Grant Thornton

Consolidated Financial Statements

Chimimport AD

31 December 2008

CHIMIMPORT
PUBLIC HOLDING COMPANY

Grant Thornton Ltd.
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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Chimimport AD
Sofia, 2 Stefan Karadja Str.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Chimimport AD, which comprise the consolidated balance sheet as of 31 December 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by EU and the national legislation. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Chimimport AD as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by EU and the national legislation.

Report on other legal and regulatory requirements – Annual Activity Report for the year ended 31 December 2008.

We have reviewed the annual activity report for the year ended 31 December 2008 of Chimimport AD, which is not part of the consolidated financial statements. The historical financial information in the management's report, prepared by the management, complies in its main aspects with the financial information, presented in the financial statements for the year ended 31 December 2008, prepared in accordance with International Financial Reporting Standards, as adopted by EU and the national legislation. The preparation of the management's report is responsibility of the management.

Auditing Company	**Registered Auditor**
Grant Thornton Ltd.	0488 Марий Апостолов Регистриран одитор
Grant Thornton Ltd.	Mariy Apostolov

30 April 2009
Bulgaria, Sofia

Contents

Consolidated balance sheet

	Notes	2008 BGN '000	2007 BGN '000
Assets			
Non-current			
Property, plant and equipment	7	543 578	434 285
Investment property	9	20 114	18 136
Investment in associates	5.2	137 836	26 272
Goodwill	10	37 527	10 822
Other intangible assets	11	113 857	50 069
Long-term financial assets	12	930 661	665 583
Long-term receivables from related parties	47.2	5 895	1 000
Deferred tax assets	13	3 107	1 930
Non-current assets		**1 792 575**	**1 208 097**
Current assets			
Inventories	14	60 891	71 872
Short-term financial assets	15	465 410	438 884
Short-term receivables from related parties	47.2	33 407	44 526
Trade receivables	16	181 158	126 977
Tax receivables	17	10 264	6 367
Other receivables	18	125 997	101 252
Cash and cash equivalents	19	519 436	748 869
Current assets		**1 396 563**	**1 538 747**
Non-current assets classified as held for sale	20	4 493	-
Total assets		**3 193 631**	**2 746 844**

Prepared by: ______________
Date: 30 April 2009

Executive director: ______________

Audited in accordance with Auditor's report:

0488 Марий Апостолов Регистриран одитор

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

Grant Thornton Ltd

Химимпорт АД София

The accompanying notes form from page 8 to page 125 are an integral part of the financial statements.

Consolidated balance sheet

	Notes	2008 BGN'000	2007 BGN'000
Equity			
Equity attributable to the shareholders of Chimimport AD			
Share capital	21.1	144 139	150 000
Share premium	21.2	192 972	232 343
Other reserves	21.3	(9 073)	3 678
Retained earnings		243 769	124 587
Net profit for the year		128 624	119 110
		700 431	629 718
Minority interest		188 610	179 877
Total equity		**889 041**	**809 595**
Specialized reserves	22	**97 701**	**59 608**
Liabilities			
Non-current liabilities			
Long-term financial liabilities	23	646 197	915 864
Payables to secured persons	24	82 563	70 722
Long-term payables to related parties	47.2	168 353	146 709
Other non-current liabilities	25	1 370	2 132
Finance lease liabilities	8.1	9 109	14 825
Deferred tax liabilities	13	16 589	11 274
Pension provisions	26	1 883	1 152
Non-current liabilities		**926 064**	**1 162 678**
Current liabilities			
Short-term financial liabilities	27	1 045 307	518 161
Trade payables	29	104 686	120 049
Short-term payables to related parties	47.2	39 544	1 292
Finance lease liabilities	8.1	5 491	4 548
Tax liabilities	30	15 410	12 157
Payables to employees and social security institutions	31	15 346	12 339
Pension provisions – short-term portion	26	386	553
Other payables	32	54 655	45 864
Current liabilities		**1 280 825**	**714 963**
Total liabilities		**2 206 889**	**1 877 641**
Total equity and liabilities		**3 193 631**	**2 746 844**

Prepared by: ______________ **Executive director:** ______________

Date: 30 April 2009

Audited in accordance with Auditor's report:

0488 Марий Апостолов Регистриран одитор

Специализирано одиторско предприятие Грант Торнтон ООД София Рег. №032

Grant Thornton Ltd.

Химимпорт София

The accompanying notes form from page 8 to page 125 are an integral part of the financial statements.

Consolidated income statement

	Notes	2008 BGN'000	2007 BGN'000
Income from non-financial activities	33	722 461	510 767
Expenses on non-financial activities	34	(653 822)	(471 682)
Net result from non-financial activities		**68 639**	**39 085**
Insurance income	35	215 374	135 537
Insurance expenses	36	(203 968)	(123 794)
Net insurance result		**11 406**	**11 743**
Interest income	37	126 766	93 622
Interest expenses	38	(65 536)	(41 274)
Net interest income		**61 230**	**52 348**
Gains from transactions with financial instruments	39	233 146	197 919
Losses from transactions with financial instruments	40	(171 892)	(68 536)
Net result from transactions with financial instruments		**61 254**	**129 383**
Administrative expenses	41	(157 738)	(107 634)
Negative goodwill	42	29 376	4 409
Result from investments in associates	5.2	9 922	(203)
Other financial income	43	37 282	21 255
Gain/(loss) from sale on non-current assets	44	13 638	(1 407)
Allocation of income to secured persons		16 919	(7 860)
Profit before tax		**151 928**	**141 119**
Tax expenses	45	(10 371)	(4 829)
Net profit for the period		**141 557**	**136 290**
Attributable to minority interest		12 933	17 180
Attributable to the shareholders of Chimimport AD		**128 624**	**119 110**
		2008 BGN	**2007 BGN**
Earnings per share	46	**0.87**	**0.89**

Prepared by: ____________ **Executive director:** ____________

Date: 30 April 2009
Audited in accordance with Auditor's report:

0488 Марий Апостолов Регистриран одитор

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

Химимпорт АД София

The accompanying notes form from page 8 to page 125 are an integral part of the financial statements.

CHIMIMPORT
PUBLIC HOLDING COMPANY

Consolidated statement of changes in equity

All amounts are in BGN'000	Share capital	Share premium	Other reserves	Retained earnings	Minority interest	Total equity
Balance at 1 January 2008	**150 000**	**232 343**	**3 678**	**243 697**	**179 877**	**809 595**
Donations granted	-	-	(100)	-	-	**(100)**
Decrease in reserves for financial assets	-	-	(12 651)	-	-	**(12 651)**
Changes in retained earnings	-	-	-	72	-	**72**
Net income/ (expense), recognized directly in equity	-	-	(12 751)	72	-	**(12 679)**
Net profit for the year	-	-	-	128 624	12 933	**141 557**
Total income and expense, recognized in 2008	**-**	**-**	**(12 751)**	**128 696**	**12 933**	**128 878**
Minority interest from business combinations	-	-	-	-	(4 200)	**(4 200)**
Decrease in share capital and reserves resulting from purchase of treasury shares by subsidiaries	(5 861)	(39 371)				**(45 232)**
Balance as 31 December 2008	**144 139**	**192 972**	**(9 073)**	**372 393**	**188 610**	**889 041**

Prepared by: ______________ **Executive director:** ______________

Date: 30 April 2009

Audited in accordance with Auditor's report:

0488 Марий Апостолов Регистриран одитор

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

Химимпорт АД София

The accompanying notes form from page 8 to page 125 are an integral part of the financial statements.

Consolidated statement of changes in equity

All amounts are in BGN '000	Share capital	Share premium	Other reserves	Retained earnings	Minority interest	Total equity
Balance at 1 January 2007	**130 000**	**32 925**	**3 199**	**123 947**	**61 033**	**351 104**
Donations granted	-	-	(11)	-	-	**(11)**
Increase in reserves and retained earnings	-	-	490	640	-	**1 130**
Net income/ (expense), recognized directly in equity	-	-	479	640	-	**1 119**
Net profit for the year	-	-	-	119 110	17 180	**136 290**
Total income and expense, recognized in 2007	**-**	**-**	**479**	**119 750**	**17 180**	**137 409**
Subsequent public offering	20 000	199 418	-	-	-	**219 418**
Minority interest from business combinations	-	-	-	-	101 664	**101 664**
Balance as 31 December 2007	**150 000**	**232 343**	**3 678**	**243 697**	**179 877**	**809 595**

Prepared by: ______________ **Executive director:** ______________

Date: 30 April 2009
Audited in accordance with Auditor's report:

0488 Марий Апостолов Регистриран одитор

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

Grant Thornton Ltd.

ХИМИМПОРТ АД София

The accompanying notes form from page 8 to page 125 are an integral part of the financial statements.

Consolidated Statement of cash flows

	Notes	2008 BGN'000	2007 BGN'000
Operating activities			
Proceeds from short-term loans		137 101	179 821
Payments for short-term loans		(141 162)	(106 828)
Proceeds from sale of short-term financial assets		253 946	133 608
Purchase of short-term financial assets		(320 119)	(262 129)
Cash receipt from customers		891 383	469 344
Cash paid to suppliers		(793 722)	(369 904)
Proceeds from secured persons		35 201	27 003
Payments to secured persons		(5 129)	(3 322)
Payments to employees and social security institutions		(94 339)	(67 265)
Cash receipts from banking operations		27 129 140	19 532 107
Cash paid for banking operations		(27 334 894)	(19 248 755)
Cash receipts from insurance operations		127 064	81 202
Cash paid for insurance operations		(101 915)	(76 303)
Income taxes paid		(10 015)	(3 088)
Other cash inflow/ (outflow)		6 165	(58 192)
Net cash flow from operating activities		**(221 295)**	**227 299**
Investing activities			
Net (payments for)/ proceeds from business combinations		(97 110)	81 630
Sale of property, plant and equipment		3 450	61 581
Purchase of property, plant and equipment		(105 925)	(173 768)
Purchase of intangible assets		(7 200)	(102)
Purchase of investment property		(1 055)	(2 663)
Sale of associates		245	-
Sale of non-current financial assets		166 635	40 984
Purchase of non-current financial assets		(271 271)	(21 082)
Interest payments received		11 313	8 664
Proceeds from loans granted		191 590	73 258
Payments for loans granted		(186 552)	(163 365)
Other cash inflow/ (outflow)		3 513	(2 706)
Net cash flow from investing activities		**(292 367)**	**(97 569)**
Financing activities			
Proceeds from issuing of share capital		-	219 418
Purchase of treasury shares		(43 871)	-
Proceeds from loans received		537 703	121 264
Payments for loans received		(154 834)	(72 658)
Interest paid		(14 677)	(3 598)
Payments for finance leases		(6 621)	(3 001)
Other cash outflows		(31 736)	(29 439)
Net cash flow from financing activities		**285 964**	**231 986**
Effects of exchange rate changes on cash and cash equivalents		(1 735)	20 605
Cash and cash equivalents, beginning of year		748 869	366 548
Net (decrease)/ increase in cash and cash equivalents		(229 433)	382 321
Cash and cash equivalents, end of year	19	**519 436**	**748 869**

Prepared by: ____________ **Executive director:** ____________

Date: 30 April 2009

Audited in accordance with Auditor's report:

0488 Марий Апостолов Регистриран одитор

Grant Thornton

The accompanying notes form from page 8 to page 125 are an integral part of the financial statements.

Notes to the consolidated financial statements

1 General information

Chimimport AD is 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 listed on the Bulgarian Stock Exchange – Sofia since 30 October 2006.

Chimimport AD (the Group) includes the parent company and all subsidiary companies, presented in note 5.

The main activity of the Group consists of:
- Acquisition, management and sale of share participations in both domestic and foreign companies;
- Financing of companies in which interest is held;
- Banking services, finance, insurance and life insurance, pension and health insurance;
- Securitization of real estate and receivables;
- Extraction of crude 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 harbor infrastructure;
- Trade representation and agency;
- Commission, forwarding and warehouse activity.

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

The Supervisory Board has the following members:
Chimimport Invest AD
CCB Group EAD
Mariana Angelova Bazhdarova

The Managing Board has the following members:
Alexander Dimitrov Kerezov
Ivo Kamenov Georgiev
Marin Velikov Mitev
Nikola Peev Mishev
Mirolub Panchev Ivanov
Cvetan Cankov Botev

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

2 Basis for 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 developed and published by the International Accounting Standards Board (IASB) and as adopted by the EU

The consolidated financial statements for the year ended 31 December 2008 (including the comparative information for the year ended 31 December 2007) were approved by the board of directors on 30 April 2009.

The financial statements are the consolidated statements of the Company. The Company has released its separate financial statement on 31 March 2009.

3 Change in accounting policy

3.1 Overall considerations

The following new changes to Standards and Interpretations are effective for the first time in the financial year, beginning on 1 January 2008, but are not relevant to the activity of the Company:

- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction"
- Amendments to IAS 39 "Financial instruments: Recognition and Measurement" and IFRS 7 "Financial instruments: Disclosures", published in October 2008. Due to the exceptional shocks in the financial market during the third quarter of 2008, the IASB allows the reclassification of financial assets in accordance with the amendments, retrospectively beginning 1 July 2008. Company management is assessing the accounting treatment of the financial instruments in light of the amendments.

Other standards or interpretations relevant for IFRS financial statements did not become effective during the current financial year.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect of presentation, recognition and measurement of accounts did not arise. The 2008 comparatives contained in these financial statements therefore do not differ from those published in the financial statements for the year ended 31 December 2007.

An overview of the Standards and Interpretations that will become mandatory for the Group in future periods is presented in note 3.2.

3.2 Standards and Interpretations not yet applied by the Group

At the date of authorization of these 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 policy for the first period beginning after the effective date of the pronouncement and will not be subject to an early adoption.

Information on new standards, amendments and interpretations that are not expected to have an impact on the Group's financial statements is provided below:

- IAS 23 (Revised) "Borrowing Costs", effective for annual periods beginning on or after 1 January 2009. This amendment is not applicable for the Group because, at present, borrowing costs do not fulfill the criteria for recognizing interest expenses as a component of the cost of internally developed property, plant and equipment.
- IFRS 2 (Revised) "Share-based Payment", effective for annual periods beginning on or after 1 January 2009. Group's management does not, nor intends to pay employee remuneration in the form of shares or shares purchase options.
- IAS 32 (Revised) "Financial Instruments: Presentation" and respective amendments to IAS 1 "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. These amendments are not applicable for the Group, because it does not own instruments with a right to return.
- IFRIC 13 "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 July 2008. The Group does not have customer loyalty programmes.
- IFRIC 15 "Agreements for the Construction of Real Estate", effective for annual periods beginning on or after 1 January 2009. The Group has not, nor does it plan to enter into agreements for the construction of real estate.
- IFRIC 16 "Hedges of a net investment in a foreign operation, effective for annual periods beginning on or after 1 October 2008. The Group does not perform hedging of net investments in foreign operations.
- IFRIC 17 "Distributions of Non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009. The Group does not distribute non-cash assets to owners.
- IFRIC 18 "Transfers of assets from customers", effective for annual periods beginning on or after 1 July 2009. The Group does not use in its activities transfers of assets from customers.
- Annual Improvements 2008. The IASB has issued "Improvements for International Financial Reporting Standards 2008." The greater part of these amendments will be effective for annual periods beginning on or after 1 January 2009. These changes are not expected to significantly affect the financial statements of the Group and have not been analyzed in greater detail.

Information on new standards, amendments and interpretations that are expected to have an impact on the Group's financial statements is provided below:

- IFRS 8 "Operating segments", effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 "Segment reporting" and requires that the accounting policy for identifying segments be based on internal management reporting information. The expected impact on the financial statements is still being assessed by Group's management.
- IFRS 3 (Revised) "Business Combinations" and the resulting amendments to IAS 27 "Consolidated and Separate Financial Statements", IAS 28 "Investments in Associates", and IAS 31 "Interests in Joint Ventures", applicable for business

combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. Management is assessing the impact of the new requirements for the accounting of acquisitions, consolidation and accounting of associates on the financial statements of the Group. The Group does not own any joint ventures and associates.

- IAS 1 (Revised) "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing financial statements in accordance with the amended disclosure requirements in this standard.

4 Summary of accounting policies

4.1 Overall considerations

The significant accounting policies that have been used in the preparation of these 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, approved by EU. The measurement bases are more fully described in the accounting policies below. Financial statements are prepared under the going concern principle.

It should be noted that accounting estimates and assumptions are used in preparation of the 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 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertaking(s) drawn up to 31 December 2008. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

Unrealized gains and losses on transactions between Group companies are eliminated. 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 of subsidiaries acquired or disposed of during the year is recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Minority interests represent the portion of a subsidiary's profit and loss and net assets that is not held by the Group. If losses in a subsidiary applicable to a minority interest exceed the minority interest in the subsidiary's equity, the excess is allocated to the majority interest except to the extent that the minority has a binding obligation and is able to cover the losses.

4.3 Business Combination

Business combinations are accounted for using the purchase method. 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 balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in profit or loss immediately after acquisition.

4.4 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.

Acquired investments in associates are also subject to the purchase method as explained in note 4.3 above. Goodwill or fair value adjustment attributable to the 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 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 items recognized directly in the associate's equity are recognized other or equity of the Group, as applicable. However, when the Group's share of losses in an associate 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 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 entities have been adjusted where necessary to ensure consistency with the accounting policies of the Group.

4.5 Segment reporting

The separate business segment includes assets or activities, divided for offering of products and services, which are target to risk and profit different from those of the other business segments.

The Group is operating in five business segments: manufacturing segment, financial segment, transport segment, real estate segment, construction and engineering segment. All inter-segment transactions are estimated and recognized on market prices and are not performed under special conditions.

4.6 Foreign currency transactions

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 of the Group are presented in Bulgarian Leva (BGN). This is also the functional currency of the Group and all subsidiary companies, excluding this operating in Netherland and Germany, which functional currency is Euro and the subsidiary company operating in Macedonia, which functional currency is Macedonian denar.

Foreign currency transactions are translated into the functional currency 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 translation of remaining balances at year-end exchange rates are recognized in the income statement.

The Currency Board was introduced in Bulgaria on 01 July 1997 following the recommendations by the International Monetary Fund (IMF) and fixed the value of the BGN against the DEM in ration 1:1. Following the introduction of the EURO, the BGN was fixed to the EURO at rate 1 EURO = 1.95583 BGN.

4.7 Revenue and expenses

Revenue comprises revenue from the sale of goods and the rendering of services. Revenue from major products and services is shown in note 33 Revenue from non-financial activities, note 35 Insurance revenue, note 37 Interest revenue, note 39 Foreign exchange gains from transactions with financial instruments, note 44 Gains/ losses from sale of non-current assets.

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 Company.

In case of similar assets with similar values are exchanged, the transaction is not recognized as generating income.

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the value of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the enterprise;
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

Bank activities

- 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 depreciated/amortized.

For loans granted by the Group's 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.

- 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 income statement 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.

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.

Aviation activities

Revenue from sales of airline tickets is recognized when the transportation service is rendered. As at 31 December 2008, revenue is accumulated from FIM issued as approximately 90% of the cost of FIM, as the rest is accounted for as provision for FIM. According to IATA, resolution 735d and 735e, FIM document is eligible in case of flight cancellation or in case of air route changes. According to art. A2 ,2.6.1 of RAM (Revenue Accounting Manual), under a deal with FIM the receiving party obliges the FIM issuer with the applicable full one-way fee for the corresponding cities where the flight was conducted. A FIM may include a great number of tickets and must be reflected in the fee valid for the date of the trip of each passenger. After the receipt of the proper invoice the receiving air company has the right to do a debit note based on a prorated value according to art. A2 2.6.2 and A10 4.1. of RAM up to 6 months of the issuance of the invoice and to re-debit on the basis of pro-rate cost. When receiving the re-debited invoice the arisen account is closed. After expiration of the 6 month period for appeal (re-debit), unclaimed amounts are recognized as revenue.
Operating expenses are recognized in the Income Statement as incurred or as of the date of their occurrence.

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, Universal Pension Fund, and Professional Pension Fund.

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 balance sheet is reflected as a receivable.

4.8 Borrowing cost

Borrowing costs primarily comprise interest on the Company's borrowings. All borrowing costs, including borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, are expensed in the period in which they are incurred and reported within "finance cost" in the Income statement.

4.9 Goodwill

Goodwill represents the excess of the acquisition cost in a business combination over the fair value of the Group's share of the identifiable net assets acquired (see note 4.3). Goodwill is carried at cost less accumulated impairment losses. Refer to note 4.13 for a description of impairment testing procedures.

4.10 Intangible assets

Intangible fixed assets are measured initially at cost. If an intangible asset is acquired separately, 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 current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is 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 and attributed to the asset reliably. If these two conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

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

- software 2-5 years
- ownership rights 5-7 years

Amortization has been included within "depreciation, amortization of non-financial assets".

Careful judgment by Company's management is applied when deciding whether the recognition requirements for development costs have been met. Judgments are based on the best information available at each balance sheet date.

The recognition threshold, adopted by the Company for intangible assets amounts to BGN 700.

4.11 Property, plant and equipment

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

Subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Impairment losses are recognized in the current period Income statement.

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 future economic benefits, in excess of the originally assessed standard of performance of the existing asset. All other subsequent expenditures are recognized as an expense in the period in which it is incurred.

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 5 years
- Fixtures and Fittings from 4 to 25 years
- Vehicles from 4 to 10 years
- Aircrafts 10 years
- Engines 3-5 years
- Marine Vessels 30 years
- Equipment 7 years
- Others 7 years

The recognition threshold, adopted by the Company for property, plant and equipment amounts to BGN 700.

4.12 Leases

The Company has entered into contracts for finance lease and operating lease as a lessee. In accordance with IAS 17 (rev 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 recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments. 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 corresponding finance lease liability is reduced by lease payments, which consist of repayment of principal and finance costs.

Assets acquired under the terms of finance lease are depreciated in accordance with IAS 16 Property, plant and equipment or IAS 38 Intangible assets.

All other leases are treated as operating lease agreements. Operating lease payments are recognized as expense on a straight-line basis. Costs, such as maintenance and insurance, are expensed as incurred.

The Company has entered into contracts for finance lease and operating lease as a lessor.

Assets subject to operating leases are presented in the balance sheet according to the nature of the asset

Lease income is recognized on a straight line basis in the Income statement over the lease term. Costs, including depreciation, incurred the lease income are recognized as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognized on a straight-line basis over the lease term even if the receipts are not on such a basis.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

Assets subject to operating lease agreements are presented in the balance sheet and are depreciated in accordance with the lessor's normal depreciation policy for similar assets. The depreciation charges are calculated on the basis set out in IAS 16 Property, plant and equipment and IAS 38 Intangible assets.

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

4.13 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows - cash-generating units. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated 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 recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, 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 reorganisations 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. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount.

4.14 Investment property

The Group recognized as investment properties land and buildings held to earn rentals and/or for capital appreciation, and is accounted for using the cost model.

The investment property is initially measured at cost, which comprises 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 reported at cost less accumulated depreciation and any impairment losses.

Subsequent expenditure relating to investment property, which is already recognized in the Company’s consolidated financial statements, is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed value of the existing investment property, will flow to the Company. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

The Group writes down its investment properties when sold or when their useful life is over, in case that no future economic benefits are expected. Gains or losses arising from the retirement or disposal of investment property are recognized in the Income statement and represent the difference between the net disposal proceeds and the carrying amount of the investment property.

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

- Buildings 25 years

Rental income and operating expenses from investment property are reported in “revenue” and “other expenses” respectively, and are recognized as described in Note 4.7.

4.15 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 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.

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

- Permissions for search and exploration, issued by MEW and MEE, in compliance with the Mineral Resources Act and the related taxes are capitalized as non-current intangible assets.

- All expenses for topographic, geologic, 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 extraction of 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, but as "expenses for acquisition of non-current tangible assets" in property, plant and equipment. These expenses also include employee remuneration, materials and used fuel, expenses for logistics and payments to suppliers.

All capitalized expenses are reviewed technically, financially and on a management level, at least once per year, with the purpose of confirmation of the continuation of the exploration activities and benefiting from the discovery. In case that the Group does not intend to continue the exploration activities, the expenses are written-off after the contract termination with the state authorities.

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 restricting 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 can be related the discovery in terms of thickness and lateral distribution, and evaluation of the extractable quantities in it, and should include, without restricting to, geological, geophysical, photographic, geochemical and other analyses.

4.16 Financial assets

Financial assets other than hedging instruments are classified into the following categories:

- 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. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognized in the Income Statement or directly in the equity of the Group.

All financial assets are recognized on their transaction date.

Financial assets are initially recognized by the Group at fair value. Transaction costs which are directly attributable to the acquisition or issue of the financial asset pertain to the value of the financial asset or liability, with the exceptions of financial assets or liabilities at fair value through profit or loss.

Derecognition of financial instruments occurs when the Group loses control of the contractual rights which constitute the financial asset – that is to say, when the rights to receive cash flows from the investments expire or a substantial part of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at each balance sheet date to determine whether or not there is objective evidence that the specific financial asset or group of financial assets is impaired.

Interest payments and other cash flows resulting from holding financial assets are recognized in the income statement when received, regardless of how the related carrying amount of financial assets is measured.

Loans and receivables, which have initially occurred in the Group, are non-derivative financial instruments with fixed payments that are not quoted in an active market. After initial recognition loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the income statement for the current period. Most of the Group's trade and other receivables fall into this category of financial instruments. Discounting, however, is omitted where the effect of discounting is immaterial.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when there is objective evidence that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other credit risks, if any. In this case, the percentage of the write down is based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated to be carried at fair value through profit or loss upon initial recognition. By definition, all derivative financial instruments that are not hedging instruments fall into this category. The Group does not hold other financial instruments that fall into this category.

Held-to-maturity investments are financial instruments with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if it is the intention of the Group's management to hold them until maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if the investment is impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in the income statement.

Available-for-sale financial assets include those financial assets, which are not loans and receivables that have occurred in the company, held-to-maturity investments, or financial assets at fair value through profit or loss. 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 don't have fixed date of payment. Changes in value are recognized in equity, net of any effects arising from income taxes. Accumulated gains and losses arising from financial instruments classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired.

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 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 of the financial statements is determined. If the expected recoverable value is smaller 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 smaller 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 Group are tested for impairment in relation to the preparation of the financial statements. Impairment of uncollectibility for owned by the Group 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 Income statement 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 Group with fixed maturity, are tested for impairment in regards to the preparation of the financial statements. Impairment of uncollectibility for loans, granted by the Group, 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 Income statement for the current period. Recoverable 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, this credits are written-down.

The Group has adopted a methodology for the calculation of loans' impairment provisions based on IFRS and in accordance with the bank legislation respectively in Bulgaria and Macedonia. The Group 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.

4.17 Derivatives

The derivatives are accounted for at fair value and are recognized in the Balance sheet as derivates for trading. The derivatives fair value is based on their market value or similar valuation models. The derivative assets are presented as part of the financial assets held-for-trading, and the derivative liabilities are presented as part of other liabilities. The change of the fair value of the derivatives for trading is recognized as part of the net income from the financial instruments operations in the income statement.

4.18 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.

4.19 Fair value of financial assets and liabilities

IFRS 7 Financial Instruments: "Disclosures" requires the disclosure of information about the fair value of financial assets and liabilities in the notes of the financial statements. For this purpose, fair value is defined as the value, for which an asset can be exchanged or a liability can be settled in a direct transaction between informed and willing to conclude the deal parties.

The Group's policy is to disclosure information of the fair value of these assets and liabilities, for which present market information exists and which fair value is significantly different from their gross carrying amount. The fair value of cash and cash equivalents, deposits and loans granted by the Group, other receivables, deposits, loans and other short-term payables is approximating to the carrying amount, in case their maturity is in a shorter period. Currently not enough market expertise exists, nor does any stable and liquid market for credits, or some other financial assets and liabilities, for which no market information is published. Therefore their fair value cannot be determined reliably. According to the management, under the existing circumstances, the reported recoverable values of the financial assets and liabilities are most trustworthy and useful for the purposes of the financial statements

4.20 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 income statement for the respective period.

4.21 Inventories

Inventories include raw materials, work in progress, and goods. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery. Financing costs are not included in the cost of the inventories. At the end of each accounting period, inventories are carried at the lower of cost and net realizable value. The amount of each inventory impairment up to their net realizable value is recognized as impairment expense for the period.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, then the new net realizable value is adopted. The recovery amount can only be up to the balance value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery 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 recognized as an expense in the period in which the related revenue is recognized.

4.22 Income taxes

Tax expense recognised in the Income statement comprise the sum of deferred tax and current tax not recognised directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the budget relating to the current reporting period, that are unpaid at the balance sheet date. Current tax is calculated according to the tax rates and tax laws applicable to the fiscal period to which they relate, based on the taxable profit for the period, which differs from profit or loss in the financial statements.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities with their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided that 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 4.36.1.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the Income statement. Changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

4.23 Cash and cash equivalents

Cash and cash equivalents include cash in hand as well as bank accounts, deposits, balances on accounts of the Bulgarian National Bank (BNB) and nostro accounts, which are unrestricted demand deposits at other banks, as well as placements with, loans and advances to other banks with a maturity up to 3 months, short-term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

4.24 Equity and dividend payments

Share capital of the Company is determined using the nominal value of shares that have been issued.

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

When the subsidiaries of the Group purchase shares from the mother company of the Group (purchased own 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 equity.

Other reserves are formed on the base of the requirements of the Commercial act for the formation of legal reserves and from the recognized revaluation of available-for-sale financial assets.

Retained earnings include accumulated profit from previous periods. The current profit includes the current financial result, recognized in the Income statement.

Dividend distributions payable to equity shareholders are included in "other short-term financial liabilities" when the dividends are approved on a General meeting prior to the reporting date.

4.25 Social security and pension contracts

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

The Voluntary Pension Fund performs supplementary voluntary pension insurance for personal supplementary voluntary pension. The insurance cases covered are: old age, disability and death.

The supplementary pensions are life or periodic, depending by the choice of the insured person. The type of pension and the term for its disbursement are specified in the pension contract when the right for a supplementary pension is established.

The types of disbursements are:
- supplementary pensions for old age and disability;
- single or periodical disbursement of the funds from an individual batches;
- disbursement of inherited pension;
- single or periodical disbursement of the remaining funds from an individual batch to the heirs of the insured person or the pensioner.

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

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

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

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

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

The insured persons of the fund have the right to:
- periodic professional 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 the requirements of part one of SSC before the period of the professional pension has ended, the remaining of the 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 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 insurance contributions, the amount of which is determined in SSC as a percentage of the insurance income.

The Universal Pension Fund provides personal supplementary life pension for old age and insurance, conducted by the National Social Security Institute (NSSI).

A secured 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 the Social Security Code, or 5 years before turning the age for receiving pension from the State Social Security by the desire of the secured person, under the condition that the accumulated funds allow the disbursement of such a pension, not smaller that the size of the minimal length of service and age pension.

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.
- supplementary life pension for old age five years before turning the age for receiving length of service and age pension under article 68, paragraph 1-3 of SSC under the condition that the accumulated funds from the individual batch allow the disbursement of such a pension, not smaller than the size of the minimal length of service and age pension under article 68, paragraph 1-3 of SSC.
- 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 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.
- when the insured person withdraws the whole amount from his/her individual batch.

4.26 Specialized reserves for pension insurance activity

The pension insurance company of the Group is obliged to designate specialized reserves with its own resources in accordance with article 213 paragraph 2 and article 193 paragraph 8 of the Social Security Code.

According to article 213 paragraph 2 from the Social Security Code a pension reserve for DPF CCB-SILA is formed for paying out life pensions.

According to article 193 paragraph 8 from the Social Security Code, reserves for guaranteeing the minimal return for the obligatory pension funds PPF CCB-SILA and UPF CCB-SILA are formed.

The reserves for guaranteeing the minimal return cold be invested only in strictly defined types of assets and only if there is compliance with the investment limitations defined in articles 175-180 of the Social Security Code.

The valuation of the assets representing investments of the specialized reserves is performed in compliance with Regulation № 9 dated 19 November 2003 for the method and order of valuation of the assets and the liabilities of the funds for supplementary pension insurance and of the pension insurance company, in the amount of the fund's net assets, for calculating and declaring the amount of one share and for the requirements for bookkeeping the individual batches, the applicable accounting standards and the accepted rules for valuing the assets and liabilities of POAD "CCB-SILA" and the managed funds for supplementary pension insurance.

4.27 Health insurance reserves

Health insurance companies of the Group allocate health insurance reserves in accordance with the Health Insurance Act and the related subdelegated legislation. Accumulated reserves are invested in accordance with the Health Insurance Act, by ensuring of security, profitability, and respective to the health insurance contracts liquidity.

4.28 Pension and other employee obligations

The Company has not developed and does not apply plans for employee benefits after leaving, nor other long term remuneration and plans for remuneration after leave or ones in the form of compensations with stocks or shares of the share capital.

The Company reports short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected the leaves to 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 Company is obliged to pay him/her compensation at the amount from two to six gross wages.

The Company has reported a liability by law for the payment of retirement compensation in accordance with IFRS 19 "Employee benefits." The amount is based on forecasts made for the next five years, discounted with the long-term income percentage of risk free securities.

Short-term employee obligations (including the unused paid leaves) are included in current pension and other employee obligations in gross value, which the Group expects to pay as a result of their future use.

4.29 Financial liabilities

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

Financial liabilities are recognized when the Company 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 are recognized as an financial expense in the Income statement.

Bank loans are recognized in the balance sheet of the Company, net of any costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the 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 shareholders' meeting.

4.30 Insurance operations

As at the date of preparation of the financial statements the insurance company of 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.

4.31 Insurance contacts

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 the period of their lifetime, even if the insurance risk reduces significantly during this period.

4.32 Reinsurance contracts

The Group assumes and cedes to reinsurers risk undertaken in the normal course of business. The expected benefits arising from reinsurance contracts are recognized as assets in the balance sheet at the time of their origin.

The Group performs an impairment review on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms 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.

4.33 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. Insurance reserves do not form part of the equity. Insurance reserves are calculated by the actuary of the Group by the use of actuarial methods, which consist of mathematical methods and rules. Insurance reserves are presented in gross in the Group's balance sheet and they are reduced by the amount of the reinsurers' share in the reserves formed. 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 income statement. 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 income statement and the reserves formed at the year-end are recognized as income from released insurance reserves in the current period income statement.

The Company should invest its insurance reserves into assets in the ratios regulated by the Insurance Code.

4.34 Adequacy test of insurance reserves

At each balance sheet date, 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 regulation 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.

4.35 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 Company 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. 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. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement 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 resource as a result of present obligations is considered improbable or remote, no liability is recognized. The Company does not recognize contingent assets in the financial statements as possible obligations arise, whose existence is not yet confirmed or this may result in the recognition of income that may never be realized.

4.36 Significant management judgment in applying accounting policies

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 4.37.

4.36.1 Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized within the statutory time limits, 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.

4.37 Critical accounting estimates and their uncertainty

When preparing the 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.

4.37.1 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. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines an appropriate discount rate in order to calculate the present value of those cash flows (see note 4.13). In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company'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.

4.37.2 Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2008 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in notes 7 and 11. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

4.37.3 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.

4.37.4 Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4.37.5 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. The Company's core business is subject to technology changes which may cause selling prices to change rapidly.

4.37.6 Provisions

The group is a party on due regression claims, as a result from the normal process of insurance activity, as well as defendant on several lawsuits at the moment, which resolution might lead to obligations different from the value of the recognized in the financial statements provisions. The Group maintained a reserve for arising claims, according to the Regulation N27 for the order and methods of forming technical reserves by insurers.

Provisions for the lawsuits against the Group are not maintained, since the management does not expect the lawsuits to have a negative influence on the Group’s activities.

The Group accounted for provisions for termination fund for negotiated concession contracts.

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	Principal activity	2008 %	2007 %
Central Cooperative Bank AD	Bulgaria	Finance	75.82%	72.80%
ZAD Armeec	Bulgaria	Finance	83.60%	97.26%
CCB Group EAD	Bulgaria	Finance	100.00%	100.00%
CCB Group Assets Management EAD	Bulgaria	Finance	100.00%	100.00%
ZAED CCB Life	Bulgaria	Finance	100.00%	100.00%
ZOK CCB	Bulgaria	Finance	100.00%	100.00%
Armeec Leasing OOD	Bulgaria	Finance	100.00%	100.00%
CCB Skopie AD	Macedonia	Finance	78.60%	0.00%
POAD CCB Sila	Bulgaria	Finance	89.31%	99.26%
DPF CCB Sila	Bulgaria	Finance	100.00%	100.00%
UPF CCB Sila	Bulgaria	Finance	100.00%	100.00%
PPF CCB Sila	Bulgaria	Finance	100.00%	100.00%
Chimimport Holland B.V.	Bulgaria	Finance	100.00%	0.00%
Oil and Gas Exploration and Production Plc.	Bulgaria	Production	53.66%	56.50%
Zarneni Hrani Bulgaria AD	Bulgaria	Production	59.82%	59.61%
Bulgarian Oil Refinery EOOD	Bulgaria	Production	100.00%	100.00%
Slanchevi lachi Commerce EOOD	Bulgaria	Production	100.00%	100.00%
Slanchevi lachi Provadia EOOD	Bulgaria	Production	100.00%	100.00%
Bulgarian Drilling Company EOOD	Bulgaria	Production	100.00%	100.00%
Prime Lega Consult OOD	Bulgaria	Production	70.00%	70.00%
SK HGH Consult OOD	Bulgaria	Production	59.34%	59.34%
Omega Finance OOD	Bulgaria	Production	96.00%	96.00%
Geofizichni izsledvania EOOD	Bulgaria	Production	100.00%	100.00%
Sofgeopruchvane EOOD	Bulgaria	Production	100.00%	100.00%
PDNG – Serviz EOOD	Bulgaria	Production	100.00%	100.00%
Petrogaz Antika EOOD	Bulgaria	Production	100.00%	100.00%
Izdatelstvo Geologia i mineralni resursi OOD	Bulgaria	Production	70.00%	70.00%
Chimimport Group EAD	Bulgaria	Production	100.00%	100.00%
Chimoil Trade OOD	Bulgaria	Production	60.00%	60.00%
PDNG Oil AD	Bulgaria	Production	100.00%	100.00%
Rubber Trade OOD	Bulgaria	Production	60.00%	60.00%
Orgachim Trading 2008 OOD	Bulgaria	Production	60.00%	60.00%
Chimceltex OOD	Bulgaria	Production	60.00%	60.00%
Fertilizers Trade OOD	Bulgaria	Production	52.00%	52.00%
Dializa Bulgaria OOD	Bulgaria	Production	50.00%	50.00%
Chimimport Pharma AD	Bulgaria	Production	60.00%	60.00%

Name of the subsidiary	Country of incorporation	Principal activity	2008 %	2007 %
Siliko 07 OOD	Bulgaria	Production	50.00%	50.00%
Ecoland Engineering OOD	Bulgaria	Production	52.00%	52.00%
Kame Bulgaria OOD	Bulgaria	Production	75.00%	75.00%
Medical Center Health Medica OOD	Bulgaria	Production	51.00%	51.00%
Chimsnab AD	Bulgaria	Production	93.33%	93.33%
Brand New Ideas EOOD	Bulgaria	Production	100.00%	100.00%
IT Creation OOD	Bulgaria	Production	50.00%	50.00%
Aris 2003 EOOD	Bulgaria	Production	100.00%	100.00%
Diagnozis C&S	Bulgaria	Production	0.00%	95.00%
Burgaska melnica EOOD	Bulgaria	Production	100.00%	100.00%
Chimtrans OOD	Bulgaria	Production	60.00%	60.00%
Bulchimtrade OOD	Bulgaria	Production	60.00%	0.00%
Transcar serviz EOOD	Bulgaria	Transport	100.00%	100.00%
Korabno Mashinostroene AD	Bulgaria	Transport	51.81%	51.81%
Trans intercar EOOD	Bulgaria	Transport	100.00%	100.00%
MAYAK KM AD	Bulgaria	Transport	77.19%	77.19%
Port Blachik AD	Bulgaria	Transport	100.00%	100.00%
Bulgarian Shipping Company EAD	Bulgaria	Transport	100.00%	100.00%
Parahadstvo Bulgarsko Rechno Plavane AD	Bulgaria	Transport	82.10%	83.25%
ViTiSi AD	Bulgaria	Transport	51.00%	51.00%
Harbor Lesport AD	Bulgaria	Transport	99.00%	99.00%
Bulgarian Aviation Group	Bulgaria	Transport	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Transport	99.99%	99.99%
Hemus Air EAD	Bulgaria	Transport	100.00%	100.00%
Molet AD	Bulgaria	Transport	100.00%	0.00%
BM Star EOOD	Bulgaria	Transport	100.00%	0.00%
Asen Nikolov 1 AD	Bulgaria	Real estate property	60.00%	50.00%
CCB Real Estate Fund ADSIC	Bulgaria	Real estate property	0.00%	100.00%
Sporten Complex Varna AD	Bulgaria	Real estate property	65.00%	65.00%
Golf Shabla AD	Bulgaria	Real estate property	65.00%	65.00%
Anitas 2003 EOOD	Bulgaria	Real estate property	100.00%	100.00%
Energoproekt AD	Bulgaria	Construction	83.20%	83.20%
Bulchimex OOD	Germany	Foreign companies	100.00%	100.00%

5.2 Investments in associates

The Group has share of the capital in the following companies:

Name of the associate	2008 BGN'000	share %	2007 BGN'000	share %
Fraport TSEM AD	69 283	40.00%	-	-
Holding Varna AD	35 243	21.27%	-	-
POK Saglasie AD	15 789	49.28%	15 367	49.28%
Holding Nov Vek AD	9 785	28.20%	-	-
Amadeus Bulgaria OOD	2 933	45.00%	-	-
Lufthansa Technik OOD	1 960	20.00%	1 367	20.00%
Galatex AD	1 686	45.00%	-	-
Electroterm AD	773	38.07%	750	38.07%
Kavarna Gas OOD	384	35.00%	453	35.00%
Kauchuk Pazardjik AD	-	-	6 436	28.07%
ADSIC Capital Management	-	-	1 899	46.16%
	137 836		**26 272**	

2008	Assets BGN'000	Liabilities BGN'000	Revenue BGN'000	Net profit/ (loss) BGN'000	Share of the Group in the profit /(loss) BGN'000	* BGN'000
Fraport TSEM AD	72 037	34 580	79 502	22 810	9 124	-
POK Saglasie AD	11 190	640	6 705	857	422	-
Holding Varna AD	166 796	32 617	13	1 588	338	-
Holding Nov Vek AD	57 133	9 525	-	318	90	-
Amadeus Bulgaria OOD	445	45	-	-	-	-
Galatex AD	3 237	3 222	697	(164)	(74)	-
Electroterm AD	4 083	261	32	18	7	-
Kavarna Gas OOD	1 717	576	1 141	43	15	-
Lufthansa Technik OOD	1 886	576	1 678	(14 043)	-	(2 809)
	318 524	**82 042**	**89 768**	**11 427**	**9 922**	**(2 809)**

* The Group's share of the loss presented in the above table is not recognized in the result of the current reporting period, since it exceeds the investment made in Lufthansa Technik OOD.

2007	Assets	Liabilities	Revenue	Net profit/ (loss)	Share of the Group in the profit /(loss)
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
POK Saglasie AD	11 656	1 817	6 276	422	208
Kauchuk AD	39 172	16 242	25 366	544	153
Electroterm AD	1 645	181	1 090	93	35
Capital Management ADSIC	49 422	45 307	3 851	2 957	(602)
Lufthansa Technik OOD	9 777	4	-	(27)	(5)
Kavarna Gas OOD	1 758	465	1 295	24	8
	113 430	**64 016**	**37 878**	**4 013**	**(203)**

5.3 Acquisition of 60% of the share capital of Bulchimtrade EOOD

In 2008 60% of Bulchimtrade EOOD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The Acquisition is made as follows:

Bulchimtrade EOOD	**2008**
	BGN '000
Purchase consideration - cash paid:	
- Purchase price	60
	60
Fair value of net assets acquired (see below)	
Goodwill	**-**

The fair value of the net assets acquired approximated the book value of the acquired net assets.

	Fair value	Book value of the company acquired
	2008	**2008**
	BGN'000	**BGN'000**
Property, plant and equipment	4	4
Inventories	153	153
Receivables and other assets	376	376
Cash and cash equivalents	186	186
Liabilities	(619)	(619)
Net assets	100	100
Net assets acquired	**60**	

5.4 Acquisition of 100 % of the share capital Chimimport Holland B.V.

In 2008 100% of Chimimport Holland B.V.'s share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquisition is made as follows:

Chimimport Holland B.V.	**2008**
	BGN '000
Purchase consideration - cash paid:	
- Purchase price	42
Fair value of net assets acquired (see below)	42
Goodwill	**-**

The fair value of the net assets acquired approximated the book value of the acquired net assets.

The fair value of the net assets acquired is as follows:

	Fair value	Book value of the company acquired
	2008	**2008**
	BGN'000	**BGN'000**
Receivables and other assets	14	14
Cash and cash equivalents	36	36
Liabilities	(8)	(8)
Net assets	42	42
Net assets acquired	**42**	**-**

5.5 Acquisition of additional shares in the share capital of Zarneni hrani Bulgaria AD

In 2008 additional share capital in the share capital of Zarneni Hrani Bulgaria AD was acquired, the Group's share capital reached to 59.81%. As a result of acquisition is recognized goodwill as follows:

Zarneni Hrani Bulgaria AD	**2008**
	BGN '000
Purchase consideration - cash paid:	
- Purchase price	8 477
Fair value of net assets acquired (see below)	2 685
Goodwill	**5 792**

The acquisition is made as follows:

	Fair value	Book value of the company acquired
	2008	**2008**
	BGN'000	**BGN'000**
Property, plant and equipment	143 195	143 195
Investment properties	967	967
Intangible assets	6 034	6 034
Goodwill	12 692	12 692
Investments in subsidiaries	60 460	60 460
Investments in associates	3 383	3 383
Inventories	22 964	22 964
Receivables and other assets	79 827	79 827
Cash and cash equivalents	3 018	3 018
Liabilities	(149 910)	(149 910)
Net assets	182 630	-
Net assets acquired	**2 685**	

The fair value of the net assets is different from the book value of the net assets acquired. The fair value adjustments reflect certain characteristics of Property, plant and equipment and other receivables.

5.6 Acquisition of additional shares in the share capital of Oil and Gas Exploration and Production Plc.

In 2008 0.95% of Oil and Gas Exploration and Production Plc. shares capital was acquired. As a result of acquisition is recognized goodwill amounting to BGN 999 thousand.

	2008
	BGN '000
Purchase consideration - cash paid:	
- Purchase price	1 437
Fair value of net assets acquired (see below)	438
Goodwill	**999**

The fair value of net assets acquired is as follows:

	Fair value	Book value of the company acquired
	2008	2008
	BGN'000	BGN'000
Property, plant and equipment	20 452	20 452
Intangible assets	503	503
Investments in subsidiaries	8 906	8 906
Investments in associates	158	158
Inventories	3 544	3 544
Receivables and other assets	43 069	43 069
Cash and cash equivalents	1 140	1 140
Liabilities	(31 657)	(31 657)
Net assets	46 115	-
Net assets acquired	**438**	

The fair value of the net assets is different from the book value of the net assets acquired. The fair value adjustments reflect certain characteristics of Property, plant and equipment and other receivables.

5.7 Acquisition of 59.61 % of the share capital of Zarneni Hrani Bulgaria AD in 2007

As a result of the establishment of Zarneni hrani Bulgaria AD through a merger, in compliance with the contract from 21 September 2007, between Slanchevi lachi Bulgaria AD, Zarneni hrani Trade AD, Bek International AD, Zarneni hrani – Valchi dol AD, Zarneni hrani Balchik EAD, Zora AD, Prima Agrochim EOOD and Chimimport Agrohimikali EOOD, the book value of the acquired identifiable assets and accepted liabilities is increased to their fair value. As a result, taxable temporary differences occur, which lead to deferred tax liability, reflected in the goodwill, as their tax base is different.

Since the executed business combination is initially accounted for conditionally, Zarneni hrani Bulgaria AD recognizes any kind of adjustments of those conditional values, as a result of the conclusion of the initial accounting for the period of 12 months from the acquisition date.

5.8 Acquisition of 100 % of the share capital of Molet AD

In 2008 100 % of Molet AD's share capital was acquired. As a result of the acquisition, income amounting to BGN 27 585 thousand was recognized in the income statement as Negative goodwill.

	2008 BGN '000
Purchase consideration - cash paid:	
- Purchase price	32 715
Fair value of net assets acquired (see below)	60 300
Exceeding of the fair value of the net assets acquired over the investment value	(27 585)

The fair value of acquired net assets is presented as follows:

	Fair value **2008** **BGN'000**	**Book value of the company acquired** **2008** **BGN'000**
Property, plant and equipment	24	24
Investments in subsidiaries and associates	60 159	60 159
Deferred tax assets	1 185	1 185
Inventories	1 404	1 404
Receivables and other assets	335	335
Cash and cash equivalents	21	21
Liabilities	(2 828)	(2 828)
Net assets	60 300	-
Net assets acquired	**60 300**	

5.9 Acquisition of additional shares in the share capital of CCB AD

In 2008 additional shares in the share capital of CCB AD were acquired. As a result of acquisition income amounting to BGN 1 791 thousand was recognized in the income statement as Negative goodwill.

The acquisition was performed as follows:

	2008 BGN '000
Purchase consideration - cash paid:	
- Purchase price	4 456
Fair value of net assets acquired (see below)	6 247
Exceeding of the fair value of the net assets acquired over the investment value	**(1 791)**

The fair value of acquired net assets is presented as follows:

	Fair value	**Book value of the company acquired**
	2008	**2008**
	BGN'000	**BGN'000**
Property, plant and equipment	52 022	52 022
Intangible assets	52 403	52 403
Investments in subsidiaries	34 881	34 881
Receivables and other assets	1 181 956	1 181 956
Cash and cash equivalents	342 834	342 834
Liabilities	(1 457 248)	(1 457 248)
Net assets	206 848	-
Net assets acquired	**6 247**	

6 Segment reporting

For the reporting on segments the divisions of the Group are as follows:

- Production
- Finance
- Transport
- Real estate property
- Construction

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

Business segments 31 December 2008	**Production BGN'000**	**Financial sector BGN'000**	**Transport sector BGN'000**	**Real estate BGN'000**	**Construction and engineering sector BGN'000**	**Consolidation BGN'000**	**Consolidated BGN'000**
Income from non-financial activities from external customers	235 617	50 720	434 205	273	1 646	-	722 461
Inter-segment income	69 798	974	23 381	-	1 103	(95 256)	-
Total income from non-financial activities	**305 415**	**51 694**	**457 586**	**273**	**2 749**	**(95 256)**	**722 461**
Net result from non-financial activities	**19 710**	**51 694**	**5 094**	**(3)**	**1 369**	**(9 225)**	**68 639**
Insurance income from external customers	-	215 374	-	-	-	-	215 374
Inter-segment income from insurance	-	6 518	-	-	-	(6 518)	-
Total income from insurance	**-**	**221 892**	**-**	**-**	**-**	**(6 518)**	**215 374**
Net result from insurance	**-**	**17 233**	**-**	**-**	**-**	**(5 827)**	**11 406**
Interest income	3 318	138 997	2 349	267	45	(18 210)	126 766
Interest expenses	(9 524)	(58 013)	(16 138)	(47)	(24)	18 210	(65 536)
Net result from interest	**(6 206)**	**80 984**	**(13 789)**	**220**	**21**	**-**	**61 230**
Gains from transactions with financial instruments from external customers	16 382	212 630	-	-	-		229 012
Inter-segment gains from transactions with financial instruments	-	12 378	-	-	-	(12 378)	-
Gains from transactions with financial instruments	**16 382**	**225 008**	**-**	**-**	**-**	**(8 244)**	**233 146**
Net result from transactions with financial instruments	**16 076**	**17 079**	**(299)**	**-**	**-**	**28 398**	**61 254**
Administrative expenses	(12 927)	(130 078)	(20 184)	(134)	(1 311)	6 896	(157 738)
Negative goodwill	-	-	-	-	-	29 376	29 376
Gain/(loss) from associates	15	857	9 124	(74)	-	-	9 922
Other financial income /(expense)	(1 996)	42 157	(2 125)	(32)	(1)	(721)	37 282
Result from sale of non-current assets	2 888	22 799	40 033	-	-	(52 082)	13 638
Allocation from secured persons	-	16 919	-	-	-	-	16 919
Profit for the period before tax	**17 560**	**119 644**	**17 854**	**(23)**	**78**	**(3 185)**	**151 928**
Tax expenses	(1 712)	(7 390)	(1 262)	(7)	-	-	(10 371)
Net profit for the year	**15 848**	**112 254**	**16 592**	**(30)**	**78**	**(3 185)**	**141 557**

Business segments **31 December 2008**	**Production** **BGN'000**	**Financial sector** **BGN'000**	**Transport sector** **BGN'000**	**Real estate** **BGN'000**	**Construction and engineering sector** **BGN'000**	**Consolidation** **BGN'000**	**Consolidated** **BGN'000**
Assets of the segment	559 264	3 320 343	624 574	45 725	8 436	(1 502 547)	3 055 795
Investments in associates for using the equity method	4 491	60 358	10 505	1 760	-	60 722	137 836
Total consolidated assets	**563 755**	**3 380 701**	**635 079**	**47 485**	**8 436**	**(1 441 825)**	**3 193 631**
Specialized reserves	**-**	**97 701**	**-**	**-**	**-**	**-**	**97 701**
Liabilities of the segment	256 781	2 128 481	410 985	1 945	2 131	(593 434)	2 206 889
Total consolidated liabilities	**256 781**	**2 128 481**	**410 985**	**1 945**	**2 131**	**(593 434)**	**2 206 889**

Business segments 31 December 2007	**Production BGN'000**	**Financial sector BGN'000**	**Transport sector BGN'000**	**Real estate BGN'000**	**Construction and engineering sector BGN'000**	**Consolidation BGN'000**	**Consolidated BGN'000**
Income from non-financial activities from external customers	149 488	13 383	397 832	7 997	825	(58 758)	510 767
Inter-segment income	4 159	4 517	1 195	-	141	(10 012)	-
Total income from non-financial activities	**153 647**	**17 900**	**399 027**	**7 997**	**966**	**(68 770)**	**510 767**
Net result from non-financial activities	**19 665**	**17 900**	**1 717**	**4 595**	**(24)**	**(4 768)**	**39 085**
Insurance income from external customers	-	139 319	-	-	-	(3 782)	135 537
Inter-segment income from insurance	-	2 138	-	-	-	(2 138)	-
Total income from insurance	**-**	**141 457**	**-**	**-**	**-**	**(5 920)**	**135 537**
Net result from insurance	**-**	**15 558**	**-**	**-**	**-**	**(3 815)**	**11 743**
Interest income	766	100 097	765	489	45	(8 540)	93 622
Interest expenses	(3 336)	(38 662)	(7 634)	(172)	(10)	8 540	(41 274)
Net result from interest	**(2 570)**	**61 435**	**(6 869)**	**317**	**35**	**-**	**52 348**
Gains from transactions with financial instruments from external customers	7 962	195 196	12 211	-	-	(17 450)	197 919
Inter-segment gains from transactions with financial instruments	-	16 786		-	-	(16 786)	-
Gains from transactions with financial instruments	**7 962**	**211 982**	**12 211**	**-**	**-**	**(34 236)**	**197 919**
Net result from transactions with financial instruments	**7 794**	**142 235**	**11 465**	**-**	**-**	**(32 111)**	**129 383**
Administrative expenses		(112 186)		(35)		4 587	(107 634)
Negative goodwill	-	-	-	-	-	4 409	4 409
Gain/(loss) from associated companies	18	(221)	-	-	-	-	(203)
Other financial income /(expenses)	(426)	26 541	(4 300)	(42)	(1)	(517)	21 255
Loss from sale of non-current assets	(1 407)	-	-	-	-	-	(1 407)
Allocation from secured persons	-	(7 860)	-	-	-	-	(7 860)
Profit for the period before tax	**23 074**	**143 402**	**2 013**	**4 835**	**10**	**(32 215)**	**141 119**
Tax expenses	(2 109)	(2 190)	(43)	(487)	-	-	(4 829)
Net profit for the year	**20 965**	**141 212**	**1 970**	**4 348**	**10**	**(32 215)**	**136 290**

Business segments **31 December 2007**	**Production** **BGN'000**	**Financial sector** **BGN'000**	**Transport sector** **BGN'000**	**Real estate** **BGN'000**	**Construction and engineering sector** **BGN'000**	**Consolidation** **BGN'000**	**Consolidated** **BGN'000**
Assets of the segment	557 690	2 785 759	337 549	47 204	8 430	(1 016 060)	2 720 572
Investments in associates for using the equity method	158	18 386	1 872	-	-	5 856	26 272
Total consolidated assets	**557 848**	**2 804 145**	**339 421**	**47 204**	**8 430**	**(1 010 204)**	**2 746 844**
Specialized reserves	**-**	**59 608**	**-**	**-**	**-**	**-**	**59 608**
Liabilities of the segment	264 987	1 704 897	203 931	1 713	2 211	(300 098)	1 877 641
Total consolidated liabilities	**264 987**	**1 704 897**	**203 931**	**1 713**	**2 211**	**(300 098)**	**1 877 641**

7 Property, plant and equipment

The carrying amount of the property, plant and equipment presented in the consolidated financial statements can be analyzed as follows:

	Land	Buildings	Machines	Equipment	Vehicles	Other	Assets in process of acquisition	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Carrying amount								
Balance as at 1 January 2008	87 638	121 899	64 474	80 591	74 271	24 980	67 695	521 548
Additions:								
- from business combinations	-	9 937	1 011	-	116	28	-	11 092
- separately acquired	23 141	20 348	24 858	29 462	34 942	1 729	118 158	252 638
Disposals – carrying amount	(516)	(10 438)	(4 400)	(703)	(14 602)	(602)	(104 689)	(135 950)
Balance as at 31 December 2008	110 263	141 746	85 943	109 350	94 727	26 135	81 164	649 328
Depreciation								
Balance as at 1 January 2008	-	(14 173)	(21 513)	(14 714)	(16 688)	(20 175)	-	(87 263)
Additions from business combinations	-	(545)	(209)	-	(52)	(12)	-	(818)
Disposals – depreciation	-	1 989	2 347	440	5 969	577	-	11 322
Depreciation	-	(4 462)	(9 185)	(999)	(13 500)	(845)	-	(28 991)
Balance as at 31 December 2008	-	(17 191)	(28 560)	(15 273)	(24 271)	(20 455)	-	(105 750)
Carrying amount 31 December 2008	**110 263**	**124 555**	**57 383**	**94 077**	**70 456**	**5 680**	**81 164**	**543 578**

	Land	Buildings	Machines	Equipment	Vehicles	Other	Assets in process of acquisition	Total
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Carrying amount								
Balance as at 1 January 2007	28 668	58 579	37 490	52 345	53 646	23 203	17 001	270 932
Additions:								-
- from business combinations	3 425	2 995	9 492	292	6 333	121	978	23 636
- separately acquired	56 286	60 523	17 918	28 545	28 601	1 724	63 001	256 598
Disposals – carrying amount	(741)	(198)	(426)	(591)	(14 309)	(68)	(13 285)	(29 618)
Balance as at 31 December 2007	87 638	121 899	64 474	80 591	74 271	24 980	67 695	521 548
Depreciation								
Balance as at 1 January 2007	-	(11 554)	(17 246)	(14 684)	(6 392)	(19 831)	229	(69 478)
Business combinations - depreciation	-	(793)	109	760	(2 542)	(33)	(229)	(2 728)
Disposals - depreciation	-	69	1 602	546	1 164	65	-	3 446
Depreciation	-	(1 895)	(5 978)	(1 336)	(8 918)	(376)	-	(18 503)
Balance as at 31 December 2007	-	(14 173)	(21 513)	(14 714)	(16 688)	(20 175)	-	(87 263)
Carrying amount as at 31 December 2007	**87 638**	**107 726**	**42 961**	**65 877**	**57 583**	**4 805**	**67 695**	**434 285**

Property, plant and equipment pledged as collateral as at 31.12.2008 are presented as follows:

	Land	Buildings	Machines	Vehicles	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount as at 31 December 2007	4 293	8 097	2 047	11 816	67	26 320
Carrying amount as at 31 December 2008	19 524	16 063	14 652	12 351	41	62 631

8 Lease

8.1 Finance lease

The Group participates in its capacity of a lessee in the following 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(the assets in this contract are with net book value of BGN 6 590 thousand (2007: BGN6 916 thousand)).
- contract with Eurolease Auto AD for the purchase of 2 light-load vehicles Caddy with a term of the contract – 20.12.2010.
- contract with Moto-Pfohe EOOD for the purchase of a vehicle Ford Focus, with a term of the contract – 05.02.2010.
- 2 contracts with Unicredit leasing AD for the purchase of a truck and an automobile with a term of the contract until 2011.
- 14 contracts with DSK Auto Leasing EOOD, for 17 automobiles with terms of the contracts until 2010 and 2011.
- 2 contracts for financial leasing, agreed upon with Unitrade – Leasing OOD for automobiles with terms until 2009 and 2010.
- contract for financial leasing, agreed upon with DSK Leasing AD for acquisition of a Volkswagen automobile, which term is 01 October 2011.
- 2 contracts with Bulbank Leasing for 2 automobiles with a term date until 2009.
- contract for a financial leasing, agreed upon with Unicredit for a Volkswagen Golf automobile with a term date 27 March 2010.
- 10 contracts for financial leasing, agreed upon with Interlease EAD for an automobile, tractors and a bus, with terms at 2011, 2012, 2013 and 2014, respectively.
- 5 contracts with Hypo Alpe-Adria-Autoleasing EOOD, for 7 automobiles with terms of the contracts until 2011, 2012 and 2013.
- contract with Pireos Leasing, for an automobile with a term date of the contract 2009.
- 6 contracts with Interlease Auto EAD, for 6 automobiles with contracts ending in 2010, 2011 and 2012.
- 2 contracts with Bulbank Auto Leasing, for 2 automobiles until 2009.
- contracts for financial leasing for bottling line with net book value, amounting to BGN 1 430 thousand (2007: BGN 1 748 thousand).

- contract for financial leasing of an automobile crane with Raiffeisen Leasing Bulgaria OOD for a period of 4 years, contract for financial leasing for a truck Mercedes Aktros for the period of 4 years and a contract for chain bulldozer B10M/T10M.

The Group's future minimum finance lease payments for the current and the previous reporting period are as follows:

31 December 2008	**Within 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
Lease payments	6 830	11 522	15	18 367
Discounts	(1 339)	(2 427)	(1)	(3 767)
Net present value	**5 491**	**9 095**	**14**	**14 600**

31 December 2007	**Within 1 year**	**1 to 5 years**	**Total**
	BGN'000	**BGN'000**	**BGN'000**
Lease payments	6 009	17 374	23 383
Discounts	(1 461)	(2 549)	(4 010)
Net present value	**4 548**	**14 825**	**19 373**

8.2 Operating lease - lessee

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

	Minimum lease payments due			
	Within 1 year	**1 to 5 years**	**More than 5 years**	**Total**
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**
31 December 2008	10 530	26 473	6 237	43 240
31 December 2007	4 900	17 984	4 250	27 134

The Group has entered into several lease contracts in the capacity of lessee for airplanes.

- Three aircrafts Boeing 737-300 with lessor Galaxy Aviation. 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.
- One aircraft Boeing 737-500 with lessor Q Aviation. The term of the contract is as follows: LZ BOQ – 03 December 2009
- Aircraft Boeing 737-500 – LZ BOP with lessor ORIX and term of the contract until 05 January 2010.

- Two aircrafts Boeing 737-500 – LZ BOR and LZ BOY with lessor Anssett. The terms of the contracts are as follows: for LZ BOR until 24 October 2013, and for LZ BOY until 08 March 2013Aircraft Airbus 320 with lessor CIT Aerospace International. The term of the contract of LZ FBC is until 09 December 2014.
- Aircraft Airbus 320 – with lessor CIT Aerospace International. The term of the contract is until 25 April 2014
- Aircraft BAE-146 with lessor BAE SYSTEMS;
- Aircraft BAE-146 and two aircrafts ATR with lessor Viaggio Air EOOD;
- Aircraft Boeing -737-400 and 737-300 – with lessor AERCO;
- Aircraft A-319 – with lessor Aircraft Portfolio Holding Company;
- Aircraft A-319 – with lessor Skylease MSN 3564 Limited.
- Aircraft Airbus 320 – with lessor CIT Aerospace International. The term of the contract is until 25 April 2014
- Aircraft Airbus 320 – with lessor GECAS. The term of the contract for LZ FBE-319 140 is until 28 January 2017.
- Aircraft Airbus 319 – with lessor GECAS. The contract maturity date is 26.04.2014.

Operating lease agreements do not contain any contingent payment clauses or purchase options.

8.3 Operating lease - lessor

During 2008 the Group has entered into several lease contracts in the capacity of lessor:

- BHR - aircraft BAE-146
- BLUE AIR - aircraft BAE-146
- TABAN AIR - aircraft BAE-146
- BELLE AIR - aircraft BAE-146 и ATP.

The expected future minimum lease payments from operating lease of aircrafts are defined on the base of fixed price of block hours.

9 Investment property

Investment property of the Group include real estate properties, which are owned to earn rental income and for investment purposes.

	Land BGN'000	Buildings BGN'000	Total BGN'000
Gross carrying amount			
Balance as at 1 January 2008	7 181	12 322	19 503
Additions			
- from business combinations	-	1 888	1 888
- separate acquired	6 494	-	6 494
Disposals	-	(6 690)	(6 690)
Balance as at 31 December 2008	13 675	7 520	21 195
Depreciation			
Balance as at 1 January 2008	(1)	(1 366)	(1 367)
Business combinations – depreciation	-	(2)	(2)
Disposals – depreciation	-	592	592
Depreciation	-	(304)	(304)
Balance as at 31 December 2008	(1)	(1 080)	(1 081)
Carrying amount as at 31 December 2008	**13 674**	**6 440**	**20 114**
Gross carrying amount			
Balance as at 1 January 2007	2 294	9 378	11 672
Additions	4 887	2 936	7 823
Capitalization of subsequent expenses	-	25	25
Disposals – carrying amount	-	(17)	(17)
Balance as at 31 December 2007	7 181	12 322	19 503
Depreciation			
Balance as at 1 January 2007	(1)	(1 126)	(1 127)
Disposals - depreciation	-	2	2
Depreciation	-	(242)	(242)
Balance as at 31 December 2007	(1)	(1 366)	(1 367)
Carrying amount as at 31 December 2007	**7 180**	**10 956**	**18 136**

As at 31 December 2008 the fair value of the investment property amounts to BGN 71 110 thousand (as at 31.12.2007 – BGN 50 411 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.

As at 31.12.2008 the Company has no arrangements for purchase of investment property.

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

The income from investment property recognized in the Income statement in "Revenue from operating activities" for 2008 amounts to BGN 37 089 thousand (2007: BGN 7 600 thousand). Contingent rents are not recognized. The direct operating expenses amounting to BGN 148 thousand are recognized as "hired services expenses" (2007: BGN 37 thousand).

10 Goodwill

The main changes in the carrying amount of goodwill result from the acquisition of Zarneni Hrani Bulgaria AD and CCB Macedonia AD. The net carrying amount of goodwill can be analyzed as follows:

	Goodwill BGN'000
2007	
Opening balance carrying amount	11 403
Disposals – goodwill	(581)
Closing balance carrying amount	**10 822**
2008	
Opening balance carrying amount	10 822
Additions	26 723
Impairment for the period	(18)
Closing balance carrying amount	**37 527**

For the purpose of annual impairment testing for 2008 goodwill is allocated to the following cash-generating units:

	2008	2007
	BGN‘000	**BGN‘000**
Zarneni Hrani Bulgaria AD	18 484	-
CCB Macedonia AD	7 140	-
Central Cooperative Bank AD	5 311	5 311
CCB Group EAD	3 507	3 507
Hemus Air EAD	1 079	1 079
Oil and Gas Exploration and Production Plc.	999	-
ZAD Armeec	424	424
Bulchimeks OOD	217	217
Pristanishte Lesport AD	164	164
Slanchevi Lachi Provadia EAD	100	-
Omega Finance EOOD	47	47
POAD CCB Sila	46	46
Chimsnab AD	6	6
Chimsin OOD	-	13
Real Estate Fund	-	5
Chimimport Fertilizers OOD	3	3
	37 527	**10 822**

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 2008 no significant indications of impairment have been identified as at 31 December 2008.

The decrease of the goodwill in 2008 is a result of the liquidation of Chimsin OOD and reclassification of Real Estate ADSIC. For further information regarding the acquired shares please refer to note 5.

11 Other intangible assets

Intangible assets of the Company include acquired software licenses, trade marks and property rights. Their carrying amount for the current accounting period can be presented as follows:

	Trade marks	Repairs of rented assets	Licenses and patents	Software products	Customer relationships	Internally generated intangible assets	Property rights	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount								
Balance as at 1 January 2008	32 136	23 014	3 613	989	-	52	-	59 804
Additions:								
- from business combinations	2 468	-	468	-	6 569	-	-	9 505
- separately acquired	88	21 976	1 565	2 567	-	-	40 288	66 484
Disposals	-	(2 557)	(46)	(141)	-	-	-	(2 744)
Balance as 31 December 2008	34 692	42 433	5 600	3 415	6 569	52	40 288	133 049
Amortization								
Balance as 1 January 2008	(3 235)	(3 333)	(2 438)	(677)	-	(52)	-	(9 735)
Additions from business combinations	-	-	-	-	(192)	-	-	(192)
Disposals	-	9	46	141	-	-	-	196
Amortization	(3 234)	(5 226)	(510)	(491)	-	-	-	(9 461)
Balance as 31 December 2008	(6 469)	(8 550)	(2 902)	(1 027)	(192)	(52)	-	(19 192)
Carrying amount as at 31 December 2008	**28 223**	**33 883**	**2 698**	**2 388**	**6 377**	**-**	**40 288**	**113 857**

	Trade marks	Repairs of rented assets	Licenses and patents	Software products	Customer relationships	Internally generated intangible assets	Property rights	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount								
Balance as 1 January 2007	61	6 975	3 596	1 247	-	54	-	11 933
Additions:								
- from business combinations	31 830	-	-	1	-	-	-	31 831
- separately acquired	245	16 061	72	223	-	-	-	16 601
Disposals	-	(22)	(55)	(482)	-	(2)	-	(561)
Balance as 31 December 2007	32 136	23 014	3 613	989	-	52	-	59 804
Amortization								
Balance as 1 January 2008	(28)	(2 102)	(2 049)	(792)	-	(52)	-	(5 023)
Additions from business combinations	(3 183)	-	-	-	-	-	-	(3 183)
Disposals – amortization	10	224	180	480	-	-	-	894
Amortization	(34)	(1 455)	(569)	(365)	-	-	-	(2 423)
Balance as 31 December 2008	(3 235)	(3 333)	(2 438)	(677)	-	(52)	-	(9 735)
Carrying amount as at 31 December 2007	**28 901**	**19 681**	**1 175**	**312**	**-**	**-**	**-**	**50 069**

Property rights are received in December 2008. They refer to two administrative buildings. The right for one of the buildings is established for the period of 98 months for the amount of 5 372 thousand euro. The right for the other building is established for the period of 149 months for the amount of 15 598 thousand euro. Their carrying amount is amortized on equal shares for the respective period of using the buildings.

12 Long-term financial assets

Financial assets, recognized in the balance sheet include the following financial asset categories:

	Notes	2008 BGN'000	2007 BGN'000
Loans and receivables	12.1	704 698	463 292
Held-to-maturity financial assets	12.2	90 165	83 790
Financial assets at fair value through profit or loss	12.3	59 949	64 571
Available-for-sale financial assets		75 849	53 930
		930 661	**665 583**

12.1 Loans and receivables

Loans and receivables	**Notes**	**2008 BGN'000**	**2007 BGN'000**
Long-term bank loans and client advance payments	12.1.1	693 474	445 392
Less impairment		(10 155)	(8 318)
		683 319	**437 074**
Other long-term loans	12.1.2	21 379	26 218
		704 698	**463 292**

12.1.1 Analysis of long-term bank loans and client advance payments

Analysis by type of the client:	**2008 BGN'000**	**2007 BGN'000**
Individuals		
-in BGN	264 882	154 118
-in foreign currency	33 457	19 327
Legal entities		
-in BGN	191 508	162 807
-in foreign currency	203 627	109 140
	693 474	445 392
Impairment for uncollectibility	(10 155)	(8 318)
Total bank loans granted and client advance payments	**683 319**	**437 074**

Analysis by economic sectors:	**2008 BGN'000**	**2007 BGN'000**
Agriculture and forestry	27 471	19 850
Manufacturing	43 292	34 117
Construction	79 138	47 151
Trade and finance	192 503	126 630
Transport and communications	37 950	26 325
Individuals	277 558	173 445
Others	35 562	17 874
	693 474	445 392
Impairment for uncollectibility	(10 155)	(8 318)
Total bank loans granted and client advance payments	**683 319**	**437 074**

Interest rates

Loans granted in Bulgarian leva and foreign currency, are accumulated with adjustable interest rate. 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 %.

12.1.2 Other long-term loans

	2008 BGN'000	2007 BGN'000
Franchise Development OOD – non-current receivables	5 689	5 682
Pierro 97 MA – cession receivables, long-term part	-	2 000
Itil Kazan	-	5 205
Cession receivables	15 690	13 331
	21 379	**26 218**

12.2 Held-to-maturity financial assets

Held-to-maturity financial assets consist of Bulgarian government bonds, including the amount of the accrued interests, based on their original maturity and discount, as follows:

	2008 BGN'000	2007 BGN'000
Carrying amount at amortized cost		
Long-term Bulgarian government bonds	6 179	38 862
Mid-term Bulgarian government bonds	83 986	44 928
	90 165	**83 790**

Bulgarian securities pledged as collateral

As at 31 December 2008 and 31 December 2007 government bonds, issued by the Bulgarian government at the amount of BGN 65 148 thousand and 69 246 thousand respectively, are pledged as collateral for servicing budget accounts.

12.3 Financial assets at fair value through profit or loss

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

	2008 BGN'000	2007 BGN'000
Long-term Bulgarian government bonds	27 438	21 578
Capital investments with market value	32 511	20 302
Bulgarian corporate securities	-	5 912
Corporate bonds	-	14 983
Other	-	1 796
	59 949	**64 571**

All presented amounts are determined through published quotes of the listed securities on an active market.

Long-term Bulgarian government bonds

As at 31 December 2008 and 31 December 2007 long-term Bulgarian securities at the amount of BGN 27 438 thousand and BGN 21 578 thousand are presented at fair value and consist of securities in BGN.

13 Deferred tax assets and liabilities

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

Deferred tax liabilities (assets)	1 January 2008	Result from business combination	Recognized in the Income statement	31 December 2008
	BGN'000	BGN'000	BGN'000	BGN'000
Non-current assets				
Intangible assets	-	-	995	995
Property, plant and equipment	9 261	4 077	202	13 540
Investment property	712	-	(11)	701
Others	1 301	-	(115)	1 186
Current assets				
Trade and other receivables	(3)	-	3	-
Others	-	-	167	167
Non-current liabilities				
Pension and other employee obligations	(169)	-	(331)	(500)
Others	(1 235)	-	(9)	(1 244)
Current liabilities				
Pension and other employee obligations	(19)	-	(181)	(200)
Unused leaves provisions	(183)	-	136	(47)
Other provisions	(1)	-	(5)	(6)
Others	(320)	-	(790)	(1 110)
	9 344	4 077	61	13 482
Recognized as:				
Deferred tax assets	(1 930)			(3 107)
Deferred tax liabilities	11 274			16 589

Deferred tax liabilities (assets)	1 January 2007 BGN'000	Result from business combination BGN'000	Recognized in Income statement BGN'000	31 December 2007 BGN'000
Non-current assets				
Intangible assets				
Property, plant and equipment	-	9 261	-	9 261
Long-term financial assets	539	-	(539)	-
Investment property	720	-	(8)	712
Others	-	1 186	115	1 301
Current assets				
Trade and other receivables	-	-	(3)	(3)
Others	90	-	(85)	-
Non-current liabilities				
Pension and other employee obligations	(157)	-	(12)	(169)
Others	-	(484)	(751)	(1 235)
Current liabilities				
Pension and other employee obligations	(33)	-	14	(19)
Unused leaves provisions	(33)	-	(150)	(183)
Other provisions	(1)	-	-	(1)
Others	(188)	-	(132)	(320)
	937	9 963	(1 551)	9 344
Recognized as:				
Deferred tax assets	(412)			(1 930)
Deferred tax liabilities	1 349			11 274

All deferred tax assets are included in the balance sheet.

See note 45 for further information on the Group's tax revenue and expenses.

14 Inventories

	2008	2007
	BGN'000	BGN'000
Materials	33 307	19 428
Finished goods	11 353	2 101
Trading goods	12 203	44 476
Work in progress	3 664	5 789
Others	364	78
	60 891	**71 872**

In 2008, no recovery of previous write-down of inventories was recognized. The inventories of the Group amounts to BGN 12 755 thousand are pledged as collateral benefitting Unicredit Bulbank AD.

15 Short-term financial assets

Financial assets of the Group contents the following categories financial assets:

	Notes	2008	2007
		BGN'000	BGN'000
Loans and receivables	15.1	333 424	293 180
Financial assets at fair value through profit or loss	15.2	33 771	29 610
Held-to-maturity financial assets	15.3	39 059	7 004
Held for sale financial assets	15.4	59 156	109 090
		465 410	**438 884**

15.1 Loans and receivables

	Notes	2008	2007
		BGN'000	BGN'000
Bank loan and client advance payments	15.1.1	179 182	213 791
Less impairment		(3 659)	(13 759)
		175 523	**200 032**
Other short-term loans contracts	15.1.2	157 901	93 148
		333 424	**293 180**

15.1.1 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:

	2008 BGN'000	2007 BGN'000
Individuals		
-in BGN	72 913	70 544
-in foreign currency	9 993	8 847
Legal entities		
-in BGN	46 672	84 444
-in foreign currency	49 604	49 956
	179 182	213 791
Impairment for uncollectibility	(3 659)	(13 759)
Total bank loans and client advance payments	**175 523**	**200 032**

Analysis by economic sectors:

	2008 BGN'000	2007 BGN'000
Agriculture and forestry		
Manufacturing	8 206	9 086
Construction	12 932	15 278
Trade and finance	23 638	21 582
Transport and communications	36 203	68 223
Individuals	8 335	12 049
Others	82 905	79 391
	6 963	8 182
	179 182	213 791
Impairment for uncollectibility	(3 659)	(13 759)
Total bank loans and client advance payments	**175 523**	**200 032**

Information regarding the interest rates is disclosed in Note 12.1.1

15.1.2 Other short-term loans

	2008 BGN'000	2007 BGN'000
ABAS EOOD	28 066	22 646
Lorian EOOD	21 655	3 596
INO EOOD	11 216	1 513
Sila Holding AD	12 249	
General Stock Investment EOOD	17 256	8 450
Niko Commerce EOOD	9 493	
Loriyan EOOD	8 920	3 596
New Industrial Company EOOD	7 580	66
ROSTINVEST AD	7 049	-
AKIN EOOD	6 157	6 158
PFK Cherno more AD	4 470	943
Business center Izgrev EOOD	4 191	4 485
Axe 77 EOOD	3 385	3 645
Neftena Targovska Kompaniya EOOD	2 938	-
Armi Group EOOD	2 163	-
Bliasak EOOD	1 930	5 143
Ital Commerce 75 EOOD	1 103	-
Velgraf Assets Management EAD	1 162	2 056
Office 1 Superstore – Ukraine	1 001	1 001
Finance Consulting EAD	-	4 809
Nomokanon OOD	-	1 665
Fintrans AD	-	1 118
Vitela Net AD	-	1 000
Others	5 917	21 258
	157 901	**93 148**

The short-term loans are granted at annual interest levels between 10-12%. The maturity is by request of the Group.

The fair value of these loans granted is individually determined. The management considers the carrying amount to be a reasonable approximation of their fair value.

15.2 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.

	2008 BGN'000	2007 BGN'000
Bulgarian government bills	731	5 340
Bulgarian government notes	12 758	9 662
Bulgarian corporate securities	9 138	9 464
Bulgarian government bonds	149	3 838
Derivatives, held-for-trade	10 995	1 306
	33 771	**29 610**

Bulgarian government bills
As at 31 December 2008 the Bulgarian government bills amounting to BGN 731 thousand are presented at fair value and include securities denominated in BGN, issued by the Bulgarian government. The government bills mature in a period of up to 1 year.

Bulgarian government notes
As at 31 December 2008 the Bulgarian government notes amounting to BGN 12 758 thousand are presented at fair value and include securities denominated in BGN, issued by the Bulgarian government.

Bulgarian corporate securities
As at 31 December 2008 the Group owns corporate securities, issued by non-financial companies, amounting to BGN 9 138 thousand. These securities represent shares of public companies, listed on the Bulgarian Stock Exchange, which are stated at fair value. None of these investments is in subsidiaries or associates.

Bulgarian government bonds
As at 31 December 2008 the government bonds amounting to BGN 149 thousand are stated at fair value and include securities denominated in BGN.

Derivatives, held-for-trade
As at 31 December 2008 derivatives held-for-trade amounting to BGN 10 995 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.

15.3 Financial assets held-to-maturity

	2008 BGN‘000	2007 BGN‘000
Bulgarian government bills	15 524	668
Macedonian short-term securities	22 214	-
Others	1 321	6 336
	39 059	**7 004**

Bulgarian government bills
As at 31 December 2008 the government bills amounting to BGN 15 524 thousand are held to maturity and include securities in BGN issued by the Bulgarian government. The maturity of the government bills is up to 1 year.

15.4 Financial assets available-for-sale

	2008 BGN‘000	2007 BGN‘000
Bulgarian government bills	1 322	21 916
Bulgarian government notes	-	4 137
Equity investments	304	11 742
Repo receivables	23 033	10 006
Others	34 497	61 289
	59 156	**109 090**

Bulgarian government bills
As at 31 December 2008 the Bulgarian government bills amounting to BGN 1 322 thousand are available for sale and include securities denominated in BGN, issued by the Bulgarian government. The government bills mature in 1 year.

Equity investments
As at 31 December 2008 the equity investments at the amount of BGN 304 thousand, declared for sale represent investments in companies in which the Group has no controlling interest.

Repurchase receivables
As at 31 December 2008 the Group has signed agreements with a repurchase clause at a total amount of BGN 23 033 thousand, including the interest receivables. The Group has pledged

as collateral for these receivables Bulgarian government securities. The maturity of these agreements is in January 2009.

16 Trade receivables

	2008 BGN'000	2007 BGN'000
Trade receivables, gross	181 945	127 447
Impairment	(787)	(470)
Trade receivables	**181 158**	**126 977**

The trade receivables as at 31 December 2008 are as follows:

	2008 BGN'000	2007 BGN'000
Almaz AD	17 748	-
Velgraf Asset Management EAD	17 068	12 600
Bulgarian mills EOOD	16 836	42 568
Neftena Targovska Kompania EOOD	15 875	14 390
BIT AD	14 862	-
Finist OOD	10 012	-
TK Ural OOD	9 352	-
Otorio Investment	9 297	9 297
Goliama dobrudzhanska melnitsa EOOD	8 623	85
BSP Bulgaria	4 951	4 891
Bank clients	4 891	4 167
Orix Aviation	2 486	-
Pierro 97 MA AD – short-term part	2 461	2 256
Pavlex 97 EOOD	2 010	-
De Smet N.V.S.A. Technologies Services	1 402	-
Amadeus IT Group	1 222	-
Galaxy Aviation	1 182	-
DFS	907	2 335
Other /under BGN 1 000 thousand/	39 973	34 388
	181 158	**126 977**

All receivables are short-term. The carrying amount of the trade receivables is considered a reasonable approximation of their fair value. All trade receivables have been reviewed for indicators of impairment.

17 Tax receivables

	2008 BGN'000	2007 BGN'000
VAT receivables	4 502	4 210
Excise receivables	1 984	1 343
Corporate tax receivables	1 476	359
Other	2 302	455
	10 264	**6 367**

18 Other receivables

	2008 BGN'000	2007 BGN'000
Insurance and reinsurance receivables	39 027	24 145
Short-term deposits and guarantees	17 856	14 220
Interest receivables	11 562	4 339
Foreign activity	10 002	10 002
Advance payments	3 427	6 578
Court receivables	1 379	1 419
Other	42 744	40 549
	125 997	**101 252**

The fair value of other receivables is individually determined as the carrying amount is considered a reasonable approximation of their fair value.

Foreign activity

The presented balances "Foreign activity Libya" represent internal receivables from "Geokom – service" Libya arising from the payment of liabilities of "Geokom – service" Libya to its personnel – USD 6 500 thousand by Oil and Gas Exploration and Production Plc., Sofia.

Under decision №14 from 10.02.2005, issued by the Sofia City Court with a firm deed №354/1989 is registered the deletion of decision №11/29.05.2002 for transfer of the companies "Balgarska neftena kompania" /BOKO/ and "Geokom-service", situated in

Libya, as an aggregate of rights, obligations and factual relations by Oil and Gas Exploration and Production Plc., Sofia to "Bulgargeoin" EAD, Sofia.

On behalf of "Bulgargeomin" EAD, Sofia no factual transfer of the assets and liabilities, related to the activity of the companies "Balgarska neftena kompania" /BOKO/, Libya and "Geokom – service", Libya has been performed.

19 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2008 BGN'000	2007 BGN'000
Cash at bank and in hand:		
- BGN	356 601	514 110
- EUR	118 823	171 307
- USD	24 174	34 852
- other currencies	19 838	28 600
	519 436	**748 869**

	2008 BGN'000	2007 BGN'000
Placements with, and advances to, banks	232 640	166 973
Current accounts with the Central Bank	220 256	169 931
Short-term investments	42 909	359 265
Cash blocked	7 609	34 947
Deposits in conformity with the Insurance Code	16 022	17 753
	519 436	**748 869**