Independent Auditor's Report
Consolidated Financial Statements

CHIMIMPORT AD

31 December 2010

Contents

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ДОКЛАД НА НЕЗАВИСИМИЯ ОДИТОР

До акционерите на
Химимпорт АД
гр. София, ул. „Стефан Караджа" № 2

Доклад върху консолидиран финансов отчет

Ние извършихме одит на приложения консолидиран финансов отчет на дружество **Химимпорт АД** и неговите дъщерни дружества към 31 декември 2010 г., включващ консолидиран отчет за финансовото състояние към 31 декември 2010 г., консолидиран отчет за всеобхватния доход, консолидиран отчет за промените в собствения капитал и консолидиран отчет за паричните потоци за годината, завършваща тогава, както и обобщеното оповестяване на съществените счетоводни политики и другата пояснителна информация.

Отговорност на ръководството за консолидирания финансов отчет

Ръководството е отговорно за изготвянето и достоверното представяне на този консолидиран финансов отчет в съответствие с Международните стандарти за финансово отчитане, приети от ЕС и националното законодателство и за такава система за вътрешен контрол, каквато ръководството определи като необходима за изготвянето на консолидиран финансов отчет, който да не съдържа съществени отклонения, независимо дали те се дължат на измама или грешка.

Отговорност на одитора

Нашата отговорност се свежда до изразяване на одиторско мнение върху този консолидиран финансов отчет, основаващо се на извършения от нас одит. Нашият одит бе проведен в съответствие с Международните одиторски стандарти. Тези стандарти налагат спазване на етичните изисквания, както и одитът да бъде планиран и проведен така, че ние да се убедим в разумна степен на сигурност доколко консолидираният финансов отчет не съдържа съществени отклонения.

Одитът включва изпълнението на процедури с цел получаване на одиторски доказателства относно сумите и оповестяванията, представени в консолидирания финансов отчет. Избраните процедури зависят от преценката на одитора, включително оценката на рисковете от съществени, отклонения в консолидирания финансов отчет, независимо дали те се дължат на измама или на грешка. При извършването на тези оценки на риска одиторът взема под внимание системата за вътрешен контрол, свързана с изготвянето и достоверното представяне на консолидирания финансов отчет от страна на предприятието, за да разработи одиторски процедури, които са подходящи при тези обстоятелства, но не с цел изразяване на мнение относно ефективността на системата за вътрешен контрол на предприятието. Одитът също така включва оценка на уместността на прилаганите счетоводни политики и разумността на приблизителните счетоводни оценки, направени от ръководството, както и оценка на цялостното представяне в консолидирания финансов отчет.

Считаме, че извършеният от нас одит предоставя достатъчна и подходяща база за изразеното от нас одиторско мнение.

Мнение

По наше мнение консолидираният финансов отчет дава вярна и честна представа за финансовото състояние на дружество **Химимпорт АД** и неговите дъщерни дружества към 31 декември 2010 г., както и за неговите финансови резултати от дейността и паричните му потоци за годината, приключваща на тази дата, в съответствие с Международните стандарти за финансово отчитане, приети от Европейския съюз и националното законодателство.

Доклад върху други правни и регулаторни изисквания – Годишен доклад за дейността към консолидирания финансов отчет към 31 декември 2010 г.

Ние прегледахме годишния доклад за дейността към 31 декември 2010 г. на **Химимпорт АД**, който не е част от консолидирания финансов отчет. Историческата финансова информация, представена в годишния доклад за дейността, съставен от ръководството, съответства в съществените си аспекти на финансовата информация, която се съдържа в консолидирания финансов отчет към 31 декември 2010 г., изготвен в съответствие с Международните стандарти за финансово отчитане, приети от Европейския съюз, и националното законодателство. Отговорността за изготвянето на годишния доклад за дейността се носи от ръководството.

Марий Апостолов
Управител

Гергана Михайлова
Регистриран одитор

Грант Торнтон ООД
Специализирано одиторско предприятие

30 април 2011 г.
гр. София

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

Consolidated statement of financial position

	Note	31.12.2010 BGN'000	31.12.2009 BGN '000
Assets			
Non-current assets			
Property, plant and equipment	8	551 032	587 844
Investment property	10	50 357	47 394
Investments in associates	6	102 494	105 524
Goodwill	11	46 993	49 250
Other intangible assets	12	83 195	74 199
Long-term financial assets	13	1 226 814	1 108 843
Long-term related party receivables	45	3 439	11 354
Deferred tax assets	14	2 946	2 503
Non-current assets		2 067 270	1 986 911
Current assets			
Inventories	15	32 651	34 262
Short-term financial assets	16	1 071 875	675 739
Related party receivables	45	206 798	88 127
Trade receivables	17	157 948	151 997
Tax receivables	18	5 083	7 314
Other receivables	19	327 370	161 199
Cash and cash equivalents	20	681 959	437 801
Current assets		2 483 684	1 556 439
Assets classified as held for sale	21	33 476	6 535
Total assets		**4 584 430**	**3 549 885**

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

Date: 29 April 2011

Audited according to the auditor's report dated 30 April 2011:

Consolidated statement of financial position (continued)

Equity and liabilities	Note	31.12.2010 BGN'000	31.12.2009 BGN'000
Equity			
Equity attributed to the shareholders of Chimimport AD			
Share capital	22.1	229 759	229 862
Share premium	22.2	219 761	219 995
Other reserves	22.3	(3 124)	(9 093)
Retained earnings		526 222	403 118
Profit for the year		133 869	129 531
		1 106 487	973 413
Non-controlling interests		217 796	195 339
Total equity		**1 324 283**	**1 168 752**
Specialized reserves	**23**	**119 967**	**106 751**
Liabilities			
Non-current liabilities			
Long-term financial liabilities	24	855 309	614 523
Payables to secured persons	25	353 798	120 976
Long-term trade payables	26	23 178	24 317
Long-term related party payables	45	826	-
Finance lease liabilities	9.1	26 126	32 899
Pension and other employee obligations	27.2	2 118	2 206
Other liabilities	29	2 326	2 725
Provisions		387	383
Deferred tax liabilities	14	21 737	18 748
Non-current liabilities		1 285 805	816 777
Current liabilities			
Short-term financial liabilities	24	1 506 223	1 260 153
Trade payables	26	234 624	106 815
Short-term related party payables	45	25 630	7 452
Finance lease liabilities	9.1	8 814	10 083
Pension and other employee obligations	27.2	12 588	13 480
Tax liabilities	28	13 512	13 765
Other liabilities	29	52 984	45 857
Current liabilities		1 854 375	1 457 605
Total liabilities		**3 140 180**	**2 274 382**
Total equity, reserves and liabilities		**4 584 430**	**3 549 885**

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

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

Date: 29 April 2011

Audited according to the auditor's report dated 30 April 2011:

Consolidated statement of comprehensive income

	Note	2010 BGN'000	2009 BGN'000
Income from non-financial activities	30	636 783	574 962
(Loss)/ Gain on sale of non-current assets	31	(2 353)	39 266
Expenses for non-financial activities	32	(557 357)	(532 906)
Net result from non-financial activities		**77 073**	**81 322**
Insurance income	33	289 963	270 704
Insurance expense	34	(275 972)	(252 146)
Net insurance result		**13 991**	**18 558**
Interest income	35	199 819	175 243
Interest expense	36	(113 255)	(99 547)
Net interest income		**86 564**	**75 696**
Gains from transactions with financial instruments	37	300 019	170 500
Losses from transactions with financial instruments	38	(178 925)	(64 414)
Net result from transactions with financial instruments		**121 094**	**106 086**
Administrative expenses	39	(167 425)	(160 215)
Gains from purchases	40	6 940	2 389
Share of profit from associates	6	8 995	6 477
Other financial income	41	29 064	33 286
Allocation of income to secured persons		(16 770)	(7 292)
Profit before tax		**159 526**	**156 307**
Tax expense	42	(9 011)	(12 315)
Net profit for the period		**150 515**	**143 992**
Other comprehensive income			
Share of other comprehensive income of associates		(3 323)	(2 814)
Gains from financial assets		5 566	1 174
Total comprehensive income		**152 758**	**142 352**
Profit for the year attributable to:			
The shareholders of Chimimport AD		133 869	129 531
Non-controlling interests		16 646	14 461
Total comprehensive income attributable to:			
The shareholders of Chimimport AD		136 063	127 787
Non-controlling interests		16 695	14 565
Basic earnings per share in BGN	43	0.9235	0.8970
Diluted earnings per share in BGN	43	0.6170	0.5925

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

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

Date: 29 April 2011

Audited according to the auditor's report dated 30 April 2011:

Consolidated statement of changes in equity

All amounts are presented in BGN'000	Equity attributable to the shareholders of Chimimport AD					Non-controlling interests	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**
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	(3 104)	(2 652)	5 762	**3 110**
Transactions with owners	**(103)**	**(234)**	**452**	**(3 104)**	**(2 989)**	**5 762**	**2 773**
Profit for the year	-	-	-	133 869	133 869	16 646	**150 515**
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**	**130 546**	**136 063**	**16 695**	**152 758**
Balance at 31 December 2010	**229 759**	**219 761**	**(3 124)**	**660 091**	**1 106 487**	**217 796**	**1 324 283**

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

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

Date: 29 April 2011

Audited according to the auditor's report dated 30 April 2011:

CHIMIMPORT
PUBLIC HOLDING COMPANY

Consolidated statement of changes in equity (continued)

All amounts are presented in BGN'000	Equity attributable to the shareholders of Chimimport AD					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2009	**144 139**	**192 972**	**(9 073)**	**372 393**	**700 431**	**188 610**	**889 041**
Increase in share capital and reserves resulting from sale of treasury shares by subsidiaries	218	199	-	-	417	-	**417**
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(4 141)	(1 308)	-	-	(5 449)	-	**(5 449)**
Increase in share capital and share premium resulting from issue of preferred shares	89 646	28 132	-	-	117 778	-	**117 778**
Business combinations	-	-	(890)	33 539	32 649	(7 836)	**24 813**
Transactions with owners	**85 723**	**27 023**	**(890)**	**33 539**	**145 395**	**(7 836)**	**137 559**
Profit for the year	-	-	-	129 531	129 531	14 461	**143 992**
Other comprehensive income							
Share of other comprehensive income of associates			-	(2 814)	(2 814)		**(2 814)**
Gains from financial instruments	-	-	1 070	-	1 070	104	**1 174**
Total comprehensive income for the period	**-**	**-**	**1 070**	**126 717**	**127 787**	**14 565**	**142 352**
Donations	-	-	(200)	-	(200)	-	**(200)**
Balance at 31 December 2009	**229 862**	**219 995**	**(9 093)**	**532 649**	**973 413**	**195 339**	**1 168 752**

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

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

Date: 29 April 2011

Audited according to the auditor's report dated 30 April 2011:

Consolidated statement of cash flows

	Note	31.12.2010 BGN'000	31.12.2009 BGN'000
Proceeds from short-term loans		267 516	117 692
Payments for short-term loans		(195 481)	(161 901)
Proceeds from sale of short-term financial assets		185 617	216 305
Purchase of short-term financial assets		(226 816)	(204 807)
Cash receipt from customers		661 265	567 463
Cash paid to suppliers		(559 495)	(621 351)
Proceeds from secured persons		90 292	38 386
Payments to secured persons		(28 329)	(5 818)
Payments to employees and social security institutions		(112 103)	(91 337)
Cash receipts from banking operations		44 187 527	36 160 566
Cash paid for banking operations		(43 822 002)	(36 105 852)
Cash receipts from insurance operations		149 747	136 715
Cash paid for insurance operations		(77 751)	(72 317)
Income taxes paid		(9 355)	(12 103)
Other cash (outflows)/inflows, net		(9 358)	14 218
Net cash flow from operating activities		**501 274**	**(24 141)**
Investing activities			
Net payments for acquisition of subsidiaries		(263)	(5 738)
Dividends received		955	-
Sale of property, plant and equipment		8 400	21 257
Purchase of property, plant and equipment		(13 594)	(65 987)
Purchase of intangible assets		(506)	(3 658)
Sale of investment property		265	7 607
Purchase of investment property		(2 345)	(2 405)
Sale of subsidiaries and associates, net		(59)	18 460
Sale of non-current financial assets		131 022	95 269
Purchase of non-current financial assets		(176 472)	(146 548)
Interest payments received		34 038	14 993
Payments for loans granted		(300 281)	(45 960)
Proceeds from loans granted		105 758	37 668
Other cash (outflows)/ inflows		13 390	(425)
Net cash flow from investing activities		**(199 692)**	**(75 467)**
Financing activities			
Proceeds from issuing of preferred shares		-	199 015
Payments of commissions related to issue of preferred shares		-	(3 991)
Dividends paid on preference shares		(8 506)	-
Purchase of treasury shares		1 022	(9 670)
Proceeds from loans received		50 117	181 825
Payments for loans received		(57 774)	(332 763)
Interest paid		(29 951)	(17 221)
Payments for finance leases		(11 248)	(5 126)
Other cash inflows/(outflows)		(636)	5 910
Net cash flow from financing activities		**(56 976)**	**17 979**
Exchange losses on cash and cash equivalents		(224)	(3)
Cash and cash equivalents, beginning of year		437 801	519 436
Net change in cash and cash equivalents		244 158	(81 635)
Cash and cash equivalents, end of year	20	**681 959**	**437 801**

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

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

Date: 29 April 2011

Audited according to the auditor's report dated 30 April 2011:

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 note5.1. Information about the names, country of incorporation and percent of the shares of the subsidiaries, included in the consolidation, is provided in note 5.1.

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.

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 2009) unless otherwise stated.

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

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 financial statements for the annual period beginning 1 January 2010:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (amended) – Additional Exemptions for First-time Adopters, adopted by the EU on 25 June 2010;
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (revised 2008), adopted by the EU on 25 November 2009;
- IFRS 2 "Share-based Payment" (amended) – Group Cash-settled Share-based Payment Transactions, adopted by the EU on 23 March 2010;
- IFRS 3 "Business Combinations" (revised 2008), adopted by the EU on 12 June 2009;
- IAS 27 "Consolidated and Separate Financial Statements" (revised 2008), adopted by the EU on 12 June 2009;
- IAS 39 "Financial Instruments: Recognition and Measurement" (amended) – Eligible Hedged Items, adopted by the EU on 16 September 2009;
- IFRIC 15 "Agreements for the Construction of Real Estate", effective 1 January 2009, although EU endorsed on 23 July 2009 for periods beginning on or after 1 January 2010;
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation", effective 1 October 2009, although EU endorsed for 1 July 2009;
- IFRIC 17 "Distributions of Non-cash Assets to Owners", adopted by the EU on 25 November 2009;
- IFRIC 18 "Transfers of Assets from Customers", adopted by the EU on 27 November 2009 for periods beginning on or after 31 October 2009;
- Annual Improvements to IFRSs 2008 – IFRS 5 "Non-current Assets Held for Sales and Discontinued Operations", adopted by the EU;

- Annual Improvements to IFRSs 2009, adopted by the EU on 23 March 2010.

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:

IFRS 1 amendment - Additional Exemptions for First-time Adopters – exempt entities that use the full cost method for oil and gas properties from retrospective application of IFRSs. It also exempts entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 "Determining whether an arrangement contains a lease".

IFRS 1 "First-time Adoption of International Financial Reporting Standards" (revised 2008) improves the structure of the current standard making it easier to understand and to amend in the future. It does not introduce changes to the accounting requirements for first time adopters of International Financial Reporting Standards.

IFRS 2 amendments - Group Cash-settled Share-based Payment Transactions - provide a clear basis to determine the classification of share-based payment transactions in consolidated and separate financial statements. Where a parent entity issues a cash-settled award to employees of its subsidiary, the amendments confirm that this will be treated as a cash-settled share-based payment transaction in the parent's separate and consolidated financial statements (the parent entity has granted the award and has the obligation to settle in cash); and as an equity-settled transaction in the subsidiary's financial statements (the subsidiary entity has no obligation to settle the award).

IFRS 3 "Business Combinations" (revised 2008) is a further development of the acquisition model. Transaction costs no longer form a part of the acquisition price; they are expensed as incurred. Consideration now includes the fair value of all interests that the acquirer may have held previously in the acquired business. This includes any interest in an associate or joint venture or other equity interests of the acquired business. If the interests in the target were not held at fair value, they are remeasured to fair value through the income statement. The revised standard gives entities the option, on a transaction-by-transaction basis, to measure non-controlling interests (previously minority interest) at the value of their proportion of identifiable assets and liabilities or at full fair value. The second approach will record goodwill on the non-controlling interest as well as on the acquired controlling interest.

IAS 27 "Consolidated and Separate Financial Statements" (revised 2008) requires a mandatory adoption of the economic entity model. The economic entity approach treats all providers of equity capital as the entity's shareholders, even when they are not shareholders in the parent company. A partial disposal of an interest in a subsidiary in which the parent company retains control does not result in a gain or loss but in an increase or decrease in equity under the economic entity approach. Purchase of some or all of the non-controlling interest is treated as a treasury transaction and accounted for in equity.

IAS 39 amendment "Eligible Hedged Items" prohibits designating inflation as a hedgeable component of a fixed rate debt and in a hedge of one-sided risk with options, it prohibits including time value in the hedged risk.

IFRIC 15 "Agreements for the Construction of Real Estate" provides guidance on determining whether an agreement is within the scope of IAS 11 "Construction contracts", or is for the sale of goods under IAS 18 "Revenue". This will depend on the terms of each agreement and the surrounding facts and circumstances. IAS 11 applies when an agreement meets the definition of a construction contract. The interpretation clarifies that when a buyer is able to specify the major structural elements of design, either before or during construction, the agreement meets the definition of a construction contract. IAS 18 applies in case that an agreement is for the sale of goods when the buyer has only limited ability to influence the major structural elements of design, either before or during construction. In addition, an entity that is responsible only for the assembly of materials supplied by a customer, but not the acquisition of the related materials, generally applies the guidance in IAS 18 for sale of services. Conversely, if an entity is responsible for assembly and the related acquisition of materials, the guidance in IAS 18 for the sale of goods would apply.

IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” clarifies in respect of net investment hedging that the risk being hedged should relate to differences in functional currency between any parent (including an intermediate parent) and its subsidiary. The hedged risk cannot relate to the group’s presentation currency. Hedging instruments may be held anywhere in the group (apart from the subsidiary that itself is being hedged).

IFRIC 17 “Distributions of Non-cash Assets to Owners” clarifies how an entity should measure distributions of assets other than cash made as a dividend to its owners. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. Additional disclosures are required if the net assets being held for distribution meet the definition of a discontinued operation under IFRS 5 “Non-current assets held for sale and discontinued operations”.

IFRIC 18 “Transfers of Assets from Customers” requires assets transferred from a customer in return for connection to a network or ongoing access to goods or services, or both to be recognised initially at fair value and the related revenue to be recognised immediately; or, if there is a future service obligation, revenue is deferred and recognised over the relevant service period.

Annual Improvements to IFRSs 2008:
- IFRS 5 “Non-current Assets Held for Sales and Discontinued Operations” amendment clarifies that an entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all the assets and liabilities of that subsidiary as held for sale when the criteria set out in paragraphs 6-8 are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.

Annual Improvements to IFRSs 2009 include significant changes to the following standards:
- IFRS 2 amendment achieves consistency between the scope of IFRS 3 (revised) and IFRS 2 and confirms that common control transactions and the contribution of a business on the formation of a joint venture are not within the scope of IFRS 2.
- IFRS 5 amendment clarifies that IFRS 5 specifies the disclosures required for assets held for sale and discontinued operations. Disclosures in other IFRSs do not apply, unless those IFRSs require disclosures specifically in relation to assets held for sale and discontinued operations or disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5.
- IFRS 8 amendment clarifies that disclosing a measure of segment assets is only required when the chief operating decision-maker reviews that information.
- IAS 1 amendment clarifies that conversion features that are at the holder’s discretion do not impact the classification of the liability component of the convertible instrument.
- IAS 7 amendment clarifies that only expenditure that results in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- IAS 17 amendment clarifies that when a lease includes both land and buildings, classification as a finance or operating lease is performed separately in accordance with IAS 17's general principles.
- IAS 18 amendment adds an additional paragraph to the appendix to IAS 18, providing guidance on whether an entity is acting as principal or agent.
- IAS 36 amendment states that for the purpose of impairment testing, the cash-generating unit or groups of cash-generating units to which goodwill is allocated should not be larger than an operating segment (as defined by IFRS 8 "Operating segments") before aggregation.
- IAS 38 amendment removes the exceptions from recognising intangible assets on the basis that their fair values cannot be reliably measured. The amendment specifies different valuation techniques that may be used to value intangible assets where there is no active market.
- IAS 39 amendment clarifies that the scope exemption within IAS 39.2(g) only applies to forward contracts that will result in a business combination at a future date, as long as the term of the forward contract does 'not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction'.
- IFRIC 9 amendment clarifies that IFRIC 9 does not apply to embedded derivatives in contracts acquired in a business combination within the scope of IFRS 3 (revised), in a business combination between entities or businesses under common control; or as part of the formation of a joint venture.
- IFRIC 16 amendment confirms that hedging instrument can be held anywhere in the group including within the entity that is being hedged.

All other new standards, amendments and interpretations to IFRS effective for the Group's financial statements for the annual period beginning 1 January 2010 are not relevant to the business activities of the Group and have no effect on the consolidated financial statements.

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 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

IFRS 1 amendment - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters – provides first-time adopters with the same transition relief that existing IFRS preparers received in the March 2009 amendment to IFRS 7 "Financial instruments: Disclosures". The first-time adopters are permitted to exclude comparative disclosures in the first year of application.

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

These amendments include two changes to IFRS 1, First time adoption. The first replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The exemption allows an entity to elect to measure assets and liabilities held before the functional currency normalisation date at fair value; and to use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.

IFRS 7 "Financial Instruments: Disclosures" – De-recognition, 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 endorsed 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. Additional sections in relation to impairment and hedge accounting are still under development. Company's management should assess the effect of change over the financial statements. However, it is not expected changes to be implemented before the release of all sections of the standard and before their overall impact can be assessed.

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 24 "Related Party Disclosures" (amended) effective from 1 January 2011, adopted by the EU on 19 July 2010

The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. The amendment introduces an exemption from the disclosure requirements of IAS 24 for transactions between government-related entities and the government, and all other government-related entities. Those disclosures are replaced with a requirement to disclose: the name of the government and the nature of the relationship, the nature and amount of any individually-significant transactions and a qualitative or quantitative indication of the extent of any collectively-significant transactions.

IAS 32 "Financial Instruments: Presentation" (amended) effective from 1 February 2010, adopted by the EU on 24 December 2009

The amendment recognizes that the previous requirement to classify foreign-currency-denominated rights issued to all existing shareholders on a pro rata basis as derivative liabilities is not consistent with the substance of the transactions, which represents a transaction with owners acting in their capacity as such. The amendment therefore creates an exception to the "fixed for fixed" rule in IAS 32 and requires rights issues within the scope of the amendment to be classified as equity.

IFRIC 14 "Prepayments of a Minimum Funding Requirement" (amended) effective from 1 January 2011, adopted by the EU on 19 July 2010

IFRIC 14 amendment requires the recognition of an asset for any surplus arising from voluntary pre-payment of minimum funding pension contributions in respect of future service. The pre-paid contributions are recovered through lower minimum funding requirements in future years.

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

IFRIC 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (referred to as a 'debt for equity swap'). IFRIC 19 considers that equity instruments issued to settle a liability represent 'consideration paid'. It therefore requires a gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. This is consistent with the general approach to derecognition of financial liabilities established by IAS 39. The amount of the gain or loss recognised in profit or loss is determined as the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments cannot be reliably measured, the fair value of the existing financial liability is used to measure the gain or loss and to record issued equity instruments.

Annual Improvements to IFRSs 2010 effective from 1 January 2011 unless otherwise stated, not yet adopted by the EU:

-IFRS 1 amendment clarifies that a first-time adopter of IFRS does not apply IAS 8 to changes in accounting policies that it makes when it first adopts IFRSs or to changes to those policies made during the periods covered by its first IFRS financial statements. IFRS 1amendment requires a first-time adopter to disclose and explain any changes made in its accounting policies or its use of the IFRS 1 exemptions between its first IFRS interim financial report and its first IFRS financial statements.
IFRS 1 amendment extends the scope for use of event-driven fair value. In its first IFRS financial statements, a first-time adopter may recognize an event-driven fair value measurement as deemed cost, with the revaluation adjustment recognized in retained earnings. This applies even when the event occurs after the date of transition, provided that this is during the periods

covered by its first IFRS financial statements. IFRS 1's normal rules still apply at the transition date.
IFRS 1 amendment permits entities with operations subject to rate regulation to use the carrying amount of the items of property, plant and equipment or intangible assets determined under the entity's previous GAAP as deemed cost at the date of transition to IFRS.
-IFRS 3 amendment (effective from 1 July 2010) clarifies that contingent consideration balances arising from business combinations that occurred before an entity's date of adoption of IFRS 3 (Revised 2008) shall not be adjusted on the adoption date. Also provides guidance on the subsequent accounting for such balances.
The choice of measuring non-controlling interest (NCI) either at fair value or at the proportionate share in the recognized amounts of an acquiree's identifiable net assets, is now limited to NCI that are present ownership instruments and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. IFRS 3 amendment clarifies that all other components of NCI shall be measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs.
IFRS 3 amendment clarifies the guidance for the accounting of share-based payment transactions of the acquiree that were voluntarily replaced by the acquirer and acquiree awards that the acquirer chooses not to replace.
-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 financial statements.
-IAS 21, IAS 28, IAS 31 amendments (effective from 1 July 2010) relate to the transition requirements to apply certain consequential amendments arising from the 2008 IAS 27 amendments prospectively, to be consistent with the related IAS 27 transition requirements.
-IAS 34 amendment aims to improve interim financial reporting by clarifying disclosures required, including the interaction with recent improvements to the requirements of IFRS 7.
-IFRIC 13 clarifies that when the fair value of award credits is measured on the basis of the value of the awards for which they could be redeemed, the fair value of the award credits should take account of expected forfeitures as well as discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale.

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.

In this consolidated financial statements the Group presents comparative information for one comparative period. The management considers unnecessary to present comparative information for a second prior reporting period, as the comparative information for 2008 corresponds to that presented in the separate financial statements as at 31 December 2009. 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 2010. 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 5). 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 (see note 3 for a summary of the significant changes).

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

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.

4.8. Segment reporting

The Group operates in the following business segments:
- production
- 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 30. Revenue from non-financial activities, note 31. Gains from sale of non-current assets, note 33 Insurance income, note 35. Interest revenue, note 37. Foreign exchange 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 volume 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 the balance sheet date, are accounted for as payables.

The amounts for reimbursement by reinsurers in connection with paid by the Group's insurer during the period claims, 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.

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.

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

The revenue 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 revenue is recognized by the fair value of received consideration or receivable taking into account payment. The revenue is recognized when the service is completed or when the risk is transferred to the customer. The health insurance company of 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 income statement 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
• 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 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 income statement 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” (revised 2007), 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 income statement 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 intangible assets and property, plant and equipment

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.

Following the initial recognition, the investment property is measured at cost less any subsequent accumulated depreciation and any subsequent impairment losses.

Subsequent expenditure relating to investment property, which is already recognized in the Group's consolidated 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 10.

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 'Other expenses'.

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 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 21.

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 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.

<u>The Voluntary Pension Fund</u> 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.

<u>The Professional Pension Fund</u> 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.

<u>Universal Pension Fund</u>: 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.

As of 31 December 2010 approximately 10 % of the value of all issued FIMs has been recognized as revenue and the rest has been recognized as a FIM provision.

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.

4.39.2. Useful lives of depreciable assets

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

At 31 December 2009 management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are analyzed in notes 12 and 8. 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 32 651 (2009: BGN 34 262) 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 5.

5. Basis of consolidation

5.1. Investments in subsidiaries

The subsidiaries included in the consolidation are as follows:

Name of the subsidiary	Country of incorporation	Main activities	31.12.2010 %	31.12.2009 %
Central Cooperative Bank AD	Bulgaria	Finance	75.33%	75.30%
Central Cooperative Bank AD – Skopje	Macedonia	Finance	62.24%	62.18%
Stater Bank AD	Macedonia	Finance	70.65%	-
CCB Group EAD	Bulgaria	Finance	100.00%	100.00%
CCB Assets Management EOOD	Bulgaria	Finance	100.00%	100.00%
ZAD Armeec	Bulgaria	Finance	87.90%	87.90%
ZAED CCB Life	Bulgaria	Finance	100.00%	100.00%
ZOK CCB Health EAD	Bulgaria	Finance	100.00%	100.00%
POAD CCB Sila	Bulgaria	Finance	46.78%	89.30%
DPF CCB Sila	Bulgaria	Finance	46.78%	89.30%
UPF CCB Sila	Bulgaria	Finance	46.78%	89.30%
PPF CCB Sila	Bulgaria	Finance	46.78%	89.30%
Chimimport Holland B.V.	The Netherlands	Finance	100.00%	100.00%
Oil and Gas Exploration and Production AD	Bulgaria	Production, Trade and Services	53.94%	54.16%
Zarneni Hrani Bulgaria AD	Bulgaria	Production, Trade and Services	60.07%	60.84%
Bulgarian Oil Refinery EOOD	Bulgaria	Production, Trade and Services	53.94%	54.16%
Slanchevi lachi Provadia EOOD	Bulgaria	Production, Trade and Services	60.07%	60.84%
Prime Lega Consult OOD	Bulgaria	Production, Trade and Services	70.00%	70.00%
SK HGH Consult OOD	Bulgaria	Production, Trade and Services	59.34%	59.34%
Omega Finance OOD	Bulgaria	Production, Trade and Services	83.80%	83.80%
Sofgeoprouchvane EOOD	Bulgaria	Production, Trade and Services	53.94%	54.16%
PDNG – Serviz EOOD	Bulgaria	Production, Trade and Services	53.94%	54.16%
Izdatelstvo Geologia i Mineralni Resursi OOD	Bulgaria	Production, Trade and Services	37.75%	37.91%
Chimimport Group EAD	Bulgaria	Production, Trade and Services	100.00%	100.00%
Bulchimtrade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%
Chimoil Trade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%
Rubber Trade OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%
Orgachim Trading 2008 OOD	Bulgaria	Production, Trade and Services	60.00%	60.00%
Chimceltex OOD	Bulgaria	Production, Trade and Services	60.13%	60.13%

Fertilizers Trade OOD	Bulgaria	Production, Trade and Services	52.00%	52.00%
Dializa Bulgaria OOD	Bulgaria	Production, Trade and Services	50.00%	50.00%
Chimimport Pharma AD	Bulgaria	Production, Trade and Services	60.00%	60.00%
Siliko 07 OOD	Bulgaria	Production, Trade and Services	50.00%	50.00%
Medical Center Health Medica OOD	Bulgaria	Production, Trade and Services	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%
Aris 2003 EOOD	Bulgaria	Production, Trade and Services	-	60.13%
Anitas 2003 EOOD	Bulgaria	Production, Trade and Services	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%
Chimoil BG EOOD	Bulgaria	Production, Trade and Services	53.94%	-
Trans intercar EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%
MAYAK KM AD	Bulgaria	Sea and River Transport	77.44%	77.62%
Port Balchik AD	Bulgaria	Sea and River Transport	62.07%	70.63%
Bulgarian Shipping Company EAD	Bulgaria	Sea and River Transport	100.00%	100.00%
Parahodstvo Bulgarsko Rechno Plavane AD	Bulgaria	Sea and River Transport	82.16%	82.36%
Blue sea horizon corp	Seychelles	Sea and River Transport	82.16%	-
Interlihter EOOD	Slovakia	Sea and River Transport	82.16%	82.36%
VTC AD	Bulgaria	Sea and River Transport	41.90%	42.00%
Port Lesport AD	Bulgaria	Sea and River Transport	99.00%	99.00%
Lesport Project Management EOOD	Bulgaria	Sea and River Transport	99.00%	99.00%
Bulgarian Logistic Company EOOD	Bulgaria	Sea and River Transport	100.00%	100.00%
Port Pristis OOD	Bulgaria	Sea and River Transport	45.19%	-
Bulgarian Aviation Group EAD	Bulgaria	Aviation Transport	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Aviation Transport	99.99%	99.99%
Molet EAD	Bulgaria	Aviation Transport	100.00%	100.00%

Airport Services EOOD	Bulgaria	Aviation Transport	100.00%	100.00%
Bulgaria Air Technique EOOD	Bulgaria	Aviation Transport	99.99%	-
Energoproekt AD	Bulgaria	Construction and engineering	83.20%	83.20%
Triplan Architects EOOD	Bulgaria	Construction and engineering	83.20%	83.20%
Golf Shabla AD	Bulgaria	Real estate	35.06%	35.20%
Sporten Complex Varna AD	Bulgaria	Real estate	65.00%	65.00%
Bulchimex OOD	Germany	Real estate	100.00%	100.00%

5.2. Acquisition of Stater Bank AD

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.

5.3. 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 35 thousands and includes the components stated below:

	BGN'000
Purchase price, settled in cash	35
Total consideration	**35**

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)	**-**

5.4. 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)	**-**

5.5. 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.

5.6. 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 consideration was received in 2010.

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
Cash and cash equivalents disposed of	(1 059)
Net cash received	(59)
Gain on disposal	**263**

5.7. 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:

	BGN'000
Carrying amount of each class of acquired assets and liabilities as at 12 February 2010	
Plant and equipment	135
Intangible assets	3
Deferred tax assets	8
Current receivables	489
Financial assets	4 588
Cash and cash equivalents	1 024
Share capital	5 000
Accumulated loss	(361)
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.

6. Investments in associates

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

Name of the associate	2010 BGN‘000	Share %	2009 BGN‘000	Share %
Fraport TSAM AD	55 779	40.00%	75 242	40.00%
PIC Saglasie Co.Ltd.	34 101	49.43%	17 317	49.43%
Amadeus Bulgaria OOD	6 234	45.00%	3 055	45.00%
Lufthansa Technik Sofia OOD	3 808	20.00%	79	20.00%
Dobrich fair AD	1 887	37.92%	-	0.00%
Kavarna Gas OOD	685	35.00%	481	35.00%
Holding Nov Vek AD	-	-	9 350	28.20%
	102 494		**105 524**	

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

	2010 BGN‘000	2009 BGN‘000
Assets	345 715	212 612
Liabilities	253 318	76 655
Revenues	145 880	123 651
Profit for the period	25 987	18 245
Profit attributable to the Group	8 995	6 477

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

In 2010 and 2009 the Group has received no dividends from associates. Investments in associates are presented in the financial statements of the Group using the equity method.

7. 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.

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:

All inter-segment transfers are priced and carried out at market price and condition basis.

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
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**	**26 734**	**368 982**	**2 407**	**4 380**	**(31 384)**	**634 430**
Result from non-financial activities	**27 252**	**26 734**	**21 848**	**(98)**	**487**	**850**	**77 073**
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	293 754	3 500	-	-	(1 990)	300 019
Inter-segment gains from transactions with financial instruments	27	-	1 084	-	-	(1 111)	-
Gains from transactions with financial instruments	**4 782**	**293 754**	**4 584**	**-**	**-**	**(3 101)**	**300 019**
Result from transactions with financial instruments	**4 782**	**111 842**	**4 580**	**-**	**-**	**(110)**	**121 094**
Administrative expenses	**(6 988)**	**(155 177)**	**(11 617)**	**(16)**	**(7)**	**6 380**	**(167 425)**
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**	**127 634**	**14 282**	**365**	**167**	**(4 498)**	**159 526**
Tax expenses	(1 893)	(6 163)	(929)	(41)	(18)	33	(9 011)
Net profit for the year	**19 683**	**121 471**	**13 353**	**324**	**149**	**(4 465)**	**150 515**

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	(1 775 212)	4 481 936
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**	**(1 704 705)**	**4 584 430**
Specialized reserves	**-**	**119 967**	**-**	**-**	**-**	**-**	**119 967**
Liabilities of the segment	449 736	3 013 490	264 875	998	8 698	(597 617)	3 140 180
Total consolidated liabilities	**449 736**	**3 013 490**	**264 875**	**998**	**8 698**	**(597 617)**	**3 140 180**

Operating segments **31 December 2009**	**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	214 119	20 504	336 608	191	3 540	-	574 962
Gain from sale of non-current assets	13 513	14 697	12 519	-	9	(1 472)	39 266
Inter-segment income from non-financial activities	32 333	1 426	5 439	-	216	(39 414)	-
Total income from non-financial activities	**259 965**	**36 627**	**354 566**	**191**	**3 765**	**(40 886)**	**614 228**
Result from non-financial activities	**19 039**	**36 627**	**34 958**	**(208)**	**432**	**(9 526)**	**81 322**
Insurance income from external customers	-	270 704	-	-	-	-	270 704
Inter-segment insurance income	-	7 875	-	-	-	(7 875)	-
Total insurance income	**-**	**278 579**	**-**	**-**	**-**	**(7 875)**	**270 704**
Result from insurance	**-**	**24 184**	**-**	**-**	**-**	**(5 626)**	**18 558**
Interest income	9 094	196 056	4 077	372	57	(34 413)	175 243
Interest expenses	(12 420)	(104 127)	(17 237)	(2)	(174)	34 413	(99 547)
Result from interest	**(3 326)**	**91 929**	**(13 160)**	**370**	**(117)**	**-**	**75 696**
Gains from transactions with financial instruments from external customers	14 195	151 706	9 371	-	-	(4 772)	170 500
Inter-segment gains from transactions with financial instruments	-	4 808	-	-	-	(4 808)	-
Gains from transactions with financial instruments	**14 195**	**156 514**	**9 371**	**-**	**-**	**(9 580)**	**170 500**
Result from transactions with financial instruments	**14 195**	**88 712**	**8 589**	**-**	**-**	**(5 410)**	**106 086**
Administrative expenses	**(8 604)**	**(146 219)**	**(14 078)**	**(18)**	**(220)**	**8 924**	**(160 215)**
Gain from purchases	-	-	-	-	-	2 389	2 389
Net result from equity accounted investments in associates	22	(560)	7 015	-	-	-	6 477
Other financial income/ expense	(1 424)	37 827	(1 753)	(1)	3	(1 366)	33 286
Profit for allocating insurance batches	-	(7 292)	-	-	-	-	(7 292)
Profit for the period before tax	**19 902**	**125 208**	**21 571**	**143**	**98**	**(10 615)**	**156 307**
Tax expenses	(2 366)	(8 333)	(1 650)	(12)	(14)	60	(12 315)
Net profit for the year	**17 536**	**116 875**	**19 921**	**131**	**84**	**(10 555)**	**143 992**

Operating segments 31 December 2009	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
Assets of the segment	687 420	3 717 703	608 273	45 498	15 134	(1 629 717)	3 444 311
Equity accounted investments in associates	4 670	26 470	10 476	-	30	63 878	105 524
Total consolidated assets	**692 090**	**3 744 173**	**618 749**	**45 498**	**15 164**	**(1 565 839)**	**3 549 835**
Specialized reserves	**-**	**106 751**	**-**	**-**	**-**	**-**	**106 751**
Liabilities of the segment	374 825	2 247 200	377 374	243	11 650	(736 910)	2 274 382
Total consolidated liabilities	**374 825**	**2 247 200**	**377 374**	**243**	**11 650**	**(736 910)**	**2 274 382**

8. 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 2010	123 965	123 068	87 537	114 285	121 065	28 296	46 375	85 064	729 655
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	118 781	113 278	70 939	163 271	142 870	26 347	45 069	55 114	735 669
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	**118 781**	**88 199**	**27 824**	**136 408**	**93 944**	**10 798**	**19 964**	**55 114**	**551 032**

- for the period ending 31 December 2009

	Land	Building	Machines	Equipment	Vehicles	Others	Repairs	Assets in process of acquisition	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount									
Balance at 1 January 2009	110 263	141 746	85 943	109 350	94 727	26 135	-	81 164	649 328
Additions:									-
- through business combinations	28 475	2 393	1 770	(48)	10 894	235	28 296	6 261	78 276
- separately acquired	2 832	3 910	8 946	7 160	48 091	21 363	-	101 066	193 368
Disposals									
- through business combinations	(17 551)	(2 691)	(4 935)	(1 713)	(7 455)	(426)	-	(16 330)	(51 101)
- separately disposed of	(54)	(22 290)	(4 187)	(464)	(25 192)	(932)	-	(87 097)	(140 216)
Balance at 31 December 2009	123 965	123 068	87 537	114 285	121 065	46 375	28 296	85 064	729 655
Depreciation									
Balance at 1 January 2009	-	(17 191)	(28 560)	(15 273)	(24 271)	(20 455)	-	-	(105 750)
Additions through business combinations	-	(130)	(456)	(3)	(4 365)	(16)	-	-	(4 970)
Disposals	-	2 452	4 864	427	6 324	328	-	-	14 395
Depreciation	-	(5 880)	(9 734)	(4 082)	(10 885)	(6 488)	(8 417)	-	(45 486)
Balance at 31 December 2009	-	(20 749)	(33 886)	(18 931)	(33 197)	(26 631)	(8 417)	-	(141 811)
Carrying amount at 31 December 2009	**123 965**	**102 319**	**53 651**	**95 354**	**87 868**	**19 744**	**19 879**	**85 064**	**587 844**

The carrying amount of the Group's property, plant and equipment pledged as security as at 31 December 2010 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 2010	20 282	45 998	59 231	26 404	653	152 568
Carrying amount as at 31 December 2009	18 212	30 284	24 074	32 478	30	105 078

9. Leases

9.1. Finance leases as lessee

The Group participates in its capacity of a lessee in the following more significant finance lease contracts:
- five year finance lease contract with ANSEF London for the purchase of three aircrafts – BAE from 31 March 2006 with maturity date April 2011.
- 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.
- finance lease contract with Porsche leasing for the purchase of a car, with a 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.
- finance lease contract with Unicredit Leasing AD for the purchase of Reno Master with maturity date 5 July 2011.
- four finance lease contracts with Unicredit Leasing AD for the purchase of vehicles with maturity dates in 2011.
- 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.
- eight finance lease contracts, signed with Interlease Auto EAD for six automobiles with maturity in 2011 and 2012.
- six finance lease contracts, signed with Interlease Auto EAD for the purchase of automobiles with maturity in 2011 and 2012.
- eight finance lease contracts with DSK Auto Leasing EOOD for the purchase of eleven automobiles with maturity until 2011 and 2013.
- four contracts with Hypo Alpe- Adria- Autoleasing EOOD for 6 cars with maturity in 2011, 2012 and 2013.
- six agreements with Hyundai Leasing EAD, about 6 vehicles with term of the agreements till year 2011 and year 2014.

The net carrying amount of the assets acquired under the terms of lease contracts amounts to BGN 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 8).

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 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.

9.2. 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 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 51 714 thousands (2009: BGN 49 692 thousands).

During 2010 the Group has the following more significant operating lease contracts.

- Aircrafts Boeing 737-300 - 3 aircrafts with lessor Galaxy Aviation One Limited. The terms of the contracts are as follows: for LZ BOU – 12 July 2011, for LZ BOV – 17 September 2011, for LZ BOW – 30 August 2011.
- Aircraft Boeing 737-500 – 1 aircraft with lessor Q Aviation. The term of the contract of LZ BOQ is until 03 December 2009.
- Aircraft Boeing 737-500 – 1 aircraft with lessor ORIX. The term of the contract of LZ BOP is until 05 January 2010.
- 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.

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.

9.3. Operating leases as lessor

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

The rental revenue recognized in 2010 amounts to BGN 37 726 thousand (2009: BGN 34 201 thousand).

Aircraft	**Type of aircraft**	**Contract date**	**Period**		**Payment**
LZFBC	Airbus 320	17.08.2010	58 months	Alma Fly	Not fixed
LZFBD	Airbus 320	17.08.2010	58 months	Alma Fly	Not fixed
	B 737 300	17.08.2010	12 months	Alma Fly	Not fixed
VQBAP(BOT)	Boeing 737-300	17.08.2008	60 months	Tatarstan	160 000,00 USD
VQBBN (BOY)	Boeing 737-500	09.12.2008	51 months	Tatarstan	140 000,00 USD
VQBBO(BOR)	Boeing 737-500	16.02.2009	56 months	Tatarstan	140 000,00 USD
VQBDC(BOO)	Boeing 737-300	29.06.2009	60 months	Tatarstan	150 000,00 USD
MSN 28702	Boeing 737-400	26.05.2009	60 months	Tatarstan	165 000,00 USD

In 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 2010 amounts to BGN 1 305 thousands (2009: BGN 737 thousands).

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 2010	619	2 164	57	**2 840**
31 December 2009	208	242	14	**464**

As of 31 December 2010 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 30 December 2010 with Klas Olio OOD for a lease of capacity in Grain base Karapelit with term of lease till 30 June 2011;
- Agreement dated 01 April 2009 with Golyama Dobrudzhanska melnitsa EOOD for a lease of capacity in Grain base – Dobrich with term of lease till 01 April 2011;
- Agreement dated 01 June 2010 with Kynak EOOD for lease of grain bases in Kaynardzha and Silistra till 31 December 2011;
- Agreement dated 26 May 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 26 May 2012; 01 October 2013 and 01 July 2015 respectively;
- Agreement with Mobiltel EAD dated 1 September 2005 for use of roof spaces with term of lease till 1 September 2015;
- Agreement dated 17 May 2006 with BTC Mobile EOOD for lease of roof spaces with term of lease till 17 May 2016.

10. Investment property

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
Gross carrying amount			
Balance at 1 January 2010	13 060	36 063	49 123
Additions			
- through business combinations and reclassification	-	-	-
- separately acquired	10 973	1 391	12 364
Disposals	-	(8 842)	(8 842)
Balance at 31 December 2010	24 033	28 612	52 645
Depreciation			
Balance at 1 January 2010	(1)	(1 728)	(1 729)
Business combinations – depreciation	-	-	-
Disposals	-	162	162
Depreciation	-	(721)	(721)
Balance at 31 December 2010	(1)	(2 287)	(2 288)
Carrying amount at 31 December 2010	**24 032**	**26 325**	**50 357**

	Land BGN'000	Buildings BGN'000	Total BGN'000
Gross carrying amount			
Balance at 1 January 2009	13 675	7 520	21 195
Additions			
- through business combinations and reclassification	-	13 261	13 261
- separately acquired	-	18 182	18 182
Disposals	(615)	(2 900)	(3 515)
Balance at 31 December 2009	13 060	36 063	49 123
Depreciation			
Balance at 1 January 2009	(1)	(1 080)	(1 081)
Business combinations – depreciation	-	114	114
Depreciation	-	(762)	(762)
Balance at 31 December 2009	(1)	(1 728)	(1 729)
Carrying amount at 31 December 2009	**13 059**	**34 335**	**47 394**

As at 31 December 2010 the fair value of the investment property of the Group amounts to BGN 72 287 thousand (as at 31.12.2009 – BGN 82 596 thousand). 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.

The investment property is recognized in the consolidated financial statements of the Group at cost.

Rental income from investment property for 2010 amounts to 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 1 036 thousand are recognized as "Expenses for non-financial activities" (2009: BGN 129 thousand).

11. Goodwill

The main changes in the carrying amount of goodwill result from the recognized impairment of goodwill from Zarneni Hrani Bulgaria AD, Central Cooperative Bank AD – Skopje and Slanchevi Lachi Provadia EAD.

	Goodwill BGN'000
2009	
Opening balance carrying amount	37 527
Additions	13 495
Impairment for the period	(1 772)
Closing balance carrying amount	**49 250**
2010	
Opening balance carrying amount	49 250
Impairment for the period	(2 257)
Closing balance carrying amount	**46 993**

For the purpose of annual impairment testing in 2010 the carrying amount of goodwill is allocated to the following cash-generating units:

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

12. Other intangible assets

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

	Trade marks	Licenses and patents	Software products	Customer relationships	Internally generated intangible assets	Exploration and evaluation expenditures	Property rights	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount								
Balance at 1 January 2010	34 701	5 600	3 679	6 569	1 145	1 790	40 288	93 772
Additions:								
- through business combinations	-	1 308	2 396	3 615	-	-	-	7 319
- separately acquired	-	1 033	1 189	-	-	4 737	11 468	18 427
Disposals								
- through business combinations and reclassification	-	-	-	(1 926)	-	-	-	(1 926)
- separately disposed of	-	-	(316)	-	-	(3 252)	(5 833)	(9 401)
Balance at 31 December 2010	34 701	7 941	6 948	8 258	1 145	3 275	45 923	108 191
Amortization								
Balance at 1 January 2010	(9 652)	(3 108)	(2 400)	(520)	(52)	-	(3 841)	(19 573)
Additions through business combinations	-	-	(408)	-	-	-	-	(408)
Disposals	-	-	310	-	-	-	-	310
Amortization	(3 238)	(270)	(1 470)	(328)	-	-	(19)	(5 325)
Balance at 31 December 2010	(12 890)	(3 378)	(3 968)	(848)	(52)	-	(3 860)	(24 996)
Carrying amount at 31 December 2010	**21 811**	**4 563**	**2 980**	**7 410**	**1 093**	**3 275**	**42 063**	**83 195**

	Trade marks	Repairs of rented assets	Licenses and patents	Software products	Customer relationships	Internally generated intangible assets	Exploration and evaluation expenditures	Property rights	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount									
Balance at 1 January 2009	34 692	42 433	5 600	3 415	6 569	52	-	40 288	133 049
Additions:									-
- separately acquired	9	-	-	264	-	1 093	1 790	-	3 156
Disposals									
- through business combinations and reclassification	-	(42 433)	-	-	-	-	-	-	(42 433)
Balance at 31 December 2009	34 701	-	5 600	3 679	6 569	1 145	1 790	40 288	93 772
Amortization									
Balance at 1 January 2009	(6 469)	(8 550)	(2 902)	(1 027)	(192)	(52)	-	-	(19 192)
Additions through business combinations	-	-	-	(196)	-	-	-	-	(196)
Disposals	-	8 550	4	2	-	-	-	-	8 556
Amortization	(3 183)	-	(210)	(1 179)	(328)	-	-	(3 841)	(8 741)
Balance at 31 December 2009	(9 652)	-	(3 108)	(2 400)	(520)	(52)	-	(3 841)	(19 573)
Carrying amount at 31 December 2009	**25 049**	**-**	**2 492**	**1 279**	**6 049**	**1 093**	**1 790**	**36 447**	**74 199**

Established Property Right

Established property rights to use buildings apply for fourteen 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 for a period between 115 and 120 months for an amount at the total of BGN 20 327 thousands.

Established property rights to use buildings apply for two massive office buildings located in the center of Sofia that will be used as headquarter of CCB AD. Property rights for one of the building is established for a period of 98 months for the amount of EUR 5 372 thousands. Property rights for the other building was established for a period of 149 months for the amount of EUR 15 598 thousands. In December 2010 the term of the property right of one of the office buildings located in the center of Sofia has been extended. The term has been extended by three months for an amount of EUR 292 thousands.

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.

Exploration and evaluation expenditures

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

As at 31 December 2010 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 3 275 thousands (2009: BGN 1 790 thousands).

	2010 BGN'000	2009 BGN'000
Block 1-12 Knezha	1 873	-
Block 1-4 Kavarna	1 318	1 591
Block Shabla	35	199
Block 1-17 Ovcha mogila	49	-
	3 275	**1 790**

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.

13. Long-term financial assets

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

	Note	2010 BGN'000	2009 BGN'000
Loans and receivables	13.1	858 617	779 170
Held-to-maturity financial assets	13.2	157 949	106 252
Financial assets at fair value through profit or loss	13.3	1 245	99 413
Available-for-sale financial assets	13.4	209 003	124 008
		1 226 814	**1 108 843**

13.1. Loans and receivables

Loans and receivables	**Note**	**2010 BGN'000**	**2009 BGN'000**
Long-term bank loans and client advance payments	13.1.1	668 201	700 255
Less impairment		(12 211)	(13 410)
		655 990	686 845
Other long-term loans	13.1.2	202 627	92 325
		858 617	**779 170**

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

Analysis by type of the client:

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

Analysis by economic sectors:

	2010 BGN'000	2009 BGN'000
Agriculture and forestry	22 603	26 371
Manufacturing	15 672	32 786
Construction	56 076	79 881
Trade and finance	286 822	259 683
Transport and communications	41 688	38 007
Natural persons	196 173	229 741
Others	49 167	33 786
	668 201	700 255
Impairment for uncollectibility	(12 211)	(13 410)
Total bank loans granted and client advance payments	**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 4% and 8 %, 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 %.

13.1.2. Other long-term loans

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

Receivable from Pavleks 97 EOOD amounting to BGN 46 258 thousand includes a principal amounting to BGN 37 339 thousand and interest receivables at the amount of BGN 8 919 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 on 31.12.2014.

Receivable from Abas EOOD amounting to BGN 36 256 thousand includes a principal amounting to BGN 28 238 thousand and interest receivables at the amount of BGN 8 018 thousand. The loan is provided under a contract for temporary financial assistance for the amount of BGN 30 000 thousand at annual interest rate of 10.00%. The maturity date is on 31.12.2012.

Receivable from General Stock Investment EOOD amounting to BGN 15 229 thousand includes a principal amounting to BGN 14 000 thousand and interest receivables at the amount of BGN 1 229 thousand. The loan is provided under a contract for temporary financial assistance for the amount of BGN 14 000 thousand at annual interest rate of 10.00%. The maturity date is on 31.12.2012.

Receivable from Rostinvest AD amounting to BGN 14 874 thousand includes a principal amounting to BGN 12 813 thousand and interest receivables at the amount of BGN 2 060 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 on 23.05.2014.

Receivable from Holding Nov Vek AD amounting to BGN 8 488 thousand includes a principal amounting to BGN 5 985 thousand and interest receivables at the amount of BGN 2 503 thousand. The loan is provided under a contract for temporary financial assistance for the amount of BGN 8 000 thousand at annual interest rate of 10.00%. The maturity date is on 31.12.2014.

Receivable from AKIN EOOD amounting to BGN 7 311 thousand includes a principal amounting to BGN 5 155 thousand and interest receivables at the amount of BGN 2 155 thousand. The loan is provided under a contract for temporary financial assistance for the amount of BGN 6 200 thousand at annual interest rate of 14.00%. The maturity date is on 31.12.2014.

13.2. Held-to-maturity financial assets

Held-to-maturity financial assets consist of corporate bonds, bonds issued by Bulgarian government, Macedonian government, Macedonian central bank 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:

	2010 BGN‘000	2010 BGN‘000
Carrying amount at amortized cost		
Mid-term Bulgarian government bonds	111 241	80 823
Corporate bonds	40 553	19 263
Long-term Bulgarian government bonds	6 155	6 166
	157 949	**106 252**

Bulgarian securities pledged as collateral

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

13.3. 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.

	2010 BGN‘000	2009 BGN‘000
Capital investments with market value	-	54 910
Long-term Bulgarian government bonds	-	35 702
Other	1 245	8 801
	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.

13.4. Available-for-sale financial assets

	2010 BGN‘000	2009 BGN‘000
Capital investments with market value	65 468	49 077
Bulgarian corporate bonds	62 232	14 905
Interest in Aviation company Hemus Air EAD	38 505	38 505
Long-term Bulgarian government bonds	29 899	-
Mid-term Bulgarian government bonds	6 303	19 368
Foreign corporate bonds	4 443	-
Interest in Air Ban EOOD	2 153	2 153
	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 and Air Ban EOOD. 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 2010 government bonds, issued by the Bulgarian government at the amount of BGN 5 236 thousand (2009: BGN 4 491 thousand), are pledged as collateral for servicing budget accounts.

14. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences 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	641	-	-	(674)	**(33)**
Others	2 252	57	874	(840)	**2 343**
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)**
	16 245	(290)	874	1 962	**18 791**
Recognized as:					
Deferred tax asset	**(2 503)**				(2 946)
Deferred tax liability	**18 748**				21 737

Deferred taxes for the comparative period 2009 can be summarized as follows:

Deferred tax liabilities/ (assets)	1 January 2009	Recognized in profit and loss	31 December 2009
	BGN'000	BGN'000	BGN'000
Non-current assets			
Intangible assets	995	(995)	-
Property, plant and equipment	13 540	237	13 777
Long - term financial assets	-	107	107
Investment property	701	(60)	641
Others	1 186	1 066	2 252
Current assets			
Trade and other receivables	2	(2)	-
Financial assets	-	1 971	1 971
Others	165	(165)	-
Non-current liabilities			
Pension and other employee obligations	(500)	(186)	(686)
Others	(1 244)	151	(1 093)
Current liabilities			
Pension and other employee obligations	(247)	175	(72)
Other provisions	(6)	-	(6)
Others	(1 110)	464	(646)
	13 482	2 763	16 245
Recognized as:			
Deferred tax asset	**(3 107)**		**(2 503)**
Deferred tax liability	**16 589**		**18 748**

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

15. Inventories

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

	2010	2009
	BGN'000	BGN'000
Raw materials	18 965	18 168
Finished goods	280	1 323
Trading goods	12 230	13 046
Work in progress	1 144	1 725
Others	32	-
	32 651	**34 262**

In 2010 inventories of the Group amounting to BGN 1 680 thousand (2009: BGN 3 207 thousand) are pledged as collateral benefitting UniCredit Bulbank AD and Eurobank EFG Bulgaria AD.

16. 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	2010 BGN'000	2009 BGN'000
Loans and receivables	1616.1	548 757	532 966
Financial assets at fair value through profit or loss	16.2	425 829	83 609
Held-to-maturity financial assets	16.3	29 650	21 551
Held for sale financial assets	16.4	67 639	37 613
		1 071 875	**675 739**

16.1.Loans and receivables

	Note	2010 BGN'000	2009 BGN'000
Bank loan and client advance payments	16.1.1	418 648	372 381
Less impairment		(13 814)	(8 660)
		404 834	363 721
Other short-term loans contracts	16.1.2	143 923	169 245
		548 757	532 966

16.1.1. 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:

	2010 BGN'000	2009 BGN'000
Natural persons		
-in BGN	33 530	104 971
-in foreign currency	3 249	16 689
Legal entities		
-in BGN	232 922	150 498
-in foreign currency	148 947	100 223
	418 648	**372 381**
Impairment for uncollectibility	(13 814)	(8 660)
Total bank loans and client advance payments	**404 834**	**363 721**

Analysis by economic sectors:

	2010 BGN'000	2009 BGN'000
Agriculture and forestry	14 230	13 965
Manufacturing	9 866	17 503
Construction	35 303	42 301
Trade and finance	178 548	138 627
Transport and communications	26 245	20 289
Natural persons	123 503	121 660
Others	30 953	18 036
	418 648	**372 381**
Impairment for uncollectibility	(13 814)	(8 660)
Total bank loans and client advance payments	**404 834**	**363 721**

16.1.2. Contracts for other short-term loans

	2010 BGN'000	2009 BGN'000
Cession receivables	20 500	12 485
Airport Kazan	16 387	3 931
PFK Cherno more AD	14 803	7 814
Bulgarian Mills	11 780	-
Niko Commerce EOOD	10 796	10 132
AC Tatarstan	10 309	-
General Stock Investment EOOD	8 294	9 449
Finance Consulting EAD	9 000	-
Loveshki melnisti	8 322	-
Neftena Targovska Kompaniya EOOD	5 473	6 827
Sila Holding AD	1 920	9 655
ABAS EOOD	-	33 272
INO EOOD	-	12 989
Lorian EOOD	-	8 625
New Industrial Company EOOD	-	7 387
AKIN EOOD	-	7 025
Business center Izgrev EOOD	-	5 904
Technoimportexport AD	-	5 651
Others	26 339	28 099
	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.

16.2. 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.

	2010 BGN'000	2009 BGN'000
Bulgarian corporate securities	277 932	55 671
Long-term Bulgarian government bonds	55 150	154
Option contract	24 680	-
Short-term Bulgarian government bonds	16 123	11 601
Derivatives, held-for-trade	8 412	13 538
Mid-term Bulgarian government bonds	7 024	2 645
Others	36 508	-
	425 829	**83 609**

Bulgarian corporate securities
As at 31 December 2010 the Group owns corporate securities, issued by municipalities, non-financial and financial companies, amounting to 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 2010 the long-term bonds, amounting 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 2010 the short-term Bulgarian government bonds, amounting 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 2010 derivatives held-for-trade amounting to 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 2010 the mid-term bonds, amounting 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.

16.3. Financial assets held-to-maturity

	2010 BGN'000	2009 BGN'000
Short-term bonds issued by the National Bank of the Republic of Macedonia	19 996	11 465
Short-term Macedonian government securities	4 684	1 279
Short-term Bulgarian government bonds	4 522	8 807
Others	448	-
	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 2010 the short-term Bulgarian government bonds, amounting BGN 4 522 thousand (2009: BGN 8 807 thousand) are held-to-maturity and consist of securities in BGN issued by the Bulgarian government.

16.4. Financial assets available-for-sale

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

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.

Repurchase agreements receivables
As at 31 December 2010 the Group has signed agreements with a repurchase clause for securities for a total amount of BGN 26 187 thousand, including the interest receivables. The Group has pledged these receivables with Bulgarian government and corporate securities, at approximately equal value, as collateral.

Foreign Capital Investments
As at 31 December 2010 the foreign corporate securities for sale at the amount of BGN 12 052 thousand represent bonds of foreign trade company and securities amounting to BGN 1 143 thousand represent shares of foreign financial companies.

Short-term Bulgarian government bonds
As at 31 December 2010 the short-term bonds, amounting BGN 3 thousand (2009: BGN 11 354 thousand) are available-for-sale and consist of securities in BGN issued by the Bulgarian government. The short-term Bulgarian government bonds mature in 1 year.

17. Trade receivables

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

The trade receivables as at 31 December 2010 and the comparative period 31 December 2009 are as follows:

	2010 BGN'000	2009 BGN'000
Advances for acquisition of investments	60 000	60 000
Lorian EOOD	18 749	-
Neftena Targovska Kompania EOOD	18 599	16 602
RS Consult EOOD	6 708	6 708
RS Trade EOOD	6 707	6 707
Finance Consulting EAD	3 725	-
Alma Tour Fly OOD	2 315	685
Bank clients	1 506	3 333
Tatarstan Airlines	1 476	5 876
IATA br. Bulgaria	1 399	1 457
TIM Club EOOD	1 341	-
Inter Iberica SA	822	-
Pierro 97 MA AD – short-term portion	295	1 353
Bulgarian Mills EOOD	-	15 028
Velgraf Asset Management EAD	-	4 453
N. V. Desmet Ballestra Group S.A.	-	2 631
Pavleks 97 EOOD	-	328
Others /under BGN 1 000 thousand/	34 306	26 836
	157 948	**151 997**

All trade receivables of the Group have been reviewed for indications of impairment.

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 3 612 thousand (2009: BGN 310 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.

18. Tax receivables

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

19. Other receivables

	2010 BGN'000	2009 BGN'000
Advance payments	173 458	18 918
Insurance and reinsurance receivables	42 991	42 858
Cession receivables	42 900	27 560
Receivables from shares	16 214	24 600
Short-term deposits and guarantees	12 339	14 819
Foreign activity	9 773	9 189
Rai Bank AD	5 955	5 955
Court receivables	1 721	1 531
Others	22 019	15 769
	327 370	**161 199**

As at 31 December 2010 the Group reports receivables related to advance payments at the total of BGN 173 458 thousand, BGN 158 413 thousand of which are related to advances to Bulgarian Mills EOOD under a signed contract for purchase of grain.

Insurance and reinsurance receivables include receivables at the total of BGN 42 991 thousand (2009: BGN 42 858 thousand) from accrued premium on insurance contracts, as well as reinsurance and co-insurance contracts.

Cessions receivables as at 31 December 2010 amounting to BGN 42 900 thousand include receivables from Neftena Targovska Kompania EOOD for the amount of BGN 21 300 thousand (2009: BGN 21 300 thousand), receivables from Bulgarian Mills EOOD for the amount of BGN 11 620 thousand (2009: BGN 0), receivables from Ital Commerce 75 EOOD for the amount of BGN 8 920 thousand (2009: BGN 0) and other receivables.

Receivables from shares as at 31 December 2010 amounting to BGN 16 214 thousand represent receivables related to investments in connection with the activity of the funds of the Group, including receivables from corporate bonds of Arcus AD at the total of BGN 8 997 thousand, which in January 2011 are converted into securities.

The presented balances "Foreign activity" at the total of 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.

20. Cash and cash equivalents

Cash and cash equivalents include the following components:

		2010	2009
		BGN'000	BGN'000
Cash at bank and in hand:			
-	BGN	473 885	278 235
-	EUR	164 539	135 087
-	USD	35 042	8 590
-	other currencies	8 493	15 889
		681 959	**437 801**

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

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

	2010 BGN'000	2009 BGN'000
Cash in hand:	127 800	105 939
Term deposits with local banks		
- in BGN	8 347	16 800
- in foreign currency	67 983	29 775
Term deposits with foreign banks in foreign currency	3 670	3 137
Restricted accounts with local banks		
- in BGN	3 445	3 015
Nostro accounts with local banks		
- in BGN	52	27
- in foreign currency	1 355	204
Nostro accounts with foreign banks in foreign currency	40 725	28 016
Total placements with, and advances to, banks	**253 377**	**186 913**

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

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

	2010 BGN'000	2009 BGN'000
Non-current assets		
Intangible assets	946	-
Property, plant and equipment	32 530	6 535
Assets, classified as held-for-sale	**33 476**	**6 535**

Non-current assets held-for-sale at the amount of 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 held-for-sale at the amount of 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.

Non-current assets held-for-sale at the amount of BGN 946 thousand (2009: BGN 0) are building rights with indefinite useful life. As at 31 December 2010 a preliminary contract for the sale of the asset is signed.

22. Equity
22.1. Share capital

The share capital of Chimimport AD as at 31 December 2010 consists of 150 858 809 (2009: 150 577 390) ordinary shares with a par value of BGN 1 per share and 88 787 458 (2009: 89 068 877) preferred shares with a par value of BGN 1, including 5 784 484 (2009: 5 643 171) ordinary shares and 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.

	2010	2009
Shares issued and fully paid:		
- beginning of the year	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	(281 419)	(577 406)
- increase in ordinary shares due to convertion of preferred shares into ordinary shares during the year	281 419	577 406
- treasury shares /ordinary and preferred/, acquired by subsidiaries during the year	(103 408)	(3 922 787)
Shares issued and fully paid as at period end	**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 (943) thousand – reduction of share premium due to treasury shares acquired by subsidiaries
- BGN 8 348 thousand – current dividend payables
- BGN (634) thousand – reduction of current dividend payables due to treasury shares acquired by subsidiaries
- BGN 70 008 thousand – non-current dividend payables
- BGN (2 710) thousand – reduction of non-current dividend payables due to treasury shares acquired by subsidiaries
- 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 103 408 shares of the Group by subsidiaries, are allocated as follows:

- BGN 28 388 thousand – share premium
- BGN (1 346) thousand – reduction of share premium due to treasury shares acquired by subsidiaries
- BGN 16 773 thousand – current dividend payables
- BGN (799) thousand – reduction of current dividend payables due to treasury shares acquired by subsidiaries
- BGN 65 285 thousand – non-current dividend payables
- BGN (3 111) 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:

	2010	2010	2009	2009
	Number of ordinary shares	**%**	**Number of ordinary shares**	**%**
Chimimport Invest AD	109 348 114	72.48%	109 724 464	72.87%
ARTIO INTERNATIONAL EQUITY FUND	10 693 367	7.09%	10 693 367	7.10%
CCB Group EAD	5 192 408	3.44%	5 192 408	3.45%
CACEIS Bank Deutschland GmbH	2 840 358	1.88%	1 275 706	0.85%
DIAS Investment company	1 501 935	1.00%	1 171 377	0.78%
Scandinavian Enskilda Banken	1 495 999	0.99%	1 345 999	0.89%
EFG EUROBANK ERGASIAS	1 362 229	0.90%	1 362 229	0.90%
UniCredit Bank, Austria	1 198 300	0.79%	1 266 249	0.84%
Consolid Commerce AD	704 276	0.47%	704 276	0.47%
FINASTA AB FMI – Lithuania	594 679	0.39%	1 422	0.00%
MEI-ROEMENIE EN BULGARIJE FONDS N.V.	543 188	0.36%	708 188	0.47%
Eaton Vance Tax-Managed Emerging Markets	487 988	0.32%	487 988	0.32%
The Royal Bank of Scotland	452 430	0.30%	-	0.00%
EFG Eurobank Clients ACC	431 434	0.29%	458 168	0.30%
Raiffeisen – mutual funds	401 959	0.27%	120 000	0.08%
THE BANK OF NEW YORK MELLON	328 842	0.22%	-	0.00%
Danske Find Eastern Europe - Luxembourg	320 500	0.21%	320 500	0.21%
Invest Bank AD	298 207	0.20%	417 697	0.28%
Reiffeisen Central Bank – Austria	281 959	0.19%	592 361	0.39%
DSK – funds (OTP Group)	250 324	0.17%	325 324	0.22%
Standard Investment – mutual funds	164 561	0.11%	109 802	0.07%
HVB AG ATHENS	-	0.00%	564 981	0.38%
ABN AMRO BANK N.V. LONDON	-	0.00%	405 471	0.27%
Other legal entities	6 039 754	4.00%	6 986 908	4.64%
Other individuals	5 925 998	3.93%	6 342 505	4.22%
	150 858 809		**150 577 390**	

Shares of the Group, acquired by subsidiaries				
CCB Group AD	(5 192 408)	3.44%	(5 192 408)	3.45%
ZAD Armeec	(463 100)	0.31%	(405 848)	0.27%
CCB AD	(56 309)	0.04%	-	-
POAD CCB Sila	(72 667)	0.05%	(44 915)	0.03%
	(5 784 484)	**3.83%**	**(5 643 171)**	**3.75%**
Net number of shares	**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:

	2010 Number of shares /ordinary and preferred/	**2010** %	**2009** Number of shares /ordinary and preferred/	**2009** %
Chimimport Invest AD	180 713 551	75.41%	181 149 195	75.59%
ARTIO INTERNATIONAL EQUITY FUND	17 109 388	7.14%	17 729 376	7.40%
CCB Group EAD	8 266 061	3.45%	8 307 853	3.47%
UniCredit Bank, Austria	2 102 255	0.88%	2 257 850	0.94%
Scandinavian Enskilda Banken	1 495 999	0.62%	1 345 999	0.56%
Consolid Commerce AD	704 276	0.29%	704 276	0.29%
DSK – funds (OTP Group)	630 544	0.26%	630 544	0.26%
MEI – Romanian and Bulgarian funds	613 188	0.26%	778 188	0.32%
FINASTA AB FMI – Lithuania	594 679	0.25%	1 422	0.00%
Raiffeisen – contractual funds	555 828	0.23%	273 869	0.11%
Danske fund Eastern Europe – Luxembourg	479 500	0.20%	452 500	0.19%
EFG Eurobank Clients ACC	432 034	0.18%	1 822 317	0.76%
Invest Bank AD	353 989	0.15%	453 679	0.19%
The Royal Bank of Scotland	452 430	0.19%	-	0.00%
THE BANK OF NEW YORK MELLON	401 816	0.17%	-	0.00%
Raeiffeisen Central Bank – Austria	281 959	0.12%	592 361	0.25%
Standard Investment – contractual funds	164 561	0.07%	109 802	0.05%
ABN AMRO BANK – London	-	0.00%	405 471	0.17%
Other legal entities	16 090 333	6.71%	13 940 503	9.28%
Other individuals	8 203 876	3.42%	8 691 062	3.64%
	239 646 267	**100.00%**	**239 646 267**	**100.00%**
Shares of the Group, acquired by subsidiaries				
CCB Group AD	(8 266 061)	3.45%	(8 307 853)	3.47%
ZAD Armeec	(463 100)	0.19%	(551 864)	0.23%
CCB AD	(81 509)	0.03%	-	-
POAD CCB Sila	(1 076 703)	0.45%	(924 248)	0.39%
	(9 887 373)	**4.13%**	**(9 783 965)**	**4.08%**
Net number of shares	**229 758 894**		**229 862 302**	

Withholding tax for dividends due from individuals and foreign legal entities for 2009, 2010 and 2011 amounts to 5% and the tax is deducted from the gross amount of dividends.

22.2. Share premium

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

In 2010 the share premium is reduced by BGN 234 thousand (2009: BGN 40 480 thousand) as a result of the acquisition of treasury shares by subsidiaries.

As at 31 December 2010 share premium amounts to 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 2010, the share premium is increased by BGN 124 thousand, related to the converted during the year 281 419 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.

22.3. Other reserves

Other reserves are negative amount, which as at 31 December 2010 equals BGN 3 124 thousand (2009: BGN 9 093 thousand) and consist of reserves for financial assets, classified as financial assets available for sale and other reserves.

23. Specialized reserves

	Note	2010 BGN'000	2009 BGN'000
Insurance reserves	23.1	116 894	105 582
Pension fund reserves	23.2	3 073	1 169
		119 967	**106 751**

23.1. Insurance reserves

	Note	2010 BGN'000	2009 BGN'000
Premium reserve carried forward	23.1.1	66 831	56 828
Reinsurers' share in the premium reserve carried forward		(6 930)	(6 848)
Reserve for outstanding payments	23.1.2	56 537	55 552
Reinsurers' share in the reserve for outstanding payments		(7 183)	(4 215)
Reserve for bonuses and discounts	23.1.3	1 240	-
Reinsurers' share in the reserve for bonuses and discounts		(743)	-
Additional reserve for filed, but not paid claims		2 322	-
Reinsurers' share in the shortage reserve		(7)	-
Reserve for Public liability insurance – motor vehicles		4 469	-
Unexpired risk reserve		-	3 940
Contingency fund		315	311
Mathematical reserve	23.1.7	43	14
		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.

23.1.1. Premium reserve carried forward

Premium reserve carried forward as at 31 December 2010 amounts to 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.

23.1.2. Reserve for outstanding payments

23.1.2.1. 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 72% for Casco insurance, 42% for non-pecuniary damages and 52% for pecuniary damages on Public liability insurance of drivers.

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 2010 and 31 December 2009 the reserve for outstanding payments amounts to BGN 56 537 thousand and BGN 55 552 thousand respectably.

23.1.2.2. 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 2000-2010. 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 – 2000-2010. The above mentioned method is in accordance with Ordinance 27, approved by decision N O3 -100/11.02.2011 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 separately 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 2007-2010, 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 2010.

When calculating the reserve for the occurred, but not presented claims for the “Credits” insurance smoothing has been applied to the data, because of the fact that a damage amounting to BGN 4,5 million has occurred in 2010, which is an extraordinary large amount for that type of insurance. We assume that such damage occurs once every 10 years, so when calculating the reserve for occurred, but not presented claims the insurance includes 1/10 of the damage amount. 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 2000-2010.

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.

23.1.3. 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.

23.1.4. 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 2010 and pending at the end of 2010, 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 "Accident", "Casco", "Property", "Credits" and "Travel assistance" insurances the sufficiency coefficients for the reserve are formed, based on the data for 2010, 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 – "Casco of vessels", "Cargo", "Property damage" and "Various financial losses" – 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.

23.1.5. 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 2010 used when forming the additional reserve, in accordance with art. 11 are at the amount of BGN 18.98.

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.

23.1.6. 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 (2009: BGN 311 thousand).

23.1.7. Mathematical reserve

The mathematical reserve for the 85 individual savings 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 43 thousand (2009: BGN 14 thousand).

23.2. Pension fund reserves

	2010 BGN'000	2009 BGN'000
Reserves for guaranteeing minimal yield on UPF	2 539	1 008
Reserves for guaranteeing minimal yield on PPF	526	153
Life pension reserve UPF	8	8
	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.

24. Financial liabilities

	Note	Current 2010 BGN'000	Current 2009 BGN'000	Non-current 2010 BGN'000	Non-current 2009 BGN'000
Financial liabilities measured at amortized cost:					
Liabilities to depositors	24.1	1 342 391	985 618	534 999	430 792
Liabilities for dividends	24.2	15 974	8 040	62 174	70 655
Bonds and debenture loan	24.3	2 256	128 935	128 884	2 973
Bank loans	24.4	38 781	54 210	106 952	103 372
Other borrowings	24.5	51 078	50 127	22 300	6 731
Insurance contract liabilities	24.6	14 515	13 015	-	-
Derivatives, held-for-trading	24.7	6 916	12 107	-	-
Deposits from banks	24.8	11 564	4 276	-	-
Liabilities under repurchase agreements	24.9	22 748	3 825	-	-
Total carrying amount		**1 506 223**	**1 260 153**	**855 309**	**614 523**

24.1. Long- and short-term liabilities to depositors

Analysis by term and type of currency:

	2010 BGN'000	2009 BGN'000
Demand deposits		
in BGN	351 315	315 710
in foreign currency	112 474	80 789
	463 789	396 499
Term deposits		
in BGN	514 819	345 376
In foreign currency	795 248	596 462
	1 310 067	941 838
Savings accounts		
in BGN	50 153	32 698
in foreign currency	35 918	33 966
	86 071	66 664
Other deposits		
in BGN	11 982	7 968
in foreign currency	5 481	3 441
	17 463	11 409
TOTAL LIABILITIES TO DEPOSITORS	**1 877 390**	**1 416 410**

	2010	2009

	BGN'000	BGN'000
Individual deposits		
in BGN	552 578	376 990
in foreign currency	652 562	501 430
	1 205 140	878 420
Legal entities deposits		
in BGN	363 709	308 821
in foreign currency	290 012	219 074
	653 721	527 895
Deposits of other institutions		
in BGN	11 982	5 575
in foreign currency	6 547	4 520
	18 529	10 095
TOTAL LIABILITIES TO OTHER DEPOSITORS	**1 877 390**	**1 416 410**

24.2. Dividend liabilities

As at 31 December 2010 dividend liabilities for the preferred shares are as follows:

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

In 2010 the Group has paid out guaranteed dividend to its preferred shareholders, as at 19 July 2010, at the amount of BGN 8 506 thousand or BGN 0.1077 per share.

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 Assembly 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.

24.3. Bonds and debenture loan

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

<u>Chimimport Holland B.V. – debenture loan</u>
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

As at 31 December 2009, regarding a debenture loan granted to a company from the Chimimport AD Group each debenture holder had the right to claim the repurchase right for all or a portion of the bonds, according to Condition 8 (c) from the Terms and Conditions of the issued by Chimimport Holland B.V. bonds (with a sole shareholder Chimimport AD). The bonds are issue on 22 August 2008 at the amount of EUR 65 000 thousand, with interest rate at 7% and exchangeable for ordinary shares of Chimimport AD. 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.

<u>Zaneni Hrani Bulgaria AD – debenture loan</u>
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. The short-term portion comprises of payables to individuals outside of the Group at the amount of BGN 2 256 thousand (2009: BGN 2 973 thousand). The interest rate of the loan is 6-month EURIBOR, plus 6% premium. The payments are carried out in euro. The maturity of the debenture loan is 11 November 2011 and the repayment schedule is EUR 2 000 thousand until 11 November 2011.

24.4. Bank loans

	Note	Current 2010 BGN'000	Current 2009 BGN'000	Note	Non-current 2010 BGN'000	Non-current 2009 BGN'000
Bank loans	24.4.2	38 781	54 210	24.4.1	106 952	103 372

24.4.1. Long-term bank loans

	2010 BGN'000	2009 BGN'000
Bulgarian Development Bank	40 062	40 068
UniCredit Bulbank – revolving credit	17 995	17 995
Alpha Bank, branch Bulgaria – revolving credit	14 911	5 867
Landensbank Baden-Wuerttenberg – investment loans	13 053	13 576
DSK Bank EAD – revolving credit	10 001	12 266
DSK Bank EAD – investment credit, long-term portion	5 000	5 000
United Bulgarian Bank AD – investment credit	4 843	6 149
Hypovereisenbank AD	862	1 455
Other	225	996
	106 952	**103 372**

Bulgarian Development Bank

As at 31 December 2010 the Group was granted the following loans by the Bulgarian Development Bank:

- 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 was granted a revolving bank loan, with maturity date 20 September 2013 at the amount of BGN 17 995 thousand with interest rate - 1-month SOFIBOR, plus 3% premium. Payments are carried out in Bulgarian leva. The loan is secured with mortgage on property, plant and equipment under the Law on Registered Pledges, as well as with pledge of future inventories and receivables.

Alpha Bank, branch Bulgaria – revolving loan

The revolving bank loan contracts dated 20 August 2008 and 11 August 2009 between the Group and Alpha Bank, branch Bulgaria expire on 30 December 2015 and 11 August 2013, respectively. The interest rate on both loans equals 3-month EURIBOR, plus 7.5% premium. All payments are carried out in euro. The loan is secured with mortgages on real estate, pledge on machines, plant and equipment, owned by a subsidiary. The repayment installments amount to EUR 93 750 monthly payments on the first loan and EUR 900 thousand semi-annual payments on the second loan.

Landensbank Baden-Wuerttenberg – Investment loans

The Group was granted four revolving bank loans by Landensbank Baden-Wuerttenberg on 10 November 2006, 16 November 2006, 14 March 2008 and 29 August 2008, with maturity dates 30 April 2015, 28 August 2017, 14 March 2011 and 28 August 2017, respectively. The interest rate on all four loans equals 6-month EURIBOR, plus 0.875 premium. All payments are carried out in euro.

DSK Bank EAD – investment 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. According to the repayment schedule, the Group repays the loan by semi-annual payments at the amount of BGN 1 667 thousand. 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.

DSK Bank EAD – 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. Payments are carried out in euro. According to the repayment schedule, the Group repays the loan by EUR 96 500 monthly payments.

United Bulgarian Bank AD – investment credit

As at 31 December 2010, the Group is granted an investment loan by United Bulgarian Bank AD, with maturity date 18 February 2015. The payments are carried out in American dollars and the interest rate is 3-month LIBOR, plus 3.5% premium. The loan is secured with an aircraft BOING 737 – 300 /owned by Bulgaria Air AD/. The outstanding amount of the loan as at 31 December 2010 amounts to BGN 4 843 thousand.

24.4.2. Short-term bank loans

	2010 BGN'000	2009 BGN'000
Bulgarian Development Bank – overdraft	9 588	9 198
Alpha Bank, branch Bulgaria – short-term portion and short-term revolving credit	8 830	20 390
DSK Bank EAD – short-term loan and short-term revolving credit	7 265	7 920
Landesbank Baden-Wuerttemberg – short-term portion	3 233	3 583
Eurobank EFG Bulgaria AD – revolving bank loan	2 420	2 497
DSK Bank EAD – short-term portion of revolving credit	2 265	2 265
BNP Paribas S.A. – credit line	2 054	-
United Bulgarian Bank AD – short-term portion	1 546	1 193
Eurobank EFG Bank Bulgaria AD – short-term portion of investment loan	653	876
Eurobank EFG Bank Bulgaria AD – bank loan	-	3 287
Allianz Bank Bulgaria – investment loan	-	534
Hypovereinsbank	-	505
Other	927	1 962
	38 781	**54 210**

Bulgarian development bank - overdraft

On 12 May 2009 the Group has signed an overdraft credit contract with Bulgarian development bank at the amount of EUR 6 135 thousand. The initial repayment date is 31 August 2010. According to annex, dated 25 August 2010, the repayment date is extended to 30 September 2012. Within this period the Group can obtain overdraft amounts, but only if the obligations are repaid. Therefore, the loan is classified as short-term. 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 with a carrying amount of BGN 6 833 thousand, pledged rental receivables according to signed operating lease contract with Lufthansa Technik OOD, pledged assets of the related party Hemus Air EAD and a warrantee of the related party Bulgarian Aviation Group.

Alpha Bank, branch Bulgaria – revolving credit

The revolving credit contract is signed with Alpha Bank branch Bulgaria on 20 August 2008 and has a maturity date 11 August 2013 and interest rate – 12-month EURIBOR and a premium of 7.50 points. The payments are carried out in euro (EUR). The revolving credit is secured with mortgage on a real estate, owned by a subsidiary of the Group. The monthly installments are at the amount of EUR 93 750.

DSK Bank AD – credit contract

Under the terms of Loan agreement 599/02.10.2006 the Group was granted a loan with a maturity date 02 October 2011. The loan is secured with a mortgage on real estate property – "Dom na Geologa" in the city of Varna, St. St. Constantine and Helena resort, owned by Park

Build OOD. The interest rate on the loan is the bank interest with 3.50 points premium. The approved maximum loan amount is BGN 3 000 thousand. The currency in which the payments are settled is Bulgarian leva.

Eurobank EFG Bulgaria AD – revolving credit

The loan contract is signed with Eurobank EFG Bulgaria AD on the 10 August 2006 with maturity date on 10 August 2011. The interest is 3-month SOFIBOR plus 3.50% 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, special pledge on plant, equipment and intangible assets.

BNP Paribas – credit line

On 1 November 2010, the Group has signed a credit line with BNP Paribas. The interest rate is 1-month EURIBOR, plus 2.5% premium and the total amount of the loan is EUR 1 050 560, with maturity date – 1 February 2011. Payments are carried out in euro. The loan is secured with a special pledge on 6 566MT of barley.

24.5. Other borrowings

		Current			Non-current	
	Note	2010 BGN'000	2009 BGN'000	Note	2010 BGN'000	2009 BGN'000
Other borrowings	24.5.2	51 078	50 127	24.5.1	22 300	6 731

24.5.1. Other non-current borrowings

	2010 BGN'000	2009 BGN'000
Niko Commerce EOOD	10 033	-
Bulgarian Mills EOOD	2 989	-
Dar Trade EOOD	1 320	-
BuildCo EOOD	1 238	-
Financing from State Agricultural Fund	634	1 252
Sila Holding AD	512	-
Rentapark EOOD	-	3 482
Neftena Targovska Kompania EOOD	-	1 569
Other	5 574	428
	22 300	**6 731**

Other non-current borrowings are received under annual interest rates from 8% to 11% depending on the contract period.

As at 31 December 2010, the Group's borrowing from Niko Commerce EOOD amounts to BGN 10 033 thousand, including principal at the amount of BGN 9 498 thousand and interest payables at the amount of BGN 535 thousand. The liability is incurred under framework agreement for temporary financial assistance concluded for the amount of BGN 11 000 thousand at 8% interest rate. The maturity date is 31 December 2014.

24.5.2. Other current borrowings

	2010	2009
	BGN'000	BGN'000
Bulgarian Mills AD	13 998	11 244
Neftena Targovska Kompania EOOD	9 188	4 120
Holding Varna AD	6 192	3 214
Viaggio Air EOOD	5 200	-
Capital Management REIT	3 908	591
Kamchia AD	3 894	3 591
Rentapark EOOD	3 657	-
Sparg EOOD	1 244	1 430
Plovdivska stokova borsa AD	1 463	1 375
Gama Finance EOOD	736	1 065
Financing from State Agricultural Fund – short-term portion	383	753
Finance Consulting EAD	22	12 113
Niko Commerce EOOD	-	8 364
BuildCo EOOD	-	1 274
Other	1 193	993
	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.

24.6. Insurance contracts liabilities

	2010	2009
	BGN'000	BGN'000
Insurance liabilities	6 540	6 136
Re-insurance liabilities	6 804	6 412
Transactions with Guarantee fund	1 171	467
	14 515	**13 015**

24.7. Derivatives, held-for-trading

As at 31 December 2010 derivatives, held-for-trading, amounting to 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.

24.8. Deposits from Banks

	2010 BGN'000	2009 BGN'000
Demand deposits – local banks		
-in Bulgarian leva	339	84
-in foreign currency	286	118
Demand deposits from foreign banks in foreign currency	6 041	33
Term deposits from local banks in Bulgarian leva	4 898	4 041
	11 564	**4 276**

24.9. Liabilities under repurchase agreements

As at 31 December 2010 the Group has signed contracts with a clause for repurchase of securities with local companies, amounting to 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 was reached in the period January-March 2011.

25. Liabilities to insured individuals

	2010 BGN'000	2009 BGN'000
Attracted funds in a voluntary pension fund	46 400	10 278
Attracted funds in a professional pension fund	52 708	14 471
Attracted funds in a universal pension fund	254 690	96 227
	353 798	**120 976**

The net assets value of the funds, managed by POAD CCB Sila AD as at 31 December 2010 amounts to BGN 353 798 thousand. The increase amounts to BGN 232 822 thousand, including BGN 159 291 thousand as a result from the merger of the funds, managed by POD Lukoil Garant – Bulgaria AD and the funds, managed by POAD CCB Sila. The increase amounting to BGN 73 531 thousand is a result form contributions and positive return on investment of the insured individuals, implemented in 2010.

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

	2010 BGN'000	2009 BGN'000
Beginning of the period	**120 976**	**82 563**
Received pension contributions	72 084	33 883
Amounts received from pension funds, managed by other Pension Insurance Companies	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	**249 348**	**38 387**
Positive/ (negative) income from investment of funds	16 770	7 292
Result from investment of funds	**16 770**	**7 292**
Paid off pensions	(105)	(16)
One-time paid pensions to insured individuals	(5 569)	(824)
Funds for disbursement of funds to heirs of insured individuals	(451)	(66)
Amounts paid to the National Revenue Agency	(2 944)	(519)
Amounts paid under social security contracts	**(9 069)**	**(1 425)**
Amounts, paid to insured individuals, transferred to other pension funds	(17 546)	(3 102)
Amounts paid to state budget	(114)	(18)
Entrance fee	(5)	(2)
Service fee	(138)	(67)
10% yield fee for 2010	(149)	(31)
5% service fee	(3 320)	(1 609)
1% investment fee	(2 625)	(897)
Transfer fee	(325)	(113)
Withdrawal fee	(5)	(2)
End of the period	**353 798**	**120 976**

The net assets available for income are distributed as follows:

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

26. Trade payables

	Current			Non-current		
	Note	2010 BGN'000	2009 BGN'000	Note	2010 BGN'000	2009 BGN'000
Trade payables	26.2	234 624	106 815	26.1	23 178	24 317

26.1. Non-current trade payables

	2010 BGN'000	2009 BGN'000
Sofia Airport AD (public liabilities, payable to DG CAA)	19 171	17 728
C.I.T. Leasing Corporation	3 833	5 946
Other	174	643
	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 19 171 thousand (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 2010 the total amount of the loan is BGN 6 149 thousand, including non-current portion at the amount of BGN 3 833 thousand and current portion - BGN 2 586 thousand.

26.2. Current trade payables

	2010 BGN'000	2009 BGN'000
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
DG-CAA Sofia Airport	7 153	7 657
Sofia Airport	5 468	5 276
Samokov Municipality	3 661	3 661
Eurocontrol	3 126	2 536
Lukoil Bulgaria	2 938	2 339
Galaxy Aviation	2 906	2 339
LKS	1 776	906
Cye Petrol Ticaret LTD. STI.	1 156	-
CIT Aerospace International, Ireland	1 114	620
Technoimportexport EOOD	-	1 308
Cosmos Energy Ltd.	-	1 055
Other	28 286	49 567
	234 624	**106 815**

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

27. Employee remunerations

27.1. 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:

	2010 BGN'000	2009 BGN'000
Wages expense	(78 748)	(81 052)
Social security costs	(13 535)	(14 901)
Employee benefits expense	**(92 283)**	**(95 953)**

27.2. 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:

	2010 BGN'000	2009 BGN'000
Non-current:		
Pension provisions	2 118	2 206
Non-current pension and other employee obligations	**2 118**	**2 206**
Current:		
Employee benefits obligations	8 995	10 165
Payables to social security institutions	2 642	2 887
Pension provisions	951	428
Current pension and other employee obligations	**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:

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

28. Tax liabilities

Tax liabilities include:

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

29. Other liabilities

Other liabilities can be summarized as follows:

	Current			Non-current		
	Note	2010 BGN'000	2009 BGN'000	Note	2010 BGN'000	2009 BGN'000
Other liabilities	29.2	52 984	45 857	29.1	2 326	2 725

29.1. Other non-current liabilities

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

As at 31 December 2010 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.

29.2. Other current liabilities

	2010 BGN'000	2009 BGN'000
Advances from customers	19 151	2 426
Tickets sold	12 315	18 320
Aircrafts' leasing guarantees	4 491	3 315
Airport taxes	4 236	4 920
Liabilities under concessionary remunerations	1 423	1 420
Guarantees from agents for the sale of airline tickets	886	536
Cession agreement payables to Bulgarian Mills EOOD	-	2 613
St. St. Constantine and Elena Holding AD	-	1 916
NEK EAD	-	1 800
Other	10 482	8 591
	52 984	**45 857**

Liabilities on tickets sold amounting to BGN 12 315 thousand (2009: BGN 18 320 thousand) represent the conducted tickets sales, which as at the date of the financial statements have not factually occurred i.e. conducting the carriage.

Aircrafts' leasing guarantees at the amount of BGN 4 491 thousand (2009: BGN 3 315 thousand) arose as a result of contracts between the Group and Tatarstan Airlines for leased aircrafts.

Airport fees at the amount of BGN 4 236 thousand (2009: BGN 4 920 thousand) are included in the air tickets sold for outstanding services.

30. Income from non-financial activities

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

	2010 BGN'000	2009 BGN'000
Income from sale of plane tickets	228 585	226 013
Income from sale of trading goods	208 158	155 135
Income from services rendered	109 075	108 517
Income from sale of finished goods	23 790	43 410
Other	67 175	41 887
	636 783	**574 962**

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

	2010 BGN'000	2009 BGN'000
Proceeds from sale of non-current assets	8 693	65 888
Carrying amount of non-current assets sold	(11 046)	(26 622)
(Loss)/ Gain from sale of non-current assets	**(2 353)**	**39 266**

32. Expenses for non-financial activities

	Note	2010 BGN'000	2009 BGN'000
Cost of finished and trading goods sold		(189 062)	(161 499)
Cost of materials		(105 979)	(98 693)
Hired services		(176 067)	(177 237)
Depreciation and amortization		(37 513)	(32 717)
Employee expenses	27.1	(32 113)	(35 070)
Other		(16 623)	(27 690)
		(557 357)	**(532 906)**

33. Insurance income

	Note	2010 BGN'000	2009 BGN'000
Insurance premium income	33.1	146 233	142 001
Regression income		7 236	6 746
Income from released insurance reserves		116 126	105 710
Income from reinsurance operations		20 081	13 040
Other insurance income		287	3 207
		289 963	**270 704**

33.1. Income from insurance premiums

	2010 BGN'000	2010 %	2009 BGN'000	2009 %
Accident	3 059	2,09%	2 589	1,82%
Casco	73 386	50,18%	84 434	59,46%
Casco of aircrafts	4 448	3,04%	4 764	3,35%
Casco of vessels	407	0,28%	481	0,34%
Cargo during transportation	497	0,34%	517	0,36%
Fire and natural calamities	9 571	6,55%	8 997	6,34%
Property damage	1 336	0,91%	1 347	0,95%
Motor public liability insurance	38 121	26,07%	26 645	18,76%
Aircraft public liability insurance	5 007	3,42%	4 764	3,35%
Vessels public liability insurance	30	0,02%	38	0,03%
General Liability	2 360	1,61%	1 728	1,22%
Loans and leases	1 064	0,73%	870	0,61%
Guarantees	399	0,27%	540	0,38%
Other financial losses	2 654	1,81%	680	0,48%
Travel assistance	1 924	1,32%	1 807	1,27%
Life and annuity	342	0,23%	548	0,39%
Additional insurance	1 400	0,96%	972	0,68%
Improve health and prevent disease	45	0,03%	48	0,03%
Outpatient medical care	47	0,03%	65	0,05%
Hospital care	82	0,06%	80	0,06%
Additional services related to domestic disabilities	1	0,00%	35	0,02%
Reimbursement of expenses	28	0,02%	15	0,01%
Dental care	25	0,02%	37	0,03%
	146 233	**100,00%**	**142 001**	**100,00%**

34. Insurance expenses

	Note	2010 BGN'000	2009 BGN'000
Indemnities paid off	34.1	(70 871)	(64 613)
Expenses for participation in the insurance result		-	(70)
Liquidation of damages expenses		(2 396)	(2 029)
Acquisition expenses		(33 502)	(33 994)
Expenses for insurance reserves set aside		(131 283)	(115 868)
Reinsurance expenses		(11 358)	(24 878)
Other insurance expenses		(26 562)	(10 694)
		(275 972)	**(252 146)**

34.1. Indemnities paid off

During 2010 and 2009 the following indemnities, classified by group of insurance, have been paid off:

	2010 Indemnities paid off BGN'000	2010 Share %	2009 Indemnities paid off BGN'000	2009 Share %
Casco	48 244	68,07%	46 545	69,63%
Motor public liability insurance	11 647	16,43%	13 587	20,33%
Fire and natural calamities	1 768	2,50%	926	1,39%
Loans and leases	4 000	5,64%	492	0,74%
Accident	1 135	1,60%	460	0,69%
Travel assistance	704	0,99%	439	0,66%
Casco of vessels	73	0,10%	160	0,24%
Casco of aircrafts	140	0,20%	1 758	2,63%
Aircraft public liability insurance	14	0,02%	20	0,03%
Property damage	928	1,31%	126	0,19%
General public liability insurance	406	0,57%	21	0,03%
Cargo during transportation	7	0,01%	14	0,02%
Financial losses	261	0,37%	35	0,05%
Guarantees	-	0,00%	15	0,02%
Life insurance	215	0,30%	15	0,02%
Motor public liability insurance	1 329	1,88%	-	0,00%
	70 871	**100,00%**	**64 613**	**100,00%**

35. Interest income

	2010 BGN'000	2009 BGN'000
Interest income by types of sources:		
Legal entities	134 047	112 089
Government securities	21 812	12 607
Banks	696	4 751
Individuals	42 096	45 268
Other	1 168	528
	199 819	**175 243**

36. Interest expenses

	2010 BGN'000	2009 BGN'000
Interest expenses by depositors:		
Legal entities	(49 257)	(22 087)
Individuals	(52 136)	(45 250)
Banks	(11 504)	(26 505)
Other	(358)	(5 705)
	(113 255)	**(99 547)**

37. Gains from transactions with financial instruments

	2010 BGN'000	2009 BGN'000
Revaluation of financial instruments	203 178	83 013
Gains from transactions with securities and shares	94 999	75 125
Other	1 842	12 362
	300 019	**170 500**

38. Losses from transactions with financial instruments

	2010 BGN'000	2009 BGN'000
Revaluation of financial instruments	(154 348)	(56 362)
Losses from transactions with securities	(24 053)	(6 184)
Other	(524)	(1 868)
	(178 925)	**(64 414)**

39. Administrative expenses

	Note	2010 BGN'000	2009 BGN'000
Cost of materials		(5 730)	(5 389)
Hired services expense		(51 246)	(46 640)
Depreciation and amortization		(12 788)	(12 134)
Employee expenses	27.1	(60 170)	(60 883)
Other		(37 491)	(35 169)
		(167 425)	**(160 215)**

40. Gain from purchases

	2010 BGN'000	2009 BGN'000
Stater Bank AD	6 793	-
Dobrich fair AD	147	-
Other	-	2 389
	6 940	**2 389**

41. Other financial income

	Note	2010 BGN'000	2009 BGN'000
Revenue from fees and commissions, net	41.1, 41.2	22 343	22 478
Net result from foreign exchange differences		3 100	3 649
Income from cessions		-	6 249
Other		3 621	910
		29 064	**33 286**

41.1. Revenue from fees and commissions

	2010 BGN'000	2009 BGN'000
Servicing loans	2 681	3 057
Servicing commitments and contingencies	1 299	1 417
Servicing deposit accounts	3 187	2 081
Bank transfers in Bulgaria and abroad	9 709	16 191
Other income	6 939	5 567
Other fees and commissions income, different from banks	4 978	434
Total Revenue from fees and commissions	**28 793**	**28 747**

41.2. Fees and commissions expenses

	2010 BGN'000	2009 BGN'000
Servicing accounts	(180)	(135)
Bank transfers in Bulgaria and abroad	(2 546)	(3 087)
Transactions with securities	(134)	(145)
Release of precious parcels	(125)	(79)
Other expenses	(357)	(457)
Other fees and commissions expenses, different from banks	(3 108)	(2 366)
Total fees and commissions expenses	**(6 450)**	**(6 269)**

42. Income tax expense

The relationship between the expected tax expense based on the effective tax rate of 10 % (2009: 10 %) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2010 BGN'000	2009 BGN'000
Profit before tax	159 526	156 307
Tax rate	10%	10%
Expected tax expense	**(15 953)**	**(15 631)**
Net effect of the decrease/ (increase) of the financial result	8 869	6 217
Current tax expense	**(7 084)**	**(9 414)**
Tax rate	**10%**	**10%**
Deferred tax income, resulting from:		
- origination and reversal of temporary differences and changes in tax rates	(1 927)	(2 901)
Tax expenses	**(9 011)**	**(12 315)**

Note 14 presents additional information on the deferred tax assets and liabilities.

43. Earnings per share

43.1. 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 2010	31 December 2009
Profit attributable to the shareholders (BGN)	133 869 000	129 531 000
Weighted average number of outstanding shares	144 957 433	144 400 166
Basic earnings per share (BGN per share)	**0.9235**	**0.8970**

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 2010	31 December 2009
Net profit, attributable to shareholders, adjusted with dividend expense (BGN)	141 795 559	133 749 300
Weighted average number of shares	229 799 681	225 737 052
Diluted earnings per share (BGN per share)	**0.6170**	**0.5925**

44. Related party transactions

The Group's related parties include its owners, subsidiaries, 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.

44.1. Transactions with owners

Sale of goods and services, interest income and other income	**2010**	**2009**
	BGN'000	**BGN'000**
- interest income		
Chimimport Invest AD	9 651	1 239
Purchase of services		
- purchase of services		
Chimimport Invest AD	(25)	-

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

Sale of goods and services, interest income and other income	2010	2009
	BGN'000	BGN'000
- sale of finished goods		
Kavarna Gas OOD	1 316	1 431
Fraport TSAM AD	248	193
Preslava EOOD	11	-
Other	3	-
- sale of finished goods		
Fraport TSAM AD	724	-
Hemus Air AD	88	-
Asenova Krepost AD	83	-
Other	41	-
- sale of services		
Consortium Energoproekt – Royal Haskoning	1 649	-
Hemus Air AD	1 426	1 803
CCB Leader VF	443	417
CCB Active VF	335	304
Chimimport Trade OOD	11	30
CCB Garant VF	6	10
Other	147	-
- interest income		
Hemus Air AD	5 207	2 166
Conor – Switzerland	608	503
Fraport TSAM AD	187	181
Holding Asenova Krepost AD	42	-
Asenova Krepost AD	22	-
Park Build EOOD	5	9
Other	682	225

Purchase of services and interest expense	2010 BGN'000	2009 BGN'000
- purchase of services		
Fraport TSAM AD	(6 200)	(7 035)
Hemus Air AD	(7 994)	(2 935)
Capital Invest EAD	(5)	
Chimsnab Trade OOD	(4)	-
Other	-	-
- interest expense		
Fraport TSAM AD	(443)	-
Amadeus Bulgaria OOD	(17)	-
Invest Capital EAD	(13)	-
Capital Invest EAD	(8)	-
Chimsnab Trade OOD	(1)	-
PIC Saglasie Co.Ltd.	(1)	-
Other	(5)	-

44.3. 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:

	2010 BGN'000	2009 BGN'000
Short-term employee benefits:		
Salaries, including bonuses	568	1 308
Social security costs	28	12
Group car allowance	11	11
Total short-term benefits	607	1 331
Total remunerations	**607**	**1 331**

45. Related party balances at year-end

	2010 BGN'000	2009 BGN'000
Non-current		
Non-current receivables from:		
- related parties		
Fraport TSAM AD	2 738	5 867
Lufthansa Technik Sofia OOD	673	-
Chimsnab Trade OOD	25	-
Hemus Air EAD	-	5 459
Other	3	28
Total non-current receivables from related parties:	**3 439**	**11 354**

	2010 BGN'000	2009 BGN'000
Current		
Current receivables from:		
- owners		
Chimimport Invest AD	137 979	27 925
	137 979	**27 925**
- associates		
Fraport TSAM AD	3 129	-
Lufthansa Technik Sofia OOD	1 256	2 151
PIC Saglasie Co.Ltd.	739	739
Kavarna Gas OOD	389	518
Holding Nov Vek AD	-	9 605
Other	3 702	2 207
	9 215	**15 220**
- other related parties under common control		
Hemus Air EAD	58 876	36 577
Asenova Krepost AD	728	-
Air Ban Ltd.	-	8 405
	59 604	**44 982**
Total current receivables from related parties:	**206 798**	**88 127**

	2010 BGN’000	2009 BGN’000
Non-current		
Non-current payables to:		
- associates		
Fraport TSAM AD	496	-
Other	330	
	826	**-**
Total non-current payables to related parties:	**826**	**-**

	2010 BGN’000	2009 BGN’000
Current		
Current payables to:		
-owners		
Chimimport Invest AD	360	-
	360	**-**
-associates		
Holding Nov Vek AD	-	334
Fraport TSAM AD	22 793	3 263
Other	2 288	-
	25 081	**3 597**
- other related parties under common control		
Hemus Air EAD	189	514
Other	-	3 341
	189	**3 855**
Total current payables to related parties:	**25 630**	**7 452**

46. Contingent assets and contingent liabilities

As at 31 December 2010, the Group has the following contingent assets and liabilities:

As at 31 December 2010 and 2009, the Group has entered into lease contracts with customers for the total amount of BGN 73 590 thousand and BGN 90 713 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 2010, the Group is counterparty in 5 985 claims at the amount of BGN 8 554 thousand, including claims, filed for voluntary compliance and those which have been brought to court. Claims brought to the Group as at 31 December 2010 are 477 totaling BGN 1 088 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 a bank guarantee issued by Eurobank EFG Bulgaria AD at the amount of BGN 1 800 thousand in favour of the Customs Agency, expiring 5 April 2011.

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 6 August 2010 DSK Bank EAD, Sofia has issued a bank guarantee 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.

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.

Contract for multiple bank guarantees under the contract dated 5 November 2010 with collateral – mortgage on building "House of geologist" located in resort St Constantine and Elena, property of Park Build Ltd, expiring on 5 November 2015. No guarantees are issued under this contract.

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.

47. 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**	**2010**	**2009**
		BGN'000	**BGN'000**
Financial assets held to maturity			
- Non-current	13.2	157 949	86 989
- Current	16.3	29 650	21 551
Financial assets available for sale			
- Non-current	13.4	209 003	124 008
- Current	16.4	67 639	37 613
Financial assets held for trading (carried at fair value through profit or loss):			
- Non-current	13.3	1 245	99 413
- Current	16.2	425 829	103 167
Loans and receivables:			
- Non-current		862 056	781 535
- Current		909 467	606 980
- Trade receivables	17	157 948	151 997
Cash and cash equivalents	20	681 959	437 801
		2 611 430	**2 451 054**

Financial liabilities	Note	2010 BGN’000	2009 BGN’000
Financial liabilities, measured at amortized cost:			
Non-current:			
- liabilities to depositors	24.1	534 999	430 792
- dividend obligations	24.2	62 174	70 655
- loans		258 136	113 076
- finance lease obligations	9.1	26 126	32 899
- trade and other payables		23 178	24 317
Current:			
- liabilities to depositors	24.1	1 342 391	985 618
- dividend obligations	24.2	15 974	8 040
- loans		92 115	237 461
- finance lease obligations	9.1	8 814	10 083
- trade and other payables		290 367	189 158
		2 654 274	**2 102 099**

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 25. Description of the risk management objectives and policies of the Group related to the financial instruments is presented in note 49.

48. 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 47. The most significant financial risks to which the Group is exposed to are described below.

48.1. 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:

- Mortality – risk of loss due to increased mortality of insured individuals than expected;
- Incidence – risk of loss due to increasing incidence of the insured individuals than expected;
- Survival – risk of loss resulting from survival of insured individuals with annuities insurance than expected;
- 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.
- Risk of loss for errors related to insured individuals when terminating their insurance contracts.

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 31.12.2010	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.

48.1.1. 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.

48.1.2. 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:

	2010		2009	
Type of insurance	**Damages quota, gross %**	**Damages quota, net %**	**Damages quota, gross %**	**Damages quota, net %**
Accident insurance	53.3%	53.3%	15.4%	16.6%
Including obligatory accident insurance of the passengers in the public transport	0%	0%	0.5%	0.5%
Insurance of vehicles, excluding rail vehicles	55.4%	55.5%	50.7%	50.4%
Casco of aircrafts	38.6%	47.2%	14.5%	69.0%
Casco of vessels	30.0%	49.8%	24.8%	11.1%
Cargo insurance during transportation	11.9%	12.7%	3.8%	4.5%
Fire and natural calamities insurance	13.0%	0.3%	17.9%	18.7%
Property damage insurance	135.8%	149.8%	9.3%	10.9%
Insurance associated with the ownership and usage of motor vehicles, including:	18.7%	12.6%	76.2%	75.8%
Third-party vehicle insurance	17.5%	11.6%	76.6%	76.1%

Type of insurance	2010 Damages quota, gross	2010 Damages quota, net	2009 Damages quota, gross	2009 Damages quota, net
"Green Card" insurance	39.3%	46.4%	135.0%	183.8%
Third-party boarder insurance	57.7%	53.2%	4.9%	4.9%
Third-party carrier insurance	93.7%	96.2%	77.6%	88.2%
Third-party aviation insurance	0.6%	8.5%	0.0%	(0.3%)
Third party vessels insurance	172.7%	192.4%	80.1%	80.1%
General third-party insurance	175.0%	197.7%	(9.3%)	(11.0%)
Credit insurance	601.5%	601.5%	42.2%	42.2%
Guarantees insurance	0.0%	0.0%	2.4%	2.4%
Insurance against financial losses	(1.9%)	(1.9%)	57.0%	57.0%
Travel assistance	45.7%	45.7%	34.7%	34.7%
Life insurance and annuity	99%	99%	74%	74%
Additional insurance	70%	52%	13%	13%
Accident insurance	4%	4%	2%	2%

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

Type of insurance	**Average indemnity 2010 BGN**	**Average indemnity 2009 BGN**
Accident insurance	967	512
Including obligatory accident insurance of the passengers in the public transport	-	794
Insurance of vehicles, excluding rail vehicles	735	804
Casco of aircrafts	14 077	97 693
Casco of vessels	12 199	20 002
Cargo insurance during transportation	414	1 724
Fire and Natural calamities insurance	1 476	1 179
Property damage insurance	9 433	3 008
Third-party insurance associated with the ownership and usage of motor vehicles	2 291	2 154
Third-party aviation insurance	-	-
Third-party vessels insurance	14 200	20 292
General third-party insurance	14 572	1 287
Credit insurance	78 899	21 405
Guarantees insurance	-	7 270
Insurance against financial losses	13 152	5 801
Travel assistance	836	858
Life insurance and annuity	16	24
Additional insurance	1	1
	936	**966**

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						
	2010 BGN'000	2009 BGN'000	2008 BGN'000	2007 BGN'000	2006 BGN'000	2005 BGN'000	Total
At the end of the period	47 163	42 582	34 215	19 627	11 694	7 497	162 778
1 year later	-	16 907	20 188	13 057	7 046	4 384	61 582
2 years later	-	-	2 503	2 239	1 056	860	6 658
3 years later	-	-	-	2 037	1 093	1 082	4 212
4 years later	-	-	-	-	325	506	831
5 years later	-	-	-	-	-	632	632
Current cumulative payments	47 163	59 489	56 906	36 958	21 214	14 962	236 693
General assessment of the indemnities	**86 748**	**71 392**	**64 636**	**39 512**	**22 149**	**14 961**	**299 400**
As at 31 December							
Payments:							
Assessment:	39 585	11 903	7 730	2 554	935	-	62 707
Actual	**26 596**	**14 581**	**6 360**	**6 362**	**1 459**	**612**	**55 971**

The presented table shows that the reserves for unsettled payments are adequate as at the end of 2010.

48.1.3. Solvency limit

As at the end of 2010 the defined solvency limit is in accordance with the respective legal requirements:

	2010 BGN '000
Equity, less intangible assets	43 291
Share capital	24 419
Reserves and funds	38 344
Revaluation reserve	(18 991)
Deductions	
Participation in subsidiaries	(50)
Intangible assets	(219)
Solvency limit	**25 289**
Surplus/Deficit	**9 509**

	2009 BGN '000
Equity, less intangible assets	31 789
Share capital	15 019
Reserves and funds	35 307
Revaluation reserve	(18 142)
Deductions	
Participation in subsidiaries	(50)
Intangible assets	(345)
Solvency limit	**23 763**
Surplus/Deficit	**8 029**

48.2. 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 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 assets held-for-trade	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 deposits	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)**

48.3. 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 2001, 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 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 23.57%.

	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)**

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 2010, over the net interest income, assuming an increase of 2% (2009: 2%) of the interest rates for one year is a reduction of the net interest income amounting to BGN 1 920 thousand (2009: BGN 576 thousand).

48.4. 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.

48.5. Credit risk sensitivity

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 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 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 25 340 thousand. As at 31 December 2010 the provisions for coverage of losses from impairments of the placements and advances to banks amount to BGN 135 thousand.

The receivable under repurchase agreements, amounting to BGN 41 021 thousand, does not carry any credit risk to the Group, as they are secured by the Bulgarian government securities.

The held-for-trading financial assets, amounting to 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 18 299 thousand, are shares in financial and non-financial companies, that carry credit risk, whose maximum exposure percentage is 100% or BGN 18 299 thousand. As at 31 December 2010 the provisions for coverage of losses from impairment of the held-for-sale equity instruments, amount to BGN 241 thousand.

The debt instruments held-for-sale and issued by the Republic of Bulgaria, amounting to 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 74 284 thousand, bear credit risk, whose maximum exposure is 100% or BGN 74 284 thousand.

The debt instruments held-to-maturity and issued by the Republic of Bulgaria, amounting to BGN 117 865 thousand, do not expose the Group to any credit risk, as they are secured by the Bulgarian government. The debt instruments held-to-maturity and issued by the National Bank of the Republic of Macedonia, amounting to 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 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 21 104 thousand bear credit risk with maximum exposure of 100% or BGN 21 104 thousand.

Loans and advances to customers with book value of 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 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 2010 the provisions for coverage of losses from impairment of loans and advances amount to BGN 27 169 thousand.

Classes of financial assets as at 31 December 2010:

Debt	**Granted loans**			**Unutilized engagement**	**Given guarantees**		
Group	**Amount**	***Share %***	**Provisions**	**Amount**	**Amount**	***Share %***	**Provisions**
	BGN '000		**BGN '000**	**BGN '000**	**BGN '000**		**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	Granted loans			Unutilized engagement	Given guarantees		
Group	Amount	*Share %*	Provisions	Amount	Amount	*Share %*	Provisions
	BGN '000		BGN '000	BGN '000	BGN '000		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	31.12.2010			31.12.2009		
	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	848,995	68.08	41,021	804,670	68.25	11,528
Outstanding but not impaired	329,832	26.45	-	334,129	28.34	-
Impaired on individual base	68,122	5.47	-	40,190	3.41	-
Total	1,246,949	100	41,021	1,178,989	100	11,528
Set-aside provisions	27,169		-	22,070		-
Net loans	1,219,780		41,021	1,156,919		11,528

As at 31 December 2010 and 2009 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:

	31.12.2010 BGN'000	**31.12.2009 BGN'000**
Individuals		
Credit cards and overdrafts	22,854	21,789
Consumer loans	131,869	157,769
Mortgage loans	61,446	74,602
Corporate clients	632,826	550,510
Total	**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.

	31.12.2010 BGN '000	31.12.2009 BGN'000
Individuals		
Credit cards and overdrafts	9,329	9,770
Consumer loans	29,353	32,032
Mortgage loans	24,493	22,631
Corporate clients	266,657	269,696
Total	**329,832**	**334,129**

The book value of the loans, with accrued provision on an individual basis as at 31 December 2010 and 2009, is BGN 68 122 thousand and BGN 40 190 thousand, respectively. These amounts do not include cash flows from the collaterals of these loans.

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:

	2010	**2009**
Secured with cash and government securities	94,953	108,545
Mortgage	516,115	484,835
Other collateral	510,635	512,638
No collateral	125,246	72,971
Expenses for provisions of impairment losses	(27,169)	(22,070)
Total	**1,219,780**	**1,156,919**

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: Principal	Interest	Court receivables	Provisions	Unutilized engagement
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**

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:

	2010 BGN'000	2009 BGN'000
Financial assets – carrying amounts:		
Non-current assets		
Long-term financial assets	1 226 814	1 108 843
Long-term receivables	3 439	11 354
Current assets	1 071 875	675 739
Related parties receivables	206 798	88 127
Cash and cash equivalents	681 959	437 801
Trade and other receivables	311 860	294 278
Carrying amount:	**3 502 745**	**2 616 142**

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.

48.6. 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 2010 Group's liabilities (including interest payables where applicable) have contractual maturities, summarized below:

31 December 2010	**Current**	**Non-current**	
	Within 12 months BGN'000	**From 1 to 5 years BGN'000**	**More than 5 years 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**

In the previous reporting period the maturity of the contractual liabilities of the Group are summarized as follows:

31 December 2009	Current	Non-current	
	Within 12 months BGN'000	From 1 to 5 years BGN'000	More than 5 years BGN'000
Dividends 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 29 951 thousand (2009: BGN 17 221 thousand).

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.

49. 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:

	2010 BGN'000	2009 BGN'000
Shareholders' equity	1 324 283	1 168 752
Equity	**1 324 283**	**1 168 752**
Debt	3 140 180	2 274 382
- Cash and cash equivalents	(681 959)	(437 801)
Net debt	**2 458 221**	**1 836 581**
Capital to net debt	**1.86**	**1.57**

The increase in ratio during 2010 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.

50. Post-reporting date events

- On 9 December 2010 the General Meeting of the shareholders, of the subsidiaries Stater Bank AD, Kumanovo and Central Cooperative Bank AD Skopje, agrees on the acquisition of Stater Bank AD, Kumanovo by CCB AD Skopje. Under the Agreement new ordinary shares of CCB AD Skopje are issued. The volume of the issue is 233 944 shares with nominal value EUR 41.2069 or MKD 593 795 205. The issue is intended only for the shareholders of Stater Bank AD, Kumanovo and the ratio of the existing shares of Stater Bank AD, Kumanovo to the new issue, is 1:0.6776. As a result of the trade, the Group acquires 219 425 ordinary shares of CCB AD Skopje new issue in exchange for its 323 839 ordinary shares of Stater Bank AD, Kumanovo.

On 3 January 2011 Stater Bank AD Kumanovo merges with CCB AD Skopje and all assets of Stater Bank AD Kumanovo are passed to CCB AD, Skopje – the acquiring entity. On 3 January 2011, by a decision of the Central Register of Republic of Macedonia, Stater Bank AD, Kumanovo cease to exist as a legal entity. Following the conclusion of the transformation process, the capital of CCB AD Skopje is divided into 553 087 ordinary shares with nominal value of EUR 41.2069.

➢ Under par. 4a of the Social Security Code, in force since 1 January 2011, funds in individual accounts available as at 1 January 2011, to women born from 1 January 1955 to 31 December 1959, and men born in the period 1 January 1952 to 31 December 1959, that were provided in a professional pension fund are transferred to the Pension Fund of the State Social Security by 31 March 2011.

On 1 March 2011 the Group has transferred BGN 9 983 thousand to the Pension Fund of the State Social Security, which derive from the individual accounts of the above mentioned groups available as at 1 January 2011.

In relation to the regulation, establishing of its inconstituality before the Constitutional Court of Bulgaria is requested. As at the date of the authentication of financial statements the request is approved for consideration on the merits.

➢ At the end of the reporting period, the Group initiated a merger under Chapter sixteen of the Commercial Act. Under Art. 77, par. 1 of TIPS a notification is submitted to the Territorial Directorate of the National Revenue Agency with ent. № 24422/ 16.11.2010.

The procedure will be performed by merger of Chimsnab AD, Sofia; EKOEL EOOD, Sofia; Sofgeoprouchvane EOOD, Sofia; Kazanlak mill EOOD, Kazanlak; Burgaska Melnitsa EOOD, Dorich; DAVID 202 AD, Sofia and MIT 2003 EOOD, Varna into a commercial entity – EMPI AD, Topolovo village, Plovdiv Municipality, which becomes their universal successor.

As a result of the merger, under Art. 262, par.1 of the Commercial Code the transforming companies will be terminated without liquidation, due to the merger into the host company – EMPI AD, the common universal successor; all assets, liabilities, tangible and intangible rights and obligations will be transferred to EMPI AD.

Due to the fact that as at the date of the financial statements, the business combination is not yet concluded, the Managing Board of Chimsnab AD considers the presentation of the accounting and financial information in the financial statements to be accurate and reliable.

➢ As a result of the foundation of Varnaferry OOD by the Group and Parahodstvo Balgarski Morski Flot AD and due to the specific mode of eventual equity concentration, a notification for same concentration has been submitted with the Commission for Protection of Competition. The decision of the Commission, allowing equity concentration, is the only requirement in order to register the new company with the Trade register.

The commission for protection of competition with decision № 275 from 08 March 2011, based on Art.60 Al. 1 Pt. 1 in relation with Art. 82 Al. 3 Pt. 2 and Art. 22 Al. 2, Art. 26 Al. 1 of Protection of Competition Act allows concentration of the capital, which will appear after acquisition of jointly-controlled company Varnaferry OOD of the Group and Parahodstvo Balgarski Morski Flot AD.

➢ On 28 January 2011 the fixed and variable part of the concession fee was paid to Port Balchik AD at the amount of BGN 164 thousand for the second half of 2010.

➢ On 2 March 2011 contracts are concluded for bank guarantees № 80800BBG –A-0265 and № 80800BBG-A-0266 at the amounts of BGN 2 189 and BGN 220 thousand, respectively. The contracts are concluded for securing the completion of the investment program for the fifth year of the concession and securing of the Groups obligations under Concession contract with Port Balchik.

➢ Regarding the liabilities under the Concession contract with Port Lesport AD due on 30 January 2011, a bank guarantee is issued amounting to BGN 49 thousand in favour of the Ministry of Transport, Communications and Information Technology for the investment program for the fifth year of the investment term of the concession. The guarantee is secured by long-term assets, owned by the Group and expires on 30 May 2012.

On 28 January 2011 the Group's obligation to the Ministry of Transport, Communications and Information Technology in conjunction with the variable part of the annual concession fee for 2010, at the amount of BGN 628 thousand.

Based on Art.III.2.7, par. 2 of the Decision of the European Commission to grant financial assistance for project of common interest, "Studies related to project to expand the port Lesport" in November 2010, Port Lesport AD has made a request to the European Commission for extension until 31 December 2011. The request was approved by MTITC by letter with ref № 40-01-38/23.11.2010 and by Executive Agency TEN - T and on 1 March 2011 the request is submitted to the European Commission for approval.

➢ On 23 February 2011, VTC AD held an extraordinary General Meeting of the shareholders and it was decided dividends amounting to BGN 2 400 thousand to be distributed. The dividends are distributed among the shareholder in proportion to the number of shares they hold, as follows:

Shareholder	**Dividend BGN'000**
Parahodstvo Bulgarsko Rechno Plavane AD	1 224
Konstruktus EOOD	576
Ali Gyurun	300
Jem Seven	300
Total	**2 400**

Dividend payables are to be paid out in 3-month period after the decision for the distribution is made.

No other adjusting or significant non-adjusting evens have occurred between the reporting date and the date of authorization.

51. Authorization of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2010 (including comparatives) were approved by the Managing board on 29 April 2011.