdrawn.

49. *Categories of financial assets and liabilities

The carrying amount of the Group's financial assets and liabilities, can be presented in the following categories:

Financial assets	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000
Financial assets held to maturity				
- Non-current	14.2	130 919	157 949	106 252
- Current		130 504	29 650	21 551
Financial assets available for sale				
- Non-current	14.4	346 360	209 003	124 008
- Current	17.4	32 858	67 639	37 613
Financial assets held for trading (carried at fair value through profit or loss):				
- Non-current	14.3	2 520	1 245	99 413
- Current	17.2	542 326	425 829	83 609
Loans and receivables:				
- Non-current		865 084	862 056	790 524
- Current		1 340 502	1 084 473	826 543
Cash and cash equivalents	21	1 021 696	681 959	437 801
		4 412 769	**3 519 803**	**2 527 314**

Financial liabilities	Note	2011 BGN'000	2010 BGN'000	2009 BGN'000
Financial liabilities, measured at amortized cost:				
Non-current:				
- liabilities to depositors	25.1	503 190	534 999	430 792
- dividend obligations	25.2	53 399	62 174	70 655
- loans		163 202	258 136	113 076
- finance lease obligations	10.1	2 037	826	-
- trade and other payables		450 025	380 128	148 018
Current:				
- liabilities to depositors	25.1	2 035 229	1 342 391	985 618
- dividend obligations	25.2	15 921	15 974	8 040
- loans		222 196	92 115	233 272
- finance lease obligations	10.1	22 024	25 630	7 452
- trade and other payables		197 449	302 955	153 518
		3 664 672	**3 015 328**	**2 150 441**

See note 4.19 about information related to the accounting policy for each category financial instruments. Methods, used for assessment of fair value are presented in note 26. Description of the risk management objectives and policies of the Group related to the financial instruments is presented in note 51.

50. Financial instruments risk

Risk management objectives and policies

Due to the use of financial instruments and as a result of its operating and investment activities, the Group is exposed to various risks – insurance risks, market risk, foreign currency risk, interest risk, as well as price risk. The Group's risk management is coordinated by the Managing board, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to risks. Long-term financial investments are managed to generate lasting returns.

The Group is exposed to different types of risk with regards to its financial statements. For further information see note 49. The most significant financial risks to which the Group is exposed to are described below.

50.1. Insurance risk

The insurance risk is the risk of occurrence of insured event, where the damage cost and the indemnity owed exceeds the set-aside insurance reserves

This depends on the frequency of the occurring insurance events, the type of the insurance portfolio and the size of the indemnities. The diversity of the insurance portfolio and the probability theory are of major importance for the mitigation of this risk.

The Group is exposed mainly to the following risks:

- Risk, related to the profitability of the investments – risk of loss when the profitability of the investment is different from what is expected;
- Risk, related to the expenses – risk of loss when the expenses are different from what is expected.

The Group is aiming at relatively steady allocation of the insurance contracts. It also seeks to analyze the different types of insurance risks, which is included in the general conditions. By means of variable methods of assessment and control, the director of Internal Control department is making regularly assessments of the risks and scrutinizes the accumulation of insured amounts by groups of clients and regions. The risk management is performed by the Internal Control department in collaboration with actuaries and the management of the Group.

The positive financial result of the Group depends on primary factors such as the quota for damages, the quota for expenses and income from investments.

The following table illustrates the Group's sensitivity to the profit, owner's equity, solvency limit, and coefficient of solvency limit coverage (callable capital) with equity.

Simulations as at 31.12.2011	**Profit before taxes BGN'000.**	**Equity BGN'000.**	**Solvency limit BGN'000.**	**Coverage Coefficient %**	**Δ of the coverage coefficient %**
Current capital position	899	40 517	25 750	157%	
Return on investments (+2%)	3 431	43 049	25 750	167%	10%
Return on investments (-1.5%)	255	39 873	25 750	155%	-3%
Increase of the expenses quota (+10%)	-2 309	37 309	25 750	145%	-12%
Increase of the damages (+10%)	-3 002	36 616	25 750	142%	-15%

Simulations as at 31.12.2010	**Profit before taxes BGN'000.**	**Equity BGN'000.**	**Solvency limit BGN'000.**	**Coverage Coefficient %**	**Δ of the coverage coefficient %**
Current capital position	6 572	41 706	25 254	165%	-
Return on investments (+2%)	8 345	43 479	25 254	172%	31%
Return on investments (-1.5%)	5 242	40 376	25 254	160%	29%
Increase of the expenses quota (+10%)	3 324	38 458	25 254	152%	29%
Increase of the damages (+10%)	3 232	38 366	25 254	152%	33%

When there is a simulated increase of the investments income by 2 % and the amounts of the damages quota and the expenses quota stay the same, an increase of the profit, owner's equity and coverage coefficient occurs. The solvency limit remains the same because there is no change in the premium income or damages.

When there is a simulated decrease of the investments income by 1.5% and the amounts of the damages quota and the expenses quota remain the same, a decrease of the profit, owner's equity and coverage coefficient occurs. The solvency limit again remains the same because there is no change in the premium income or damages.

When there is a simulated increase of the net quota for expense by 10%, a decrease of the profit, owner's equity and coverage coefficient occurs. The solvency limit remains unchanged because the premium income, used for calculation basis of the solvency limit, remains the same.

When there is a simulated increase of the net quota for expenses by 10%, a decrease of the profit, owner's equity and coverage coefficient occurs. The solvency limit does not change.

The sensitivity analysis presented above shows a good level of capitalization for the Group.

50.1.1. Reinsurance strategy

The Group reinsures part of its risks with the purpose of controlling its exposition to losses and protection of its capital resources. All contracts for facultative reinsurance are preliminary approved by the management. Before signing a reinsurance contract, the Group analyzes the credit rating of the respective reinsurer. Only the ones with high credit rating are being chosen. The Group periodically analyzes the current financial position of the reinsurers, which the Group has reinsurance engagements with.

The Group enters reinsurance engagements with different reinsurers with high credit ratings, to control the exposure to losses caused by the insurance event.

50.1.2. Damages settlement procedure

The damages table and namely the percentage of the damages quota ensures the opportunity for more precise information about the risk development during the reporting periods:

Type of insurance	2011 Damages, quota, gross %	2011 Damages, quota, gross %	2010 Damages, quota, gross %	2010 Damages, quota, gross %
Accident insurance	45%	43%	53%	53%
Including obligatory accident insurance of the passengers in the public transport	0%	0%	0%	0%
Illness	0%	0%	0%	0%
Casco	59%	59%	55%	56%
Insurance of vehicles, excluding rail vehicles	0%	0%	0%	0%
Casco of aircrafts	45%	73%	39%	47%
Casco of vessels	39%	41%	30%	50%
Cargo insurance during transportation	1%	1%	12%	13%
Fire and natural calamities insurance	15%	11%	13%	0%
Property damage insurance	-23%	-26%	136%	150%
Insurance associated with the ownership and usage of motor vehicles, including:	59%	55%	19%	13%
Third-party vehicle insurance	60%	55%	17%	12%
“Green Card” insurance	26%	32%	39%	46%
Third-party boarder insurance	4%	4%	40%	40%
Third-party carrier insurance	52%	54%	94%	97%
Third-party aviation insurance	0%	44%	1%	9%
Third party vessels insurance	263%	56%	107%	45%
General third-party insurance	72%	61%	175%	198%
Credit insurance	76%	76%	601%	601%
Guarantees insurance	0%	0%	0%	0%
Insurance against financial losses	-1%	-1%	-2%	-2%
Travel assistance	35%	35%	46%	46%
Total:	**52%**	**53%**	**48%**	**49%**

The following table shows the paid indemnities, classified by type and group of insurances:

Type of insurance	BGN	Number	Average indemnity 2011 BGN	Average indemnity 2010 BGN	Average indemnity 2009 BGN	Average indemnity 2008 BGN
Accident insurance	667 927	1 286	519	967	512	535
Including obligatory accident insurance of the passengers in the public transport	-	-	-	-	794	3 050
Illness	-	-	-	-	-	-
Casco	48 269 606	63 471	760	735	804	762
Insurance of vehicles, excluding rail vehicles	-	-	-	-	-	-
Casco of aircrafts	2 431 697	15	162 113	14 077	97 693	12 514
Casco of vessels	200 221	13	15 402	12 199	20 002	19 141
Cargo insurance during transportation	57 110	48	1 190	414	1 724	1 990
Fire and Natural calamities insurance	1 033 945	1 072	965	1 476	1 179	1 345
Property damage insurance	460 415	54	8 526	9 433	3 008	2 059
Insurance associated with the ownership and usage of motor vehicles, including:	14 064 823	6 451	2 180	2 291	2 154	2 071
Third-party vehicle insurance /precuniary/	6 298 291	6 238	1 010	1 378	1 508	1 435
Third-party vehicle insurance/non- pecuniary/	7 590 387	189	40 161	27 827	24 449	16 399
Third-party carrier insurance	176 146	24	7 339	6 297	1 160	1 222
Third-party aviation insurance	5 222	1	5 222	-	-	130 915
Third party vessels insurance	72 541	2	36 270	14 200	20 292	-
General third-party insurance	597 843	46	12 997	14 572	1 287	3 312
Credit insurance	1 660 957	41	40 511	78 899	21 405	50 605
Guarantees insurance	161	1	161	-	7 270	-
Insurance against financial losses	36 751	5	7 350	13 152	5 801	3 519
Travel assistance	865 632	881	983	836	858	878
Total:	**70 424 851**	**73 387**	**960**	**935**	**964**	**922**

The table below presents the development of the reserve for unsettled insurance claims from prior periods so it can be compared to the reserve, disclosed in the current consolidated financial statements. The reserves for the upcoming payments, included in the statement of financial position, and an assessment of the general risks are also stated.

	Year the insurance event occurred						
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	
At the end of the period	42 859	47 162	42 582	34 214	19 627	11 693	198 137
1 year later	-	19 442	16 905	20 187	13 057	7 046	76 637
2 years later	-	-	3 701	2 503	2 239	1 056	9 499
3 years later	-	-	-	2 113	2 037	1 093	5 243
4 years later	-	-	-	-	1 745	325	2 070
5 years later	-	-	-	-	-	126	126
General assessment of the indemnities	**42 859**	**66 604**	**63 188**	**59 017**	**38 705**	**21 339**	**291 712**
As at 31 December							
Payments:							
Assessment:	30 983	10 228	5 742	2 475	230	-	49 658
Actual	**33 266**	**10 791**	**11 171**	**7 270**	**5 548**	**1 306**	**69 351**

The presented table shows that the reserves for unsettled payments are adequate as at the end of 2011.

50.1.3. Solvency limit

As at the end of 2011 the defined solvency limit is in accordance with the respective legal requirements:

	2011
	BGN '000
Equity, less intangible assets	**33 856**
Share capital	15 019
Reserves and funds	45 000
Revaluation reserve	(19 503)
Deductions	
Participation in subsidiaries	(410)
Intangible assets	(6 250)
Solvency limit	**25 750**
Surplus/Deficit	**8 106**

	2010 BGN '000
Equity, less intangible assets	**33 679**
Share capital	15 019
Reserves and funds	38 282
Revaluation reserve	(18 888)
Deductions	
Participation in subsidiaries	(410)
Intangible assets	(324)
Solvency limit	**24 530**
Surplus/Deficit	**9 149**

50.2. Foreign currency risk

Group's policies regarding other than banking activities

Most of the Group's transactions are carried out in Bulgarian leva. Exposures to currency exchange rates arise from the Group's overseas transactions, mainly denominated in US-Dollars. The Group's long-term commercial liabilities and financial lease liabilities carried out in US-Dollars are related to purchases of aircrafts. These liabilities are recorded at their amortized cost. The Group has short- and long-term loans in US-Dollars. These receivables are classified as loans and receivables.

Group's foreign transactions, denominated in Euro, do not expose the Group to foreign currency risk due to the fact that under the conditions of the Currency Board Act, the Bulgarian Lev (BGN) is fixed to the Euro.

In order for the foreign currency risk to be decreased, the non-BGN cash flows are monitored by the Group. Generally, the Group has different procedures for risk management for the short-term (due within 6 months) and long-term non-BGN cash flows.

Group's policies regarding the banking activities

The foreign currency risk is a potential cause for losses for the Group when the foreign currency rates fluctuate.

In the Republic of Bulgaria the rate of the Bulgarian Lev (BGN) to the Euro (EUR) is fixed under the Currency Board. The long position in Euro of the Bulgarian bank does not carry any risk for the Group.

The foreign currency positions include mainly subsidiary's assets and liabilities, denominated in Macedonian denars, which is the functional currency of the subsidiary. As a result of this, these positions do not expose the Group to foreign currency risk.

The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2011 is as follows:

	BGN	EUR	USD	Other	Total
Financial assets					
Placements with, and advances to, banks	11	369 050	17 977	18 747	405 785
Receivables under repurchase agreements	32 444	-	-	-	32 444
Financial asset held-for-trading	57 885	4 396	5 931	3 565	71 777
Loans and advances to customers, net	754 936	520 942	149 004	24 887	1 449 769
Available-for-sale financial assets	79 772	178 395	48	3 614	261 829
Held-to-maturity financial assets	71 099	77 147	- -	89 501	237 747
Total assets	**996 147**	**1 149 930**	**172 960**	**140 314**	**2 459 351**
Financial liabilities					
Deposits from banks	8 156	10 178	1 884	309	20 527
Credits from banks	40 062	1 956	-	1 342	43 360
Liabilities under repurchase agreements	3 008	16 874	-	-	19 882
Liabilities to other depositors	1 469 179	989 157	128 205	81 456	2 667 997
Other attracted funds	762	- -	- -	-	762
Total liabilities	1 521 167	1 018 165	130 089	83 107	2 752 528
Net Position	**(525 020)**	**131 765**	**42 871**	**57 207**	**(293 177)**

The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2010 is as follows:

	BGN	EUR	USD	Other	Total
Financial assets					
Placements with, and advances to, banks	2 052	57 716	31 484	2 398	93 650
Receivables under repurchase agreements	27 813	-	13 208	-	41 021
Financial asset held-for-trading	28 022	12 693	6 356	2 056	49 127
Loans and advances to customers, net	749 452	401 887	42 835	25 606	1 219 780
Available-for-sale financial assets	32 493	96 326	47	4 121	132 987
Held-to-maturity financial assets	59 996	78 973	-	52 933	191 902
Total assets	**899 828**	**647 595**	**93 930**	**87 114**	**1 728 467**
Financial liabilities					
Deposits from banks	6 292	5 221	44	1	11 558
Credits from banks	40 062	-	-	297	40 359
Liabilities under repurchase agreements	3 010	19 739	-	-	22 749
Liabilities to other depositors	1 055 122	758 719	120 758	69 643	2 004 242
Other attracted funds	1 017	-	-	2 198	3 215
Total liabilities	**1 105 503**	**783 679**	**120 802**	**72 139**	**2 082 123**
Net Position	**(205 675)**	**(136 084)**	**(26 872)**	**14 975**	**(353 656)**

The currency structure of the financial assets and liabilities at their carrying amount as at 31 December 2009 is as follows:

	BGN	EUR	USD	Other	Total
Financial assets					
Placements with, and advances to, banks	27	29 169	32 108	2 991	64 295
Receivables under repurchase agreements	11 528	-	-	-	11 528
Financial asset held-for-trading	6 123	7 310	12 358	1 181	26 972
Loans and advances to customers, net	778 990	328 206	40 777	8 946	1 156 919
Available-for-sale financial assets	40 399	14 938	43	221	55 601
Held-to-maturity financial assets	36 816	54 904	-	12 744	104 464
Total assets	**873 883**	**434 527**	**85 286**	**26 083**	**1 419 779**
Financial liabilities					
Deposits from banks	4 125	118	19	30	4 292
Credits from banks	40 068	-	-	284	40 352
Liabilities under repurchase agreements	3 001	824	-	-	3 825
Liabilities to other depositors	729 483	687 592	104 863	22 661	1 544 599
Other attracted funds	2 005				2 005
Total liabilities	**778 682**	**688 534**	**104 882**	**22 975**	**1 595 073**
Net Position	**95 201**	**(254 007)**	**(19 596)**	**3 108**	**(175 294)**

50.3. Interest rate sensitivity

Group's policy regarding other than banking activities

The Group's policy is to minimize interest rate risk exposures on short-term financing. As at 31 December 2011, the Group is exposed to changes in market interest rates through short-term bank loans at variable interest rates.

Group's policy regarding banking activities

Regarding the Group's banking activities interest risk is the probability of potential changes of the net interest income or the net interest margin, resulting from changes of the general market interest rates. The Group's interest risk management is aiming at minimizing the risk of a decrease of the net interest income, due to the changes in the interest rates.

For measurement and evaluation the interest rate risk the Group applies the method of the GAP analysis. (gap/ imbalance analysis). It identifies the sensitivity of the expected revenue and expenses, in relation to the interest rate.

The method of the GAP analysis determines the Group's position, totally and the separate types of financial assets and liabilities, in relation to expected changes of the interest rates and the impact of this change over the net interest income. It facilitates the assets' and the liabilities' management and it is an instrument for providing sufficient and stable net interest profitability.

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2011 is negative, amounting to BGN 367 721 thousand. The GAP coefficient, as an indicator for this imbalance, compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 12.53%.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Interest-bearing assets						
Placements with, and advances to banks	402 173	530	-	3 082	-	405 785
Receivables under repurchase agreements	6 033	14 379	12 032	-	-	32 444
Financial assets held-for-trade	872	-	-	25 471	138	26 481
Loans and advances to customers, net	122 414	77 653	481 586	501 279	266 837	1 449 769
Financial assets available-for-sale	741	-	-	95 741	136 099	232 581
Financial assets held-to-maturity	52 223	37 278	21 437	109 205	17 604	237 747
Total interest-bearing assets	**584 456**	**129 840**	**515 055**	**734 778**	**420 678**	**2 384 807**
Interest-bearing liabilities						
Deposits from banks	16 487	4 040	-	-	-	20 527
Credits from banks	190	106	2 273	5 633	35 158	43 360
Liabilities under repurchase agreements	18 017	1 865	-	-	-	19 882
Liabilities to other depositors	891 637	393 752	867 300	508 857	6 451	2 667 997
Other attracted finds	139	45	241	337	-	762
Total interest-bearing liabilities	**926 470**	**399 808**	**869 814**	**514 827**	**41 609**	**2 752 528**
Imbalance between interest bearing assets and liabilities, net	**(342 014)**	**(269 968)**	**(354 759)**	**219 951**	**379 069**	**(367 721)**

The Group is exposed to a reduction of the interest income when the interest rates rise, as the Group holds a negative imbalance. The imbalance impact, as at 31 December 2011, over the net interest income, assuming an increase of 2% (2010: 2%, 2009: 2%) of the interest rates for one year is a reduction of the net interest income amounting to BGN 984 thousand (2010:BGN 1 920 thousand, 2009: BGN 576 thousand).

The Group's imbalance between the interest bearing assets and liabilities as at 31 December 2010 is negative, amounting to BGN 403 833 thousand. The GAP coefficient, as an indicator for this imbalance, compared to the total income generating assets of the bank of the Group (interest bearing assets and equity instruments) is minus 18.14%.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Interest-bearing assets						
Placements with, and advances to banks	77 808	-	12 908	-	2 934	93 650
Receivables under repurchase agreements	22 008	19 013	-	-	-	41 021
Financial assets held-for-trade	-	-	4 157	7 002	5 798	16 957
Loans and advances to customers, net	67 626	168 250	280 798	469 649	233 457	1 219 780
Financial assets available-for-sale	1 162	-	12 053	22 969	78 746	114 930
Financial assets held-to-maturity	52 770	-	4 684	132 385	2 063	191 902
Total interest-bearing assets	**221 374**	**187 263**	**314 600**	**632 005**	**322 998**	**1 678 240**
Interest-bearing liabilities						
Deposits from banks	7 558	-	4 000	-	-	11 558
Credits from banks	-	-	-	5 293	35 066	40 359
Liabilities under repurchase agreements	20 884	1 865	-	-	-	22 749
Liabilities to other depositors	803 530	231 616	426 873	542 219	4	2 004 242
Other attracted finds	1996	63	360	634	162	3 215
Total interest-bearing liabilities	**833 968**	**233 544**	**431 233**	**548 146**	**35 232**	**2 082 123**
Imbalance between interest bearing assets and liabilities, net	**(612 594)**	**(46 281)**	**(116 633)**	**83 859**	**287 766**	**(403 883)**

50.4. Other price risk sensitivity

A threat for the Group is the decrease of the market prices of its equity instruments, held-for-trade, which will lead to a decrease of the net profit. The Group does not possess significant exposure to derivative instruments, based on the equity instruments and indices. The carrying amount of equity instruments and investments in mutual funds, which are from financial assets held- for-trade portfolio, exposures to risk amounts to BGN 35 834 thousand (2010: 23 758 thousand).

50.5. Credit risk sensitivity

Group's policy regarding other than banking activities

Credit risk is the risk that counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Financial assets – carrying amounts:			
Non-current assets			
Long-term financial assets	479 799	1 226 814	1 080 591
Related parties receivables	2 181		
Long-term receivables	862 903	3 439	11 354
Current assets	705 688	1 071 875	681 184
Related parties receivables	266 675	206 798	88 127
Cash and cash equivalents	1 021 696	681 959	437 801
Trade and other receivables	1 073 827	311 860	343 317
Carrying amount:	**4 412 769**	**3 502 745**	**2 642 374**

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in different industries and geographical areas. Based on historical indicators, the management considers that the trade receivables that are not past due are of good credit quality.

The credit risk related to cash and cash equivalents and financial market funds is considered immaterial as the contracting parties are banks with good reputation and good credit rating.

The carrying amounts presented above represent the maximum exposure to credit risk the Group might experience, regarding these financial instruments.

Group's policy regarding banking activities

The credit risk represents the probability of losses, due to the inability of the counterparty to meet its liabilities in time. The Group structures the credit risk as it sets limits for the credit risk as a maximum exposure to one debtor, to a group of related parties, to geographic regions and the different business sectors. In order to reduce the credit risk, in compliance with the internal credit rules, corresponding securities and guarantees are required.

The cash and bank accounts in the Central bank, amounting to BGN 475 545 thousand (2010: BGN 497 530 thousand) do not carry any credit risk for the Group, due to their nature and the ability of the Group to dispose of them.

The placements and advances to banks with book value BGN 405 785 thousand (2010: BGN 93 785 thousand) are mainly deposits in first-class international and Bulgarian financial institutions with maturity up to 7 days. These financial assets bear certain credit risk, whose maximum exposure, according to the Group, as percentage is 20% and as absolute value equals BGN 81 751 thousand (2010: BGN 25 340 thousand). As at 31 December 2011 the provisions for coverage of losses from impairments of the placements and advances to banks amount to BGN 135 thousand.(2010: BGN 135 thousand).

The receivables under repurchase agreements, amounting to BGN 32 444 thousand carries credit risk to the Group, which is dependent on the credit risk of the collateral. One part of receivables amounting to BGN 16 389 thousand (2010: BGN 41 021 thousand), does not carry any credit risk to the Group, as they are secured by the Bulgarian government securities. The remaining receivables amounting to BGN 16 055 thousand carry credit risk 100% to the Group, as they are secured by corporate securities.

The held-for-trading financial assets, amounting to BGN 71 777 thousand (2010: BGN 49 127 thousand) carry mainly market risk to the Group, which is analyzed in the notes, related to the market risk

The equity instruments held-for-sale, amounting to BGN 30 226 thousand (2010: BGN 18 299 thousand), are shares in financial and non-financial companies as well as shares in mutual funds, that carry credit risk, whose maximum exposure percentage is 100% or BGN 30 226 thousand (BGN 18 299 thousand). As at 31 December 2011 the provisions for coverage of losses from impairment of the held-for-sale equity instruments, amount to BGN 237 thousand. (2010: BGN 241 thousand).

The debt instruments held-for-sale and issued by the Republic of Bulgaria, amounting to BGN 101 047 thousand (2010: BGN 40 645 thousand) bear the credit risk of the country issuer.

The debentures held-for-sale and issued by local and foreign companies, amounting to BGN 130 793 thousand (2010: BGN 74 284 thousand), bear credit risk, whose maximum exposure is 100% or BGN 130 793 thousand (2010: BGN 74 284 thousand).

The debt instruments held-to-maturity and issued by Republic of Bulgaria, amounting to BGN 127 343 thousand (2010: BGN 117 865 thousand) do not carry credit risk to the Group, as they are secured by Bulgarian government.

The debt instruments held-to-maturity and issued by the National Bank of the Republic of Macedonia, amounting to BGN 51 270 thousand (2010: BGN 48 249 thousand), do not bear any credit risk for the Group, as they are secured by the National Bank of the Republic of Macedonia. The debt instruments held-to-maturity and issued by the National Bank of the Republic of Macedonia at the amount of BGN 38 231 thousand (2010: BGN 4 684 thousand) do not bear any credit risk as they are guaranteed by the Republic of Macedonia.

The debt instruments held-to-maturity and issued by foreign company at the amount of BGN 20 903 thousand (2010: BGN 21 104 thousand) bear credit risk with maximum exposure of 100% or BGN 20 903 thousand (2010: BGN 21 104 thousand).

Loans and advances to customers with book value of BGN 1 479 831 thousand (2010: BGN 1 246 949 thousand) expose the Group to credit risk. In order to determine the amount of exposure of the Group to this kind of risk, an analysis is being conducted of the individual risk for the Group, originating from every specifically determined exposure, as the Group applies the criteria for evaluation and classification of the risky exposures, set in the bank legislation of the Republic of Bulgaria and the Republic of Macedonia. In accordance with these criteria and the conducted analysis the Group's maximum exposure amounts to BGN 1 153 075 thousand (2010: BGN 967 894 thousand). In order to minimize the credit risk, in the process of granting credits detailed procedures, regarding the analysis of the economic appropriateness of any single project, the different kinds of securities acceptable by the Group, the control of the placements and their administration, are applied. The Group monitors the observance of the limits for credit exposure by regions and industries. The purpose of the above-mentioned limits is to limit the concentration of one region or industry in the portfolio, which could lead to increased credit risk. The Group has adopted the methodology for calculating the provisions for impairment of loans and advances to customers, based on the requirements of the bank legislation, respectively in the Republic of Bulgaria and the Republic of Macedonia, as they do not differ significantly. As at 31 December 2011 the provisions for coverage of losses from impairment of loans and advances amount to BGN 30 062 thousand (2010: BGN 27 169 thousand).

Classes of financial assets as at 31 December 2011:

Debt	**Granted loans**			**Unutilized engagement**	**Given guarantees**		
Group	**Amount**	***Share %***	**Provisions**	**Amount**	***Share %***	**Provisions**	**Amount**
	BGN '000		**BGN '000**	**BGN '000**		**BGN '000**	**BGN '000**
Regular	1 370 424	92.61	3 154	89 097	71 985	100	84
Monitored	33 275	2.25	1 370	525	-	-	-
Irregular	28 771	1.94	3 152	129	-	-	-
Not serviced	47 361	3.20	22 386	529	-	-	-
Total	**1 479 831**	**100.00**	**30 062**	**90 280**	**71 985**	**100**	**84**

Classes of financial assets as at 31 December 2010:

Debt Group	Granted loans Amount BGN '000	*Share %*	Provisions BGN '000	Unutilized engagement Group	Given guarantees Amount BGN '000	*Share %*	Provisions BGN '000
Regular	1 122 180	89.99	2 036	72 978	65 290	100	137
Monitored	65 293	5.24	1 504	527	-	-	-
Irregular	20 254	1.62	2 763	109	-	-	-
Not serviced	39 222	3.15	20 866	107	-	-	-
Total	**1 246 949**	**100**	**27 169**	**73 721**	**65 290**	**100**	**137**

Classes of financial assets as at 31 December 2009:

Debt Group	Granted loans Amount BGN '000	*Share %*	Provisions BGN '000	Unutilized engagement Group	Given guarantees Amount BGN '000	*Share %*	Provisions BGN '000
Regular	1 079 542	91 56	2 269	89 381	103 345	100	8
Monitored	49 047	4 16	1 511	814	-	-	-
Irregular	25 914	2 20	3 661	387	-	-	-
Not serviced	24 486	2.08	14 629	131	-	-	-
Total	**1 178 989**	**100**	**22 070**	**90 713**	**103 345**	**100**	**8**

The loans granted by the Group can be summarized in the following table:

Name of the group	31.12.2011			31.12.2010		
	Loans, granted to non-financial clients		Loans to banks and receivables under repurchase agreements	Loans, granted to non-financial clients		Loans to banks and receivables under repurchase agreements
	BGN '000	**%**		**BGN '000**	**%**	
Not outstanding and not impaired	941 880	63.65	32 444	848 995	68.08	41 021
Outstanding but not impaired	465 503	31.46	-	329 832	26.45	-
Impaired on individual base	72 448	4.89	-	68 122	5.47	-
Total	**1 479 831**	**100**	**32 444**	**1 246 949**	**100**	**41 021**
Set-aside provisions	30 062		-	27 169		-
Net loans	**1 449 769**		**32 444**	**1 219 780**		**41 021**

As at 31 December 2011 and 2010 the predominant share of the loans, represented as outstanding but not impaired, are loans, for which a 30-day delay in payment is allowed. The Group considers that such incidental delays are not indication for impairment of these loans.

Loans and advances, which are not outstanding and not impaired, are presented in the following table:

	31.12.2011 BGN'000	31.12.2010 BGN'000	31.12.2009 BGN'000
Individuals			
Credit cards and overdrafts	21 188	22 854	21 789
Consumer loans	104 473	131 869	157 769
Mortgage loans	50 723	61 446	74 602
Corporate clients	765 496	632 826	550 510
Total	**941 880**	**848 995**	**804 670**

The value of the outstanding loans that are not impaired is presented in the table below. These loans are not impaired, as the delays are accidental and of up to a 30-day period, which does not necessitate their impairment.

	31.12.2011 BGN '000	31.12.2010 BGN '000	31.12.2009 BGN'000
Individuals			
Credit cards and overdrafts	7 579	9 329	9 770
Consumer loans	24 385	29 353	32 032
Mortgage loans	24 392	24 493	22 631
Corporate clients	409 147	266 657	269 696
Total	**465 503**	**329 832**	**334 129**

The book value of the loans, with accrued provision on an individual basis as at 31 December 2011, 2010 and 2009, is BGN 72 448 thousand, BGN 68 122 thousand and BGN 40 190 thousand, respectively. These amounts do not include cash flows from the collaterals of these loans.

2011	**Book value before impairment**	**Book value before impairment**	**Book value before impairment**	**Total highly liquid collateral**
	Group II	**Group III**	**Group IV**	
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Credit cards and overdrafts	3 061	1 888	5 369	-
Consumer loans	11 912	4 587	15 315	5 016
Mortgage loans	39	224	2 342	3 502
Corporate clients	3 218	4 470	20 023	11 132
Total	**18 230**	**11 169**	**43 049**	**19 650**

2010	Book value before impairment	Book value before impairment	Book value before impairment	Total highly liquid collateral
	Group II	Group III	Group IV	
	BGN'000	BGN'000	BGN'000	BGN'000
Credit cards and overdrafts	2 826	1 230	3 730	-
Consumer loans	10 889	4 423	10 168	4 323
Mortgage loans	91	194	704	1 094
Corporate clients	1 678	872	9 521	7 680
Total	**15 484**	**6 719**	**24 123**	**13 097**

2009	Book value before impairment	Book value before impairment	Book value before impairment	Total highly liquid collateral
	Group II	Group III	Group IV	
	BGN'000	BGN'000	BGN'000	BGN'000
Credit cards and overdrafts	2 393	1 200	2 644	-
Consumer loans	11 022	5 370	8 674	1 514
Mortgage loans	49	154	882	1 662
Corporate clients	1 714	1 437	3 166	1 208
Total	**15 178**	**8 161**	**15 366**	**4 384**

The following table presents the Group's portfolio by type of collateral:

	2011	2010	2009
Secured with cash and government securities	142 651	94 953	108 545
Mortgage	510 301	516 115	484 835
Other collateral	702 108	510 635	512 638
No collateral	124 771	125 246	72 971
Expenses for provisions of impairment losses	(30 062)	(27 169)	(22 070)
Total	**1 449 769**	**1 219 780**	**1 156 919**

Business segment, classification group and delays of payments as at 31 December 2011:

Segment	Amount / Group	Number of transactions	Debt	Delays of payments: Principal	Delays of payments: Interest	Delays of payments: Court receivables	Provisions	Unutilized engagement
Trade	Regular	75 233	219 836	359	275	-	3 088	33 416
	Monitored	4 670	23 682	780	435	-	1 241	399
	Not serviced	2 024	13 047	1 097	573	-	2 692	112
	Loss	7 311	22 417	3 865	1 508	8 451	15 583	125
Total		89 238	278 982	6 101	2 791	8 451	22 604	34 052
Corporate	Regular	1 543	1 101 984	28 788	3 249	-	66	54 304
	Monitored	183	9 593	278	153	-	129	126
	Not serviced	58	15 724	6 799	730	-	460	17
	Loss	296	24 944	3 864	870	12 914	6 803	404
Total		2 080	1 152 245	39 729	5 002	12 914	7 458	54 851
Budget	Regular	9	48 604	-	630	-	-	1 377
	Monitored	-	-	-	-	-	-	-
	Not serviced	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-
Total		9	48 604	-	630	-	-	1 377
	Total portfolio	**91 327**	**1 479 831**	**45 830**	**8 423**	**21 365**	**30 062**	**90 280**

Business segment, classification group and delays of payments as at 31 December 2010:

Segment	Amount / Group	Number of transactions	Debt	Delays of payments: Principal	Delays of payments: Interest	Delays of payments: Court receivables	Provisions	Unutilized engagement
Trade	Regular	81 553	263 387	585	328	-	1 977	35 426
	Monitored	5 255	26 171	806	496	-	1 382	428
	Not serviced	2 166	12 108	988	557	-	2 532	79
	Loss	7 533	17 754	3 071	811	8 898	12 974	99
Total		96 507	319 420	5 450	2 192	8 898	18 865	36 032
Corporate	Regular	1 696	842 530	5 428	2 507	-	-	37 370
	Monitored	167	39 122	1 168	580	-	122	99
	Not serviced	97	8 146	738	392	-	231	30
	Loss	301	21 468	5 205	1 049	5 997	7 951	8
Total		2 261	911 266	12 539	4 528	5 997	8 304	37 507
Budget	Regular	8	16 263	-	-	-	-	51
	Monitored	-	-	-	-	-	-	-
	Not serviced	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-
Total		8	16 263	-	-	-	-	51
	Total portfolio	**98 776**	**1 246 949**	**17 989**	**6 720**	**14 895**	**27 169**	**73 590**

Business segment, classification group and delays of payments as at 31 December 2009:

Segment	Amount Group	Number of transactions	Debt	Delays of payments			Provisions	Unutilized engagement
				Principal	Interest	Court receivables		
Trade	Regular	90,711	294,746	725	281	-	2,264	42,217
	Monitored	6,608	28,134	794	464	-	1,347	657
	Not serviced	3,016	13,553	945	595	-	3,222	358
	Loss	6,446	14,968	1,881	762	6,833	11,341	98
Total		**106,781**	**351,401**	**4,345**	**2,102**	**6,833**	**18,174**	**43,330**
Corporate	Regular	1,820	774,539	2,425	1,115	-	6	44,672
	Monitored	202	20,915	630	280	-	164	157
	Not serviced	92	12,361	1,099	537	-	439	29
	Loss	129	9,520	1,034	364	3,161	3,287	33
Total		**2,243**	**817,335**	**5,188**	**2,296**	**3,161**	**3,896**	**44,891**
Budget	Regular	6	10,253	-	-	-	-	2,492
	Monitored	-	-	-	-	-	-	-
	Not serviced	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-
Total		**6**	**10,253**	**-**	**-**	**-**	**-**	**2,492**
	Total portfolio	**109,030**	**1,178,989**	**9,533**	**4,398**	**9,994**	**22,070**	**90,713**

Business segment, classification group and delays of payments as at 31 December 2009:

Segment	Amount Group	Number of transactions	Debt	Delays of payments			Provisions	Unutilized engagement
				Principal	Interest	Court receivables		
Trade	Regular	90 711	294 746	725	281	-	2 264	42 217
	Monitored	6 608	28 134	794	464	-	1 347	657
	Not serviced	3 016	13 553	945	595	-	3 222	358
	Loss	6 446	14 968	1 881	762	6 833	11 341	98
Total		**106 781**	**351 401**	**4 345**	**2 102**	**6 833**	**18 174**	**43 330**
Corporate	Regular	1 820	774 539	2 425	1 115	-	6	44 672
	Monitored	202	20 915	630	280	-	164	157
	Not serviced	92	12 361	1 099	537	-	439	29
	Loss	129	9 520	1 034	364	3 161	3 287	33
Total		**2 243**	**817 335**	**5 188**	**2 296**	**3 161**	**3 896**	**44 891**
Budget	Regular	6	10 253	-	-	-	-	2 492
	Monitored	-	-	-	-	-	-	-
	Not serviced	-	-	-	-	-	-	-
	Loss	-	-	-	-	-	-	-
Total		**6**	**10 253**	**-**	**-**	**-**	**-**	**2 492**
	Total portfolio	**109 030**	**1 178 989**	**9 533**	**4 398**	**9 994**	**22 070**	**90 713**

50.6. Liquidity risk analysis

Liquidity risk is the risk that the Group cannot meet its liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash in- and outflows due to day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. The need for cash is compared to the available loans in order to determine shortage or surplus. This analysis determines whether the loans available will be enough to cover the Group's needs for the period.

The Group maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and sale of long-term financial assets.

As at 31 December 2011 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

31 December 2011 г.	**Current**	**Non-current**	
	Within 12 months BGN'000	**From 1 to 5 years BGN'000**	**Within 12 months BGN'000**
Dividend payables	15 921	53 399	-
Bank and other loans	222 196	140 021	23 181
Related parties payables	12 573	2 037	-
Financial lease payables	6 538	19 771	99
Trade and other payables	2 220 105	951 178	-
Total	**2 477 333**	**1 166 406**	**23 280**

As at 31 December 2010 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

31 December 2010 г.	**Current**	**Non-current**	
	Within 12 months BGN'000	**From 1 to 5 years BGN'000**	**Within 12 months BGN'000**
Dividend payables	15 951	38 450	23 638
Bank and other loans	92 115	237 515	20 621
Related parties payables	25 630	826	-
Financial lease payables	8 814	23 336	2 790
Trade and other payables	1 629 589	356 666	178 333
Total	**1 772 099**	**656 793**	**225 382**

As at 31 December 2009 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

31 December 2009 г.	Current	Non-current	
	Within 12 months BGN'000	From 1 to 5 years BGN'000	Within 12 months BGN'000
Dividend payables	8 040	46 233	24 422
Bank and other loans	233 272	91 919	21 157
Related parties payables	4 189	-	-
Financial lease payables	10 083	26 287	6 612
Trade and other payables	1 174 776	324 479	130 630
Total	**1 430 360**	**488 918**	**182 821**

As at 31 December 2009, in regards to the issued secured exchangeable bonds by a company from the group of Chimimport AD there is an option in accordance with Condition 8 (c) from Terms and Conditions of the bonds issued on 22 August 2008 by Chimimport Holland B.V. (with sole owner of the share capital being Chimimport AD) at the amount of EUR 65 000 000 with 7% interest rate and exchangeable for ordinary shares of Chimimport AD (called "the Bonds"), each bondholder had the right (option) to present for repurchasing to the issuer Chimimport Holland B.V., all or a portion of the owned bonds. The right is exercisable on 22 August 2010. As at 22 August 2010 none of the rights were exercised. The following date for exercising the repurchasing rights is 22 August 2012.

The amounts, reported in this analysis for the maturity of the liabilities represent the non-discounted cash flows from the contracts, which may differ from the carrying amounts of the liability as at the reporting date. The annual interest payments amount to BGN 19 861 thousand (2010: BGN 29 951 thousand, 2009: BGN 17 221 thousand).

Group's policy regarding banking activities

The group follows the obligations and restriction arising from the regulations of the banking legislations in counties involved in the management and supervision of bank's liquidity. The group maintains specialized collective bodies for liquidity's management, which adopt the Group's policy of managing the liquidity risk.

Quantitative measurement of liquidity risk, according to the regulations of the banking legislation is the coefficient of liquid assets, expressing the ratio of liquid assets to borrowing of the Group.

The Group traditionally maintains huge volume of highly liquid assets – cash and cash equivalents on hand and cash in Central Banks, which ensures the Group's smooth addressing of liquid need. As an additional tool for ensuring high liquidity the Group uses resources and advances given to financial institutions. Essentially, these are deposits in prime foreign and Bulgarian financial institutions with maturity of 7 days. As of 31 December they cover about 13% of the total assets. Bonds issued by the Republic of Bulgaria and from National Bank of the Republic of Macedonia, which the Group possesses and has not pledged as a security are about

6.5% of the Group's assets. Maintaining over 30% of its assets in highly liquid assets, the Group is able to cover all its needs regarding payments on matured financial liabilities.

The allocation of financial liabilities of the Group as of 31 December 2011, according to their residual term is as follows:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
Financial liabilities						
Deposits from banks	16 487	4 040	-	-	-	20 527
Credits from banks	190	106	2 273	5 633	35 158	43 360
Obligations under agreements for security repurchasing	18 017	1 865	-	-	-	19 882
Liabilities to other depositors	891 637	393 752	867 300	508 857	6 451	2 667 997
Other borrowed funds	139	45	241	337	-	762
Other liabilities	13 021	-	-	-	-	13 021
Total financial liabilities	**939 491**	**399 808**	**869 814**	**514 827**	**41 609**	**2 765 549**

Financial liabilities of the Group are formed mainly by borrowing from other depositors – deposits of natural persons and legal entities. Most of them – above 33% have residual maturity of less than one month. Usually customers of the Group that prefer concluding deposit contract with 1 month maturity renegotiating it for longer period later on. Therefore, one-month deposits are essentially long and relatively permanent resource for the Group.

The allocation of financial liabilities of the Group as of 31 December 2010, according to their residual term is as follows:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
Financial liabilities						
Deposits from banks	7 558	-	4 000	-	-	11 558
Liabilities to other depositors	2	-	133	5 000	35 224	40 359
Other borrowed funds	20 884	1 865	-	-	-	22 749
Other liabilities	803 530	231 616	426 873	542 219	4	2 004 242
Obligations under agreements for security repurchasing	93	63	227	2 054	778	3 215
Short-term loans	12 831	-	-	-	-	12 831
Total financial liabilities	**844 898**	**233 544**	**431 233**	**549 273**	**36 006**	**2 094 954**

Financial assets as means for managing the liquidity risk

While appraising and managing the liquidity risk the Group measures the expected cash flows from financial instruments, namely the available cash and trade receivables. The available cash resources and trade and other receivables significantly exceed the current needs of cash outflow. According to the concluded agreements all cash flows from trade and other receivables are due within 1 year.

51. Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to the shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the correlation between capital to net debt.

The Group determines the capital based on the carrying amount of the equity presented in the statement of financial position.

Net debt is calculated as total liabilities less the carrying amount of the cash and cash equivalents.

Group's goal is to maintain a capital-to-net-debt ratio in a reasonable range, which would ensure relevant and conservative ratio of financing.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The capital for the presented reporting periods is summarized as follows:

	2011 BGN'000	2010 BGN'000	2009 BGN'000
Shareholders' equity	1 414 233	1 324 283	1 168 752
Equity	**1 414 233**	**1 324 283**	**1 168 752**
Debt	3 799 467	3 140 180	2 274 382
- Cash and cash equivalents	(1 021 696)	(681 959)	(437 801)
Net debt	**2 777 771**	**2 458 221**	**1 836 581**
Capital to net debt	**1.96**	**1.86**	**1.57**

The increase in ratio during 2011 is primarily a result of the increase in the Group's net debt due to its bank and other activities.

The Group has honoured its covenant obligations, including maintaining capital ratios.

52. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization, except the following:

- On 6 January 2012, the name of Bulgarian Aviation Group EAD is changed to Bulgarian Airways Group EAD. On 29 February 2012, the name of Molet EAD is changed to Airport Services - Bulgaria EAD and the subisidiary Aiport Services EOOD has merged with its sole owner Molet EAD.

- As at 31 March 2012, Fertilizers Trade OOD and Chimtrans OOD have been liquidated.

- On 10 January 2012, Parahodstvo Balgarsko Rechno Plavane AD has entered into a selling agreement with Konstructus EOOD for the sale of 1 100 shares of the capital of VTC AD, thus decreasing its shareholding in the company to 41%.

- On 12 March 2012, Port Pristis OOD was registered as a public transport port of regional importance - Pristis.

No other adjusting or significant non-adjusting evens have occurred between the reporting date and the date of authorization.

53. Authorization of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2011 (including comparatives) were approved by the Managing board on 29 April 2012.