JUMBO EC. B EOOD
ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2008

CONTENTS

NS CONSULTING EOOD
ID 175282408
73 Bulgaria Blvd.
Entrance A, 2nd floor, # 107
Sofia1404
Bulgaria

INDEPENDENT AUDITOR'S REPORT

TO THE 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 balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, set out on pages 10 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

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Report on Other Legal and Regulatory Requirements

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

We are required by the Accounting Act to express an opinion whether the Annual Directors' Report is consistent with the annual financial statements of the Company for the same period.

In our opinion, the Annual Directors' Report enclosed to the financial statements is prepared in accordance with the requirements and is consistent with the accompanying financial statements of the Company as of 31 December 2008.

0273 Снежанка Калоянова Регистриран одитор

Snezhanka Kaloyanova
Registered Auditor
05 February 2009
Sofia
Bulgaria

The management of JUMBO EC. B EOOD presents their Directors' Report and the Annual Financial Statements as at 31 December 2008 prepared under the International Financial Reporting Standards (*"IFRS"*).

Description of activities

The Company JUMBO EC. B EOOD is registered on 01/09/2005 with court decision № 1 of the Sofia City Court and is registered in the Trade Companies Register under file № 9856, batch № 96904, tome 1291, page 59 with domicile: Sofia, 60G Bulgaria Blvd., 8th floor, ap. 47, and BULSTAT № 131476411.

With its decision № 2 dated 31/10/2005, the Sofia City Court files changes of the domicile: Sofia, 9a Yanko Sakazov Blvd., 3rd floor, ap. 9. The Company is re-registered under the Tax and Social Insurance Process Code from Vitosha Office to Oborishte Office on 01/11/2005.

On 11/11/2008 in the Register Agency with № 20081111142219 was made a change of the Company's domicile: Sofia, 51 Bulgaria Blvd.

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 major customers of the Company in 2008 were retail clients and the Parent Company.

The major suppliers of the Company in 2008 were the Parent Company – JUMBO S.A., Greece, MVP International, SV Shipping OOD, Markan Service OOD, CHEZ Electro Bulgaria AD, Astra Estates EOOD, Erera Estates EOOD, City Estates EOOD, Business Properties Bulgaria EOOD.

Analysis of the results of the activities

Income

The Company generated revenue in 2008 for the amount of BGN 22,676 thousand, of which BGN 22,252 thousand revenue from sales of goods, BGN 164 thousand surpluses of inventory and cash, BGN 230 thousand interest on current bank and short-term deposit accounts and others.

The increase in the sales revenue in 2008 is BGN 19,885 thousand (840%) in comparison to 2007. This is due to the fact that the Company opened its first store in December 2007.

Operating expenses

The biggest share in the Company's expenses have the employee benefit expenses of BGN 1,557 thousand, (34%), depreciation and amortization charges of BGN 851 thousand (19%), other expenses of BGN 821 thousand (18%), and the expenses for materials and consumables of BGN 648 thousand. (14%).

In 2008 the Company had no activities in research and development activities.

Financial result

The financial result of the Company in 2008 was a net profit of BGN 5,822 thousand, which represents 26 % of the sales revenue for 2008.

At this moment there is no appointed meeting of the Board of directors of the Sole owner of the Company's share capital in 2009, on which to be taken a decision for the distribution of the net profit for 2008 as dividends or retention in the retained earnings.

Non-current assets

The non-current assets of the Company at the balance sheet date were BGN 53,134 thousand, consisting mainly of Property, plant and equipment and other assets (as disclosed in Notes 5, 6 and 10).

Current assets

The current assets of the Company at the balance sheet date were BGN 24,337 thousand, consisting mainly of Cash and cash equivalents, Trade and other receivables, and Inventory (as disclosed in Notes 7, 8 and 9).

Non-current liabilities

The non-current liabilities of the Company were BGN 4 thousand, which represent Retirement benefit obligations (as disclosed in Note 14).

Current liabilities

The current liabilities of the Company were BGN 8,920 thousand, where the biggest part is of the Trade and other payables of BGN 8,149 thousand (91 %) and the Current income tax liabilities of BGN 683 thousand (8%) (as disclosed in Notes 12, 13 and 23).

Share capital

The Share capital of the Company was BGN 62,402 thousand which consists of 624,018 shares with par value of BGN 100 each.

The sole owner of the Share capital of the Company is JUMBO S.A., Greece.

In 2008, the Share capital was increased in accordance with resolutions of the Board of directors of the sole owner as follows:

- Resolution dated 05/05/2008 for an increase from BGN 33,064,500 to BGN 52,622,800 with non-monetary contribution – debt for the amount of BGN 19,558,300. The par value of a share was not changed, only the number of shares increased.
- Resolution dated 11/11/2008 for an increase from BGN 52,622,800 to BGN 62,401,800 with non-monetary contribution – debt for the amount of BGN 9,779,000. The par value of a share was not changed, only the number of shares increased.

Financial result

Ratios

Liquidity

Current Ratio = Current Assets / Current Liabilities = 24,337 / 8,920 = **2.73** (2007: **1.26**).

Quick Ratio = Current Assets – Inventory / Current Liabilities = 20,652 / 8,920 = **2.32** (2007: **0.78**).

Absolute Ratio = Cash and Cash Equivalents / Current Liabilities = 11,520 / 8,920 = **1.29** (2007: **0.68**).

Profitability

Gross Profit Margin = Gross Profit / Sales Revenue = 10,753 / 22,252 = **48.32%** (2007: **45.33%**).

Pre-tax Return on Assets = Profit Before Income Tax / Total Assets = 6,526 / 77,471 = **8.42%** (2007: **0.97%**).

Return on Equity = Net Profit / Equity = 5,822 / 68,547 = **8.49%** (2007: **1.06%**).

Activity

Days in Inventory = Average Inventory * 360 / Cost of Sales = 3,527 * 360 / 11,499 = **110 days**

Total Asset Turnover = Sales Revenue / Total Assets = 22,252 / 77,471 = **0.29** (2007: **0.06**).

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 members are disclosed in Note 28.

Financial risk management

The management controls the overall risk and seeks methods to neutralise the potential negative effects on the financial results of the Company, as disclosed in Note 3.

Events after the balance sheet

Important events which occurred after the balance sheet date are the registering of the share capital increase and the transfer of a financial lease (as disclosed in Notes 11 and 12).

Objectives for the future development

On of the objectives set by the management of the Company for 2009 is to increase the sales revenue in relation to the market conditions and the development of the investment program.

The Company plans to invest funds in the purchases of new real estates and in construction of new stores on the country's territory.

Development of the personnel

The personnel will be increased proportionally to the creation of new stores. Furthermore the Company plans to invest in the training of new staff as well as in the pre-qualification of the current.

Management's responsibilities

In accordance with 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 confirm that they have applied in a consistent manner adequate accounting policies and that in the preparation of the financial statements as at 31 December 2008 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.

ДЖЪМБО ЕС Б ЕООД
София

Alexandra Mihova, Managing Director

Sofia
05 February 2009

(All amounts in BGN thousands unless otherwise stated)	Note	As at 31 December 2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	5	53,101	31,541
Intangible assets	6	26	3
Deferred income tax assets	10	7	-
		53,134	**31,544**
Current assets			
Inventory	7	3,685	3,369
Trade and other receivables	8	9,132	714
Cash and cash equivalents	9	11,520	4,769
		24,337	**8,852**
Total Assets		**77,471**	**40,396**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	62,402	33,065
Retained earnings		6,145	323
		68,547	**33,388**
Non-current liabilities			
Retirement benefit obligations	14	4	-
		4	-
Current liabilities			
Borrowings	12	88	-
Trade and other payables	13	8,149	6,971
Current income tax liabilities	23	683	37
		8,920	**7,008**
Total Liabilities		**8,924**	**7,008**
Total Equity and Liabilities		**77,471**	**40,396**

Date: 05 February 2009

Desislava Grigorova, Chief Accountant

ДЖАМБО ЕС.Б София ЕООД

Alexandra Mihova, Managing Director

Initialled for identification purposes in accordance with the audit report:

Snezhanka Kaloyanova, Registered Auditor

The notes on pages 10 to 43 are an integral part of these financial statements.

(All amounts in BGN thousands unless otherwise stated)	Note	Year ended 31 December 2008	2007
Revenue	15	22,252	2,367
Cost of sales	16	(11,499)	(1,294)
Gross profit		**10,753**	**1,073**
Distribution costs	17	(3,985)	(540)
Administrative expenses	18	(319)	(146)
Other income	19	179	4
Other expenses	20	(276)	(16)
Operating profit		**6,352**	**375**
Finance income	22	230	28
Finance costs	22	(56)	(11)
Finance costs – net		**174**	**17**
Profit before income tax		**6,526**	**392**
Income tax expense	23	(704)	(37)
Profit for the year		**5,822**	**355**

Date: 05 February 2009

Desislava Grigorova, Chief Accountant

Alexandra Mihova, Managing Director

Initialled for identification purposes in accordance with the audit report:

Snezhanka Kaloyanova, Registered Auditor

(All amounts in BGN thousands unless otherwise stated)	**Note**	**Share capital**	**Retained earnings**	**Total equity**
Balance at 01 January 2007		17,418	(32)	17,386
Share capital increase	11	15,647	-	15,647
Profit for the year		-	355	355
Balance at 31 December 2007		**33,065**	**323**	**33,388**
Balance at 01 January 2008		33,065	323	33,388
Share capital increase	11	29,337	-	29,337
Profit for the year		-	5,822	5,822
Balance at 31 December 2008		**62,402**	**6,145**	**68,547**

Date: 05 February 2009

ДЖАМБО ЕС.Б
София
ЕООД

Desislava Grigorova, Chief Accountant

Alexandra Mihova, Managing Director

Initialled for identification purposes in accordance with the audit report:

Snezhanka Kaloyanova, Registered Auditor

(All amounts in BGN thousands unless otherwise stated)	Note	Year ended 31 December 2008	2007
Cash flows from operating activities			
Cash generation from operations	25	10,186	1,576
Income tax paid		(65)	-
Net cash flows from operating activities		**10,121**	**1,576**
Cash flows from investing activities			
Purchases of Property, plant and equipment (PPE)		(38,673)	(19,077)
Repaid advances to suppliers of PPE		5,804	-
Proceeds from sale of PPE		20	-
Purchases of Intangible assets		(33)	(2)
Net cash flows from investing activities		**(32,882)**	**(19,079)**
Cash flows from financing activities			
Proceeds from share capital increase		29,337	15,647
Interest received		230	28
Bank charges		(55)	(11)
Net cash flows from financing activities		**29,512**	**15,664**
Net increase / (decrease) in cash and cash equivalents		**6,751**	**(1,839)**
Cash and cash equivalents at beginning of the year		**4,769**	**6,608**
Cash and cash equivalents at end of the year	9	**11,520**	**4,769**

Date: 05 February 2009

Desislava Grigorova, Chief Accountant

ДЖАМБО ЕС.Б ЕООД София

Alexandra Mihova, Managing Director

Initialled for identification purposes in accordance with the audit report:

Snezhanka Kaloyanova, Registered Auditor

1. General information

JUMBO EC. B („*The Company*") is solely owned limited liability company incorporated and domiciled in Bulgaria. The address of its registered office Sofia, 51 Bulgaria Blvd. which is also its correspondence address and main activity address.

The Company has the following activities: 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 is wholly owned subsidiary of JUMBO S.A., Greece which is also the ultimate parent of the Group.

These Company's financial statements were prepared and authorised for issue by the Management on 05 February 2009.

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

The financial statements have been prepared in accordance with International Financial Reporting Standards („*IFRS*"), adopted by the Commission of the European Union („*the European Commission*"). These financial statements do also comply with the requirements of IFRS as issued by the International Accounting Standards Board („*IASB*"). 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 of existing standards and interpretations effective in 2008 and relevant to the Company***

There are no new standards, amendments of existing standards and interpretations that are relevant to the Company and effective in 2008.

2.1.2. ***New standards, amendments of existing standards and interpretations effective after 2008 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 2008.

2.1.3. ***New standards, amendments of existing standards and interpretations effective in 2008 but not relevant to the Company***

The following standards, amendments and interpretations are mandatory for the preparations of financial statements for accounting periods beginning on or after 01 January 2008, but are not relevant to the Company's operations:

IAS 39 (Amendment) „Financial instruments: Recognition and measurement" and IFRS 7 (Amendment) „Financial instruments: Disclosures" (published in October 2008, effective from 01 July 2008, adopted by the European Commission in October 2008). The amendments relate to reclassification of financial instruments and permit s an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments are not applicable to the Company due to the fact that there are no financial assets at fair value through profit or loss as well as financial assets, available for sale.

IFRIC 11 „Group and treasury share transactions" (published in November 2006, effective for accounting periods beginning on or after 01 March 2007, adopted by the European Commission in June 2007). The interpretation provides guidance on the application of IFRS 2 "Share based payment" in the cases when there are share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares). IFRIC 11 is not applicable to the Company due to the fact that there are no share-based payments.

2.1.4. ***New standards, amendments of existing standards and interpretations effective after 2008, relevant to but not early adopted by the Company***

The following standards, amendments and interpretations are published and are mandatory for accounting periods beginning on or after 01 January 2009 and are relevant to the Company:

IFRS 3 (Revised) „Business combinations" (published in January 2008, effective for accounting periods beginning on or after 01 July 2009, expecting adoption by the European Commission). 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 income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (Revised) prospectively to all business combinations after its adoption by the European Commission.

IAS 1 (Revised) „Presentation of financial statements" (published in September 2007, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in December 2008). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply IAS 1 (Revised) from 01 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

IAS 1 (Amendment) „Presentation of financial statements" and IAS 32 (Amendment) „Financial instruments: Presentation" – "Puttable financial instruments and obligations arising on liquidation" (published in February 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. It is not expected the amendments to have any impact on the Company's financial statements.

IAS 1 (Amendment) „Presentation of financial statements" (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. It is not expected the amendment to have an impact on the Company's financial statements due to the fact that there are no financial instruments held for trading.

IAS 19 (Amendment) „Employee benefits" (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

It is not expected the amendment to have an impact on the Company's financial statements

IAS 23 (Amendment) „Borrowing costs" (published in March 2007, effective from 01 January 2009, adopted by the European Commission in December 2008). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will apply the amended standard but it is not expected to have an impact on the Company's financial statements due to the fact that currently there are no qualifying assets.

IAS 23 (Amendment) „Borrowing costs" (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Company will apply the amended standard but it is not expected to have an impact on the Company's financial statements due to the fact that currently there are no qualifying assets.

IAS 36 (Amendment) „Impairment of assets" (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests.

IFRIC 17 „Distribution of non-cash assets to owners" (published in November 2008, effective for accounting periods beginning on or after 01 July 2009, expecting adoption by the European Commission). 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 Company will apply IFRIC 17 after its adoption by the European Commissions and provide the required disclosure where applicable.

There are a number of minor amendments **to IFRS 7 "Financial instruments: Disclosures", IAS 8 "Accounting policies, changes in accounting estimates and errors", IAS 10 "Events after the reporting period", IAS 18 "Revenue" and IAS 34 "Interim financial reporting"**, which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Company's accounts and have therefore not been analysed in detail.

2.1.5. *New standards, amendments of existing standards and interpretations effective after 2008 and not relevant to the Company*

The following standards, amendments and interpretations are published and are mandatory for accounting periods beginning on or after 01 January 2009 and are not relevant to the Company:

IFRS 1 (Amendment) "First time adoption of IFRS" and IAS 27 "Consolidated and separate financial statements" (published in May 2008, effective for accounting periods beginning on or after 01 July 2009, adopted by the European Commission in January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendments are not applicable to the Company due to the fact that it has applied IFRS 1 in 2008.

IFRS 1 (Revised) "First time adoption of IFRS" (published in November 2008, effective for accounting periods beginning on or after 01 July 2009, expecting adoption by the European Commission). The revised standards has the same content but has been restructured. The standard will not be applicable to the Company after its adoption by the European Commission due to the fact that it has applied IFRS 1 in 2008.

IFRS 2 (Amendment) "Share-based payment" (published in January 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in December 2008). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The standard is not applicable to the Company due to the fact that there are no share-based payments.

IFRS 5 (Amendment) „Non-current assets held-for-sale and discontinued operations" (and consequential amendment to IFRS 1 "First-time adoption") (published in May 2008, effective for accounting periods beginning on or after 30 June 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published 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 sale 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 8 „Operating segments" (published in November 2006, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in November 2007). The standard replaces IAS 14 "Segment reporting" and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes for allocation of resources between the separate segments. The standard requires the entities to disclose the basis on which the segment information is prepared and the comparison between the amounts presented in the balance sheet and the income statement and those presented in the operating segments. This new standard is not applicable to the Company due to the fact that it is applied by public entities.

IAS 16 (Amendment) "Property, plant and equipment" (and consequential amendment to IAS 7 "Statement of cash flows") (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have any impact on the financial statements of the Company due to the fact that its ordinary activities do not comprise renting and subsequently selling assets.

IAS 20 (Amendment) "Accounting for government grants and disclosure of government assistance" (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have any impact on the financial statements of the Company due to the fact that there are no government grants.

IAS 27 (Revised) "Consolidated and separate financial statements" (published in January 2008, effective for accounting periods beginning on or after 01 January 2009, expecting adoption by the European Commission). 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 subsidiaries.

IAS 27 (Amendment) "Consolidated and separate financial statements" (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have any impact on the financial statements of the Company due to the fact that there are no investments in subsidiaries.

IAS 28 (Amendment) "Investments in associates" (and consequential amendments to IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures") (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The amendment is not applicable to the Company due to the fact that there are no investments in associates.

IAS 28 (Amendment) "Investments in associates" (and consequential amendments to IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures") (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment is not applicable to the Company due to the fact that there are no investments in associates.

IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment is not applicable to the Company due to the fact that it has no operations in hyperinflationary economies.

IAS 31 (Amendment) „Interests in joint ventures" (and consequential amendments to IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures" (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32 "Financial instruments: Presentation", and IFRS 7 "Financial instruments: Disclosures". The amendment is not applicable to the Company due to the fact that there are no interests in joint ventures.

IAS 38 (Amendment) „Intangible assets" (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The amendment is not applicable to the Company due to the fact that there no payments for obtaining right of access.

IAS 38 (Amendment) „Intangible assets" (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment is not applicable to the Company due to the fact that all intangible assets are amortised on a straight-line basis.

IAS 39 (Amendment) "Financial instruments: Recognition and measurement" (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

- This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
- The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.
- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates contracts with group treasury as fair value or cash flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. See note 3.1 for further details. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the group will not formally document and test this relationship.
- When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The amendment is not applicable to the Company due to the fact that there are no financial instruments held for trading, derivatives, segments and hedge accounting.

IAS 39 (Amendment) „Financial instruments: Recognition and measurement" – Eligible Hedged Items (published in July 2008, effective for accounting periods beginning on or after 01 January 2009, expecting adoption by the European Commission). The amendment will not applicable to the Company due to the fact that there is no hedge accounting.

IAS 39 (Amendment) „Financial instruments: Recognition and measurement" – Reclassification of Financial Assets: Effective Date and Transition (published in November 2008, effective for accounting periods beginning on or after 01 January 2009, expecting adoption by the European Commission). The amendment will not applicable to the Company due to the fact that there are no reclassifications of financial assets .

IAS 40 (Amendment) "Investment property" (and consequential amendments to IAS 16 „Property, plant and equipment") (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment is not applicable to the Company due to the fact that there is no investment property.

IAS 41 (Amendment) "Agriculture" (published in May 2008, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment is not applicable to the Company due to the fact that it has no operations in the scope of IAS 41.

IFRIC 12 "Service concession arrangements" (published in November 2006, effective for accounting periods beginning on or after 01 January 2008, expecting adoption by the European Commission). 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. IFRIC 12 will not be applicable to the Company after its adoption by the European Commission due to the fact that there are no concession arrangements.

IFRIC 13 „Customer loyalty programmes" (published in July 2007, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in December 2008). The interpretation clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 12 is not applicable to the Company due to the fact that there are no customer loyalty programmes.

IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (published in July 2007, effective for accounting periods beginning on or after 01 January 2009, adopted by the European Commission in December 2008). The interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 12 is not applicable to the Company due to the fact that there are no defined benefit assets.

IFRIC 15 "Agreements for construction of real estates" (published in July 2008, effective for accounting periods beginning on or after 01 January 2009, expecting adoption by the European Commission). 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. IFRIC 15 will not be applicable to the Company after its adoption by the European Commission due to the fact that there are all revenue transactions are accounted for under IAS 18, and not IAS 11.

IFRIC 16 "Hedges of a net investment in a foreign operation" (published in July 2008, effective for accounting periods beginning on or after 01 October 2008, expecting adoption by the European Commission). 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. IFRIC 15 will not be applicable to the Company after its adoption by the European Commission due to the fact that there are no hedges of a net investment in a foreign operation.

There are a number of minor amendments to **IAS 20 "Accounting for government grants and disclosure of government assistance", IAS 29 "Financial reporting in hyperinflationary economies", IAS 40 "Investment property", and IAS 41 "Agriculture"**, which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments will not have an impact on the Company's operations as described above.

2.2. Foreign currency translation

2.2.1. Functional and presentation currency

Items included in the financial statements of each 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 income statement. 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:

(All amounts in BGN thousands unless otherwise stated)

	As at 31 December	
	2008	2007
1 EUR	1.95583	1.95583

2.3. Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment. Land is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

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 income statement 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 each balance sheet date.

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 (see 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 income statement in other income or other expenses line items.

All borrowing costs are expensed as incurred.

2.4. Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These intangible assets have definite useful life and are carried at their cost less subsequent amortisation and impairment. The amortisation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (3,33 years).

2.5. Impairment of non-financial assets

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

2.6. Financial assets

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Those assets are recognised when the Company presents cash or cash equivalents, goods or services directly to the debtor and they are not held for trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current. Loans and receivables comprise trade and other receivables (see Note 2.8).

2.7. Inventories

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. It excludes borrowing costs. Net realizable value is the estimate of the selling price in the ordinary course of business, less estimated costs necessary to make the sale. Cost is determined using the weighted average method.

2.8. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate 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 income statement. 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 income statement.

2.9. Cash and cash equivalents

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

2.10. Share capital

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

2.11. Trade payables

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

2.12 Borrowings

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 income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13. Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date

Deferred income tax is provided in full, using the liability method, on 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 is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.14. Employee benefits

Retirement benefit obligations

The Company has a defined benefit plan. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define 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 balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date 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 are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in 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. Revenue recognition

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

2.15.1 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.

2.15.2 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 balance sheet date. 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.

2.15.3 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.16. Leases

Lease contracts where the Company is a lessee under finance lease

Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. 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 ease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term borrowings. The interest element of the finance cost is charged to the income statement 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 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 Related parties

For the purposes of these financial statements, the Company presents as related parties its immediate and ultimate Parent Company and its related parties thereof, the Company's key management personnel and the members of the Board of directors of the Parent Company and their close family members and their related parties thereof.

2.18. Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholder.

3. Financial risk management

3.1. Financial risk factors

The Company's activities 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 Foreign exchange risk

The Company operates in Bulgaria and since the Bulgarian Leva (BGN) has been pegged to the Euro (EUR) at a fixed rate (see Note 2.2.1), it is not is exposed to foreign exchange risk from received borrowings, sales or purchases due to the fact that the Company has no such transactions denominated in foreign currencies different than the Euro.

B Interest rate risk

Since the Company owns no specific interest-bearing assets, the Company's income and cash in-flows from operating activities are predominantly independent from changes in market interest rates.

C Price risk

The Company is not exposed to other price risk in terms of its investments, because there are no investments available for sale or other carried at fair value through profit and loss. The Company is not exposed to other price risk and in terms of financial assets connected to price levels of inventory.

3.1.2. Credit risk

Credit risk is managed centralise 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 receivables. For banks and financial institutions, the Company uses the services only of Bulgarian banks with good reputation. With regards to customers, the Company sales predominantly to retail customers in cash and presents no credit limits

(All amounts in BGN thousands unless otherwise stated)

3.1.3. Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

Management monitors forecasts of the Company's liquidity reserve comprising cash and cash equivalents (see Note 9). The forecasts are based on the expected cash flows.

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

At 31 December 2008	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Borrowings	88	-	-	-
Trade and other payables	8,149	-	-	-
Current income tax liabilities	683	-	-	-
Retirement benefit obligations	-	-	-	4
	8,920	-	-	**4**

At 31 December 2007	Less than 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
Trade and other payables	6,971	-	-	-
Current income tax liabilities	37	-	-	-
	7,008	-	-	-

3.2 Capital risk management

The management's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to present adequate return to the shareholder through pricing the goods and the services comparable to the risk level.

The Company determines the value of the capital in proportion to the risk. 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 balance sheet) less cash and cash equivalents.

In 2008, the Company's strategy, which is not changed from 2007, is not to use debt.

3.3. Fair value estimation

The carrying value of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group 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 group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions 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 entity's accounting policies

There are 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. Property, plant and equipment (PPE)

	Land	Buildings	Office furniture and computers	Vehicles	Assets under construction	Total
At 1 January 2007						
Cost	1,262	-	3	-	9,119	**10,384**
Accumulated depreciation	-	-	-	-	-	-
Net book amount	**1,262**	-	**3**	-	**9,119**	**10,384**
2007						
Opening net book amount	1,262	-	3	-	9,119	**10,384**
Additions	10,106	-	1,463	-	9,650	**21,219**
Transfers	291	18,419	-	-	(18,710)	-
Disposals	-	-	-	-	(6)	**(6)**
Depreciation charge	-	(40)	(16)	-	-	**(56)**
Closing net book amount	**11,659**	**18,379**	**1,450**	-	**53**	**31,541**
At 31 December 2007						
Cost	11,659	18,419	1,466	-	53	**31,597**
Accumulated depreciation	-	(40)	(16)	-	-	**(56)**
Net book amount	**11,659**	**18,379**	**1,450**	-	**53**	**31,541**
2008						
Opening net book amount	11,659	18,379	1,450	-	53	31,541
Additions	12,655	1,587	134	140	7,900	**22,416**
Transfers	7,884	-	-	-	(7,884)	-
Disposals	-	-	(15)	-	-	**(15)**
Depreciation charge	-	(626)	(213)	(2)	-	**(841)**
Closing net book amount	**32,198**	**19,340**	**1,356**	**138**	**69**	**53,101**
At 31 December 2008						
Cost	32,198	20,006	1,580	140	69	**53,993**
Accumulated depreciation	-	(666)	(224)	(2)	-	**(892)**
Net book amount	**32,198**	**19,340**	**1,356**	**138**	**69**	**53,101**

Vehicles includes the following amounts where the Company is a lessee under a finance lease::

	At 31 December	
	2008	**2007**
Cost – capitalised finance leases	140	-
Accumulated depreciation	(2)	-
Net book amount	**138**	-

Apart from the Vehicles under finance lease there are no other assets in Property, plant and equipment pledged as collateral for received borrowings or other liabilities of the Company.

(All amounts in BGN thousands unless otherwise stated)

6. Intangible assets

	Computer software
At 1 January 2007	
Cost	-
Accumulated depreciation	-
Net book amount	-
2007	
Opening net book amount	-
Additions	3
Amortisation charge	-
Closing net book amount	3
At 31 December 2007	
Cost	3
Accumulated depreciation	-
Net book amount	3
2008	
Opening net book amount	3
Additions	33
Amortisation charge	(10)
Closing net book amount	26
At 31 December 2008	
Cost	36
Accumulated depreciation	(10)
Net book amount	26

7. Inventories

	At 31 December	
	2008	**2007**
Merchandise	3,685	3,369
	3,685	**3,369**

The cost of inventories recognised as expense and included in 'Cost of sales' amounted to 11,499 (2007: 1,294) (see Note 16).

The Company accounted for impairment of inventories in 2008 for the amount 18 (2007: none) (see Note 17).

(All amounts in BGN thousands unless otherwise stated)

8. Trade and other receivables

	At 31 December	
	2008	**2007**
Trade receivables	2	-
Receivables from related parties (see Note 28)	82	8
VAT and other recoverable taxes	587	700
Advances to suppliers	8,415	-
Other receivables	-	6
Deferred charges	46	-
	9,132	**714**

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

No trade and other receivables were pledged as collateral for received borrowings or other liabilities of the Company.

The other groups in the trade and other receivables do not include impaired receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

There are no trade receivables that otherwise would be over due or impaired and whose payment terms were renegotiated.

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	At 31 December	
	2008	**2007**
Bulgarian leva (BGN)	589	706
Euro (EUR)	8,497	8
	9,086	**714**

9. Cash and cash equivalents

	At 31 December	
	2008	**2007**
Cash at bank	6,058	4,426
Short-term bank deposits	5,179	-
Cash in hand	20	311
Cash in transit	263	32
	11,520	**4,769**

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

For the Cash flow statement, cash and cash equivalents include the amounts shown above.

(All amounts in BGN thousands unless otherwise stated)

10. Deferred Income Tax

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% (2007: none), which would be effective at the time they are realised.

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 the deferred income taxes relate to the same fiscal authority. The following amounts were shown in the balance sheet:

Deferred income tax assets	**At 31 December**	
	2008	**2007**
– Deferred income tax assets to be recovered after 12 months	2	-
– Deferred income tax assets to be recovered within 12 months	5	-
	7	-

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

	Year ended 31 December	
	2008	**2007**
Beginning of the year	-	-
(Charged)/credited to the income statement (See Note 23)	7	-
End of the year	7	-

The movement in deferred tax assets during the year is as follows:

	Unused paid leaves	**Pension**	**Property, plant and equipment**	**Impairment of inventories**	**Total**
At 31 December 2007	-	-	-	-	-
(Charged)/credited to the income statement	3	1	1	2	7
At 31 December 2008	**3**	**1**	**1**	**2**	**7**

(All amounts in BGN thousands unless otherwise stated)

11. Share capital

	Shares
At 1 January 2007	**17,418**
Increase of shares during the year through debt contribution	15,647
At 31 December 2007	**33,065**
Increase of shares during the year through debt contribution	29,337
At 31 December 2008	**62,402**

At the balance sheet date the officially registered share capital is BGN 52,623. In 2008, the Parent Company has started a procedure for share capital increase for the amount of BGN 9,779. The procedure was finalised on 30/01/2009 and the share capital increase is registered in the Trade Register at the Registry Agency. The capital reported as BGN 62,402 includes the increase. All issued shares are fully paid at 31 December 2008.

The total number of the issued shares and their par value were as follows:

	Number	Par Value (BGN)
At 31 December 2007	330,645	33,064,500
Increase of shares during the year	293,373	29,337,300
At 31 December 2008	**624,018**	**62,401,800**

As at 31 December 2008, the owner of the Company was as follows:

Shareholder	**Number of shares**	**Percentage of the share capital**
JUMBO S.A., Greece	624,018	100

(All amounts in BGN thousands unless otherwise stated)

12. Borrowings

	At 31 December	
	2008	**2007**
Current		
Finance lease liabilities	88	-
	88	-

Borrowings include secured liabilities. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The carrying amounts of the current borrowings approximate their fair values.

The balance value of the borrowings is denominated in the following currencies:

	At 31 December	
	2008	**2007**
Euro (EUR)	88	-
	88	-

Gross finance lease liabilities – minimum lease payments:

	At 31 December	
	2008	**2007**
No later than 1 year	88	-
	88	-
Future finance charges on finance leases	-	-
Present value of finance lease liabilities	**88**	-

The present value of finance lease liabilities is as follows:

	At 31 December	
	2008	**2007**
No later than 1 year	88	-
	88	-

The Company has entered into a three-party arrangement on 02/02/2009 which transfer all finance lease obligations to the General Manager of the Company.

(All amounts in BGN thousands unless otherwise stated)

13. Trade and other payables

	At 31 December	
	2008	**2007**
Trade payables	135	1,799
Payables to related parties (see Note 28)	7,734	4,689
Tax payables	1	365
Payables to the employees	238	107
Payables for social securities and health insurance contributions	41	11
	8,149	**6,971**

14. Retirement benefit obligations

The liability in the balance sheet for pension provision reflects the Company's liability under defined post-retirement benefit plan.

The Company applies the regulatory requirements for payments at retirement due to age and experience and due to illness in accordance with the applicable Labour Code (LC).

In accordance with article 222, para 2 of the LC in the event of termination of a labour contract due to illness, the employee is entitled to a compensation 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 the 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 recognized in the balance sheet are determined as follows:

	At 31 December	
	2008	**2007**
Present value of the obligations	4	-
Unrecognized actuarial gains	-	-
Liability in the balance sheet	4	-

(All amounts in BGN thousands unless otherwise stated)

The amounts recognized as (income)/expense in the income statement are as follows:

	Year ended 31 December	
	2008	**2007**
Current service cost	5	-
Interest cost	-	-
Net actuarial (gains) / losses recognized during the year	(1)	-
Total, included in employee benefit expense (see Note 23)	**4**	-

The movement in the liability recognized in the balance sheet is as follows:

	At 31 December	
	2008	**2007**
Beginning of the year		
Total expense charged in the income statement (see Note 23)	4	-
Contributions paid	-	-
End of the year	**4**	-

The principal actuarial assumptions used were as follows:

	At 31 December	
	2008	**2007**
Discount rate	6.2%	-
Future salary increases	5%	-

15. Revenue

	Year ended 31 December	
	2008	**2007**
Sales of goods on the domestic market	20,948	2,362
Sales of goods on the foreign markets	1,304	5
	22,252	**2,367**

16. Cost of sales

	Year ended 31 December	
	2008	**2007**
Inventory at the beginning of period	3,369	-
Purchases	12,613	4,687
Discounts on purchases	(87)	(24)
Surpluses of inventory (see Note 19)	161	4
Shortages and wastage of inventory (see Note 17)	(602)	(4)
Impairments of inventory (see Note 17)	(18)	-
Consumable items (see Note 17)	(252)	-
Inventory in the end of the period	(3,685)	(3,369)
	11,499	**1,294**

(All amounts in BGN thousands unless otherwise stated)

17. Distribution costs

	Year ended 31 December	
	2008	**2007**
Employee benefit expense (see Note 21)	1,308	186
Depreciation and amortisation charges (see Notes 5 and 6)	843	55
Shortages and wastage of inventory	602	4
Expenses for external services	404	90
Consumable items	252	-
Electricity	197	-
Other expenses	181	90
Fuel	103	70
Expenses for materials	77	45
Impairments of inventory	18	-
	3,985	**540**

18. Administrative expenses

	Year ended 31 December	
	2008	**2007**
Employee benefit expense (see Note 21)	249	125
Expenses for external services	21	5
Electricity	10	-
Depreciation and amortisation charges (see Notes 5 and 6)	9	1
Expenses for materials	5	2
Fuel	5	4
Other expenses	20	9
	319	**146**

In the expenses for external services shown above are included independent financial audit fees for the amount of 44 (2007: 13) and other non-audit services for the amount 3 (2007: none).

19. Other income

	Year ended 31 December	
	2008	**2007**
Surpluses of inventory	161	4
Sales of materials	7	-
Sales of parking services	1	-
Profit on disposal of property, plant and equipment	5	-
Foreign exchange gains	-	-
Other income	5	-
	179	**4**

(All amounts in BGN thousands unless otherwise stated)

20. Other expenses

	Year ended 31 December	
	2008	**2007**
Local taxes and fees on real estate	276	16
	276	**16**

21. Employee benefit expenses

	Year ended 31 December	
	2008	**2007**
Wages and salaries	1,309	277
Social security and health insurance contributions	206	34
Accrual for unused paid leaves	38	-
Pension costs – defined benefit plans (see Note 14)	4	-
	1,557	**311**

The number of employees as at 31 December 2008 is 94 (2007: 75).

22. Finance income and costs

	Year ended 31 December	
	2008	**2007**
Finance costs		
Foreign exchange losses	(2)	-
Bank charges	(54)	(11)
Finance income		
Interest income on short-term bank deposits	230	28
	174	**17**

23. Income tax expense

	Year ended 31 December	
	2008	**2007**
Current tax	711	37
Deferred tax (see Note 10)	(7)	-
Income tax expense	**704**	**37**

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	
	2008	**2007**
Profit before income tax	**6,526**	**392**
Theoretical current tax at 10% (2007: 10%)	653	39
Expenses not deductible for tax purposes	58	-
Tax losses carried forward	-	(2)
Tax charge	**711**	**37**

(All amounts in BGN thousands unless otherwise stated)

24. Dividend per share

At the date approval date of these financial statements, it is not expected any dividends relating to the year ended 31/12/2008 to be voted.

25. Cash generated from operations

	Year ended 31 December	
	2008	**2007**
Profit for the year	**5,822**	**355**
Adjustments for:		
Income tax expense	704	37
Depreciation and amortisation charges (see Notes 5 and 6)	851	56
Pension costs (see Note 14)	4	-
Profit on disposal of property, plant and equipment (see Note 19)	(5)	-
Finance income / (costs) – net (see Note 22)	(174)	(17)
Changes in working capital:		
Inventories	(316)	(3,369)
Trade and other receivables	44	(302)
Other assets	(46)	-
Trade and other payables	3,302	4,816
Cash generated from operations	**10,186**	**1,576**

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2008	**2007**
Net book amount of disposed property, plant and equipment (see Note 5)	15	-
Profit on disposal of property, plant and equipment (see Note 19)	5	-
Proceeds from sale of property, plant and equipment	**20**	-

26. Contingent liabilities

The Company is not a part in any litigation which have significant interest and where there is risk that the Company might sustain significant losses. The Company's management does not expect that any potential material liability could arise in this respect.

In 2008, the Company was not subject to examinations by the tax authorities. 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 a potential material liability in this respect.

(All amounts in BGN thousands unless otherwise stated)

27. Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	At 31 December	
	2008	**2007**
Property, plant and equipment	1,369	-
	1,369	-

28. Related-party transactions

The Company is controlled by JUMBO S.A., Greece which is the Parent and the ultimate Parent Company and holds 100% of the shares in the Company's share capital (see Note 11).

The following transactions were carried out with related parties:

28.1 Sales of merchandise and PPE

	Year ended 31 December	
Parent Company	**2008**	**2007**
Sales of merchandise and PPE	1,304	8
	1,304	**8**

28.2 Purchases of merchandise, services and PPE

	Year ended 31 December	
Parent Company	**2008**	**2007**
Purchases of merchandise	12,310	4,585
Purchases of services	92	52
Purchases of PPE	17	52
	12,419	**4,689**

The purchases of goods and services from related parties are carried out at the common commercial terms.

28.3 Receivables from sales of merchandise and PPE

	At 31 December	
Parent Company	**2008**	**2007**
Receivables from sales of merchandise and PPE	82	8
	82	**8**

(All amounts in BGN thousands unless otherwise stated)

The receivables from related parties arise mainly from sale transactions and are due 90 after the date of sales. The receivables are unsecured in nature and bear no interest.

In 2008 and 2007 there are no provisions held against receivables from related parties.

28.4 Payables for purchases of merchandise, services and PPE and other payables

	At 31 December	
Parent Company	**2008**	**2007**
Payables for purchases of merchandise and services	7,722	4,637
Payables for purchases of PPE	2	52
Key management		
Other payables	10	-
	7,734	**4,689**

The paybales to related parties arise mainly from purchase transactions for goods, services and PPE and are due 180 after the date of purchases. The payables are unsecured in nature and bear no interest.

28.5 Key management compensation

	Year ended 31 December	
	2008	**2007**
Short term employee benefits	118	98
	118	**98**

28.6 Payables to key management

	At 31 December	
	2008	**2007**
Short term employee benefits	25	15
	25	**15**

29. Going concern

The 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 balance sheet 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.

The Management assessment is that the Company will be able to continue as a going concern. JUMBO S.A., Greece which is the immediate and ultimate parent of the Company renders assistance in all respects including financing the Company's operations.

30. Events after the balance sheet date

There are no significant adjusting and non-adjusting events after the balance sheet date, having effects on the financial statements for 2008 except for those disclosed in Notes 11 and 12.