

JUMBO EC. B EOOD

**ANNUAL DIRECTORS' REPORT
ANNUAL FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

31 DECEMBER 2011

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JUMBO EC. B EOOD

ANNUAL DIRECTORS' REPORT

31 DECEMBER 2011

The management of JUMBO EC. B EOOD presents their Directors' Report and the Annual Financial Statements as at 31 December 2011 prepared under the International Financial Reporting Standards, adopted for use in the European Union ("IFRS").

DESCRIPTION OF ACTIVITIES

JUMBO EC. B EOOD („*The Company*") is registered with company case № 9856 / 2005 on 1 September 2005 and is filed in the Trade Companies Register under № 96904, volume 1291, page 59 with domicile: Republic of Bulgaria, Sofia, 51 Bulgaria Blvd. and BULSTAT ID № 131476411.

The Company has the following activity subject: manufacture and wholesale and retail trade of all kinds of goods, including kid's products, toys, baby's products, office consumables, clothes, shoes, accessories for clothes and shoes, furnitures, tourist equipment and appliances, presents, all kinds of electrical appliances, technics and electronics, foods and agricultural produce, industrial and craftsmanship goods and export of all abovementioned goods and products, and representations of local and foreign companies, manufacturing the same goods and products; execution of all kind of construction activities; sales and purchases, renting and utilizing of real estate; creation and exploitation of all kinds of tourist and hotel objects (hotels, restaurants, coffee shops, entertainment centres); advertising. The Company is entitled to all other kinds of activities that are not forbidden under the legislation of Republic of Bulgaria.

The Company has stores at the territory of the cities of Sofia, Plovdiv, Varna and Burgas.

The Company has predominantly retail sales to a large number of customers. The major single customer of the Company in 2011 was JUMBO S.A., Greece ("*The Parent Company*").

The major suppliers of the Company in 2011 were the Parent Company, Voyatzoglou Systems S.A., Greece, Sienit Invest OOD, Bulgarconsult AI EOOD and others.

In 2011 the Company had no following research and development activities.

ANALYSIS OF THE ACTIVITIES' RESULTS

Sales Revenue

The Company generated sales revenue in 2011 for the amount of BGN 50,375 thousand from sales of merchandise as disclosed in Note 15 to the financial statements. The increase in the sales revenue from sales of merchandise in 2011 is BGN 12,223 thousand (32 %) in comparison to 2010. This is due to the fact that the Company opened two new stores in the cities of Varna and Burgas.

Operating Expenses

The Company's operating expenses, analysed based on their nature and not on base of the function they pertain to and without considering the cost of sold merchandise were as follows:

| Type of expense | All amounts in BGN thousand unless shown percentages | | | |
|---------------------------------------|--|--------------|---------------|--------------|
| | Year 2011 | % | Year 2010 | % |
| Expenses for materials | 2,666 | 15% | 1,567 | 15% |
| Expenses for external services | 2,274 | 13% | 863 | 8% |
| Depreciation and amortization charges | 4,619 | 26% | 2,320 | 22% |
| Employee benefit costs | 4,603 | 26% | 3,384 | 32% |
| Expenses for other taxes | 1,038 | 6% | 722 | 7% |
| Other expenses | 2,525 | 14% | 1,754 | 17% |
| | 17,725 | 100 % | 10,610 | 100 % |

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Financial Result

The financial result of the Company in 2011 was a net profit of BGN 5,980 thousand (2010: BGN 7,860 thousand), which represents 11.90 % of the sales revenue for 2011 (2010: 20.60%). The decrease in the Company's earnings is due mainly to the increase of the Company's operating expenses in connection with the two new stores and the decrease in the finance income.

At the moment no meeting of the Board of Directors of the single shareholder is scheduled to be held 2012 at which to be taken a decision for distribution of the realised financial result in the form of dividends and/or transfer of the realised financial result into the Retained earnings.

Non-current Assets

The non-current assets of the Company at the end of the reporting period were BGN 168,298 thousand, consisting mainly of property, plant and equipment amounting to BGN 161,173 thousand (95.80 %). The remaining non-current assets represent mainly trade and other receivables amounting to BGN 7,011 thousand (4.20 %), as well as intangible assets and deferred tax assets. Additional information about the non-current assets is disclosed in Notes 6, 7, 9 and 11 to the financial statements.

Current Assets

The current assets of the Company at the end of the reporting period were BGN 36,011 thousand, consisting mainly of inventories amounting to BGN 16,499 thousand (45.80 %). The remaining current assets represent mainly cash and cash equivalents amounting to BGN 16,045 thousand (44.60 %), as well as trade and other receivables amounting to BGN 3,130 thousand (8.70 %) and current receivables from overpaid corporate income tax. Additional information about the current assets is disclosed in Notes 8, 9, 10 and 23 to the financial statements.

Non-current Liabilities

The non-current liabilities of the Company at the end of the reporting period were BGN 20 thousand, consisting only of retirement benefit obligations. Additional information about the non-current liabilities is disclosed in Note 14 to the financial statements.

Current Liabilities

The current liabilities of the Company at the end of the reporting period were BGN 39,465 thousand, consisting only of trade and other payables. Additional information about the current liabilities is disclosed in Note 13 to the financial statements.

Share Capital

With a decision of the Board of Directors of the Parent Company dated 3 January 2011 the share capital of the Company is increased with BGN 4,888,900 to BGN 123,030,200 with cash contributions. The par value of a share is not changed; the number of shares increases, as disclosed in Note 12 to the financial statements.

With a decision of the Board of Directors of the Parent Company dated 28 February 2011 the share capital of the Company is increased with BGN 13,690,800 to BGN 136,721,000 with cash contributions. The par value of a share is not changed; the number of shares increases, as disclosed in Note 12 to the financial statements.

After the above mentioned changes, the share capital of the Company at the end of the reporting period was BGN 136,721,000 thousand which consists of 1,367,210 shares with par value of BGN 100 each. The single shareholder of the Company as at 31 December 2011 is JUMBO S.A., Greece, as disclosed in Note 12 to the financial statements.

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ANNUAL DIRECTORS' REPORT

31 DECEMBER 2011

FINANCIAL RATIOS

Liquidity

Current ratio = Current assets / Current liabilities = 36,011 / 39,465 = **0.91** (2010: **1.03**)

Quick ratio = (Current assets – Inventory) / Current liabilities = (36,011 – 16,499) / 39,465 = **0.49** (2010:**0.51**)

Absolute ratio = Cash and cash Equivalents / Current liabilities = 16,045 / 39,465 = **0.41** (2010: **0.38**)

Net working capital = Current assets – Current liabilities задължения = 36,011 – 39,465 = **(3,454)** (2010: **731**)

Profitability

Gross profit margin = Gross profit / Sales revenue = 22,664 / 50,375 = **44.99%** (2010: **44.78%**)

Pre-tax return on assets = Profit before income tax / Total assets = 6,720 / 204,309 = **3.29%** (2009: **5.39%**)

Return on equity = Net profit / Equity = 5,980 / 164,824 = **3.63%** (2009: **5.60%**)

Activity

Days in inventory = Average inventory * 365 / Cost of sales = 14,230 * 365 / 27,711 = **187 days** (2009: **162 days**)

Total asset turnover = Sales revenue / Average total assets = 50,375 / 183,847 = **27.40%** (2009: **25.93%**)

MANAGEMENT

The management of the Company is carried out by Marios Petridis, General Manager and Alexandra Mihova, Managing Director.

The remunerations received in the year by the key management personnel are those disclosed in Note 28 to the financial statements.

FINANCIAL RISK MANAGEMENT

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Management monitors the overall risk and seeks to neutralise the potential negative effects on the financial position of the Company as disclosed in Note 3 to the financial statements.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There are events which occurred after the end of the reporting period and which have impact on the financial statements, as disclosed in Note 30 to the financial statements.

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ANNUAL DIRECTORS' REPORT

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OBJECTIVES FOR THE FUTURE DEVELOPMENT

One of the objectives set by the management of the Company for 2012 is to increase the sales revenue by 30 % in comparison to 2011 due to the opening of new stores.

In 2012, the Company is planning to open two new stores – in Rousse in May and Sofia in September.

With regards to the development of personnel, the Company has an objective to increase the hired staff proportionally to the newly opened stores. In 2012, the Company will continue to invest in trainings and qualification of the new employees.

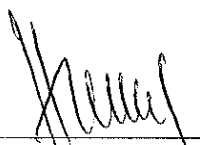
MANAGEMENT'S RESPONSIBILITIES

Under the Bulgarian legislation the management have to prepare financial statements annually, which financial statements should give a true and fair view of the financial position of the Company at the end of the year and of its financial performance and its cash flows for the year in accordance with IFRS.

The management confirms that they have applied in a consistent manner adequate accounting policies and that in the preparation of the financial statements as at 31 December 2011 they have applied the principle for prudence in the valuation of assets, liabilities income and expenses.

The management also confirm that they have adhered to the applicable financial reporting standards and the financial statements were prepared on a going concern basis.

The management are responsible for the correct recording in the accounting registers, for the adequate management of the assets and for the execution of the proper measures for the prevention and detection of potential fraud and other irregularities.



Alexandra Mihova, Managing Director
Sofia
6 February 2012



JUMBO EC. B EOOD


STATEMENT OF FINANCIAL POSITION

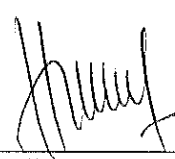
31 DECEMBER 2011

(All amounts in BGN thousands)

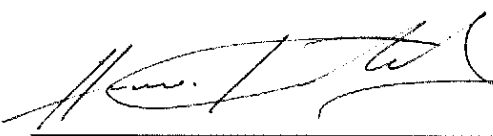
| | NOTE | AS AT 31 DECEMBER | |
|-------------------------------------|------|-------------------|----------------|
| | | 2011 | 2010 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 161,173 | 131,705 |
| Intangible assets | 7 | 98 | 104 |
| Trade and other receivables | 9 | 7,011 | 7,721 |
| Deferred income tax assets | 11 | 16 | 15 |
| | | 168,298 | 139,545 |
| Current assets | | | |
| Inventory | 8 | 16,499 | 11,961 |
| Trade and other receivables | 9 | 3,130 | 3,011 |
| Current income tax receivables | 23 | 337 | 34 |
| Cash and cash equivalents | 10 | 16,045 | 8,834 |
| | | 36,011 | 23,840 |
| TOTAL ASSETS | | 204,309 | 163,385 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 12 | 136,721 | 118,141 |
| Retained earnings | | 28,103 | 22,123 |
| | | 164,824 | 140,264 |
| Non-current liabilities | | | |
| Retirement benefit obligations | 14 | 20 | 12 |
| | | 20 | 12 |
| Current liabilities | | | |
| Trade and other payables | 13 | 39,465 | 23,109 |
| | | 39,465 | 23,109 |
| Total liabilities | | 39,485 | 23,121 |
| TOTAL EQUITY AND LIABILITIES | | 204,309 | 163,385 |

These financial statements were approved by the Management on 6 February 2012



Desislava Grigorova, Chief Accountant


Alexandra Mihova, Managing Director

Initialled in accordance with the audit report issued by NS CONSULTING OOD on 6 February 2012


Nino Kaloyanov, Registered Auditor




Snezhanka Kaloyanova, Manager

JUMBO EC. B EOOD


STATEMENT OF COMPREHENSIVE INCOME

31 DECEMBER 2011

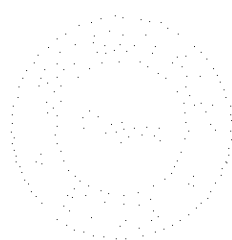
(All amounts in BGN thousands)

| | NOTE | YEAR ENDED 31 DECEMBER | |
|--|------|------------------------|---------------|
| | | 2011 | 2010 |
| Sales Revenue | 15 | 50,375 | 38,152 |
| Cost of sales | 16 | (27,711) | (21,068) |
| Gross profit | | 22,664 | 17,084 |
| Distribution costs | 17 | (15,919) | (9,307) |
| Administrative expenses | 18 | (768) | (581) |
| Other income and gains | 19 | 1,755 | 1,269 |
| Other expenses and losses | 20 | (1,038) | (722) |
| Operating profit | | 6,694 | 7,743 |
| Finance income | 22 | 155 | 1,386 |
| Finance costs | 22 | (129) | (327) |
| Finance income – Net | | 26 | 1,059 |
| Profit before income tax | | 6,720 | 8,802 |
| Income tax expense | 23 | (740) | (942) |
| Profit for the year | | 5,980 | 7,860 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 5,980 | 7,860 |

These financial statements were approved by the Management on 6 February 2012



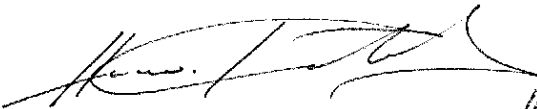
 Desislava Grigorova, Chief Accountant



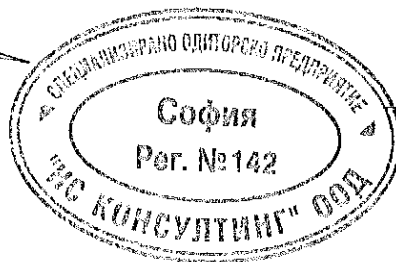


 Alexandra Mihova, Managing Director

Initialled in accordance with the audit report issued by NS CONSULTING OOD on 6 February 2012



 Nino Kaloyanov, Registered Auditor





 Snezhanka Kaloyanova, Manager

JUMBO EC. B EOOD


STATEMENT OF CHANGES IN EQUITY

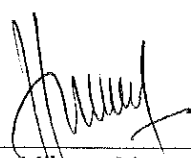
31 DECEMBER 2011

(All amounts in BGN thousands)

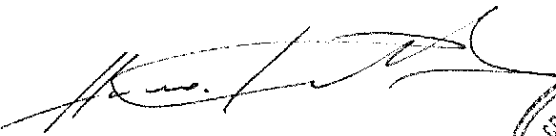
| | NOTE | Share capital | Retained earnings | Total Equity |
|--|------|----------------|-------------------|----------------|
| AT 1 JANUARY 2010 | | 101,518 | 14,263 | 115,781 |
| Comprehensive income | | | | |
| Profit for the year | | - | 7,860 | 7,860 |
| | | - | 7,860 | 7,860 |
| Transactions with owners | | | | |
| Share capital increase through issue of new shares | 12 | 16,623 | - | 16,623 |
| | | 16,623 | - | 16,623 |
| AT 31 DECEMBER 2010 | | 118,141 | 22,123 | 140,264 |
| Comprehensive income | | | | |
| Profit for the year | | - | 5,980 | 5,980 |
| | | - | 5,980 | 5,980 |
| Transactions with owners | | | | |
| Share capital increase through issue of new shares | 12 | 18,580 | - | 18,580 |
| | | 18,580 | - | 18,580 |
| AT 31 DECEMBER 2011 | | 136,721 | 28,103 | 164,824 |

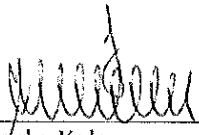
These financial statements were approved by the Management on 6 February 2012


Desislava Grigorova, Chief Accountant


Alexandra Mihova, Managing Director

Initialed in accordance with the audit report issued by NS CONSULTING OOD on 6 February 2012


Nino Kaloyanov, Registered Auditor


Snezhanka Kaloyanova, Manager




JUMBO EC. B EOOD
STATEMENT OF CASH FLOWS
31 DECEMBER 2011

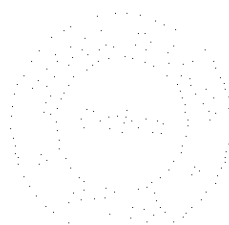
(All amounts in BGN thousands)

| | NOTE | YEAR ENDED 31 DECEMBER | |
|---|------|---------------------------|-----------------|
| | | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 25 | 21,940 | 3,844 |
| Income tax paid | | (1,043) | (1,568) |
| Net cash flows from operating activities | | 20,897 | 2,276 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | (32,253) | (53,100) |
| Purchases of intangible assets | | (38) | (82) |
| Net cash flows from investing activities | | (32,291) | (53,182) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from share capital increase | | 18,580 | 16,623 |
| Interest received | | 155 | 1,386 |
| Bank charges | | (121) | (115) |
| Net cash flows from financing activities | | 18,614 | 17,894 |
| Net increase/(decrease) in cash and cash equivalents in the year | | 7,220 | (33,012) |
| Cash and cash equivalents at beginning of the year | | 8,834 | 42,058 |
| Foreign exchange losses on cash and cash equivalents | | (9) | (212) |
| Cash and cash equivalents at end of the year | 10 | 16,045 | 8,834 |

These financial statements were approved by the Management on 6 February 2012



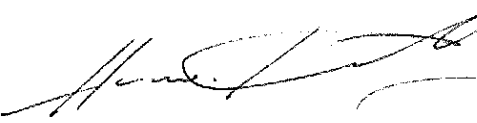
 Desislava Grigorova, Chief Accountant





 Alexandra Mihova, Managing Director

Initialed in accordance with the audit report issued by NS CONSULTING OOD on 6 February 2012



 Nino Kaloyanov, Registered Auditor





 Snezhanka Kaloyanova, Manager

JUMBO EC. B EOOD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

(All amounts in BGN thousands unless otherwise stated)

1. GENERAL INFORMATION

JUMBO EC. B („*The Company*”) is solely owned limited liability company registered in Bulgaria with domicile Sofia, 51 Bulgaria Blvd. The correspondence address of the Company is Sofia, 51 Bulgaria Blvd.

The main activities carried out by the Company are manufacture and wholesale and retail trade of all kinds of goods, including kid's products, toys, baby's products, office consumables, clothes, shoes, accessories for clothes and shoes, furnitures, tourist equipment and appliances, presents, all kinds of electrical appliances, technics and electronics, foods and agricultural produce, industrial and craftsmanship goods and export of all abovementioned goods and products, and representations of local and foreign companies, manufacturing the same goods and products. The Company is entitled to all other kinds of activities that are not forbidden under the legislation of Republic of Bulgaria.

The parent company of the Company which is also the ultimate parent of the Group which the Company is a part of is JUMBO S.A., Greece.

These financial statements were approved by the Management on 6 February 2012.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. BASIS OF PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards („*IFRS*”), published by the Interantional Accounting Standards Board (“*IASB*”) and adopted for use in the European Union by the Commission of the European Union („*the European Commission*”). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.1.1. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2011 AND RELEVANT TO THE COMPANY

The following standards, amendments and interpretations are mandatory for the preparations of financial statements for reporting periods beginning on or after 1 January 2011, are relevant to the Company's operations and are applied in the preparation of these financial statements:

IFRS 7 (Amendment) “Clarification of disclosures” (published by IASB in May 2010, adopted by the European Commission in February 2011, effective for reporting periods beginning on or after 01 January 2011) The amendment is part of the IASB's annual improvements project published by IASB in May 2010. Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The Company applies the amendments in the standard in the preparation of the current financial statements.

(All amounts in BGN thousands unless otherwise stated)

IAS 24 (Revised) "Related Party Disclosures" and consequential amendment to IFRS 8 (published by IASB in November 2009, adopted by the European Commission in July 2010, effective for reporting periods beginning on or after 1 January 2011) The revised standard provides a partial exemption from the disclosure requirements for government-related entities. Until now, if a government controlled, or significantly influenced, an entity, the entity was required to disclose information about all transactions with other entities controlled, or significantly influenced by the same government. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are individually or collectively significant. The revised standard has also simplified the definition of related parties and removed inconsistencies. The Company applies the revised standard in the preparation of the current financial statements.

2.1.2. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2012 AND AFTERWARDS AND EARLY ADOPTED BY THE COMPANY

There are no new standards, amendments of existing standards and interpretations that are early adopted by the Company in 2011.

2.1.3. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2011 AND NOT RELEVANT TO THE COMPANY

The following standards, amendments and interpretations are mandatory for the preparations of financial statements for reporting periods beginning on or after 1 January 2011, but are not relevant to the Company's operations:

IFRS 1 (Amendment) „Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters" and consequenatial amendment to IFRS 7 (published by IASB in January 2010, adopted by the European Commission in June 2010, effective for reporting periods beginning on or after 1 July 2010) Realising that the relief regarding restatement of comparative disclosures in IFRS 7 concerning fair value measurements and liquidity risk if those comparative periods end before 31 December 2009 is not available to entities that apply IFRS for the first time, the aim of the amendment to IFRS 1 is to provide for an optional relief for those entities. The amendments in the standard are not applicable to the Company due to the fact that it applied IFRS for the first time in a previous period.

IFRS 1 (Amendment) "First-time adoption of IFRS" (published by IASB in May 2010, adopted by the European Commission in February 2011, effective for reporting periods beginning on or after 1 January 2011) The amendment is part of the IASB's annual improvements project published by IASB in May 2010. The following topics were subject of amendment:

- (A) "Accounting policy changes in the year of adoption" – clarifies that, if a first-time adopter changes its accounting policies or its use of the exemptions in IFRS after it has published an interim financial report in accordance with IAS 34, it should explain those changes and update the reconciliations between previous GAAP and IFRS.
- (B) "Revaluation basis as deemed cost" – Allows first-time adopters to use an event-driven fair value as deemed cost, even if the event occurs after the date of transition, but before the first IFRS financial statements are issued. When such remeasurement occurs after the date of transition to IFRSs, but during the period covered by its first IFRS financial statements, any subsequent adjustment to that event-driven fair value is recognised in equity.
- (C) "Use of deemed cost for operations subject to rate regulation" – Entities subject to rate regulation are allowed to use previous GAAP carrying amounts of property, plant and equipment or intangible assets as deemed cost on an item-by-item basis. Entities that use this exemption are required to test each item for impairment under IAS 36 at the date of transition.

The amendments in the standard are not applicable to the Company due to the fact that it applied IFRS for the first time in a previous period.

(All amounts in BGN thousands unless otherwise stated)

IFRS 3 (Amendment) “Business combinations” (published by IASB in May 2010, adopted by the European Commission in February 2011, effective for reporting periods beginning on or after 1 July 2010) The amendment is part of the IASB’s annual improvements project published by IASB in May 2010. The following topics were subject of amendment:

- (A) “Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS” – Clarifies that the amendments to IFRS, IAS 32, and IAS 39, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).
- (B) “Measurement of non-controlling interests” – The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree’s net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.
- (C) “Un-replaced and voluntarily replaced sharebased payment awards” – The application guidance in IFRS 3 applies to all sharebased payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards.

The amendments in the standard are not applicable to the Company due to the fact that it has no business combinations.

IAS 1 (Amendment) “Clarification of statement of changes in equity” (published by IASB in May 2010, adopted by the European Commission in February 2011, effective for reporting periods beginning on or after 1 January 2011) The amendment is part of the IASB’s annual improvements project published by IASB in May 2010. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendments in the standard are not applicable to the Company due to the fact that it has no items of other comprehensive income.

IAS 27 (Amendment) “Transition requirements for amendments made as a result of IAS 27 (as amended in 2008) to IAS 21, IAS 28 and IAS 31” (published by IASB in May 2010, adopted by the European Commission in February 2011, effective for reporting periods beginning on or after 1 July 2010) The amendment is part of the IASB’s annual improvements project published by IASB in May 2010. Clarifies that the consequential amendments from IAS 27 made to IAS 21, IAS 28, and IAS 31, apply prospectively for annual periods beginning on or after 1 July 2010, or earlier when IAS 27 is applied earlier. The amendments in the standard are not applicable to the Company due to the fact that it has no investments in subsidiaries, associates or joint ventures.

IAS 32 (Amendment) “Classification of Rights Issues” (published by IASB in October 2009, adopted by the European Commission in December 2009, effective for reporting periods beginning on or after 1 February 2010) The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The amendments in the standard are not applicable to the Company due to the fact that it has no rights issues.

IAS 34 “Significant events and transactions” (published by IASB in May 2010, adopted by the European Commission in February 2011, effective for reporting periods beginning on or after 1 January 2011) The amendment is part of the IASB’s annual improvements project published by IASB in May 2010. Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around:

- (A) The circumstances likely to affect fair values of financial instruments and their classification;
- (B) Transfers of financial instruments between different levels of the fair value hierarchy;
- (C) Changes in classification of financial assets; and
- (D) Changes in contingent liabilities and assets.

The amendments in the standard are not applicable to the Company due to the fact that it does not prepare interim financial information.

(All amounts in BGN thousands unless otherwise stated)

IFRIC 13 (Amendment) “Fair value of award credit” (published by IASB in May 2010, adopted by the European Commission in February 2011, effective for reporting periods beginning on or after 1 January 2011) The amendment is part of the IASB’s annual improvements project published by IASB in May 2010. The meaning of “fair value” is clarified in the context of measuring award credits under customer loyalty programmes. The amendments in the interpretation are not applicable to the Company due to the fact that that it has no customer loyalty programmes.

IFRIC 14 (Amendment) “Prepayments of a Minimum Funding Requirement” (published by IASB in November 2009, adopted by the European Commission in July 2010, effective for reporting periods beginning on or after 1 January 2011) The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendments in the interpretation are not applicable to the Company due to the fact that it has no minimum funding requirements.

IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” and consequential amendment of IFRS 1 (published by IASB in November 2009, adopted by the European Commission in July 2010, effective for reporting periods beginning on or after 1 July 2010) This interpretation clarifies that the entity’s equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability and should be measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity’s profit or loss for the period. The interpretation is not applicable to the Company due to the fact that it has no extinguishing of financial liabilities with equity instruments.

2.1.4. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2012 AND AFTERWARDS, RELEVANT TO BUT NOT EARLY ADOPTED BY THE COMPANY

The following standards, amendments and interpretations are published and are mandatory for reporting periods beginning on different dates, the earlier of which is 1 January 2013 and are relevant to the Company:

IFRS 9 “Financial Instruments” and subsequent amendments of IFRS 9 and IFRS 7 (published by IASB in November 2009 and December 2011, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 January 2015) The new standard uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. The subsequent amendments to the standard concern the deferral of the mandatory effective date and the provision of relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 and requirements for additional transition disclosures instead. The Company will apply the new standard after its adoption by the European Commission. At the moment, the potential impact of the standard on the financial statements cannot be assessed.

IFRS 13 “Fair Value Measurement” (published by IASB in May 2011, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 January 2013) The new standard does not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards. IFRS 13 improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company will apply the new standard after its adoption by the European Commission. It is not expected that this will significantly affect its financial statements.

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IAS 19 (Amendment) “Employee Benefits” (published by IASB in June 2011, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 January 2013) The amendments make important improvements by:

- (A) Elimination of an option to defer the recognition of gains and losses, known as the “corridor method”, improving comparability and faithfulness of presentation;
- (B) Streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be result of an entity’s day-to-day operations; and
- (C) Enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The Company will apply the amended standard after its adoption by the European Commission. It is not expected that this will have a significant effect on its financial statements.

2.1.5. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2012 AND AFTERWARDS AND NOT RELEVANT TO THE COMPANY

The following standards, amendments and interpretations are published and are mandatory for reporting periods beginning on different dates, the earlier of which is 1 July 2011 and are not relevant to the Company:

IFRS 1 (Amendment) “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters” (published by IASB in December 2010, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 July 2011) The first amendment replaces references to a fixed date of ‘1 January 2004’ with ‘the date of transition to IFRSs’, thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The amendments in the standard will not be applicable to the Company after their adoption by the European Commission due to the fact that it applied IFRS for the first time in a previous period.

IFRS 7 (Amendment) „Enhanced Derecognition Disclosure Requirements for Transfer Transactions of Financial Assets” (published by IASB in October 2010, adopted by the European Commission in November 2011, effective for reporting periods beginning on or after 1 July 2011) The amendments allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments in the standard will not be applicable to the Company due to the fact that it has no transfer transaction of financial assets.

IFRS 7 (Amendment) “Disclosures – Offsetting Financial Assets and Financial Liabilities” (published by IASB in December 2011, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 January 2013) The amendments to the standard improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The amendments in the standard will not be applicable to the Company after their adoption by the European Commission due to the fact that it has no offsetting of financial assets and liabilities.

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IFRS 10 “Consolidated Financial Statements” and consequential amendments to IAS 27 “Separate Financial Statements” (published by IASB in May 2011, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 January 2013) The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard replaces SIC 12 and parts of IAS 27. The standard will not be applicable to the Company after its adoption by the European Commission due to the fact that it has no investments in subsidiaries.

IFRS 11 “Joint Arrangements” and consequential amendments to IAS 28 “Investments in Associates and Joint Ventures” (published by IASB in May 2011, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 January 2013) The new standard provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The standard supersedes IAS 31 and SIC 13. The standard will not be applicable to the Company after its adoption by the European Commission due to the fact that it has no joint arrangements.

IFRS 12 “Disclosure of Interests in Other Entities” (published by IASB in May 2011, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 January 2013) The new standard includes comprehensive disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard will not be applicable to the Company after its adoption by the European Commission due to the fact that it has no interests in other entities.

IAS 1 (Amendment) “Presentation of Items of Other Comprehensive Income” (published by IASB in June 2011, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 July 2012) The amendments in the standard require the companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments in the standard will not be applicable to the Company after their adoption by the European Commission due to the fact that it has no items of other comprehensive income.

IAS 12 (Amendment) “Deferred Tax: Recovery of Underlying Assets” (published by IASB in December 2010, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 January 2012) IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally, be through sale. The amendment includes all guidance in SIC 21, which is withdrawn. The amendments in the standard will not be applicable to the Company after their adoption by the European Commission due to the fact that it has no assets, measured at fair value.

IAS 32 (Amendment) “Offsetting Financial Assets and Financial Liabilities” (published by IASB in December 2011, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 January 2014) The amendments to the standard clarify the meaning of “currently has a legally enforceable right to set-off” and that some gross settlement systems may be considered equivalent to net settlement. The amendments in the standard will not be applicable to the Company after their adoption by the European Commission due to the fact that it has no offsetting of financial assets and liabilities.

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IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” (published by IASB in October 2011, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 January 2013) The interpretation clarifies when stripping costs (the process of removing waste from a surface mine in order to gain access to deposits of resources) should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation will not be applicable to the Company after its adoption by the European Commission due to the fact that it has no mining activities.

2.2. FOREIGN CURRENCY TRANSLATION

2.2.1. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in Bulgarian Leva (BGN), which is the Company’s functional and presentation currency. The Bulgarian Lev is fixed to the EUR by the means of the enforced currency board in the Republic of Bulgaria since 1 January 1999.

2.2.2. TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. The closing exchange rates of the BGN against the major foreign currencies relevant to the Company’s operations for the reporting periods of the financial statements are as follows:

| | AT 31 DECEMBER | |
|-------|----------------|---------|
| | 2011 | 2010 |
| 1 EUR | 1.95583 | 1.95583 |
| 1 USD | 1.51158 | 1.47276 |

2.3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except for lands are shown at cost less subsequent depreciation and impairment. Land is shown at cost less impairment. Cost includes the purchase price, including customs duties and non-refundable taxes, if any, as well as expenditure that is directly attributable to the acquisition of the items. Cost does not include borrowing costs for there are no qualifying assets.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | YEARS |
|------------------------|--------|
| Buildings | 30 |
| Machines and equipment | 5 – 10 |
| Computers | 3 – 4 |
| Furniture and fittings | 5 – 9 |

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The assets' residual values and useful lives are reviewed by the management, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts of the disposed assets. These are included in the Statement of comprehensive income in other income or other expenses line items.

2.4. INTANGIBLE ASSETS

2.4.1. COMPUTER SOFTWARE

Separately acquired computer software programmes are carried at cost less subsequent amortisation and impairment. Cost includes the purchase price and other expenditure that is directly attributable to the acquisition of the items and the preparation of the assets for their expected use. Cost does not include borrowing costs for there are no qualifying assets. These intangible assets have finite useful lives. Amortisation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | YEARS |
|-------------------|-------|
| Computer software | 3 – 4 |

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.5. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the following two: (1) an asset's fair value less costs to sell and (2) value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6. FINANCIAL ASSETS

2.6.1. CLASSIFICATION OF FINANCIAL ASSETS

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that are not designated at their initial recognition as held for trading, at fair value through profit or loss or available for sale. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current. Loans and receivables include trade and other receivables (except for the advances paid to suppliers) as well as cash and cash equivalents on the Statement of financial position (Notes 2.8 and 2.9).

(All amounts in BGN thousands unless otherwise stated)

2.6.2. RECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS

At their recognition, the financial assets are measured at fair value, plus, for those financial assets that are not carried at fair value through profit or loss, the transaction costs which are directly attributable to the acquisition of the financial assets.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial assets.

2.6.3. IMPAIRMENT OF FINANCIAL ASSETS CARRIED AT AMORTISED COST

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- ✓ Significant financial difficulty of the issuer or obligor;
- ✓ A breach of contract, such as a default or delinquency in interest or principal payments;
- ✓ The company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- ✓ It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- ✓ The disappearance of an active market for that financial asset because of financial difficulties; or
- ✓ Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including adverse changes in the payment status of borrowers in the portfolio and national or local economic conditions that correlate with defaults on the assets in the portfolio.

The company first assesses whether objective evidence of impairment exists separately for financial assets that are individually significant and separately or in aggregate for financial assets that are not individually significant.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

(All amounts in BGN thousands unless otherwise stated)

2.6.4. OFFSETING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7. INVENTORY

Inventories are stated at the lower cost or net realizable value. The delivery cost of inventories includes the sum of all purchase costs, or other costs incurred in bringing the inventories to their present location and condition. Cost excludes borrowing costs for there are no qualifying assets. Net realizable value is the estimate of the selling price in the ordinary course of business, less estimated costs necessary to make the sale. The method used to determine cost of inventories when they are expensed is weighted average cost.

2.8. TRADE RECEIVABLES

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in 12 months or less from the period end, they are classified as current assets. If not, they are presented as noncurrent assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost (using the effective interest method), less provision for impairment.

If some of the criteria described in p. 2.6.3 exist including delinquency in payments (more than 30 days) are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the Statement of comprehensive income.

2.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less.

2.10. SHARE CAPITAL

The Company reports its share capital on the nominal value of the shares as registered in the Trade register.

2.11. TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less after the period end. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(All amounts in BGN thousands unless otherwise stated)

2.12. BORROWINGS

Borrowings are classified as current liabilities when the payment is to be executed within 12 months after the period end and unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. If not, they are presented as non-current liabilities.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method.

2.13. CURRENT AND DEFERRED INCOME TAX

The income tax expense, included in the profit or loss for the period, comprises current and deferred tax expense. Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised during the current year or previously in other comprehensive income or directly in equity. In this case the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge, as well as the current tax assets/liabilities for the current and previous periods is calculated on the basis of the amount that is expected to be paid/received to the taxation authorities when applying the tax rates (and tax laws) enacted or substantively enacted at the end of the reporting period. The current income tax for the current and previous periods is recognised as a liability (Current income tax liabilities) to the extent that it is not paid. If the already paid amount for current income tax is greater than the amount payable for the current and previous periods the excess is recognised as an assets (Current income tax receivables).

Deferred income tax is recognised, using the liability method, on all taxable or refundable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax assets and liabilities are determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on one taxable entity. The deferred assets/liabilities are presented netted in the Statement of financial position.

2.14. EMPLOYEE BENEFITS

2.14.1 RETIREMENT BENEFIT OBLIGATIONS

The Company has a defined benefit plan. The defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

(All amounts in BGN thousands unless otherwise stated)

The liability recognised in the Statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, and which exceed 10 % of the present value of the liabilities at the end of the previous period, are charged or credited to Statement of comprehensive income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in the Statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

2.15. PROVISIONS

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in the Statement of comprehensive income.

2.16. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

2.16.1 SALES OF GOODS

Sales of goods are recognised when the Company has transferred to the client the significant risks and rewards inherent to the ownership of the goods, no managerial involvement and effective control over the goods has been retained, the amount of revenue and the costs incurred or to be incurred in relation to the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

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2.16.2 SALES OF SERVICES

Revenue from rendering of services is recognised when the outcome of a transaction can be measured reliably and by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of the transaction can be estimated reliably when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the stage of completion can be measured reliably and cost incurred or to be incurred in relation to the transaction can be measured reliability. The stage of completion of transactions for rendering of services is measured on the basis of review of the performed work.

2.16.3 INTEREST INCOME

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.17. LEASES

The Company classifies the lease contracts as finance or operating lease based on the extent to which the risks and rewards of ownership are to the lessor or the lessee. A lease contract is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee. In all other cases the lease contract is classified as an operating lease. The classification of the contracts is made at the inception of the lease.

2.17.1 FINANCE LEASE WHERE THE COMPANY IS A LESSEE

The Company has property, plant and equipment under finance lease. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Additional direct costs incurred by the Company are capitalised in the assets.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in other current and non-current borrowings. The Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.17.2 OPERATING LEASE WHERE THE COMPANY IS A LESSEE

The company holds hired assets of property, plant and equipment under operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of comprehensive income on a straight-line basis over the period of the lease.

2.17.3 OPERATING LEASE WHERE THE COMPANY IS A LESSOR

The Company rents assets of property, plant and equipment under operating lease contracts. The assets that are leased out under operating leases are included in the Statement of financial position of the Company based on their nature. Lease income is recognised in the Statement of comprehensive income over the term of the lease on a straight-line basis.

(All amounts in BGN thousands unless otherwise stated)

2.18. RELATED PARTIES

For the purposes of these financial statements, the Company presents as related parties its parent company and its related parties thereof, the Company's key management personnel and their close family members and their related parties thereof.

2.19. DIVIDEND DISTRIBUTION

Dividend distribution to the Company's single shareholder is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Board of Directors of the parent company.

(All amounts in BGN thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1. FINANCIAL RISK FACTORS

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Financial risk management is carried out by the management in accordance with the selected and approved policy.

3.1.1. MARKET RISK

(A) CURRENCY RISK

The Company operates in Bulgaria and since the Bulgarian Leva (BGN) has been officially pegged to the Euro (EUR) at a fixed rate (Note 2.2.1), it is exposed to foreign exchange risk only from purchases, related to the construction of property, plant and equipment, denominated in foreign currencies other than the EUR, mainly: US dollar (USD). The currency risk is monitored and minimised only by the minimisation of the portion of those purchases. The Company has no significant assets or liabilities denominated in USD as at 31 December 2011.

(B) INTEREST RATE RISK

The Company has significant interest bearing assets in the form of short-term bank deposits but the Company's income and cash in-flows from operating and financing activity are to a high degree independent of changes in the market interest rates since the interest bearing assets are contracted at fixed interest rates. The Company has no assets with floating rates as at 31 December 2011. The Company has no significant interest bearing liabilities.

(C) OTHER PRICE RISK

The Company is not exposed to other price risk regarding investments held by it since it has no available-for-sale assets or assets accounted for at fair value through profit and loss. The Company is not exposed to other price risk and with regards to financial assets related to price levels of commodities.

3.1.2. CREDIT RISK

Credit risk is managed centralised by the Management of the Company. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding current receivables. For banks and financial institutions, the Company uses the services only of Bulgarian banks with good reputation. With regards to customers, apart from the sales to the Parent Company, the Company sells merchandise to end customers, predominantly in cash and no credit limits are allowed.

For further disclosures regarding the credit risk refer to Notes 9 and 10.

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3.1.3. LIQUIDITY RISK

Liquidity risk management implies maintaining sufficient cash, cash equivalents and marketable securities, as well as the availability of funding through an adequate amount of committed credit facilities, such as bank overdrafts and revolving credit lines, if considered necessary.

Management monitors forecasts of the Company's liquidity reserve comprising cash and cash equivalents (Note 10). The forecasts are based on the expected cash flows.

The non-derivative financial liabilities have the following maturities, where the amounts disclosed are the contractual undiscounted cash flows:

| AT 31 DECEMBER 2011 | Less than 6 months | Between 6 months and 1 year | Between 1 and 5 years | Over 5 years | Total |
|--------------------------|-----------------------|-----------------------------------|--------------------------|-----------------|---------------|
| Trade and other payables | 16,800 | 20,191 | - | - | 36,991 |
| Total | 16,800 | 20,191 | - | - | 36,991 |

| AT 31 DECEMBER 2010 | Less than 6 months | Between 6 months and 1 year | Between 1 and 5 years | Over 5 years | Total |
|--------------------------|-----------------------|-----------------------------------|--------------------------|-----------------|---------------|
| Trade and other payables | 15,989 | 6,235 | - | - | 22,224 |
| Total | 15,989 | 6,235 | - | - | 22,224 |

In the category of trade and other payables are not included those arising from regulatory requirements (tax payables and social security payables) as well as the advances paid from customers and the deferred revenue.

There are no non-derivative financial liabilities for which the cash flows to occur earlier than the periods shown in the table above.

3.2. CAPITAL RISK MANAGEMENT

The Management's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to provide adequate returns for the shareholder and benefits for other stakeholders. Management is trying to achieve those objectives through adequate pricing of the goods and the services comparable to the risk level and through maintaining optimal capital structure aimed at minimisation of its cost.

The Company is not subject to externally imposed capital requirements. The Company manages the capital structure and makes relevant adjustments according to the changes of the economic conditions and the risk characteristics of the major assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the Statement of financial position) less cash and cash equivalents. The total capital is calculated as equity (as shown in the Statement of financial position) plus the net debt.

In 2011, the Company's strategy, which was unchanged from 2010, was not to use borrowings.

(All amounts in BGN thousands unless otherwise stated)

3.3. FAIR VALUE ESTIMATION

The Company has no financial instruments that are carried at fair value at the Statement of financial position. The fair values for disclosure purposes of financial instruments as current trade receivables and payables are assumed to approximate their carrying values. The fair value of financial instruments different than the abovementioned is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(All amounts in BGN thousands unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions concerning the future. Notwithstanding the fact that those estimates are made by the Management on the basis of its best knowledge of the events and activities in the period, the resulting accounting estimates will, by definition, seldom equal the related actual results. There were no key assumptions regarding the future and other sources of uncertainty concerning the estimates at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2 CRITICAL JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

There were no critical judgements made by the Management, apart from those related to the estimates, which significantly impact the amounts recognised in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

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5. FINANCIAL INSTRUMENTS BY CATEGORY

AT 31 DECEMBER 2011

| Financial assets | Loans and receivables |
|--|------------------------------|
| Trade and other receivables (Note 9) | 976 |
| Cash and cash equivalents (Note 10) | 16,045 |
| Total financial assets in the Statement of financial position | 17,021 |

| Financial liabilities | Financial liabilities at amortised cost |
|---|--|
| Trade and other payables (Note 13) | 36,991 |
| Total financial liabilities in the Statement of financial position | 36,991 |

AT 31 DECEMBER 2010

| Financial assets | Loans and receivables |
|--|------------------------------|
| Trade and other receivables (Note 9) | 774 |
| Cash and cash equivalents (Note 10) | 8,834 |
| Total financial assets in the Statement of financial position | 9,608 |

| Financial liabilities | Financial liabilities at amortised cost |
|---|--|
| Trade and other payables (Note 13) | 22,224 |
| Total financial liabilities in the Statement of financial position | 22,224 |

Trade and other receivables shown above do not include those arising from regulatory requirements (other tax receivables), as well as advances paid to suppliers and deferred charges.

Trade and other payables shown above do not include those from regulatory requirements (other tax payables and Social security payables), as well as advances received from clients and deferred revenue.

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6. PROPERTY, PLANT AND EQUIPMENT (PPE)

| | Land | Buildings | Furnitures, computers and machines | Assets under construction | Total |
|--------------------------------|---------------|----------------|--|------------------------------|----------------|
| AT 1 JANUARY 2010 | | | | | |
| Cost | 40,608 | 38,745 | 3,064 | 965 | 83,382 |
| Accumulated depreciation | - | (1,386) | (472) | - | (1,858) |
| Net book amount | 40,608 | 37,359 | 2,592 | 965 | 81,524 |
| 2010 | | | | | |
| Additions | 530 | 609 | 1,309 | 50,027 | 52,475 |
| Transfers | - | 46,392 | 3,293 | (49,685) | - |
| Disposals | - | - | - | - | - |
| Depreciation charge | - | (1,671) | (623) | - | (2,294) |
| Closing net book amount | 41,138 | 82,689 | 6,571 | 1,307 | 131,705 |
| AT 31 DECEMBER 2010 | | | | | |
| Cost | 41,138 | 85,746 | 7,666 | 1,307 | 135,857 |
| Accumulated depreciation | - | (3,057) | (1,095) | - | (4,152) |
| Net book amount | 41,138 | 82,689 | 6,571 | 1,307 | 131,705 |
| 2011 | | | | | |
| Additions | - | 29 | 1,474 | 32,574 | 34077 |
| Transfers | - | - | 2,113 | (30,141) | - |
| Disposals | - | (35) | - | - | (35) |
| Depreciation charge | - | (3,322) | (1,252) | - | (4,574) |
| Closing net book amount | 41,138 | 107,389 | 8,906 | 3,740 | 161,173 |
| AT 31 DECEMBER 2011 | | | | | |
| Cost | 41,138 | 113,768 | 11,253 | 3,740 | 169,899 |
| Accumulated depreciation | - | (6,379) | (2,347) | - | (8,726) |
| Net book amount | 41,138 | 107,389 | 8,906 | 3,740 | 161,173 |

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Depreciation expenses of PPE are reported as follows: 4,528 (2010: 2,271) in Distribution costs (Note 17) and 46 (2010: 23) in Administrative expenses (Note 18).

Lease rental payments amounting to 895 (2010: 44) relating to the lease of land and buildings are included in the Statement of comprehensive income (Notes 17 and 18).

7. INTANGIBLE ASSETS

| | Computer software | Total |
|--------------------------------|-------------------|------------|
| AT 1 JANUARY 2010 | | |
| Cost | 70 | 70 |
| Accumulated amortisation | (22) | (22) |
| Net book amount | 48 | 48 |
| 2010 | | |
| Additions | 82 | 82 |
| Amortisation charge | (26) | (26) |
| Closing net book amount | 104 | 104 |
| AT 31 DECEMBER 2010 | | |
| Cost | 152 | 152 |
| Accumulated amortisation | (48) | (48) |
| Net book amount | 104 | 104 |
| 2011 | | |
| Additions | 38 | 38 |
| Amortisation charge | (44) | (44) |
| Closing net book amount | 98 | 98 |
| AT 31 DECEMBER 2011 | | |
| Cost | 190 | 190 |
| Accumulated amortisation | (92) | (92) |
| Net book amount | 98 | 98 |

Amortisation expenses of Intangible assets are reported as follows: 44 (2010: 26) in Distribution costs (Note 17).

8. INVENTORY

| | AT 31 DECEMBER | |
|--------------|----------------|---------------|
| | 2011 | 2010 |
| Merchandise | 16,499 | 11,961 |
| Total | 16,499 | 11,961 |

The cost of merchandise recognised as expense and included in Cost of sales amounted to 27,711 (2010: 21,068) (Note 16).

The Company incurred impairment of inventories in 2011 for the amount 175 (2010: 86) (Note 17) and reversed previous impairment of inventories for the amount of 43 (2010: 33) (Note 19).

JUMBO EC. B EOOD**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2011***(All amounts in BGN thousands unless otherwise stated)***9. TRADE AND OTHER RECEIVABLES**

| | AT 31 DECEMBER | |
|--|-----------------------|---------------|
| | 2011 | 2010 |
| Receivables from related parties (Note 28) | 945 | 456 |
| Advances to suppliers of fixed assets | 1,297 | 1,714 |
| Deferred charges | 7,868 | 8,244 |
| Other receivables | 31 | 318 |
| Total trade and other receivables | 10,141 | 10,732 |
| Less non-current portion: Deferred charges | 7,011 | 7,721 |
| Current trade and other receivables | 3,130 | 3,011 |

The fair values of current trade and other receivables approximate their carrying amounts.

The deferred charges represent prepaid expenses for operating lease rental payments for the amount of 7,770 (2010:8,170) and insurances for thr amount of 84 (2010: 74).

The non-current part of the prepaid expenses, which are made for long-term rent of land and buildings, will be recovered as follows

| | AT 31 DECEMBER | |
|--|-----------------------|--------------|
| | 2011 | 2010 |
| More than 1 year but less than 5 years | 2,774 | 3,080 |
| More than 5 years | 4,237 | 4,641 |
| Total | 7,011 | 7,721 |

At 31 December 2011, no trade and other receivables were overdue.

At 31 December 2011, no trade and other receivables were impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above except for advances paid to suppliers deferred charges. The Company does not hold any collateral as security on trade and other receivables.

The credit quality of trade receivables and receivables from related parties that are neither past due nor impaired is based to historical information about counterparty default rates:

| Receivables from related parties | AT 31 DECEMBER | |
|--|-----------------------|-------------|
| | 2011 | 2010 |
| Group 1 | 945 | 456 |
| Total unimpaired receivables from related parties | 945 | 456 |

Group 1 – old customers/related parties, more than 6 months, with no defaults in the past.

There were no trade receivables and receivables from related parties that otherwise would be overdue or impaired and whose payment terms were renegotiated.

The carrying amount of trade and other receivables was denominated in the following currencies:

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NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in BGN thousands unless otherwise stated)

| | AT 31 DECEMBER | |
|--|----------------|---------------|
| | 2011 | 2010 |
| Bulgarian Lev (BGN) | 9,196 | 9,963 |
| Euro (EUR) | 945 | 769 |
| Total trade and other receivables | 10,141 | 10,732 |

10. CASH AND CASH EQUIVALENTS

| | AT 31 DECEMBER | |
|--|----------------|--------------|
| | 2011 | 2010 |
| Cash in hand | 165 | 121 |
| Cash at bank | 135 | 751 |
| Short-term bank deposits | 15,275 | 7,610 |
| Cash in transit | 470 | 352 |
| Total cash and cash equivalents | 16,045 | 8,834 |

Cash and cash equivalents are financial assets that are neither overdue nor impaired and do not expose the Company to credit risk.

For the Statement of cash flows, cash and cash equivalents include the amounts shown above.

11. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are accounted for all temporary differences arising from differences between the accounting and tax carrying values of the assets and the liabilities, at the tax rate of 10% (2010: 10%), which is to be effective at the time they are realised.

The deferred tax assets and liabilities are analysed as follows:

| | AT 31 DECEMBER | |
|---|----------------|------------|
| | 2011 | 2010 |
| Deferred income tax assets | | |
| – Deferred income tax assets to be recovered after 12 months | 3 | 1 |
| – Deferred income tax assets to be recovered within 12 months | 22 | 15 |
| Total deferred income tax assets | 25 | 16 |
| Deferred income tax liabilities | | |
| – Deferred income tax liabilities to be recovered after 12 months | (9) | (1) |
| Total deferred income tax liabilities | (9) | (1) |
| Deferred income tax assets – net | 16 | 15 |

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NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in BGN thousands unless otherwise stated)

The gross movement on the deferred income tax account was as follows:

| | YEAR ENDED 31 DECEMBER | |
|---|---------------------------|-----------|
| | 2011 | 2010 |
| AT 1 JANUARY | 15 | 12 |
| Credited to the Statement of comprehensive income (Note 23) | 1 | 3 |
| AT 31 DECEMBER | 16 | 15 |

The movement in deferred tax assets and liabilities by elements during the period was as follows:

| Deferred tax assets | Unused paid leaves | Provisions for pensions | Impairment losses on inventory | Total |
|--|-----------------------|----------------------------|--------------------------------------|-----------|
| AT 1 JANUARY 2010 | 6 | 1 | 6 | 13 |
| (Charged)/credited to the Statement of comprehensive income | (1) | 1 | 3 | 3 |
| AT 31 DECEMBER 2010 | 5 | 2 | 9 | 16 |
| (Charged)/credited to the Statement of comprehensive income | (1) | 1 | 9 | 9 |
| AT 31 DECEMBER 2011 | 4 | 3 | 18 | 25 |

| Deferred tax liabilities | Property, plant and equipment | Total |
|--|-------------------------------------|------------|
| AT 1 JANUARY 2010 | - | - |
| (Charged)/credited to the Statement of comprehensive income | (1) | (1) |
| AT 31 DECEMBER 2010 | (1) | (1) |
| (Charged)/credited to the Statement of comprehensive income | (8) | (8) |
| AT 31 DECEMBER 2011 | (9) | (9) |

At 31 December 2011 the Company has no tax losses to carry forward.

12. SHARE CAPITAL

| | Number of shares | Amount |
|----------------------------|---------------------|----------------|
| AT 1 JANUARY 2010 | 1,015,184 | 101,518 |
| Issue of new shares | 166,229 | 16,623 |
| AT 31 DECEMBER 2010 | 1,181,413 | 118,141 |
| Issue of new shares | 185,797 | 18,580 |
| AT 31 DECEMBER 2011 | 1,367,210 | 136,721 |

All issued shares are fully paid.

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(All amounts in BGN thousands unless otherwise stated)

The Company single shareholder at 31 December 2011 was JUMBO S.A., Greece.

13. TRADE AND OTHER PAYABLES

| | AT 31 DECEMBER | |
|---|----------------|---------------|
| | 2011 | 2010 |
| Trade payables | 493 | 234 |
| Payables to related parties (Note 28) | 32,576 | 19,255 |
| Payables to suppliers of fixed assets | 3,597 | 2,416 |
| Payables to the employees | 325 | 319 |
| Payables for social securities and health insurance contributions | 118 | 97 |
| Other tax payables | 2,356 | 788 |
| Total trade and other payables | 39,465 | 23,109 |

The fair values of trade and other payables approximate their carrying amounts.

14. RETIREMENT BENEFIT OBLIGATIONS

The liability in the Statement of financial position for pension provision reflects defined post-retirement benefit plan. The Company applies the regulatory requirements for payments at retirement due to age and experience and due to illness in accordance with the applicable Labour Code (LC).

In accordance with article 222, para 2 of LC in the event of termination of a labour contract due to illness, the employee is entitled to a compensations amounting to 2 gross monthly salaries, if the employee has at least 5 years of experience in the Company and in the last 5 years no other similar compensation was paid.

In accordance with article 222, para 3 of LC in the event of termination of a labour contract after the employee has reached the lawfully required retirement age, regardless of the reason for the termination, the employee is entitled to a compensation as follows: 2 gross monthly salaries in all cases and 6 gross monthly salaries if the employee has been engaged with the Company for at least 10 years.

The amounts recognised in the Statement of financial position are determined as follows:

| | AT 31 DECEMBER | |
|---|----------------|-----------|
| | 2011 | 2010 |
| Present value of the obligations | 18 | 12 |
| Unrecognized actuarial gains | 2 | - |
| Liability at the end of the reporting period | 20 | 12 |

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(All amounts in BGN thousands unless otherwise stated)

The amounts recognised as expense in the Statement of comprehensive income were as follows:

| | YEAR ENDED 31 DECEMBER | |
|--|---------------------------|----------|
| | 2011 | 2010 |
| Current service cost | 6 | 5 |
| Interest cost | 1 | - |
| Actuarial losses – net | 3 | 1 |
| Total, included in employee benefit expense (Note 21) | 10 | 6 |

The expenses were included in Distribution costs (Note 17).

The movement in the liability recognised in the Statement of financial position was as follows:

| | YEAR ENDED 31 DECEMBER | |
|--|---------------------------|-----------|
| | 2011 | 2010 |
| AT 1 JANUARY | 12 | 7 |
| Total expense charged in the Statement of comprehensive income (Note 21) | 10 | 6 |
| Benefits paid | (2) | (1) |
| AT 31 DECEMBER | 20 | 12 |

The principal actuarial assumptions used were as follows:

| | AT 31 DECEMBER | |
|-------------------------|----------------|-----------|
| | 2011 | 2010 |
| Discount rate | 5,7% | 6,5% |
| Future salary increases | 1% and 5% | 1% and 5% |

The expected annual increase in the salaries is 1% for the first two years after the reporting period and 5% for the periods afterwards.

15. SALES REVENUE

| | YEAR ENDED 31 DECEMBER | |
|---|---------------------------|---------------|
| | 2011 | 2010 |
| Sales of merchandise on the domestic market | 48,381 | 35,150 |
| Sales of merchandise on foreign market | 1,994 | 3,002 |
| Total revenue | 50,375 | 38,152 |

JUMBO EC. B EOOD**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2011 .***(All amounts in BGN thousands unless otherwise stated)***16. COST OF SALES**

| | YEAR ENDED 31 DECEMBER | |
|---|---------------------------|---------------|
| | 2011 | 2010 |
| Inventory at the beginning of period (Note 8) | 11,961 | 6,688 |
| Purchases | 33,419 | 27,407 |
| Discounts on purchases | (298) | (207) |
| Surpluses of inventory (Note 19) | 867 | 916 |
| Shortages and wastage of inventory (Note 17) | (1,161) | (1,309) |
| Impairment of inventory (Note 17) | (175) | (86) |
| Reintegrated previous impairment of inventory (Note 19) | 43 | 33 |
| Consumable items (Note 17) | (446) | (413) |
| Inventory in the end of the period (Note 8) | (16,499) | (11,961) |
| Total cost of sales | 27,711 | 21,068 |

17. DISTRIBUTION COSTS

| | YEAR ENDED 31 DECEMBER | |
|---|---------------------------|--------------|
| | 2011 | 2010 |
| Employee benefit expense (Note 21) | 4,242 | 3,034 |
| Depreciation and amortisation charges (Notes 6 and 7) | 4,573 | 2,297 |
| Shortages and wastage of inventory | 1,161 | 1,309 |
| Electricity | 1,413 | 692 |
| External services | 1,193 | 681 |
| Consumable items | 446 | 413 |
| Other materials | 447 | 312 |
| Fuel | 254 | 92 |
| Impairments of inventory (Note 8) | 175 | 86 |
| Rent (Note 6) | 850 | 42 |
| Cost of sales of other merchandise | 773 | - |
| Other expenses | 392 | 349 |
| Total distribution costs | 15,919 | 9,307 |

18. ADMINISTRATIVE EXPENSES

| | YEAR ENDED 31 DECEMBER | |
|--|---------------------------|------------|
| | 2011 | 2010 |
| Employee benefit expense (Note 21) | 361 | 351 |
| External services | 186 | 138 |
| Electricity | 75 | 37 |
| Depreciation and amortisation charges (Note 6) | 46 | 23 |
| Other materials | 24 | 15 |
| Fuel | 13 | 5 |
| Rent (Note 6) | 45 | 2 |
| Other expenses | 18 | 10 |
| Total administrative expenses | 768 | 581 |

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In expenses for external services line above are included expenses for independent financial audit for the amount of 48 (2010: 40), where no other non-related services were included.

19. OTHER INCOME AND GAINS

| | YEAR ENDED 31 DECEMBER | |
|--|---------------------------|--------------|
| | 2011 | 2010 |
| Surpluses of inventory | 867 | 916 |
| Sales of other merchandise | 774 | - |
| Foreign exchange gains on trade and other receivables and payables | 1 | 267 |
| Reintegrated previous impairment of inventory (Note 8) | 43 | 33 |
| Sales of materials | 30 | 31 |
| Sales of services | 28 | 10 |
| Surpluses of cash | 10 | 9 |
| Other income | 2 | 3 |
| Total other income and gains | 1,755 | 1,269 |

20. OTHER EXPENSES AND LOSSES

| | YEAR ENDED 31 DECEMBER | |
|--|---------------------------|------------|
| | 2011 | 2010 |
| Local taxes and fees on real estate | 1,038 | 722 |
| Total other expenses and losses | 1,038 | 722 |

21. EMPLOYEE BENEFIT EXPENSE

| | YEAR ENDED 31 DECEMBER | |
|---|---------------------------|--------------|
| | 2011 | 2010 |
| Wages and salaries | 3,906 | 2,886 |
| Social security and national health contributions | 631 | 437 |
| Accrual for unused paid leaves | 56 | 55 |
| Pension costs – defined benefit plans (Note 14) | 10 | 6 |
| Total employee benefit expense | 4,603 | 3,384 |

The number of employees at the end of the presented periods and the average number of employees was as follows:

| | YEAR ENDED 31 DECEMBER | |
|---|---------------------------|------|
| | 2011 | 2010 |
| Employees at end of the year | 347 | 273 |
| Average number of employees in the year | 316 | 219 |

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22. FINANCE INCOME AND COSTS

| | YEAR ENDED 31 DECEMBER | |
|---|---------------------------|--------------|
| | 2011 | 2010 |
| Finance costs | | |
| Foreign currency exchange losses on cash | (8) | (212) |
| Bank charges | (121) | (115) |
| Total finance costs | (129) | (327) |
| Finance income | | |
| Interest income on short-term bank deposits | 155 | 1,386 |
| Total finance income | 155 | 1,386 |
| Finance income – net | 26 | 1,059 |

23. INCOME TAX EXPENSE

| | YEAR ENDED 31 DECEMBER | |
|---------------------------|---------------------------|------------|
| | 2011 | 2010 |
| Current tax | 741 | 945 |
| Deferred tax (Note 11) | (1) | (3) |
| Income tax expense | 740 | 942 |

The tax on the Company's profit before tax adjusts to the theoretical amount that would arise using the tax rate applicable to profits as follows:

| | YEAR ENDED 31 DECEMBER | |
|--|---------------------------|--------------|
| | 2011 | 2010 |
| Profit before tax | 6,720 | 8,803 |
| Theoretical current tax at 10% (2010: 10%) | 672 | 880 |
| <i>Effect on the tax charge of:</i> | | |
| Expenses not deductible for tax purposes | 69 | 65 |
| Current tax | 741 | 945 |

The current income tax receivable at 31 December 2011 is calculated as from the current tax charge for the year is deducted the tax paid in advance which amounts to 1,043 and the receivable for overpaid corporate income tax at the beginning of the year which amounts to 34.

24. DIVIDENDS PER SHARE

In 2010 and 2011 there is no distribution of dividends to the single shareholder of the Company. At the date of the approval of these financial statements it is not expected that a decision for distribution of dividends relating to the year ended 31 December 2011 will be made.

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25. CASH FLOWS

(A) CASH GENERATED FROM OPERATIONS

| | YEAR ENDED 31 DECEMBER | |
|---|---------------------------|--------------|
| | 2011 | 2010 |
| Profit after tax | 5,980 | 7,860 |
| <i>Adjustments for:</i> | | |
| Income tax expense (Note 23) | 740 | 942 |
| Depreciation and amortisation charges (Notes 6 and 7) | 4,619 | 2,320 |
| Pension costs (Note 14) | 8 | 4 |
| Losses on impairment of inventory – net (Notes 17 and 19) | 132 | 52 |
| Finance income – net (Note 22) | (26) | (1,059) |
| <i>Changes in working capital:</i> | | |
| Inventory | (4,670) | (5,326) |
| Trade and other receivables | (202) | (547) |
| Trade and other payables | 14,984 | 7,802 |
| Other assets | 375 | (8,204) |
| Cash generated from operations | 21,940 | 3,844 |

26. CONTINGENT LIABILITIES

The Company is not a part in any litigation which has significant interest. The Company's Management does not expect that any potentially material liability could arise in the case of advertent outcome of court cases or legal claims against it.

In 2011, the Company was subjected to examinations by the tax authorities but not on the corporate income tax. The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Company's Management is not aware of any circumstances which may give rise to potentially material additional tax liabilities.

27. COMMITMENTS

(A) CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not yet incurred was as follows:

| | AT 31 DECEMBER | |
|----------------------------------|----------------|---------------|
| | 2011 | 2010 |
| Property, plant and equipment | 16,759 | 27,324 |
| Total capital commitments | 16,759 | 27,324 |

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(B) OPERATING LEASE COMMITMENTS WHERE THE COMPANY IS A LESSEE

The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

| | AT 31 DECEMBER | |
|--|----------------|---------------|
| | 2011 | 2010 |
| Not later than 1 year | 942 | 635 |
| Later than 1 year and not later than 5 years | 4,076 | 3,912 |
| Later than 5 years | 14,540 | 15,601 |
| Total | 19,558 | 20,148 |

The Company leases lands and buildings under non-cancellable operating lease agreements with different terms that expire between 2023 and 2031. The agreements include different renewable options. Operating lease payments recognised as expense in the Statement of comprehensive income are disclosed in Notes 17 and 18.

28. RELATED-PARTY TRANSACTIONS

The Company is controlled by JUMBO S.A., Greece which holds 100 % of the Company's shares (Note 12) which is also the ultimate parent company of the Group which the Company is a part of. The parent company has control over the entities disclosed below as Other related parties.

The following transactions were carried out with related parties:

(A) SALES OF MERCHANDISE

| Sales of merchandise | YEAR ENDED 31 DECEMBER | |
|----------------------|------------------------|--------------|
| | 2011 | 2010 |
| Parent company | 1,994 | 3,002 |
| Total | 1,994 | 3,002 |

(B) PURCHASES OF MERCHANDISE, SERVICES AND PPE

| Purchases of merchandise | YEAR ENDED 31 DECEMBER | |
|------------------------------|------------------------|---------------|
| | 2011 | 2010 |
| Parent company | 32,294 | 26,061 |
| Other related parties | - | 211 |
| Purchases of services | | |
| Parent company | 261 | 190 |
| Purchases of PPE | | |
| Parent company | 250 | 96 |
| Total | 32,805 | 26,558 |

Purchases of services from the parent company include insurances and other services.

(C) RECEIVABLES FROM SALES OF MERCHANDISE

| Receivables from sales of merchandise | AT 31 DECEMBER | |
|---------------------------------------|----------------|------------|
| | 2011 | 2010 |
| Parent company | 945 | 456 |
| Total | 945 | 456 |

JUMBO EC. B EOOD

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

(All amounts in BGN thousands unless otherwise stated)

Receivables from related parties are due within 90 days after the date of sales. The receivables are unsecured in nature and bear no interest. In 2011 and 2010 there were no impairment losses against receivables from related parties.

(D) PAYABLES FOR PURCHASES OF MERCHANDISE, SERVICES AND PPE

| | AT 31 DECEMBER | |
|--|----------------|---------------|
| | 2011 | 2010 |
| Payables for purchases of merchandise | | |
| Parent company | 32,326 | 18,987 |
| Other related parties | - | 211 |
| Payables for purchases of PPE | | |
| Parent company | 250 | 57 |
| Total | 32,576 | 19,255 |

Payables to related parties are due within 180 days after the date of purchases. After the middle of 2012 the payables will be due within 270 days after the date of purchases. The payables are unsecured in nature and bear no interest.

(E) KEY MANAGEMENT COMPENSATION

Key management personnel include the managers of the Company.

| | YEAR ENDED 31 DECEMBER | |
|------------------------------|---------------------------|------------|
| | 2011 | 2010 |
| Short-term employee benefits | 156 | 164 |
| Total | 156 | 164 |

(All amounts in BGN thousands unless otherwise stated)

29. GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The future viability of the Company depends upon the business environment as well as on the securing and finance provided by the current and future owners and investors. If this risk is not mitigated and if the business of the Company was to be wound down and its assets sold, adjustments would have to be made to reduce the carrying value of assets to their liquidation value, to provide for further liabilities that might arise, and to reclassify property, plant and equipment and long term liabilities as current assets and liabilities. In the light of the expected future cash flows, the Management of the Company considers that it is appropriate the financial statements to be prepared on a going concern basis. With regards to the Management assessment that the Company will be able to continue as a going concern, the Company receives full support, including financial assistance, by JUMBO S.A., Greece as its parent company.

30. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no significant events after the end of the reporting period, having effects on the financial statements for the year ended on 31 December 2011.



INDEPENDENT AUDITOR'S REPORT

TO THE SOLE SHAREHOLDER AND MANAGEMENT OF JUMBO EC. B EOOD

Report on the Financial Statements

We have audited the accompanying annual financial statements of JUMBO EC. B EOOD ("The Company"), which comprise the Statement of Financial Position as at 31 December 2011, and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flows Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, set out on pages 5 to 41.

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, adopted for use in the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.



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Bulgaria

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of JUMBO EC. B EOOD as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, adopted for use in the European Union.

Report on Other Legal and Regulatory Requirements

We performed procedures on the consistency of the accompanying Annual Director's Report of JUMBO EC. B EOOD as at 31 December 2011 set out on pages 1 to 4 with the financial statements.

Management's Responsibility for the Annual Director's Report

Management is responsible for preparing the Annual Director's Report in accordance with the requirements of the Accounting Act.

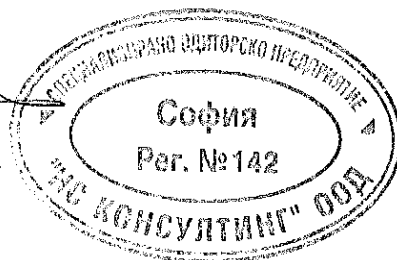
Auditor's Responsibility

Our responsibility is to express an opinion whether the Annual Director's Report is consistent with the annual financial statements for the same period.

Opinion

In our opinion, the Annual Director's Report of JUMBO EC. B EOOD as at 31 December 2011 is prepared, in all material respects, in consistency with the information disclosed in the accompanying financial statements for the same reporting period.

Nino Kaloyanov
Registered Auditor



Snezhanka Kaloyanova
Manager

NS CONSULTING OOD
6 February 2012
Sofia