

JUMBO EC. B EOOD

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

31 DECEMBER 2010

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JUMBO EC. B EOOD

ANNUAL DIRECTORS' REPORT

31 DECEMBER 2010

The management of JUMBO EC. B EOOD presents their Directors' Report and the Annual Financial Statements as at 31 December 2010 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 01.09.2005 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 no offices, branches or representations outside of Sofia. The Company has stores in the cities of Sofia and Plovdiv.

The Company has predominantly retail sales to a large number of customers. The major single customer of the Company in 2010 was JUMBO, S.A. Greece ("*The Parent Company*").

The major suppliers of the Company in 2010 were the Parent Company, Voyatzoglou Systems S.A., Greece, Sienit Invest OOD, Bulgarconsult AI EOOD and others.

In 2010 the Company had no following research and development activities.

ANALYSIS OF THE ACTIVITIES' RESULTS

Sales Revenue

The Company generated sales revenue in 2010 for the amount of BGN 38,152 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 2010 is BGN 10,337 thousand (37%) in comparison to 2009. This is due to the fact that the Company opened two new stores in Sofia – on Botevgradsko Shose Blvd. and Europa Blvd.

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 2010	%	Year 2009	%
Expenses for materials	1,567	15%	906	15%
Expenses for external services	863	8%	538	9%
Depreciation and amortization charges	2,320	22%	983	16%
Employee benefit costs	3,384	32%	2,227	36%
Expenses for other taxes	722	7%	369	6%
Other expenses	1,754	17%	1,193	19%
	10,610		6,216	

JUMBO EC. B EOOD

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Financial Result

The financial result of the Company in 2010 was a net profit of BGN 7,860 thousand (2009: BGN 8,118 thousand), which represents 20.60 % of the sales revenue for 2010 (2009: 29.19%). 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.

At the moment no general assembly of the shareholders is scheduled to be held 2011 in 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 139,545 thousand, consisting mainly of property, plant and equipment amounting to BGN 131,705 thousand (94.4 %). The remaining non-current assets represent mainly trade and other receivables amounting to BGN 7,721 thousand (5.5 %), 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 23,840 thousand, consisting mainly of inventories amounting to BGN 11,961 thousand (50.2 %). The remaining current assets represent mainly cash and cash equivalents amounting to BGN 8,834 thousand (37 %), as well as trade and other receivables amounting to BGN 3,011 thousand (12.6 %) 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 12 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 23,109 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 01.07.2010 the share capital of the Company is increased with BGN 11,734,000 to BGN 113,252,400 with cash contributions. The par value of a share is not changed; the number of shares increases.

With a decision of the Board of Directors of the Parent Company dated 16.10.2010 the share capital of the Company is increased with BGN 4,888,900 to BGN 118,141,300 with cash contributions. The par value of a share is not changed; the number of shares increases.

After the above mentioned changes, the share capital of the Company at the end of the reporting period was BGN 118,141,300 thousand which consists of 1,181,413 shares with par value of BGN 100 each. The single shareholder of the Company as at 31 December 2010 is JUMBO S.A., Greece, as disclosed in Note 12 to the financial statements.

With a decision of the Board of Directors of the Parent Company dated 03.01.2011 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 30 to the financial statements.

JUMBO EC. B EOOD
ANNUAL DIRECTORS' REPORT
31 DECEMBER 2010

FINANCIAL RATIOS

Liquidity

Current ratio = Current assets / Current liabilities = 23,840 / 23,109 = **1.03** (2009: 3.27)

Quick ratio = (Current assets – Inventory) / Current liabilities = (23,840 – 11,961) / 23,109 = **0.51** (2009: 2.83)

Absolute ratio = Cash and cash Equivalents / Current liabilities = 8,834 / 23,109 = **0.38** (2009: 2.79)

Net working capital = Current assets – Current liabilities задължения = (23,840 – 23,109) = **731** (2009: 34,204)

Profitability

Gross profit margin = Gross profit / Sales revenue = 17,084 / 38,152 = **44.78%** (2009: 50.14%)

Pre-tax return on assets = Profit before income tax / Total assets = 8,802 / 163,385 = **5.39%** (2009: 6.95%)

Return on equity = Net profit / Equity = 7,860 / 140,264 = **5.60%** (2009: 7.01%)

Activity

Days in inventory = Average inventory * 365 / Cost of sales = 9,325 * 365 / 21,068 = **162 days** (2009: 136 days)

Total asset turnover = Sales revenue / Average total assets = 38,152 / 147,124 = **25.93%** (2009: 26.70%)

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

Important event which occurred after the end of the reporting period was the decision for share capital increase mentioned in the section Share capital above and as disclosed in Note 30 to the financial statements.

OBJECTIVES FOR THE FUTURE DEVELOPMENT

One of the objectives set by the management of the Company for 2011 is to increase the sales revenue by 30 % in comparison to 2010 due to the opening of new stores.

In 2011, the Company is planning to open three new stores – in Varna and Burgas in June and Stara Zagora in November.

With regards to the development of personnel, the Company has an objective to increase the hired staff proportionally to the newly opened stores. In 2011, the Company will continue to invest in trainings and qualification of the new employees.

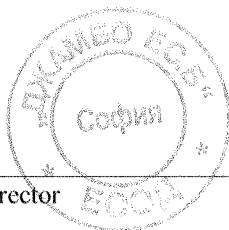
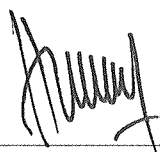
MANAGEMENT'S RESPONSIBILITIES

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 2010 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

4 February 2011

JUMBO EC. B EOOD


STATEMENT OF FINANCIAL POSITION

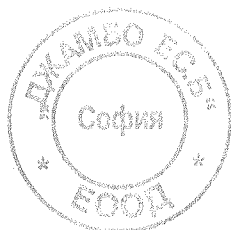
31 DECEMBER 2010

(All amounts in BGN thousands unless otherwise stated)

	NOTE	AS AT 31 DECEMBER	
		2010	2009
ASSETS			
Non-current assets			
Property, plant and equipment	6	131,705	81,524
Intangible assets	7	104	48
Trade and other receivables	9	7,721	-
Deferred income tax assets	11	15	12
		139,545	81,584
Current assets			
Inventory	8	11,961	6,688
Trade and other receivables	9	3,011	532
Current income tax receivables	23	34	-
Cash and cash equivalents	10	8,834	42,058
		23,840	49,278
TOTAL ASSETS		163,385	130,862
EQUITY AND LIABILITIES			
Equity			
Share capital	12	118,141	101,518
Retained earnings		22,123	14,263
		140,264	115,781
Non-current liabilities			
Retirement benefit obligations	14	12	7
		12	7
Current liabilities			
Trade and other payables	13	23,109	14,486
Current income tax liabilities	23	-	588
		23,109	15,074
Total liabilities		23,121	15,081
TOTAL EQUITY AND LIABILITIES		163,385	130,862


These financial statements were approved by the Management on 4 February 2011

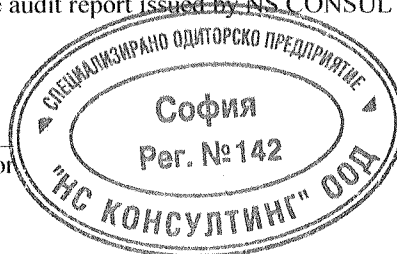

Desislava Grigorova, Chief Accountant




Alexandra Mihova, Managing Director

Initialled in accordance with the audit report issued by NS CONSULTING OOD on 4 February 2011


Snezhanka Kaloyanova, Registered Auditor





Nino Kaloyanov, Manager

JUMBO EC. B EOOD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2010

(All amounts in BGN thousands unless otherwise stated)


	NOTE	YEAR ENDED 31 DECEMBER	
		2010	2009
Revenue	15	38,152	27,815
Cost of sales	16	(21,068)	(13,869)
Gross profit		17,084	13,946
Distribution costs	17	(9,307)	(5,378)
Administrative expenses	18	(581)	(471)
Other income	19	1,269	443
Other expenses	20	(722)	(367)
Operating profit		7,743	8,173
Finance income	22	1,386	1,044
Finance costs	22	(327)	(124)
Finance income – Net		1,059	920
Profit before income tax		8,802	9,093
Income tax expense	23	(942)	(975)
Profit for the year		7,860	8,118
Other comprehensive income		-	-
Total comprehensive income for the year		7,860	8,118

These financial statements were approved by the Management on 4 February 2011



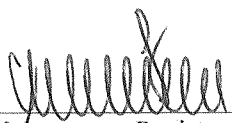
 Desislava Grigorova, Chief Accountant





 Alexandra Mihova, Managing Director

Initialled in accordance with the audit report issued by NS CONSULTING OOD on 4 February 2011



 Snezhanka Kaloyanova, Registered Auditor





 Nino Kaloyanov, Manager


JUMBO EC. B EOOD

STATEMENT OF CHANGES IN EQUITY

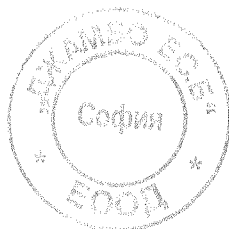
31 DECEMBER 2010

	NOTE	Share capital	Retained earnings	Total Equity
AT 1 JANUARY 2009		62,402	6,145	68,547
Comprehensive income				
Profit for the year		-	8,118	8,118
		-	8,118	8,118
Transactions with owners				
Share capital increase through issue of new shares	12	39,116	-	39,116
		39,116	-	39,116
AT 31 DECEMBER 2009		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

These financial statements were approved by the Management on 4 February 2011




 Desislava Grigorova, Chief Accountant



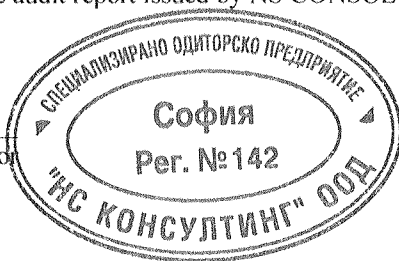


 Alexandra Mihova, Managing Director

Initialled in accordance with the audit report issued by NS CONSULTING OOD on 4 February 2011



 Snezhanka Kaloyanova, Registered Auditor






 Nino Kaloyanov, Manager

JUMBO EC. B EOOD
STATEMENT OF CASH FLOWS
31 DECEMBER 2010

(All amounts in BGN thousands unless otherwise stated)

	NOTE	YEAR ENDED 31 DECEMBER	
		2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	25	3,844	11,296
Income tax paid		(1,568)	(1,075)
Net cash flows from operating activities		2,276	10,221
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	25	(53,100)	(19,746)
Proceeds from sales of property, plant and equipment	25	-	63
Purchases of intangible assets		(82)	(34)
Net cash flows from investing activities		(53,182)	(19,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		-	(2)
Proceeds from share capital increase		16,623	39,116
Interest received		1,386	1,044
Bank charges		(115)	(84)
Net cash flows from financing activities		17,894	40,074
Net increase/(decrease) in cash and cash equivalents in the year		(33,012)	30,578
Cash and cash equivalents at beginning of the year		42,058	11,520
Foreign exchange losses on cash and cash equivalents		(212)	(40)
Cash and cash equivalents at end of the year	10	8,834	42,058

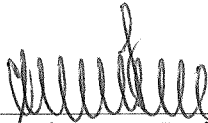
These financial statements were approved by the Management on 4 February 2011


 Desislava Grigorova, Chief Accountant

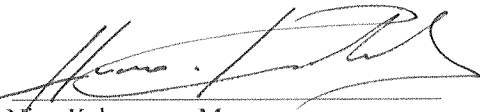



 Alexandra Mihova, Managing Director

Initialled in accordance with the audit report issued by NS CONSULTING OOD on 4 February 2011


 Snezhanka Kaloyanova, Registered Auditor




 Nino Kaloyanov, Manager

(All amounts in BGN thousands unless otherwise stated)

1. GENERAL INFORMATION

JUMBO EC. B EOOD („*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 4 February 2011.

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 International 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 2010 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 2010, are relevant to the Company’s operations and are applied in the preparation of these financial statements:

IAS 7 (Amendment) “Classification of expenditures on unrecognised assets” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. The Amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The Company applies the amendment but it has no impact on the financial statements and the way the cash flows are presented.

IAS 17 (Amendment) “Classification of leases of land and buildings” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. The amendment deletes the specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be

(All amounts in BGN thousands unless otherwise stated)

classified as either finance or operating, using the general principles of IAS 17. The Company applies the amendment but it has no impact on the financial statements.

IFRIC 17 „Distribution of non-cash assets to owners” and consequential amendments in IFRS 5 and IAS 10 (published by IASB in November 2008, adopted by the European Commission in November 2009, effective for reporting periods beginning on or after 1 November 2009) The interpretation provides guidance that a payable dividend should be recognised when the payment of the dividend is properly authorised and can not be reversed on the entity’s behalf. An entity should measure the dividend payable at the fair value of the net assets that are to be distributed and any difference between the paid dividend and the carrying values of the net assets should be recognised in the profit or loss. The interpretation also requires of the entity to present additional disclosures in the cases where the net assets designated for distribution to owners meet the definition of discontinued operations. The Company applies the interpretation and will provide the required disclosure where applicable. In these financial statements the interpretation had no impact.

2.1.2. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2011 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 2010.

2.1.3. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2010 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 2010, but are not relevant to the Company’s operations:

IFRS 1 (Revised) “First time adoption of IFRS” (published by IASB in November 2008, adopted by the European Commission in November 2009, effective for reporting periods beginning on or after 1 January 2010) The revised standard has the same content but has been restructured. The standard is not applicable to the Company due to the fact that it has previously applied IFRS for the first time.

IFRS 1 (Amendment) “Additional Exemptions for First-time Adopters” (published by IASB in July 2009, adopted by the European Commission in June 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment exempts entities using the full cost method from retrospective application of IFRSs for oil and gas assets. The amendment also exempts entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 “Determining whether an Arrangement contains a Lease” when the application of their national accounting requirements produced the same result. The amendment is not applicable to the Company due to the fact that it has previously applied IFRS for the first time.

IFRS 2 (Amendment) “Group cash-settled and share-based payment transactions” (published by IASB in June 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment encompasses those arrangements in which the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments clarify the scope of IFRS 2 to include all arrangements where an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendment clarifies that a ‘group’ has the same meaning as in IAS 27. With the amendments are withdrawn IFRIC 8 and IFRIC 11. The amendment is not applicable to the Company due to the fact that it has no share-based payments.

(All amounts in BGN thousands unless otherwise stated)

IFRS 2 (Amendment) “Share-based payment: Scope of IFRS 2 and IFRS 3 (Revised)” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. The amendment confirms that, in addition to business combinations as defined by IFRS 3, contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2. The amendment is not applicable to the Company due to the fact that it has no investments in joint ventures and share-based payments.

IFRS 3 (Revised) „Business combinations” (published by IASB in January 2008, adopted by the European Commission in June 2009, effective for reporting periods beginning on or after 1 July 2009) The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Statement of financial position. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Standard is not applicable to the Company since it has not participated in any business combinations.

IFRS 5 (Amendment) „Non-current assets held-for-sale and discontinued operations” and consequential amendment to IFRS 1 “First-time adoption” (published by IASB in May 2008, adopted by the European Commission in January 2009, effective for reporting periods beginning on or after 1 July 2009) The amendment is part of the IASB’s annual improvements project published by IASB in May 2008. The amendment clarifies that all of a subsidiary’s assets and liabilities are classified as held for sale if a partial disposal plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The amendment is not applicable to the Company due to the fact that there are no investments in subsidiaries.

IFRS 5 (Amendment) “Disclosures required in respect of noncurrent assets (or disposal groups) classified as held for sale or discontinued operations” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty). The amendment is not applicable to the Company due to the fact that it has no noncurrent assets held for sale or discontinued operations.

IFRS 8 (Amendment) „Disclosure of information about segment assets” published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. The amendment clarifies that the Company shall report a measure of both the total liabilities and the total assets for each reportable segment if such an amount is regularly provided to the chief operating decision maker. The amendment is not applicable to the Company due to the fact that it has no disclosures of operating segments.

IAS 1 (Amendment) “Current/noncurrent classification of convertible instruments” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as noncurrent (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the reporting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The amendment is not applicable to the Company due to the fact that it has no convertible

(All amounts in BGN thousands unless otherwise stated)

instruments.

IAS 27 (Revised) “Consolidated and separate financial statements” (published by IASB in January 2008, adopted by the European Commission in June 2009, effective for reporting periods beginning on or after 1 July 2009) The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The standard is not applicable to the Company due to the fact that there are no investments in subsidiaries.

IAS 36 (Amendment) “Unit of accounting for goodwill impairment test” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. The amendment clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8 (that is, before the aggregation of segments with similar economic characteristics permitted by paragraph 12 of IFRS 8). The amendment is not applicable to the Company due to the fact that it has no goodwill.

IAS 38 (Amendment) “Additional consequential amendments arising from IFRS 3 (Revised)” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. Amendments to paragraphs 36 and 37 of IAS 38 to clarify the requirements under IFRS 3 (Revised) regarding accounting for intangible assets acquired in a business combination. The amendment is not applicable to the Company due to the fact that it has no intangible assets acquired in a business combination.

IAS 38 (Amendment) “Measuring the fair value of an intangible asset acquired in a business combination” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. Amendments to paragraphs 40 and 41 of IAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. The amendment is not applicable to the Company due to the fact that it has no intangible assets acquired in a business combination.

IAS 39 (Amendment) „Eligible Hedged Items” (published by IASB in July 2008, adopted by the European Commission in September 2009, effective for reporting periods beginning on or after 1 July 2009) The amendment clarifies how to account for the inflation component of financial instruments and option contracts used as hedged instruments. The amendment is not applicable to the Company due to the fact that it has no hedge accounting.

IAS 39 (Amendment) “Treating loan pre-payment penalties as closely related derivatives” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. The amendment clarifies that any prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract. The amendment is not applicable to the Company due to the fact that it has no such debt contracts.

IAS 39 (Amendment) “Scope exemption for business combination contracts” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. Amendments to the scope exemption in paragraph 2.g of IAS 39 to clarify that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally

(All amounts in BGN thousands unless otherwise stated)

necessary to obtain any required approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions. The amendment is not applicable to the Company due to the fact that it has no business combination contracts.

IAS 39 (Amendment) “Cash flow hedge accounting” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. The amendment clarifies when to recognise gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The amendment is not applicable to the Company due to the fact that it has no cash flow hedge accounting.

IFRIC 9 (Amendment) “Scope of IFRIC 9 and IFRS 3 (Revised)” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. The IASB amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture. The amendment is not applicable to the Company due to the fact that it has no business combinations.

IFRIC 12 “Service concession arrangements” and consequential amendments to IFRS 1, IFRIC 4 and SIC 29 (published by IASB in November 2006, adopted by the European Commission in March 2009, effective for reporting periods beginning on or after 28 March 2009) The interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The interpretation is not applicable to the Company due to the fact that there are no concession arrangements.

IFRIC 15 “Agreements for construction of real estates” (published by IASB in July 2008, adopted by the European Commission in July 2009, effective for reporting periods beginning on or after 1 January 2010) The interpretation clarifies whether IAS 18 “Revenue” or IAS 11 “Construction contracts” should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. The interpretation is not applicable to the Company due to the fact that there are no agreements for constructions of real estates.

IFRIC 16 “Hedges of a net investment in a foreign operation” (published by IASB in July 2008, adopted by the European Commission in June 2009, effective for reporting periods beginning on or after 1 July 2009) The interpretation clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21 “The effects of changes in foreign exchange rates” do apply to the hedged item. The interpretation is not applicable to the Company due to the fact that there are no hedges of a net investment in a foreign operation.

IFRIC 16 (Amendment) “Restriction on the entity that can hold hedging instruments” (published by IASB in April 2009, adopted by the European Commission in March 2010, effective for reporting periods beginning on or after 1 January 2010) The amendment is part of the IASB’s annual improvements project published by IASB in April 2009. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. The amendment is not applicable to the Company due to the fact that there are no hedges of a net investment in a foreign operation.

(All amounts in BGN thousands unless otherwise stated)

IFRIC 18 “Transfers of assets from customers” and consequential amendment to IFRS 1 (published by IASB in January 2009, adopted by the European Commission in November 2009, effective for reporting periods beginning on or after 1 November 2009) This interpretation provides guidance on how to account for items of property, plant and equipment received from customers, or cash that is received and used to acquire or construct specific assets. This interpretation is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both (e.g. supply of electricity, gas or water). The interpretation clarifies the circumstances under which the definition of an asset is met, when the asset is recognised and its initial measurement, the identification of separable services, the revenue recognition and the accounting treatment of cash received from customers. The amendment is not applicable to the Company due to the fact that it has no activities requiring such agreements with the customers.

2.1.4. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2011 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 2011 and are relevant to the Company:

IFRS 7 (Amendment) “Clarification of disclosures” (published by IASB in May 2010, expecting adoption by the European Commission, 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. Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The Company will apply the amendment after its adoption by the European Commission.

IFRS 9 “Financial instruments” (published by IASB in November 2009, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 January 2013) 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 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.

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 will apply the revised standard after its effective date. It is not expected that the amendment will have an impact on the financial statements.

2.1.5. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2011 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 February 2010 and are not relevant to the Company:

(All amounts in BGN thousands unless otherwise stated)

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 2011) 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 amendment will not be applicable to the Company when effective due to the fact that it has previously applied IFRS for the first time.

IFRS 1 (Amendment) “First-time adoption of IFRS” (published by IASB in May 2010, expecting adoption by the European Commission, 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 amendment will not be applicable to the Company after its adoption by the European Commission due to the fact that it has previously applied IFRS for the first time.

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 amendment will not be applicable to the Company after its adoption by the European Commission due to the fact that it has previously applied IFRS for the first time.

IFRS 3 (Amendment) “Business combinations” (published by IASB in May 2010, expecting adoption by the European Commission, 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.

(All amounts in BGN thousands unless otherwise stated)

The amendment will not be applicable to the Company after its adoption by the European Commission due to the fact no business combinations are expected to occur.

IFRS 7 (Amendment) „Enhanced derecognition disclosure requirements for transfer transactions of financial assets” (published by IASB in October 2010, expecting adoption by the European Commission, effective for reporting periods beginning on or after 1 July 2011) The amendments will 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 amendment will not be applicable to the Company after its adoption by the European Commission due to the fact that it has no transfer transaction of financial assets.

IAS 1 (Amendment) “Clarification of statement of changes in equity” (published by IASB in May 2010, expecting adoption by the European Commission, 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 amendment will not be applicable to the Company after its 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 amendment will not be applicable to the Company after its adoption by the European Commission due to the fact that it has no assets, measured at fair value.

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, expecting adoption by the European Commission, 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 2009, or earlier when IAS 27 is applied earlier. The amendment 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, 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 amendment will not be applicable to the Company when effective due to the fact that it has no rights issues.

IAS 34 “Significant events and transactions” (published by IASB in May 2010, expecting adoption by the European Commission, 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:

- The circumstances likely to affect fair values of financial instruments and their classification;
- Transfers of financial instruments between different levels of the fair value hierarchy;

(All amounts in BGN thousands unless otherwise stated)

- Changes in classification of financial assets; and
- Changes in contingent liabilities and assets.

The amendment will not be applicable to the Company after its adoption by the European Commission due to the fact that it does not prepare interim financial information.

IFRIC 13 (Amendment) “Fair value of award credit” (published by IASB in May 2010, expecting adoption by the European Commission, 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 amendment will not be applicable to the Company after its adoption by the European Commission due to the fact 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 amendment will not be applicable to the Company when effective due to the fact that there are 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 will not be applicable to the Company when effective due to the fact that no such transactions are currently occurring.

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	
	2010	2009
1 EUR	1.95583	1.95583
1 USD	1.47276	1.36409

(All amounts in BGN thousands unless otherwise stated)

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
Vehicles	6 – 7
Computers	3 – 4
Furniture and fittings	5 – 9

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

(All amounts in BGN thousands unless otherwise stated)

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).

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

(All amounts in BGN thousands unless otherwise stated)

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.

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 RECEIVABLE

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.

(All amounts in BGN thousands unless otherwise stated)

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.

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 II 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.

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.

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.

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 2010.

(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 2010. 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.

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.

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

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

AT 31 DECEMBER 2009	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	13,765	440	-	-	14,205
Total	13,765	440	-	-	14,205

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 2010, the Company's strategy, which was unchanged from 2009, was not to use borrowings.

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.

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.

(All amounts in BGN thousands unless otherwise stated)

5. FINANCIAL INSTRUMENTS BY CATEGORY

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

AT 31 DECEMBER 2009

Financial assets	Loans and receivables
Trade and other receivables (Note 9)	227
Cash and cash equivalents (Note 10)	42,058
Total financial assets in the Statement of financial position	42,285

Financial liabilities	Financial liabilities at amortised cost
Trade and other payables (Note 13)	14,205
Total financial liabilities in the Statement of financial position	14,205

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	Vehicles	Furnitures, computers and machines	Assets under construction	Total
AT 1 JANUARY 2009						
Cost	32,198	20,006	140	1,580	69	53,993
Accumulated depreciation	-	(666)	(2)	(224)	-	(892)
Net book amount	32,198	19,340	138	1,356	69	53,101
2009						
Additions	8,410	556	-	406	20,168	29,540
Transfers	-	18,182	-	1,090	(19,272)	-
Disposals	-	-	(136)	(10)	-	(146)
Depreciation charge	-	(719)	(2)	(250)	-	(971)
Closing net book amount	40,608	37,359	-	2,592	965	81,524
AT 31 DECEMBER 2009						
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

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Depreciation expenses of PPE are reported as follows: 2,271 (2009: 961) in Distribution costs (Note 17) and 23 (2009: 10) in Administrative expenses (Note 18).

Lease rental payments amounting to 44 (2009: none) relating to the lease of land are included in the Statement of comprehensive income (Notes 17 and 18).

Lands include assets rented out by the Company to third parties under operating lease with the following amounts:

	AT 31 DECEMBER	
	2010	2009
Cost	1,263	-
Accumulated depreciation at 1 JANUARY	-	-
Depreciation charges for the year	-	-
Net book value	1,263	-

7. INTANGIBLE ASSETS

	Computer software	Total
AT 1 JANUARY 2009		
Cost	36	36
Accumulated amortisation	(10)	(10)
Net book amount	26	26
2009		
Additions	34	34
Amortisation charge	(12)	(12)
Closing net book amount	48	48
AT 31 DECEMBER 2009		
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

Amortisation expenses of Intangible assets are reported as follows: 26 (2009: 12) in Distribution costs (Note 17).

8. INVENTORY

	AT 31 DECEMBER	
	2010	2009
Merchandise	11,961	6,688
Total	11,961	6,688

(All amounts in BGN thousands unless otherwise stated)

The cost of merchandise recognised as expense and included in Cost of sales amounted to 21,068 (2009: 13,869) (Note 16).

The Company incurred impairment of inventories in 2010 for the amount 86 (2009: 57) (Note 17) and reversed previous impairment of inventories for the amount of 33 (2009: 33) (Note 19).

9. TRADE AND OTHER RECEIVABLES

	AT 31 DECEMBER	
	2010	2009
Trade receivables	-	1
Receivables from related parties (Note 28)	456	223
Advances to suppliers of fixed assets	1,714	265
Deferred charges	8,244	40
Other receivables	318	3
Total trade and other receivables	10,732	532
Less non-current portion: Deferred charges	7,721	-
Current trade and other receivables	3,011	532

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 8,170 (2009: none) and insurances for the amount of 74 (2009: 40).

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	
	2010	2009
More than 1 year but less than 5 years	3,080	-
More than 5 years	4,641	-
Total	7,721	-

At 31 December 2010, no trade receivables were overdue.

At 31 December 2010, no trade receivables were impaired. The other classes within trade and other receivables do not contain impaired assets.

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.

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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:

	AT 31 DECEMBER	
	2010	2009
Trade receivables		
Group 1	-	1
Total unimpaired trade receivables	-	1
Receivables from related parties		
Group 1	456	223
Total unimpaired receivables from related parties	456	223

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:

	AT 31 DECEMBER	
	2010	2009
Bulgarian Lev (BGN)	9,963	309
Euro (EUR)	769	223
Total trade and other receivables	10,732	532

10. CASH AND CASH EQUIVALENTS

	AT 31 DECEMBER	
	2010	2009
Cash in hand	121	81
Cash at bank	751	425
Short-term bank deposits	7,610	41,183
Cash in transit	352	369
Total cash and cash equivalents	8,834	42,058

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.

(All amounts in BGN thousands unless otherwise stated)

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% (2009: 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	
	2010	2009
Deferred income tax assets		
– Deferred income tax assets to be recovered after 12 months	1	1
– Deferred income tax assets to be recovered within 12 months	15	12
Total deferred income tax assets	16	13
Deferred income tax liabilities		
– Deferred income tax liabilities to be recovered after 12 months	(1)	(1)
Total deferred income tax liabilities	(1)	(1)
Deferred income tax assets – net	15	12

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

	YEAR ENDED 31 DECEMBER	
	2010	2009
AT 1 JANUARY	12	7
Credited to the Statement of comprehensive income (Note 23)	3	5
AT 31 DECEMBER	15	12

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	Property, plant and equipment	Impairment losses on inventory	Total
AT 1 JANUARY 2009	3	1	1	2	7
(Charged)/credited to the Statement of comprehensive income	3	-	(1)	4	6
AT 31 DECEMBER 2009	6	1	-	6	13
(Charged)/credited to the Statement of comprehensive income	(1)	1	-	3	3
AT 31 DECEMBER 2010	5	2	-	9	16

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Deferred tax liabilities	Property, plant and equipment	Total
AT 1 JANUARY 2009	-	-
(Charged)/credited to the Statement of comprehensive income	(1)	(1)
AT 31 DECEMBER 2009	(1)	(1)
(Charged)/credited to the Statement of comprehensive income	-	-
AT 31 DECEMBER 2010	(1)	(1)

At 31 December 2010 the Company has no tax losses to carry forward.

12. SHARE CAPITAL

	Number of shares	Shares
AT 1 JANUARY 2009	624,018	62,402
Issue of new shares	391,166	39,116
AT 31 DECEMBER 2009	1,015,184	101,518
Issue of new shares	166,229	16,623
AT 31 DECEMBER 2010	1,181,413	118,141

All issued shares are fully paid.

The Company single shareholder at 31 December 2010 was JUMBO S.A., Greece.

13. TRADE AND OTHER PAYABLES

	AT 31 DECEMBER	
	2010	2009
Trade payables	234	163
Payables to related parties (Note 28)	19,255	12,120
Payables to suppliers of fixed assets	2,416	1,621
Payables to the employees	319	301
Payables for social securities and health insurance contributions	97	83
Other tax payables	788	198
Total trade and other payables	23,109	14,486

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).

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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	
	2010	2009
Present value of the obligations	12	6
Unrecognized actuarial gains	-	1
Liability at the end of the reporting period	12	7

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

	YEAR ENDED 31 DECEMBER	
	2010	2009
Current service cost	5	3
Interest cost	-	-
Actuarial gains – net	1	-
Total, included in employee benefit expense (Note 21)	6	3

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	
	2010	2010
AT 1 JANUARY	7	4
Total expense charged in the Statement of comprehensive income (Note 21)	6	3
Benefits paid	(1)	-
AT 31 DECEMBER	12	7

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The principal actuarial assumptions used were as follows:

	AT 31 DECEMBER	
	2010	2009
Discount rate	6,5%	7%
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. REVENUE

	YEAR ENDED 31 DECEMBER	
	2010	2009
Sales of merchandise on the domestic market	35,150	26,245
Sales of merchandise on foreign market	3,002	1,570
Total revenue	38,152	27,815

16. COST OF SALES

	YEAR ENDED 31 DECEMBER	
	2010	2009
Inventory at the beginning of period (Note 8)	6,688	3,685
Purchases	27,407	17,771
Discounts on purchases	(207)	(113)
Surpluses of inventory (Note 19)	916	357
Shortages and wastage of inventory (Note 17)	(1,309)	(879)
Impairment of inventory (Note 17)	(86)	(57)
Reintegrated previous impairment of inventory (Note 19)	33	33
Consumable items (Note 17)	(413)	(240)
Inventory in the end of the period (Note 8)	(11,961)	(6,688)
Total cost of sales	21,068	13,869

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17. DISTRIBUTION COSTS

	YEAR ENDED 31 DECEMBER	
	2010	2009
Employee benefit expense (Note 21)	3,034	1,950
Depreciation and amortisation charges (Notes 6 and 7)	2,297	973
Shortages and wastage of inventory	1,309	879
Electricity	692	305
External services	681	392
Consumable items	413	240
Other materials	312	236
Fuel	92	93
Impairments of inventory	86	57
Rent (Note 6)	42	-
Other expenses	349	253
Total distribution costs	9,307	5,378

18. ADMINISTRATIVE EXPENSES

	YEAR ENDED 31 DECEMBER	
	2010	2009
Employee benefit expense (Note 21)	351	276
External services	138	146
Electricity	37	16
Depreciation and amortisation charges (Notes 6 and 7)	23	10
Other materials	15	11
Fuel	5	5
Rent (Note 6)	2	-
Other expenses	10	7
Total administrative expenses	581	471

In expenses for external services line above are included expenses for independent financial audit for the amount of 40 (2009: 53); in which no other non-related services were included.

19. OTHER INCOME AND GAINS

	YEAR ENDED 31 DECEMBER	
	2010	2009
Surpluses of inventory	916	358
Foreign exchange gains on trade and other receivables and payables	267	30
Reintegrated previous impairment of inventory	33	33
Sales of materials	31	7
Sales of parking services	10	9
Surpluses of cash	9	2
Profit on disposal of PPE	-	4
Other income	3	-
Total other income and gains	1,269	443

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20. OTHER EXPENSES AND LOSSES

	YEAR ENDED 31 DECEMBER	
	2010	2009
Local taxes and fees on real estate	722	367
Total other expenses and losses	722	367

21. EMPLOYEE BENEFIT EXPENSE

	YEAR ENDED 31 DECEMBER	
	2010	2009
Wages and salaries	2,886	1,867
Social security and national health contributions	437	301
Accrual for unused paid leaves	55	56
Pension costs – defined benefit plans (Note 14)	6	3
Total employee benefit expense	3,384	2,227

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

	YEAR ENDED 31 DECEMBER	
	2010	2009
Employees at end of the year	273	277
Average number of employees in the year	219	125

22. FINANCE INCOME AND COSTS

	YEAR ENDED 31 DECEMBER	
	2010	2009
Finance costs		
Foreign currency exchange losses on cash	(212)	(40)
Bank charges	(115)	(84)
Total finance costs	(327)	(124)
Finance income		
Interest income on short-term bank deposits	1,386	1,044
Total finance income	1,386	1,044
Finance income – net	1,059	920

(All amounts in BGN thousands unless otherwise stated)

23. INCOME TAX EXPENSE

	YEAR ENDED 31 DECEMBER	
	2010	2009
Current tax	945	980
Deferred tax (Note 11)	(3)	(5)
Income tax expense	942	975

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	
	2010	2009
Profit/(loss) before tax	8,803	9,093
Theoretical current tax at 10% (2009: 10%)	880	909
<i>Effect on the tax charge of:</i>		
Expenses not deductible for tax purposes	65	71
Current tax	945	980

The current income tax receivable at 31 December 2010 (accordingly the payable at 31 December 2009) is calculated as from the current tax charge for the year is deducted the tax paid in advance which amounts to 979 (2009: 392).

24. DIVIDENDS PER SHARE

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 2010 will be made.

25. CASH FLOWS

(A) CASH GENERATED FROM OPERATIONS

	YEAR ENDED 31 DECEMBER	
	2010	2009
Profit after tax	7,860	8,118
<i>Adjustments for:</i>		
Income tax expense (Note 23)	942	975
Depreciation and amortisation charges (Notes 6 and 7)	2,320	983
Pension costs (Note 14)	4	3
Losses on impairment of inventory – net (Notes 17 and 19)	52	24
Profit on sales of property, plant and equipment (Note 19)	-	(4)
Finance income – net (Note 22)	(1,059)	(920)
<i>Changes in working capital:</i>		
Inventory	(5,326)	(3,027)
Trade and other receivables	(547)	444
Trade and other payables	7,802	4,694
Other assets	(8,204)	6
Cash generated from operations	3,844	11,296

(All amounts in BGN thousands unless otherwise stated)

(B) PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT

In the Statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	YEAR ENDED 31 DECEMBER	
	2010	2009
Net book amount of disposed property, plant and equipment (Note 6)	-	146
Profit on disposal of property, plant and equipment (Note 19)	-	4
Transferred finance lease liabilities	-	(87)
Proceeds from sale of property, plant and equipment	-	63

(B) NON-CASH TRANSACTIONS

The principal non-cash transactions are those regarding the acquisition of PPE through finance lease. The assets thus acquired are excluded from the investing activity in the Statement of cash flows and the cash payments under those contracts are presented as cash flows from financing activity.

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 2010, 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	
	2010	2009
Property, plant and equipment	27,324	2,558
Total capital commitments	27,324	2,558

(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	
	2010	2009
Not later than 1 year	635	3,521
Later than 1 year and not later than 5 years	3,912	-
Later than 5 years	15,601	-
Total	20,148	3,521

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2010

(All amounts in BGN thousands unless otherwise stated)

The Company leases lands and has agreements for future lease of 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

	YEAR ENDED 31 DECEMBER	
	2010	2009
Sales of merchandise		
Parent company	3,002	1,570
Total	3,002	1,570

(B) PURCHASES OF MERCHANDISE, SERVICES AND PPE

	YEAR ENDED 31 DECEMBER	
	2010	2009
Purchases of merchandise		
Parent company	26,061	17,337
Other related parties	211	-
Purchases of services		
Parent company	190	173
Purchases of PPE		
Parent company	96	61
Total	26,558	17,571

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

(C) RECEIVABLES FROM SALES OF MERCHANDISE

	AT 31 DECEMBER	
	2010	2009
Receivables from sales of merchandise		
Parent company	456	223
Total	456	223

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 2010 and 2009 there were no impairment losses against receivables from related parties.

(All amounts in BGN thousands unless otherwise stated)

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

	AT 31 DECEMBER	
	2010	2009
Payables for purchases of merchandise		
Parent company	18,987	12,066
Other related parties	211	
Payables for purchases of services		
Parent company	57	54
Total	19,255	12,120

Payables to related parties are due within 180 days after the date of purchases. After the middle of 2011 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 managements of the Company.

	YEAR ENDED 31 DECEMBER	
	2010	2009
Short-term employee benefits	164	141
Total	164	141

The compensation payable to key management of the Company for employee services were as follows:

	AT 31 DECEMBER	
	2010	2009
Payables for short-term employee benefits	31	40
Total	31	40

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.

(All amounts in BGN thousands unless otherwise stated)

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 2010.

With a decision of the Board of Directors of the parent company dated 03.01.2011 the share capital of the Company is increased with BGN 4,888,900 through issue of new shares with par value of BGN 100 per share against cash distribution from the single shareholder. The new amount of the share capital after the increase will be BGN 123,030,200.



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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 financial statements of JUMBO EC. B EOOD (*"The Company"*), which comprise the Statement of Financial Position as at 31 December 2010, 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 43.

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.



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 2010 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 2010 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 2010 is prepared, in all material respects, in consistency with the information disclosed in the accompanying financial statements for the same reporting period.

Snezhanka Kaloyanova
Registered Auditor



Nino Kaloyanov
Manager

NS CONSULTING OOD
4 February 2011
Sofia