



Financial statements

Chimimport AD

31 December 2008



Grant Thornton Ltd.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

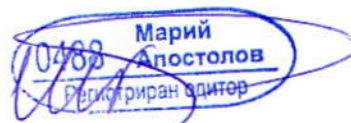
In our opinion, the financial statements give a true and fair view of the financial position of Chimimport AD as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by EU and the national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

Mariy Apostolov

31 March 2009
Bulgaria, Sofia

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Balance sheet

	Notes	2008 BGN'000	2007 BGN'000
Assets			
Non-current			
Property, plant and equipment	5	20 095	21 833
Investment property	7	1 096	1 175
Investment in subsidiaries	8	391 454	359 783
Investment in associates	9	60 348	18 767
Intangible assets	10	602	247
Long-term financial assets	11	1 332	114
Long-term receivables due from related parties	37.1	157 634	81 469
Long-term receivables	12	6 462	14 164
Deferred tax assets	13	6	-
		639 029	497 552
Current			
Inventories	14	88	155
Short-term financial assets	15	5 389	11 742
Advance payments for purchase of financial instruments	16	-	61 289
Loans granted	17	121 279	74 499
Trade receivables and advance payments	18	70 073	4 179
Short-term receivables due from related parties	37.1	57 914	25 011
Other receivables	19	18 851	10 705
Cash and cash equivalents	20	101 840	92 845
		375 434	280 425
Total assets		1 014 463	777 977

Prepared by: _____
 Date: 31 March 2009

Executive director: _____


Audited in accordance with Auditor's report:



The accompanying notes from page 6 to page 60 form an integral part of the financial statements.



Balance sheet

	Notes	2008 BGN'000	2007 BGN'000
Equity			
Share capital	21.1	150 000	150 000
Share premium	21.2	232 343	232 343
Other reserves	21.3	6 734	6 834
Retained earnings		148 708	66 225
Net profit for the year		86 011	82 483
Total equity		623 796	537 885
Liabilities			
Non-current			
Long-term payables due to related parties	37.1	292 439	178 597
Finance lease liabilities	6.1	1 993	3 745
Long-term trade payables	22	-	864
		294 432	183 206
Current			
Short term bank and other loans	23	12 069	29 642
Trade payables	24	8 245	8 367
Finance lease liabilities	6.1	1 800	1 620
Short-term payables due to related parties	37.1	58 678	12 405
Tax liabilities	25	6 486	567
Payables to employees and social security institutions	26.2	93	58
Other liabilities	27	8 864	4 227
		96 235	56 886
Total liabilities		390 667	240 092
Total equity and liabilities		1 014 463	777 977

Prepared by: _____
 Date: 31 March 2009

Executive director: _____

Audited in accordance with Auditor's report:

0488 Марий Апостолов
 Регистран-одитор



The accompanying notes from page 8 to 60 form an integral part of the financial statements.





Income statement

	Notes	2008 BGN'000	2007 BGN'000
Gains from transactions with financial instruments	28	36 099	78 303
Losses from transactions with financial instruments	29	(1 109)	-
Net profit from transactions with financial instruments		34 990	78 303
Interest income	30	18 550	7 284
Interest expense	30	(9 023)	(3 993)
Net profit from interest		9 527	3 291
Gains from foreign exchange differences		110	1 024
Losses from foreign exchange differences		(255)	(228)
Net profit from foreign exchange differences		(145)	796
Other financial income	31	665	145
Other financial expenses	31	(360)	(322)
		305	(177)
Operating revenue	32	37 268	8 203
Gains from sale of non-current assets	33	18 714	-
Operating expenses	34	(8 179)	(8 030)
Profit from operating activities		47 803	173
Profit for the period before tax		92 480	82 386
Tax (expense)/ income	35	(6 469)	97
Net profit for the period		86 011	82 483
		2008	2007
		BGN'000	BGN'000
Earnings per share	36	0.57	0.62

Prepared by: _____

Date: 31 March 2009

Audited in accordance with Auditor's report

0488
 Мария Апостолов
 Регистран одитор

Executive director: _____



The accompanying notes from page 8 to 10 form an integral part of the financial statements





Statement of changes in equity

All amounts presented in BGN'000	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2008	150 000	232 343	6 834	148 708	537 885
Donations granted	-	-	(100)	-	(100)
Net expenses recognized directly in equity	-	-	(100)	-	(100)
Profit for the year ended 31 December 2008	-	-	-	86 011	86 011
Total recognized income and expense for the period	-	-	(100)	86 011	85 911
Balance at 31 December 2008	150 000	232 343	6 734	234 719	623 796

Prepared by: _____

Executive director: _____

Date: 31 March 2009


Audited in accordance with Auditor's report:

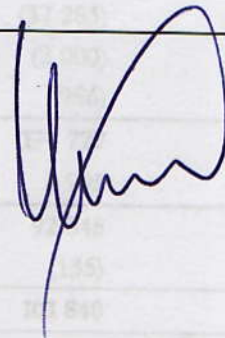


The accompanying notes from page 8 to 60 form an integral part of the financial statements.

Statement of changes in equity

All amounts presented in BGN'000	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 1 January 2007	130 000	32 925	7 125	65 945	235 995
Donations	-	-	(11)	-	(11)
(Decrease)/increase in reserves and retained earnings	-	-	(280)	280	-
Net income/(expenses) recognized directly in equity	-	-	(291)	280	(11)
Profit for the year ended 31 December 2007	-	-	-	82 483	82 483
Total recognized income and expense for the period	-	-	(291)	82 763	82 472
Public offering of shares	20 000	199 418	-	-	219 418
Balance at 31 December 2007	150 000	232 343	6 834	148 708	537 885

Prepared by: 

Executive director: 

Date: 31 March 2009

Audited in accordance with Auditor's report:







The accompanying notes from page 8 to 60 form an integral part of the financial statements.



Statement of cash flows

Notes	2008 BGN'000	2007 BGN'000
Operating activities		
Proceeds from short-term loans	126 745	109 746
Payments for short-term loans	(132 615)	(130 007)
Proceeds from sale of short-term financial assets	37 717	780
Purchase of short-term financial assets	(98 631)	(64 033)
Cash receipt from customers	10 754	8 122
Cash paid to suppliers	(13 644)	(5 577)
Interest received	85	92
Cash paid to employees and social security institutions	(838)	(1 154)
Taxes paid	(454)	(1 971)
Net cash flows from operating activities	(70 881)	(84 002)
Investing activities		
Purchase of property, plant and equipment	5 (8 896)	(24 890)
Proceeds from sale of long-term financial assets	16 326	39 965
Acquisition of subsidiaries and associates	(29 220)	(162 898)
Loans granted	(72 926)	(90 107)
Net cash flows from investing activities	(94 716)	(237 930)
Financing activities		
Proceeds from share issue	-	219 418
Long-term loans received	214 996	155 006
Bank loans received	-	29 558
Payments for long-term and bank loans received	(37 283)	(10 939)
Discharge of finance lease liability	6.1 (2 000)	(3 001)
Interest paid	(986)	(1 676)
Net cash flows from financing activities	174 727	388 366
Net increase in cash and cash equivalents	8 995	66 453
Cash and cash equivalents, beginning of year	92 845	26 392
Exchange (losses)/ gains from cash and cash equivalents	(135)	19
Cash and cash equivalents, end of year	20 101 840	92 845

Prepared by: _____

Date: 31 March 2009

Executive director: _____

Audited in accordance with Auditor's report:



The accompanying notes from page 8 to 60 form an integral part of the financial statements.

0488 Марий Апостолов
 Регистриран емитор

Notes

1 General information

CHIMIMPORT AD was registered as a joint-stock company at Sofia city court on 24 January 1990. The address of the Company's registered office is 2 St. Karadja Str., Sofia, Bulgaria.

The Company is registered on the Bulgarian Stock Exchange – Sofia since 30 October 2006.

The Company is engaged in the following business activities:

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

The 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
Miroljub Panchev Ivanov
Tzvetan Tzankov Botev

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

2 Basis for the preparation of the financial statements

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB) and approved by EU.

The financial statements for the year ended 31 December 2008 (including the comparative information for the year ended 31 December 2007) were approved by the Managing board on 31 March 2009.

The Company also prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and approved by EU. Investments in subsidiaries are accounted for and disclosed in accordance with IAS 27 Consolidated and Separate Financial Statements.

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 Standards and Interpretations that will become mandatory for the Company in future periods is given in note 3.2.

3.2 Standards and Interpretations not yet applied by the Company

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 Company.

Management anticipates that all of the pronouncements will be adopted in the Company'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 Company'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 Company 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. Company management does not, nor intends to pay employee remuneration in the form of shares or shares purchase options.
- IAS 32 (Revised) "Financial Instruments: Disclosure and 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 Company, 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 Company 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 Company 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 Company does not perform hedging of net investments in foreign operations.
- 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 Company 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 Company 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 Company. The Company 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 financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below. 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 Investments in subsidiaries

Subsidiaries are firms under the control of the Company. Control of a subsidiary is the right to manage financial and operating policies of an entity in order to obtain benefits from its activities. In the financial statements of the Company investment in subsidiaries is accounted at cost of the investment.

4.3 Investment in associates

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

The income statement reflects income from investment only to the extent that the investor receives distribution from accumulated net profits of the investee, arising subsequent to the date of acquisition. Distribution received in excess of these profits is considered a recovery of the investment and is recorded as a reduction of the cost of the investment.

4.4 Foreign currency translation

The separate elements of the financial statements of the Company are in the currency of the main economic environment in which it carries out its activities ("functional currency"). Company's financial statements are presented in Bulgarian Leva (BGN), which is also the functional currency of the Company.

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.

4.5 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 31.

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.

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

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company 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.

Gain or loss on the disposal of a particular asset is measured as the difference between inflows and the carrying amount of the asset and is recorded in the Income statement. Gain or loss resulting from the sale of non-current assets are presented in the Income statement through “profit/(loss) from the sale of non-current assets”.

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

Interest income and expenses are reported on an accrual basis.

Dividends received are recognized at the time of their distribution.

4.6 Borrowing costs

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 incurred and reported within 'finance costs' in the Income statement.

4.7 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 amortisation 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 years
- Property rights 5 years

Amortization has been included within 'depreciation and 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 500.

4.8 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 and equipment 3-5 years
- Computers 2 years
- Aircrafts 10 years
- Others 6.7 years

The recognition threshold, adopted by the Company for property, plant and equipment amounts to BGN 500.

4.9 Leases

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. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company has concluded contracts for leasing assets under the terms of operating lease. Assets acquired under the terms of operating lease are depreciated in accordance with the depreciation and amortization policy adopted by the Company and IAS 16 Property, plant and equipment or IAS 38 Intangible assets. The income generated from the operating lease contracts is recognized directly as revenue in the income statement for the corresponding period.

4.10 Impairment testing of intangible assets and property, plant and equipment

For the purposes of assessing impairment assets are grouped at the lowest levels for which there are 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.

Individual assets or cash-generating units are tested for impairment at 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, Company's management estimates expected future cash flows from each cash-generating unit and determines a discount factor in order to calculate the present value of those cash flows. The data used for the Company's impairment testing procedures are directly linked to the Company'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 the Company management.

Impairment losses for cash-generating units reduce the carrying amount of assets comprising the cash-generating unit in proportion to their carrying amounts. Company management subsequently reassesses assets for indications that an impairment loss previously recognized may no longer exist or be reduced. An impairment charge that has been recognized is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.11 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the cost model.

The investment property is initially measured at cost, which comprises 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 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.

Investment property is recognized on disposal or when it is permanently withdrawn from use in case no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal 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 of individual assets, as follows:

- Buildings 25 years

Rental income and operating expenses from investment property are reported within 'revenue' and 'other expenses' respectively, and are recognized as described in note 4.5.

4.12 Financial assets

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

- 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 Company.

All financial assets are recognized on their transaction date.

Financial assets are initially recognized by the Company 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 Company 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 Company, 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 Company'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 Company does not hold other financial instruments that fall into this category.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by active market transactions or using a valuation technique where no active market exists.

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.

4.13 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, than 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 Company 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.

4.14 Income taxes

Tax expense recognized in the Income statement comprises the sum of deferred tax and current tax not recognized 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 note 4.20.1.

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 are charged or credited directly to equity.

4.15 Cash and cash equivalents

The Company recognizes as cash and cash equivalents all cash in hand, current bank accounts, deposits up to 3 months and short-term or highly liquid investments, which can easily be turned into money and contain insignificant risk of change in value.

4.16 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 issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Other reserves are formed on the basis of the requirements of the Commercial Act for forming statutory reserves.

The retained earnings include retained earnings and uncovered losses from past periods.

4.17 Pension and other employee obligations

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.

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.

4.18 Financial liabilities

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

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 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.

4.19 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, for example. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. 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 this may result in the recognition of income that may never be realized.

4.20 Significant management judgment in applying accounting policies

The following are significant management judgements 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 **4.21**.

4.20.1 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.

4.21 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.

4.21.1 Impairment

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 (see note 4.10). 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.

4.21.2 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 analysed in notes 5 and 10. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

4.21.3 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.



5 Property, plant and equipment

The carrying amount of the property, plant and equipment can be analyzed as follows:

	Land	Buildings	Machines and equipment	Aircrafts	Other	Assets in process of acquisition	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount							
Carrying amount at 1 January 2008	401	654	1 057	22 042	607	4 023	28 784
Additions	8 179	-	15	-	88	692	8 974
Disposals	-	(510)	(332)	(13 255)	(419)	(78)	(14 594)
Carrying amount at 31 December 2008	8 580	144	740	8 787	276	4 637	23 164
Depreciation							
Balance at 1 January 2008	-	(153)	(1 021)	(5 295)	(482)	-	(6 951)
Disposals	-	122	318	5 302	414	-	6 156
Depreciation	-	(22)	(21)	(2 204)	(27)	-	(2 274)
Carrying amount at 31 December 2008	-	(53)	(724)	(2 197)	(95)	-	(3 069)
Carrying amount at 31 December 2008	8 580	91	16	6 590	181	4 637	20 095



	Land	Buildings	Machines and equipment	Aircrafts	Other	Assets in process of acquisition	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Gross carrying amount							
Carrying amount at 1 January 2007	401	654	1 047	22 042	607	-	24 751
Additions	-	-	10	-	-	4 023	4 033
Carrying amount at 31 December 2007	401	654	1 057	22 042	607	4 023	28 784
Depreciation							
Carrying amount at 1 January 2007	-	(126)	(1 002)	(3 091)	(458)	-	(4 677)
Depreciation	-	(27)	(19)	(2 204)	(24)	-	(2 274)
Carrying amount at 31 December 2007	-	(153)	(1 021)	(5 295)	(482)	-	(6 951)
Carrying amount at 31 December 2007	401	501	36	16 747	125	4 023	21 833

Assets in a process of acquisition amounting to BGN 4 637 thousand as at the balance sheet date comprise of expenditures for obtaining a building permit on a plot owned by the Samokov municipality subject to a contract with this municipality, signed on 22 May 2007 for the amount of BGN 4 023 thousand and BGN 614 thousand related to repair of the administrative building. The Company's obligation to this contract is to build a municipal center for recreation, training and qualification.

As at 31 December 2008 three of the Company's aircrafts (British Aerospace BAE/Model 146-300) acquired under the terms of a financial lease contract are pledged as collateral and registered in the Special Pledges Register. Their carrying amount as at 31 December 2008 is BGN 6 590 thousand (31 December 2007 - BGN 6 916 thousand) (See note 6.1).

As at 31 December 2008 the gross carrying amount of the fully depreciated assets in use amounts to BGN 1 913 thousand. (as of 31 December 2007 - BGN 1 546 thousand).

6 Leases

6.1 Finance lease liabilities

The Company is a lessee by a 5-year contract for finance lease signed with ANSEF London on 31 March 2006 for the purchase of 3 aircrafts – BAE with a termination date in April 2011 (See note 5)

The carrying amount of the assets acquired under the terms of a lease contract amounts to BGN 6 590 thousand (2007 – BGN 6 916 thousand). The assets are disclosed in note "Property, plant and equipment" – (See note 5).

Future minimum finance lease payments at the end of the current and former reporting periods under review are as follows:

31 December 2008	Within 1 year	From 1 to 5 years	Total
	BGN'000	BGN'000	BGN'000
Lease payments	2 148	2 767	4 915
Finance charges	(348)	(774)	(1 122)
Net present value	1 800	1 993	3 793

31 December 2007	Within 1 year	From 1 to 5 years	Total
	BGN'000	BGN'000	BGN'000
Lease payments	2 061	4 855	6 916
Finance charges	(441)	(1 110)	(1 551)
Net present value	1 620	3 745	5 365

The acquired aircrafts under the lease contract are rented to Hemus Air EAD under an irrevocable contract for operating subleasing (See note 6.2).

The lease contract includes fixed lease payments and a purchase option in the end of the sixth year of the lease period. The lease agreement is irrevocable but does not contain any further restrictions.

6.2 Operating lease

The Company's future minimum operating lease proceeds to the Company in its capacity of a lessor are as follows:

	Minimum lease proceeds		
	Within 1 year BGN'000	From 1 to 5 years BGN'000	Total BGN'000
31 December 2008	2 344	1 001	3 345
31 December 2007	4 608	24 131	28 739

On 30 April 2006 the Company has signed a 4-year contract with Hemus Air EAD for operating lease of 3 aircrafts BAE 146-300 with a monthly payment of USD 128 856.

7 Investment property

Investment property at the Company includes a building located on 1 Battenberg Street, Sofia, which is rented.

Changes to the carrying amounts presented in the balance sheet can be summarized as follows:

	Investment property BGN '000
Gross carrying amount	
Carrying amount at 1 January 2008	1 964
Carrying amount at 31 December 2008	<u>1 964</u>
Depreciation	
Carrying amount at 1 January 2008	(789)
Depreciation	(79)
Carrying amount at 31 December 2008	<u>(868)</u>
Carrying amount at 31 December 2008	<u><u>1 096</u></u>

Investment property
BGN '000

Gross carrying amount

Carrying amount at 1 January 2007	1 964
Carrying amount 31 December 2007	<u>1 964</u>

Depreciation

Carrying amount at 1 January 2007	(711)
Depreciation	<u>(78)</u>
Carrying amount at 31 December 2007	<u>(789)</u>

Carrying amount at 31 December 2007 1 175

As at 31 December 2008 the fair value of the investment property amounts to BGN 28 674 thousand (as at 31 December 2007 – BGN 24 300 thousand) and is estimated by the Company according to the current market levels. The investment property was not valued by an independent appraiser.

As at 31 December 2008 the Company has not entered into any agreements for purchase of investment property.

The investment property has been recognized in the financial statements of the Company at cost.

Operating income from investment property for 2008 amounts to BGN 35 871 thousand (2007 – BGN 6 313 thousand) and is presented in the Income statement through “Operating income”. Contingent rents have not been recognized. Direct operating expenses amounting to BGN 69 thousand are recognized as “hired services – taxes and fees” (2007: BGN 3 thousand).



8 Investment in subsidiaries

The Company has the following investments in subsidiaries:

Name of the subsidiary	2008 BGN '000	share %	2007 BGN '000	share %
CCB Group EAD	160 270	100.00%	160 270	100.00%
Zarneni Hrani Bulgaria AD	96 057	57.78%	96 058	57.78%
Molet AD	27 626	100.00%	-	-
Bulgarian Aviation Group EAD	25 039	100.00%	23 568	100.00%
Sport Complex Varna AD	22 474	65.00%	22 474	65.00%
Central Cooperative Bank AD	20 477	2.89%	19 196	2.64%
Port Lesport AD	14 880	99.00%	14 880	99.00%
Oil and Gas Exploration and Production Plc.	12 744	52.70%	12 744	52.70%
Bulchimex EOOD	2 500	100.00%	2 500	100.00%
Trans Intercar EOOD	2 095	100.00%	2 095	100.00%
Bulgarian Shipping Company EAD	2 000	100.00%	2 000	100.00%
Energoproekt AD	1 664	83.20%	1 664	83.20%
Chimimport Holland B.V.	1 294	100.00%	-	0.00%
Chimsnab AD	1 011	93.33%	1 011	93.33%
Chimimport Group EAD	998	100.00%	998	100.00%
Asen Nikolov 1 AD	200	10.00%	200	0.00%
HGH Consult Ltd.	111	59.00%	111	59.00%
Brand New Ideas EOOD	5	100.00%	5	100.00%
Anitas 2003 EOOD	5	100.00%	5	100.00%
Prime Lega Consult OOD	4	70.00%	4	70.00%
	391 454		359 783	

The investments in subsidiaries are recognized in the income statement using the cost method.

In February 2008 Chimimport AD has acquired 100% of the share capital of Molet AD.

The Company has made additional installments in the share capital of Bulgarian Aviation Group EAD amounting to BGN 1 475 thousand.

As at 31 December 2008 the share of the Company in the share capital of CCB AD is reclassified from Long-term financial assets to Investments in subsidiaries as the Company has indirect controlling interest on CCB AD.

On 22 July 2008 Chimimport AD acquired 180 shares, each at the amount of EUR 100, which represent 100% of the share capital of Similan Holding OOD, Holland. The company was renamed to Chimimport Holland B.V. In September 2008 the share capital of the company was increased.

As at 31 December 2008 no subsidiaries have been pledged as collateral.

9 Investments in associates

The Company has shares from the share capital of the following companies:

Name of the associate	2008 BGN '000	share %	2007 BGN '000	Share %
Holding Varna AD	34 905	21.27%	-	-
PIC SAGLASIE Co. LTD	15 028	49.28%	15 028	49.28%
Holding Nov Vek AD	9 695	28.20%	-	0.00%
Electroterm AD	715	38.07%	715	38.07%
Konor OOD	5	20.00%	5	20.00%
Kauchuk AD	-	-	1 967	28.07%
Capital management SIPC	-	-	526	23.08%
CCB Real Estate Fund SIPC	-	-	526	23.08%
	60 348		18 767	

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

2008	Holding Varna AD BGN '000	PIC SAGLASIE Co. LTD BGN '000	Holding Nov Vek AD BGN '000	Electroterm AD BGN '000	Total BGN '000
Assets	160 810	11 190	55 241	4 083	231 324
Liabilities	32 617	640	26 625	2 601	62 483
Revenue	10 857	6 981	353	596	18 787
Profit/(Loss)	1 588	857	(1 574)	18	889
Profit/(Loss) attributable to the Company	338	422	(444)	7	323

Financial information about the associates as at 31 December 2007 can be summarized as follows:

2007	PIC SAGLASIE Co. LTD	Kauchuk AD	Electroterm AD	Capital Management SIPC	CCB Real Estate Fund SIPC	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Assets	11 656	39 172	1 624	49 422	939	102 813
Liabilities	1 817	16 242	162	45 307	45	63 573
Revenue	6 276	25 316	1 087	4 991	1	37 671
Profit/(Loss)	422	544	111	2 957	(34)	4 000
Profit/(Loss) attributable to the Company	208	153	42	682	(8)	1 077

In 2008, the Company did not receive any dividends. The investment in the associates is recorded in the financial statements of the Company using the cost method.

10 Intangible assets

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

	Property rights	Trade marks	Software licenses	Intangible assets in process of acquisition	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount					
Carrying amount at 1 January 2008	978	1	51	-	1 030
Additions	-	-	-	601	601
Disposals	-	-	(41)	-	(41)
Carrying amount at 31 December 2008	978	1	10	601	1 590
Amortization					
Carrying amount at 1 January 2008	(733)	(1)	(49)	-	(783)
Disposals	-	-	41	-	41
Amortization	(245)	-	(1)	-	(246)
Carrying amount at 31 December 2008	(978)	(1)	(9)	-	(988)
Carrying amount at 31 December 2008	-	-	1	601	602

In 2008 the Company has recognized intangible assets in process of acquisition at the amount of BGN 601 thousand in relation to a project for construction of a new airport in Kazan, Russia.



	Property rights	Trade marks	Software licenses	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount				
Carrying amount at 1 January 2007	978	1	49	1 028
Additions	-	-	2	2
Carrying amount at 31 December 2007	978	1	51	1 030
Amortization				
Carrying amount at 1 January 2007	(488)	-	(45)	(533)
Amortization	(245)	(1)	(4)	(250)
Carrying amount at 31 December 2007	(733)	(1)	(49)	(783)
Carrying amount at 31 December 2007	245	-	2	247

In 2008 the Company did not enter into any contractual commitments for purchase of intangible assets.

11 Long-term financial assets

	Country	2008	Share	2007	Share
		BGN '000	%	BGN '000	%
AKB Tatinvestbank ZAO	Russia, Kazan	1 136	5.01%	-	-
Chimimport Hungary KKFT	Hungary	82	48.00%	-	-
Plovdivska Stokova Borsa AD	Bulgaria	88	0.00%	88	0.00%
BZOK Zakrila	Bulgaria	10	5.00%	10	5.00%
Oximoron 2003 OOD	Bulgaria	5	47.00%	5	47.00%
Gazinvest AD	Bulgaria	8	8.00%	8	8.00%
Inofert OOD	Bulgaria	2	20.00%	2	20.00%
Unicredit Bulbank AD	Bulgaria	1	0.00%	1	0.00%
		1 332		114	

In 2008 the Company has acquired 718 236 shares with nominal value amounting to 10 rubles, which represent 5.01% of the share capital of Tatinvestbank ZAO – the city of Kazan, Republic of Tatarstan.

In 2008 a limited liability company was registered under the name of “Chimimport Hungary KKFT”, Hungary. As at 31 December 2008 Chimimport AD possesses 48% of the share capital of “Chimimport Hungary KKFT”.

12 Long-term receivables

	2008	2007
	BGN '000	BGN '000
Franchise Development OOD – long-term receivable	5 689	5 682
Tim Consult AD	685	722
Receivables related to cession agreements	88	88
Piero 97 MA - receivables related to cession agreements, long-term portion	-	2 000
OAo Itil Insurance Company	-	5 205
Slanchevi lachi Provardia AD	-	397
Inter Rubber Chemi EOOD	-	70
	6 462	14 164

The loan granted to Franchise Development OOD for a period of 5 years is with a maturity date at 20 October 2013 and annual interest rate equal to 2%. The purpose of the investment is establishment and development of stores for retail sale of home and office supplies. There are no collaterals to the loan.

13 Deferred tax assets

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

Deferred tax assets	1 January 2008	Recognized in the income statement	31 December 2008
	BGN '000	BGN '000	BGN '000
Current liabilities			
Employee and social security obligations	-	6	6
Recognized as:			
Deferred tax assets	-	6	6
	-	6	6

All deferred tax assets are included in the balance sheet.

See note 35 for further information on the Company's tax expense.

14 Inventories

	2008 BGN '000	2007 BGN '000
Raw materials and consumables	2	32
Goods	86	123
	88	155

No reversal of previous write-downs was recognized as a reduction of expense in 2008. None of the inventories are pledged as collateral to liabilities of the Company.

15 Short-term financial assets

	Country	2008 BGN '000	Share %	2007 BGN '000	Share %
PFK Chernomore AD	Bulgaria	4 700	91.67%	4 700	91.67%
Neochim AD	Bulgaria	0	2.38%	3 607	2.38%
Olovno Cinkov Kompleks AD	Bulgaria	-	0.28%	2 746	0.28%
David 202 AD	Bulgaria	519	99.79%	519	99.79%
MIT 2003 EOOD	Bulgaria	161	100.00%	161	100.00%
Zarneni hrani Varna AD	Bulgaria	3	60.00%	3	60.00%
Zarneni hrani Plovdiv OOD	Bulgaria	3	51.00%	3	51.00%
Bulgarian Government Securities		3	-	3	-
		5 389		11 742	

Short-term financial assets are classified as available-for-sale. Most of them are carried at cost, since their fair value cannot be reliably measured. Bulgarian Government Securities are carried at fair value.

As at 31 December 2008 no short-term financial assets are pledged as collateral.

16 Advance payments for purchase of financial instruments

	2008	2007
	BGN '000	BGN '000
Shares from secondary offering of public companies, which are not yet traded on the stock exchange	-	61 289
	<u>-</u>	<u>61 289</u>

31 December 2007

Company	Number of shares	Gross carrying amount in BGN
Holding Nov Vek AD	439 107	9 694 899
Holding Varna AD	446 612	20 227 463
Industrial Holding Bulgaria AD	4 011 337	31 366 235
		<u>61 288 597</u>

As at 31 December 2007 Chimimport AD has purchased non-exercised rights of Industrial Holding Bulgaria and Holding Nov Vek from the centralized trade of non-exercised rights. Chimimport is authorized to subscribe 4 011 337 shares of Industrial Holding Bulgaria and 439 107 shares of Holding Nov Vek.

On 28 January 2008, an application for registration of a subsequent emission of stocks segment "B" on the Unofficial Stock Market was filed to the Bulgarian Stock Exchange:

- Issuer: Holding Nov Vek AD /HNVEK/;
- ISIN code of the emission: BG1100058988;
- Amount of the emission before the increase: BGN 649 620;
- Amount of the increase: BGN 907 589;
- Amount of the emission after the increase: 1 557 209 shares;
- Nominal value per share: 1 /one/ BGN.

On a meeting with protocol number 03/28.01.2008, The Board of the Directors of BSE-Sofia AD took the following decision:

In connection with a Resolution of the Commission for Financial Supervision number FS N122-E/23.01.2008 regarding the subscription of subsequent emission of securities, issued by "Industrial Holding Bulgaria" AD /IHLBL/, in the registry of public companies and other issuers, according to article 30, par. 1, section 3 from the Commission for Financial Supervision Act, we inform of the following:

The Board of the Directors of BSE-Sofia AD, on the grounds of article 58, in relation with article 51, paragraphs 5 and 6 from the Bulgarian Stock Exchange Regulations, registers segment “A” subsequent emission of securities on the Official Stock Market, as follows:

- Issuer: Industrial Holding Bulgaria AD /IHLBL/;
- ISIN code of the emission: BG1100019980;
- Amount of the emission before the increase: BGN 26 254 040;
- Amount of the increase: BGN 17 502 078;
- Amount of the emission after the increase: 43 756 118 shares;
- Nominal value per share: BGN 1 /one/;
- Type of shares: ordinary registered dematerialized voting shares;
- Date of initial trading: 30 January 2008 /Wednesday/

17 Loans granted

	2008	2007
	BGN '000	BGN '000
Abas EOOD	28 066	22 646
INO EOOD	11 216	1 513
General Stock Investment EOOD	8 964	8 450
Loriyan EOOD	8 920	3 596
New Industrial Company EOOD	7 580	66
ROSTINVEST AD	7 049	-
AKIN EOOD	6 157	6 158
PFK Chernomore AD	4 470	943
Business center Izgrev EOOD	4 191	4 485
Axe 77 EOOD	3 385	3 645
Armi Group EOOD	2 163	-
Bliasak EOOD	1 930	5 143
Velgraf Assets Management EAD	1 162	2 056
Office 1 Superstore – Ukraine	1 001	1 001
Ital Commerce 75 EOOD	1 103	-
Finance Consulting EAD	-	4 809
Fintrans AD	-	1 118
Vitela Net AD	-	1 000
Other	23 922	7 870
	121 279	74 499

Short-term loans are granted with annual interest rates from 7% to 12.10%, depending on the maturity date. The loans are receivable on demand of the Company. None of the loans has any collateral pledged. The fair value of the granted loans has not been determined separately, as the management considers the carrying amounts recognized at the balance sheet to be a reasonable approximation of their fair value. As at 31 December 2008 there are no receivables pledged as collateral.

18 Trade receivables and advance payments

	2008	2007
	BGN '000	BGN '000
Almaz AD	17 748	-
BIT AD	14 862	-
TK Ural OOD	9 352	-
Finist OOD	10 012	-
Piero 97 MA AD – short-term portion	2 461	2 256
Velgraf Assets Management EAD	4 453	-
Other	11 185	1 923
	70 073	4 179

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

The fair value of the trade receivables is not determined separately, as the management considers the carrying amounts recognized at the balance sheet to be a reasonable approximation of their fair value.

All trade receivables have been reviewed for indicators of impairment.

Trade receivables are due within 30 to 120 days and do not bear any effective interest rate. All trade receivables are subject to credit risk. The management of the Company does not identify a specific credit risk as the trade receivables comprise of a large number of separate clients.



19 Other receivables

	2008	2007
	BGN '000	BGN '000
Interest receivables on long-term and short-term loans – note 19.1	11 562	3 761
Court receivables – note 19.2	222	135
Refundable VAT – December	75	39
Short-term deposits	3 925	3 987
Other short-term receivables	3 067	2 783
	18 851	10 705

19.1 Interest receivables on long-term and short-term loans

	2008	2007
	BGN '000	BGN '000
Abas EOOD	2 400	94
General Stock Investment EOOD	1 148	139
Loriyan EOOD	872	160
Business Center Izgrev EOOD	821	280
Bliasak EOOD	733	219
AKS 77 EOOD	552	138
PFK Chernomore AD	491	190
Franchise Development OOD	350	237
Nordius EOOD	257	202
Energomat OOD	183	183
Zarneni hrani Plovdiv OOD	178	141
Tim Consult EOOD	170	-
Andezit OOD	80	49
Office 1 Superstore – Ukraine	67	51
Nomokanon 2000 EOOD	22	289
Finance Consulting EAD	-	391
Niko Commerce EOOD	-	134
Other	3 238	864
	11 562	3 761



19.2 Court receivables

	2008 BGN '000	2007 BGN '000
Hydrotehnika AD	37	40
Privatization Agency	90	-
ET Skud – Mehti Kasamov	34	24
Other	61	71
	222	135

20 Cash and cash equivalents

Cash and cash equivalent include the following components:

	2008 BGN '000	2007 BGN '000
Cash at bank and in hand:		
- BGN	68 126	29 537
- EUR	33 708	63 199
- USD	6	109
	101 840	92 845

21 Equity

21.1 Share capital

As at 31 December 2008 the shareholders of Chimimport AD are 4 709 private individuals and legal entities. The nominal value of each share is at the amount of BGN 1. The shares of the Company are ordinary, registered and subject to unrestricted transfers.

	2008 BGN '000	2007 BGN '000
Issued and fully paid shares:		
- beginning of the year	150 000	130 000
- issued during the year	-	20 000
Shares issued and fully paid as at 31 December	150 000	150 000



The list of the principal shareholders is as follows:

	2008	2008	2007	2007
	Number of shares	%	Number of shares	%
Chimimport Invest AD	109 423 676	72.95%	114 808 367	76.54%
Julius Baer	11 573 251	7.72%	11 278 610	7.52%
CCB Group EAD	5 192 408	3.46%	-	-
DSK – funds (OTP Group)	1 192 921	0.80%	658 800	0.44%
EFG Eurobank Clients ACC	1 674 279	1.12%	2 890 615	1.93%
Scandinavian Enskilda Banken	1 300 456	0.87%	1 541 966	1.03%
DIAS Investment Company Athens	818 230	0.55%	897 106	0.60%
Consolid Commerce EAD	704 276	0.47%	704 276	0.47%
MEI – Romanian and Bulgaria funds	545 688	0.36%	510 161	0.34%
Danske fund Eastern Europe – Luxembourg	500 000	0.33%	-	-
ABNAMRO BANK – London	347 517	0.23%	497 276	0.33%
Raiffeisen Central Bank – Austria	265 581	0.18%	267 898	0.18%
Bank Austria Kredit Anstalt	-	-	860 354	0.57%
Invest Bank AD	776 549	0.52%	517 800	0.35%
Raiffeisen – mutual funds	200 000	0.13%	366 100	0.24%
Banka KOPER Slovenia	-	-	228 934	0.15%
Standard Investment – mutual funds	144 522	0.10%	132 647	0.09%
Other legal entities	8 435 106	5.62%	8 009 387	5.34%
Other private individuals	6 905 524	4.60%	5 829 687	3.89%
	149 999 984	100%	149 999 984	100%

Withholding tax for dividends due from individuals and foreign legal entities for 2008 and 2009 amounts to 5% and the tax is deducted from the gross amount of dividends.

21.2 Share premium

In 2008 there are no changes in the share premium amounting to BGN 232 343 thousand. The share premium in 2007 amounting to BGN 199 418 thousand is accumulated from the Secondary Public Offering (SPO) of the shares of the Company in the period from 10 September 2007 to 2 October 2007. The expenses related to the share issue, amounting to BGN 581 thousand, are deducted from the share premium.

The share premium from the year 2006 amounting to BGN 32 925 thousand is accumulated from the Initial Public Offering (IPO) of shares of the Company in the period from 7 September 2006 to 20 September 2006. The number of the submitted purchase requisition forms, and the number of investors respectively, exceeds 2 100. The proceeds to Chimimport AD exceed the listed emission more than 2.5 times. The expenses related to the share issue, amounting to BGN 327 thousand are deducted from the share premium.

21.3 Other reserves

Other reserves, amounting to BGN 6 734 thousand as at 31 December 2008 (BGN 6 834 thousand as at 31 December 2007), are accumulated in accordance with the requirements of the Commercial Act for accumulation of statutory reserves.

22 Long-term trade payables

	2008	2007
	BGN '000	BGN '000
Trade payables to ANZ Bank, Australia – long-term portion	-	864
	<u>-</u>	<u>864</u>

The debt to ANZ Bank Australia is related to a lease contract for purchase of 3 airplanes BAe/146-200 for the amount of USD 9 289 680. The Company paid in full the total amount of the debt payable to ANZ Bank Australia in 2008.

23 Short-term bank and other loans

	2008	2007
	BGN '000	BGN '000
Short-term bank loans	2 920	4 642
Repurchase agreements	-	20 038
Short-term payables on loans received	9 149	4 962
	<u>12 069</u>	<u>29 642</u>



23.1 Short-term bank loans

	2008 BGN '000	2007 BGN '000
Bulgarian Post Bank – investment credit – short-term portion	-	1 428
DSK Bank AD	2 920	2 920
Hebros Bank AD – long-term portion	-	294
	2 920	4 642

Loan agreement with DSK Bank AD

The bank loan from DSK Bank AD is defined by contract 599/02.10.2006, with a maturity on 02 October 2009. The loan is secured with a mortgage on buildings part of the “Dom na geologa” area, in St.st. Konstantin and Elena resort, owned by Parkbuild. The negotiated interest rate is the base interest rate plus 3.5%.The amount of the loan is BGN 3 million.

23.2 Repurchase agreements

	2008 BGN '000	2007 BGN '000
Bulgarian Post Bank AD – repurchase agreement	-	12 182
Bulgarian Post Bank AD – repurchase agreement	-	7 376
Interest payables from repurchase agreements	-	480
	-	20 038

As at 31 December 2007 payables from repurchase agreement are related to two contracts for reverse repo of securities with Bulgarian Post Bank AD.

- Contract signed on 29 June 2007 with maturity date on 26 December 2007 and interest amounting to BGN 274 thousand.
- Contract signed on 12 October 2007 with maturity date on 12 April 2008 and interest amounting to BGN 206 thousand.

23.3 Short-term payables on loans received

	2008 BGN '000	2007 BGN '000
Denis 2001 OOD	3 362	4 096
Neftena Targovska Kompania EOOD	4 933	866
Other	854	-
	<u>9 149</u>	<u>4 962</u>

Short-term loans are received with annual interest rates from 9% to 10% depending on the maturity date. The loans are payable on demand of the lender. None of the loans has any collateral pledged. The fair value of the received loans has not been determined separately, as the management considers the carrying amounts recognized at the balance sheet to be a reasonable approximation of their fair value.

24 Trade payables

	2008 BGN '000	2007 BGN '000
Samokov Municipality	3 661	3 661
ANZ Bank, Australia – short-term portion	-	2 473
Liabilities from advance payments	2 309	-
Other	2 275	2 233
	<u>8 245</u>	<u>8 367</u>

The fair value of the trade and other payables has not been presented, as the management considers the carrying amounts presented at the balance sheet to be a reasonable approximation of their fair value, due to their short-term nature.

25 Tax liabilities

	2008 BGN '000	2007 BGN '000
Corporate income tax	6 469	443
Income tax of individuals	2	117
Taxes on expenses	15	7
	<u>6 486</u>	<u>567</u>

26 Employee remuneration

26.1 Employee benefits expenses

Expenses recognized as employee benefits include:

	2008	2007
	BGN '000	BGN '000
Wages	708	709
Social security expenses	111	48
	<u>819</u>	<u>757</u>

26.2 Payables to employees and social security institutions

Payables to employees for pension, wages and unused paid leaves, presented in the balance sheet consist of the following amounts:

	2008	2007
	BGN '000	BGN '000
Payables to personnel	45	44
Social security payables	34	14
Payables for unused leaves	14	-
	<u>93</u>	<u>58</u>

27 Other payables

	2008	2007
	BGN '000	BGN '000
Interest payables on short-term loans	997	873
Other short-term payables	7 867	3 354
	<u>8 864</u>	<u>4 227</u>



Interest payables

	2008	2007
	BGN '000	BGN '000
Denis 2001 OOD	378	13
Neftena Targovska Kompania EOOD	253	249
Velgraf Assets Management EAD	169	170
Ital Commerce EOOD	107	64
Prima Chim EOOD	14	14
St. st. Konstantin and Elena Holding AD	-	17
Rentapark OOD	-	5
Canopus Star OOD	-	5
Other	76	336
	997	873

28 Gains from transactions with financial instruments

	2008	2007
	BGN '000	BGN '000
Gains from transactions with financial instruments	36 099	78 303
	36 099	78 303

29 Losses from transactions with financial instruments

	2008	2007
	BGN '000	BGN '000
Losses from transactions with financial instruments	1 109	-
	1 109	-



30 Interest income and interest expenses

	2008	2007
	BGN '000	BGN '000
Interest income, resulting from:		
- loans granted	18 469	7 045
- bank deposits	81	239
	18 550	7 284
Interest expense, resulting from:		
- bank loans	736	941
- finance lease	442	418
- loans received	7 845	2 634
	9 023	3 993

31 Other financial income and expenses

	2008	2007
	BGN '000	BGN '000
Other financial income		
Income from transactions with cession agreements	664	-
Other income	1	145
	665	145
Other financial expenses		
Bank charges and commissions	(123)	(241)
Fines and penalty charges	(167)	(81)
Other financial expenses	(70)	-
	(360)	(322)



32 Operating revenue

	2008	2007
	BGN '000	BGN '000
Revenue from goods sold	46	179
Revenue from services	1 195	1 711
Revenue from investment properties	35 871	6 313
Other operating income	156	-
	37 268	8 203

33 Gain from sale of non-current assets

	2008	2007
	BGN '000	BGN '000
Income from sale of non-current assets	27 068	-
Net carrying amount of non-current assets sold	(8 354)	-
	18 714	-

34 Operating expenses

	2008	2007
	BGN '000	BGN '000
Cost of goods sold	37	152
Cost of materials	48	39
Hired services expenses	2 887	4 087
Depreciation and amortization	2 600	2 602
Employee benefits expenses	819	757
Other expenses	1 788	393
	8 179	8 030



35 Tax (expense)/ income

The relationship between the expected tax expense based on the effective tax rate for 2008 of the Company at 10 % (2007: 10 %) and the tax expense actually recognized in the income statement can be reconciled as follows:

	2008	2007
	BGN '000	BGN '000
Profit for the year before tax	92 480	82 386
Tax rate	10%	10%
Expected tax expense	(9 248)	(8 239)
Tax effect from deductions of the financial result	3 058	8 630
Tax effect from additions to the financial result	(285)	(833)
Current tax expense	(6 475)	(442)
Tax expense	10%	10%
Deferred tax income, resulting from:		
- accrual and reversal of temporary tax differences	6	539
Tax (expense)/income	(6 469)	97

Note 13 presents information on the deferred tax assets.

36 Earnings per share

The basic earnings per share have been calculated using the net profit attributable to shareholders of the Company as the numerator.

	2008	2007
	BGN	BGN
Net profit attributable to shareholders	86 011 000	82 483 000
Weighted average number of shares	149 999 984	133 890 408
Basic earnings per share (BGN per share)	0.5734	0.6160

During 2008 and 2007 the Company did not pay any dividends to its shareholders.

37 Related party transactions

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received.

Transaction with owners	2008	2007
	BGN '000	BGN '000
Sales		
<i>- Sales of financial instruments</i>		
Chimimport Invest AD	26 000	-
Transactions with subsidiaries and associates	2008	2007
	BGN '000	BGN '000
Sales		
<i>- sales of goods</i>		
Rubber trade OOD	34	48
Chimoil Trade OOD	-	3
<i>- gains from sale of non-current assets</i>		
Bulgarian Aviation Group EAD	15 568	-
<i>- sales of financial instruments</i>		
Bulgarian Shipping Company EAD	-	4 850
ZPAD Armeec	-	3 602



- sales of services, rent income and interest income

	2008	2007
	BGN '000	BGN '000
Hemus Air EAD	4 085	4 893
Brand New Ideas EOOD	2 829	1 683
Bulgarian Aviation Group EAD	2 545	-
Bulgarian Shipping Company EAD	1 801	135
Chimsnab AD	390	-
Holding Nov Vek AD	274	-
POAD CCB Sila	94	97
Omega Finance OOD	83	1
Rubber trade OOD	22	17
Fertilisers Trade OOD	14	16
Oil and Gas Exploration and Production Plc.	13	13
Chimoil Trade OOD	12	10
Orgachim Trading 2008 OOD	12	12
Chimtrans OOD	10	10
Chimcelteks OOD	10	4
Port Balchik AD	6	-
Asen Nikolov 1 AD	5	-
Chimimport Pharma	2	-
HGH Consult Ltd.	-	32
Prime Lega Consult OOD	-	5
Parahodstvo BRP AD	-	4

Purchases

	2008	2007
	BGN '000	BGN '000
<i>- purchases of services, goods and interest (associates)</i>		
Holding Varna AD	170	66



	2008	2007
	BGN '000	BGN '000
<i>- purchases of services, goods and interest (subsidiaries)</i>		
Chimimport Holland B.V.	4 336	-
ZAD Armecc	569	258
Zarneni Hrani Bulgaria AD	566	76
Hemus Air EAD	382	-
Port Lesport AD	306	176
HGH Consult Ltd.	306	239
CCB Life EAD	292	-
Sport Complex Varna	170	308
CCB Group EAD	157	93
Oil and Gas Exploration and Production Plc.	190	155
Trans Intercar EOOD	61	158
Prime Lega Consult OOD	60	74
Bulgaria Air AD	32	-
ZOK CCB	36	-
Brand New Ideas EOOD	20	84
Chimimport Systems OOD	19	19
Chimsnab AD	16	16
Geofizichni izsledvaniya	8	14
Rubber Trade OOD	2	6
Orgachim trading 2008 OOD	-	16
Transactions with key management personnel	2008	2007
	BGN '000	BGN '000
Short-term employee benefits		
- wages	168	144
- social security costs	14	13
- Company car allowance	26	20



37.1 Balances at year end

Long-term receivables due from related parties:	2008	2007
	BGN '000	BGN '000
<i>- subsidiaries</i>		
Bulgarian Aviation Group EAD	90 304	48 009
CCB Group EAD	38 631	-
Bulgarian Shipping Company EAD	28 699	23 456
<i>- associates</i>		
Holding Nov Vek AD	-	9 004
PIC Saglasie Co. Ltd	-	1 000
	157 634	81 469
<hr/>		
Short-term receivables due from related parties:	2008	2007
	BGN '000	BGN '000
<i>- subsidiaries</i>		
Bulgarian Aviation Group EAD	22 196	2 696
Trans Intercar EOOD	13 622	9 005
Bulgarian Shipping Company EAD	3 528	1 739
ZAD Armeec	3 420	1 872
Bulchimex EOOD	1 469	1 095
Hemus Air EAD	1 408	1 292
CCB Group EAD	1 074	-
Brand New Ideas EOOD	652	350
Energoproekt AD	550	626
Rubber Trade OOD	306	265
Chimcelteks OOD	255	245
Chimimport Group EAD	108	246
Chimoil Trade OOD	116	105
Chimsnab AD	22	164
Oil and Gas Exploration and Production Plc.	-	521
Omega Finance OOD	-	187
Zarneni Hrani Bulgaria AD	-	114
Other, below BGN 100 thousand	261	264
	48 987	20 786
	<hr/>	<hr/>
<i>Including trade receivables</i>	<i>16 920</i>	<i>2 167</i>
<i>Including interest receivables</i>	<i>14 895</i>	<i>5 949</i>



	2008	2007
	BGN '000	BGN '000
<i>- associates</i>		
Holding Varna AD	1	1 692
Holding Nov Vek AD	7 365	578
Konor OOD	822	1 016
PIC Saglasie Co. Ltd.	739	939
	8 927	4 225
<i>Including trade receivables</i>	-	200
<i>Including interest receivables</i>	1 139	-
Total short-term receivables due from subsidiaries and associates	57 914	25 011
Long-term payables due to related parties:		
	2008	2007
	BGN '000	BGN '000
<i>- owners</i>		
Chimimport Invest AD	168 353	146 709
<i>- subsidiaries</i>		
Chimimport Holland B.V.	124 086	-
Sport Complex Varna AD	-	12 928
Bulgaria Air AD	-	10 000
Port Lesport AD	-	8 279
Chimsnab AD	-	681
	292 439	178 597

On 18 August 2008 Chimimport AD through its subsidiary Chimimport Holland B.V. with the approval of the Supervisory Board of Chimimport AD successfully issued secured exchangeable bonds for the aggregate principal amount of EUR 65 millions with a 7-year maturity due 2015, exchangeable for fully paid ordinary shares of Chimimport AD, listed on the Bulgarian Stock Exchange – Sofia. The bonds are with attached coupons bearing a fixed annual interest rate amounting to 7%.

The long-term payables to Chimimport Invest AD are related to a contract for long-term investments, signed in 2007. Under this contract gains from investments are distributed to the investor.



Short-term payables due to related parties:	2008	2007
	BGN '000	BGN '000
<i>- owners</i>		
Chimimport Invest AD	582	582
<i>Including interest payables</i>	582	582
<i>- subsidiaries</i>		
Port Lesport AD	7 003	192
Chimimport Holland EAD	3 278	-
Oil and Gas Exploration and production Plc.	2 765	-
Sport Complex Varna AD	2 697	308
CCB Life EAD	2 226	-
CCB AD	1 581	3 712
ZAD Armeec	725	-
ZOK CCB EAD	636	-
Omega Finance OOD	480	-
Bulgaria Air AD	347	259
CCB Group EAD	157	6 422
HGH Consult OOD	112	227
Other, below BGN 100 thousand	3 710	703
	25 717	11 823
<i>Including trade payables</i>	271	413
<i>Including interest payables</i>	5 743	1 424
<i>- associates</i>		
Holding Varna AD	32 045	-
Holding Nov Vek AD	334	-
	32 379	-
<i>Including interest payables</i>	337	-
Total short-term payables to subsidiaries and associates	58 678	12 405

38 Risk management objectives and policies

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The Company's risk management is coordinated by its managing Board, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in note 38.6. The main types of risks are market risk, credit risk and liquidity risk.

38.1 Foreign currency risk

Most of the Company's transactions are carried out in Bulgarian leva (BGN). Exposures to currency exchange rates arise from the Company's transactions in foreign currency, which are denominated in US-Dollars. The Company has long-term trade payables and long-term finance lease payables in US-Dollars, major portion of which are related to the purchase of aircrafts. Those payables are carried at amortized cost. The Company has short-term and long-term receivables in US-Dollars. Those receivables are classified as loans and receivables.

The transactions of the Company denominated in Euro do not expose the Company to foreign exchange risk as the rate of the Bulgarian lev to Euros is fixed.

To mitigate the Company's exposure to foreign currency risk, non-BGN cash flows are monitored. Company's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due over 6 months).

Foreign currency denominated financial assets and liabilities, translated into Bulgarian leva at the closing rate, are as follows:

	Short-term exposure		Long-term exposure	
	USD BGN '000	EUR BGN '000	USD BGN '000	EUR BGN '000
31 December 2008				
Financial assets	1 971	33 703	207	-
Financial liabilities	2 148	4 530	1 646	291 187
Total exposure	4 119	38 233	1 853	291 187
31 December 2007				
Financial assets	1 928	63 199	5 682	-
Financial liabilities	4 117	-	4 481	146 709
Total exposure	6 045	63 199	10 163	146 709

The following table illustrates the sensitivity of post-tax profit for the year in regards to the Company's financial assets and financial liabilities and the USD/BGN exchange rate.

It assumes +/- 7.21% change of the BGN/USD exchange rate for the year ended at 31 December 2008 (2007: 5.00%). These percentages have been determined based on the average exchange rates in the previous 12 months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date.

If the BGN had increased/decreased against the USD by 7.21% and (2007: 5.00%) then this would have had the following impact:

	Post-tax profit for the year	Post-tax profit for the year
	Increase BGN '000	Decrease BGN '000
31 December 2008	(105)	+105
31 December 2007	(44)	+44

Exposures to foreign exchange rates vary during the year depending on the volume of transactions in foreign currency. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

38.2 Interest rate sensitivity

The Company's policy is to minimize interest rate cash flow risk exposures on short-term financing. At 31 December 2008, the Company is exposed to changes in market interest rates through short-term bank loans at variable interest rates.

The following table illustrates the sensitivity of post-tax profit for the year to a reasonably possible increase/decrease in the following interest rates: 3M EUR LIBOR and BIR (*basic interest rate*). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the volatility of the average market interest rate for each period. All other variables are held constant.

31 December 2008	Impact on post-tax profit for the year					
	3M EUR LIBOR		BIR		Total	
	+ 10.33%	- 10.33%	+ 6.75%	- 6.75%	+	-
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
	(3)	3	(19)	19	(22)	22

31 December 2007

Impact on post-tax profit for the year					
3M EUR LIBOR		BIR		Total	
+ 8.30%	- 8.30%	+ 8.32%	- 8.32%	+	-
BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
(4)	4	(12)	12	(16)	16

38.3 Other price risk sensitivity

The Company is exposed to other price risk in respect of the following investments and associates, the shares of which are listed on the Bulgarian Stock Exchange – Sofia:

- Zarneni Hrani Bulgaria AD – subsidiary;
- CCB AD – subsidiary;
- Oil and Gas Exploration and Production Plc.– subsidiary;
- Holding Varna AD – associate;
- Holding Nov Vek AD – associate.

The investments in subsidiaries and associates, traded on Bulgarian stock exchange, are considered long-term, strategic investments. In accordance with the Company's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Company's favor.

38.4 Credit risk

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2008 BGN '000	2007 BGN '000
Non-current assets		
Long-term financial assets	1 332	114
Long-term receivables	164 096	95 633
	165 428	95 747
Current assets		
Short-term financial assets	5 389	11 742
Advance payments for purchase of financial instruments	-	61 289
Loans granted	121 279	74 499
Trade and other receivables	146 838	39 895
Cash and cash equivalents	101 840	92 845
	375 346	280 270

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

As at the balance sheet date there are no significant not impaired trade receivables that are overdue.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

38.5 Liquidity risk analysis

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows and inflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. The need for cash is compared to the available loans in order to determine shortage or surplus. This analysis determines whether the loans available will be enough to cover the Company's needs for the period.

The Company maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2008 Company's liabilities (including interest payables) have contractual maturities which are summarized below:

31 December 2008	Current			Non-current		
	Within 12 months	From 1 to 5 years	More than 5 years	Within 12 months	From 1 to 5 years	More than 5 years
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Bank loans	2 920	-	-	-	-	-
Payable to related parties	58 678	168 353	124 086	-	-	-
Finance lease liabilities	1 800	1 993	-	-	-	-
Trade and other payables	26 258	-	-	-	-	-
Total	89 656	170 346	124 086			

This compares to the maturity of Company's financial liabilities in the previous reporting period as follows:

31 December 2007	Current	Non-current	
	Within 12 months BGN '000	From 1 to 5 years BGN '000	More than 5 years BGN '000
Bank loans	4 642	-	-
Payable to related parties	12 405	178 597	-
Finance lease liabilities	1 620	3 745	-
Trade and other payables	37 594	864	-
Total	56 261	183 206	-

38.6 Summary of financial assets and liabilities by category

The carrying amounts of Company's financial assets and liabilities as recognized at the balance sheet date of the reporting periods under review may also be categorized as follows:

Financial assets	2008 BGN '000	2007 BGN '000
Financial assets available-for-sale		
- non-current	1 332	114
- current	5 389	11 742
Credits and receivables:		
- loans granted – non-current	164 096	95 633
- loans granted –current	179 193	99 510
- trade and other receivables	88 924	14 884
- cash and cash equivalents	101 840	92 845
	540 774	314 728
Financial liabilities	2008 BGN '000	2007 BGN '000
Financial liabilities designated at fair value through profit or loss:		
- non-current payables	168 353	146 709
Financial liabilities measured at amortized cost:		
Non-current liabilities:		
- loans	123 904	31 888
- finance lease liabilities	1 993	3 745
- trade payables	-	864
Current liabilities:		
- loans	70 747	42 047
- finance lease liabilities	1 800	1 620
- trade and other payables	17 109	12 594
	383 906	239 467

39 Capital management policies and procedures

Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the correlation between capital and net debt.

Net debt is calculated as general debt less the carrying amount of cash and cash equivalents.

Company's goal is to maintain a capital-to-net debt ratio in a reasonable range, which would ensure relevant and conservative ratio of financing.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amount of the correlation for the presented accounting periods is summarized as follows:

	2008	2007
	BGN '000	BGN '000
Equity	623 796	537 885
Capital	623 796	537 885
Debt	390 677	240 092
- Cash and cash equivalents	(101 840)	(92 845)
Net debt	288 837	147 247
Capital to net debt	1 : 0.46	1 : 0.27

The increase of the correlation between capital to net debt in 2008 compared to 2007 is a result of the increase of the long-term debt of the Company.

40 Post balance sheet events

The management of the Company declares that for the period after the balance sheet date until the date of the approval of the financial statements by the Managing Board, March 31 2009, no significant and/or material non-adjusting events took place concerning the activities of the Company.