Financial statements

as of December 31st 2010

Contents

INDEPENDENT AUDITORS'S REPORT

TO: The sole shareholder of
"Port Varna" EAD
Varna

Report on the financial statements

We have audited the accompanying financial statements of "Port Varna" EAD (the Company), including statement on the financial position as of December 31, 2010 and the related statements of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management 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: developing, implementing and maintaining internal control system, relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express our auditor's 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 the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement, deviation and discrepancies.

The audit includes fulfillment of 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, deviation or discrepancies of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control system 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 system. The 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

Based on the results of our audit in our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31st, 2010, and of its financial performance and its cash flows for the financial year then ended, in accordance with International Financial Reporting Standards, adopted by the European Union.

Special attention

Without any reservations we would like to draw attention to the matter reported under item 2.1 of the Notes to the financial statements referring to the basic assumption for going concern. Company's management believes that in middle term – within two years private concessions may be realized on the territory of Port Varna EAD, however for the following twelve months period it is estimated that the company shall keep the volume and nature of its activity. Territorial shifting and concession of port facilities and activities are linked with significant uncertainty that depends on the future decisions of the executive power of Republic of Bulgaria.

Report pursuant to other legal requirements

In compliance with the requirements of Art.38, Para.4 of the Accountancy Act we got acquainted with the enclosed business report of the company for year 2010. In our opinion the historical financial information, presented in the annual business report, corresponds to the information presented and disclosed in the financial statements.

Auditor's Company Dobrevi OOD

Registered specialized auditor's enterprise

certified accountant – Margarita Dobreva - Manager

Registered auditor, responsible for the audit

March, 18th 2010

42 Naiden Gerov Str.

9000 Varna, Bulgaria

STATEMENT OF COMPREHENSIVE INCOME
for the year ended on December 31st 2010

	Notes	2010	2009
Income from services	3	51 330	47 000
Costs of services realized	4	(43 190)	(41 214)
Gross profit		**8 140**	**5 786**
Other operating income, Net	5	(670)	(218)
Grants and subsidies	6	3	2
General and administrative expenses	7	(2 996)	(3 361)
Expenses on sales	8	(152)	(178)
(Depreciation expenses)/ refund of receivables depreciation	18	(408)	(363)
Profit (loss) from operating activities		**3 917**	**1 668**
Financial income	9	199	312
Financial costs	10	(105)	(210)
Profit (loss) before taxation		**4 011**	**1 770**
Costs on profit tax	11	(408)	(158)
Profit/(loss) for the year		**3 603**	**1 612**
Other comprehensive income, Net, without tax		-	-
Total comprehensive income		**3 603**	**1 612**

Financial statements approved by the Board of Directors on March 18th, 2011

Violeta Zlatkova
Chief Accountant

Danail Papazov
Managing Director

Notes from page 8 to page 31 being an integral part of the financial statements.

PORT VARNA EAD

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

as of December 31st, 2010

	Notes	31.12.2010	31.12.2009
ASSETS			
Fixed Assets			
Tangible fixed assets	12	14 713	16 948
Intangible fixed assets	13	20	25
Investment property	14	590	590
Investments in associates	15	-	408
Financial assets on disposal and for sale	16	169	169
Deferred tax assets, net	11	187	40
Total fixed assets		**15 679**	**19 196**
Current Assets			
Inventories	17	3 489	3 293
Trade and other Receivables	18	5 781	5 876
Reimbursable income taxes		-	72
Cash and cash equivalents	19	9 368	3 859
Total Current Assets		**18 638**	**13 100**
TOTAL ASSETS		**34 317**	**31 280**
EQUITY AND LIABILITIES			
Equity			
Fixed capital	20	8 494	8 494
Retained earnings		3 606	1 861
Other equity components		13 222	12 524
Total equity		**25 322**	**22 879**
LIABILITIES			
Noncurrent liabilities			
Long-term bank loans	21	1 891	2 923
Government grants	22	12	13
Total noncurrent liabilities		**1 903**	**2 936**
Current liabilities			
Retirement benefit provisions	23	408	447
Short-term part of long-term bank loans	24	1 032	1 292
Trade and other payables	24	3 861	3 726
Payables on profit taxes		363	-
Reserves	25	1 428	-
Total current liabilities		**7 092**	**5 465**
TOTAL LIABILITIES		**8 995**	**8 401**
TOTAL EQUITY AND LIABILITIES		**34 317**	**31 280**

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Violeta Zlatkova
Chief Accountant

Danail Papazov
Managing Director

Notes from page 8 to page 27 being an integral part of the financial statements.

STATEMENT ON CASH FLOWS
for the year ended on December 31st, 2010

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	56 592	50 056
Cash paid to suppliers	(15 455)	(13 120)
Cash payments to personnel	(33 016)	(32 665)
Cash generated from operating activity	*8 121*	*4 271*
Interest received	88	198
Income tax paid	(121)	(499)
Taxes paid (excl. profit tax)	(232)	(227)
Dividends and royalties paid	(1 161)	(1 115)
Net cash flow from operating activity	**6 695**	**2 628**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of properties, machines and equipment	(347)	(1 980)
Receipts from sale of equipment	16	1
Receipts from shares	523	84
Net cash flows from investments	**192**	**(1 895)**
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Long-term loans received		
Long-term loans paid	(1 293)	(1 814)
Interest paid on bank loans	(85)	(167)
Net cash flows from financial activities	**(1 378)**	**(1 981)**
Net increase (decrease) in cash flows	**5 509**	**(1 248)**
Cash and cash equivalents as of the period beginning	**3 859**	**5 107**
Cash and cash equivalents as of the period end	**9 368**	**3 859**

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STATEMENT OF CHANGES IN EQUITY
for the year ended on December 31st, 2010

	Fixed capital	Reserves	Revaluation provision	Accumulated profit	Total
Balance as of January 1st, 2009	**8 494**	**6 509**	**4 878**	**2 525**	**22 406**
Profit allocation:					
on dividends				(1 114)	(1 114)
other		1336		(1 361)	(25)
Transfer to accumulated profit			(199)	199	
Total comprehensive income for the year				1 612	1 612
Balance as of December 31st, 2009 г.	**8 494**	**7 845**	**4 679**	**1 861**	**22 879**
Profit allocation:					
on dividends				(1 160)	(1 160)
other		701		(701)	
Transfer to accumulated profit			(3)	3	
Total comprehensive income for the year				3 603	3 603
Balance as of December 31st, 2010	**8 494**	**8 546**	**4 676**	**3 606**	**25 322**

Financial statements approved by the Board of Directors on March 18th, 2011

Violeta Zlatkova
Chief Accountant

Danail Papazov
Managing Director

Notes from page 8 to page 27 being an integral part of the financial statements.

Notes to the financial statements for the year ended on December 31st, 2010

1 Corporate information

1.1. Incorporation and shareholders

PORT VARNA - EAD ("Port Varna", "the Company") is a joint stock company wholly owned by the Bulgarian State. It was originally registered as a limited liability company in 1991 because of separation of its assets and liabilities from Navigation Maritime Bulgare. In 1997, its legal form was changed to a state-owned joint stock company ("EAD").

The Ministry of Transport, Information Technology and Communications and exercises the owner's rights of the State with respect to Port Varna.

The management address of Port Varna is 1, Slaveikov Square, 9000 Varna, Bulgaria.

1.2. Activities

Port Varna is engaged mainly in stevedoring, cargo storage and related port services.

Port Varna also provides a range of additional services to vessels, including supply of fresh water, telecommunications and electric power, rental of port equipment, etc. Port Varna consists of two separate ports – Port Varna-Iztok (East) and Port Varna-Zapad (West).

As of December 31st, 2010 and 2009 the Company has respectively 1 616 and 1 640 employees, engaged under contracts of employment.

2. Accounting policy

2.1. Basis of financial statement preparation

The financial statements of Port Varna have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise of standards for financial statements and interpretations, issued by International Financial Reporting Interpretations Committee (IFRIC) and approved by the International Accounting Standards Board (IASB), and International Accounting Standards (IAS) and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (IASC), applicable as of January 1, 2010, and which are endorsed by the Commission of the European Union.

For the current financial year the company has adopted all new and/ or amended standards and interpretation, issued by the International Accounting Standards Committee (IASC) and respectively by the Committee for clarification on IFRS, which are applicable for the Company.

The adoption of these standards and/ or interpretations, being in force for annual periods beginning on 1 January 2010, has not lead to changes in the accounting policy of the Company.

These standards and interpretations include:

IAS 39 Financial instruments: Assessment and recognition (revision). Corresponding to the conditions of hedging positions: does not allow determination of inflation as hedged component of financial instruments with fixed interest and option agreements. (adopted by the EC on 16.09.2009)

Improvements in IFRS (2008). Improvement of IFRS 5 regarding sale plan that considers loss of control on subsidiary (adopted by EC).

Improvements in IFRS (April 2009) - improvements in IAS 1, 7, 17, 36, 38 and 39, as well as IFRS 2, 5 and 8, and IFRIC 9 and 16 (adopted by the EC on 23.03.2010). These improvements introduce partial revisions in the relevant standards, intended mainly to eliminate the existing inconsistency in the rules and the requirements of the individual standards and to introduce more precise terminology.

Notes to the financial statements for the year ended on December 31st, 2010

IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods as of 01.01.2009 – adopted by the EC on 23.07.2009 for year 2010). Clarifies recognition of income and costs from sale of real estates, including the various cases and methods of applying IAS 11 and IAs 18;

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual period beginning on or after 1 October 2008 – approved by the EC for periods after 01.07.2009). This interpretation refers to hedging of a net investment in a foreign operation.

IFRIC 17 Distribution of Non-cash Assets to Owners, (effective for annual periods beginning on or after 1 July 2009 – approved by the EC for period after 01.07.2009). This interpretation provides guidance concerning the recognition of an obligation for dividend and its assessment particularly when the distribution is planned to be performed by non-cash assets.

IFRIC 18 Transfer of assets from clients (effective for annual periods as of 01.07.2009 – approved by the EC for periods after 01.11.2009) This interpretation gives explanations for the accounting of assets received from enterprises operating on the sector of utilities from their clients or third persons, ensuring access to and services connected with gas, water and power supply, etc.

As of the date of these financial statements approval new and revised standards and interpretations are issued, which are still not effective and which are approved for early application by the company. The Management has assessed that the following standards could possibly have future impact for changes in the accounting policy and financial statements of the company for future periods:

IFRS 7 Financial instruments: Disclosures (revised) Writing off (valid as of 1 July 2011, still not adopted by the EC);

IFRS 9 Financial Instruments (new – effective as of 01.01.2013 – still not adopted by the EC). Replaces parts of IAS 39 by establishing principles, rules and criteria for classification and valuation of financial assets, incl. hybrid contracts;

IAS 12 Income Taxes (revised – effective for annual periods as of 01.01.2012 – still not adopted by the EC). Treats the way of deferred taxes valuation in relation to assets and depending on the way estimated for recovery of their book value;

IAS 24 Related Parties Disclosures (revised - effective for annual periods beginning on or after 1 January 2011 – adopted by the EC on 19.07.2010). Changes refer to improvement of the determination for the scope and types of related parties, as well as to provide more specific rule for partial release from complete disclosures regarding related parties – being state authorities of international, national and local level and other companies possessed by the latter.

IAS 32 (revised) Financial Instruments Presentation, effective for annual periods beginning on or after 1 February 2010 – adopted by the EC on 24.12.2009). Revision of IAS 32 clarifies how to report some rights, where the issued instruments are denominated in foreign currency, different of the issuer functional currency. If these instruments are issued proportionally to the issuer present shareholders, for fixed cash amount, they should be classified as equity, even if their price of exercising is denominated in currency different from the issuer functional currency.

The following new standards, revised standards and approved interpretations are published, however the management has assessed that those most probably will have no effect on the accounting policy and financial statements of the company, as far as its activity is not among the specified economic sectors, nor the company has such a practice or performs similar transactions and operations:

IFRS 1 First-time Adoption of IFRS (revised). Additional releases for enterprises applying IFRS for the first time (adopted by the EC on 25.06.2010)

Notes to the financial statements for the year ended on December 31st, 2010

IFRIC 14 Prepayments of a minimum funding requirement, effective for annual periods beginning on or after 1 January 2011 – adopted by the EC on 19.07.2010). Change is related to clarifications on determination of the existing economic benefit as decrease in future installments in both cases, for presence or not of minimum funding requirements related to future service.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective for annual periods beginning on 1 July 2010 – adopted by the EC on 23.07.2010). This interpretation gives explanation for the accounting reporting of operations related with complete or partial extinguishing of financial liabilities to creditors in way of issuing equity instruments of the company-debtor.

The financial statements have been prepared on the basis of the historical price.

The company keeps its accounts in Bulgarian leva (BGN), which is its reporting currency for presentation. Data in the financial statements and the notes thereto are presented in thousand leva (BGN'000) unless otherwise specified.

Going concern

These financial statements are prepared on the basis of going concern resulting of management assessment that the company is capable to continue its activity as going concern. This assessment is considered on the grounds of the whole information available for the foreseen future; however, there is a significant uncertainty, which depends on the future decisions of the executive power of Republic of Bulgaria.

Company's management believes that in middle term – within two years private concessions may be realized on the territory of Port Varna EAD, however for the following twelve months period it is estimated that the company shall keep the volume and nature of its activity. The discussions that started in Municipality Varna, Ministry of Transport and Council of Ministers for territorial moving and concession of port facilities and activities are in its initial/ project phase and company's management stipulate that this will have effect on the activity performed for a period of two to five years.

2.2. Comparative information

Certain reclassifications have been made to the prior year's figures. Where necessary the comparative information is reclassified and recalculated in order to conform to the presentation of the current year.

Notes to the financial statements for the year ended on December 31st, 2010

2.3. Use of accounting estimates and assumptions

The preparation of the financial statements under the International Financial Reporting Standards requires that the management makes best accounting estimates and reasonable assumptions, which refer to the reported assets and liabilities, disclosed conditional assets and liabilities, as well as to recognized costs and income for the period. These estimates, accruals and assumptions are based on the information, which is available as at the end of the reporting period and therefore the future actual results may differ from these estimates (and in the conditions of financial crisis the uncertainties are more significant).

Provisions for payables

Provisions are recognized where the company has current payable (legal or constructive) as result from past event, which future settlement may probably cause flow of company's resources, including economic benefits, if this payable can be assessed in reliable manner.

The company recognizes provision on payable under the contract for use, maintenance and repair of public state property (Note 25).

Regarding lawsuits in progress against the company, the management has decided, together with its lawyers, that as of the moment the probability and risks of negative outcome is minimum, that is way the Report of financial position does not include provision for payable in that regard (Note 27).

Payables to the staff upon retirement

Payables to the personnel upon retirements are determined on basis of valuation, which because of the changes started in the activity of the ports in Bulgaria, cannot be estimated in log-term plan. The managements considers as best approximate valuation the estimated nominal value of payments forthcoming for the next one year period, in undiscounted amount.

Revaluation of property, machinery and equipment/ fair value of investment properties

Revaluation of properties, machinery and equipment is made regularly – once on three-four years.

The last valuation made as of December 2007 determines the fair values of land and buildings under the comparative value method, and for machines and equipment – using the depreciated recovery value method.

As of 31.12.2010 company's management has performed an analysis of the price changes of its essential assets and assessed that there are no grounds for new revaluation of assets, as well as for impairment. Assessments employed are true and appropriate in regard to the current economic conditions in the country. (Note 2.5 and 2.7).

Impairment of investments

As of each balance date the management makes estimated whether there are indicators for impairment of its investments, such as significant decrease of income or reporting of loss for prolonged period of time. For 2010 there is no need of investments impairment (Note 2.9 and 16).

Impairment of receivables

Impairment of bad debts is determined as in regard to the receivables age analysis the following rates of credit loss are applied:

Up to 90 days delay	0%

Notes to the financial statements for the year ended on December 31st, 2010

From 91 to 180 days	20%
More than 181 days	50%
On management's decision	100%

2.4. Income and costs recognition

Revenues are recognized to the extent of the probable future economic benefits for the Company and as far as they can be reliably measured.

Revenues from the rendering of stevedoring services are recognized upon completion of the unloading, transport and loading of each lot of cargo.

Revenues from cargo storage fees are recognized for the period to which they relate.

Interest income is recognized as the interest is accrued, taking into account the effective yield on the asset.

Costs are reported as of the moment of their incurring, following the principle of correspondence between receipts and costs.

2.5. Property, machines, equipment/ Tangible Fixed Assets

Properties/ machines and equipment/ tangible fixed assets are originally valued at cost.

Expenditures incurred in relation to asset after it was put into operation, such as costs for repairs and maintenance, are recognized in the income statement for the reporting period in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditure is capitalized as increase of relevant asset book value.

Tangible Fixed Assets are subsequently reported at revaluated amounts, being its fair value as of the date of the revaluation, less any subsequent accumulated depreciation and eventual impairment.

As of the revaluation date any increase in the value of tangible fixed assets is credited to the revaluation reserve in equity. Any decrease, resulting from revaluation, is first offset against any increase upon earlier valuations in respect of the same asset and is thereafter recognized as an expense. Upon writing off of revaluated fixed tangible assets the relevant portion of the revaluation surplus realized in respect of previous valuations is released from the revaluation reserve directly to the accumulated profit.

The basis for presentation of tangible fixed assets at revaluated amounts as of December 31st, 2010 is an independent valuation performed as of December 31st, 2007.

Depreciation method

Tangible fixed assets are depreciated on a straight-line basis. Land is not depreciated. The annual depreciation rates are determined in years for the categories of assets on the grounds of their expected useful lives, revised as at the last revaluation, as follows:

Buildings	25
Installations and Facilities	25
Machinery and Equipment	5
Improvements of Leasehold Assets	6
Other	7

Assets book value is revaluated for impairment when events or changes in circumstances indicate that this book value may not be recoverable. If any such indication exists and where the carrying values

Notes to the financial statements for the year ended on December 31st, 2010

xceed the estimated recoverable amount the assets or cash-generating units are written down to their ecoverable amount. Impairment losses are accounted for against the revaluation reserve in case the latter is already accounted for. In other cases, the impairment losses are recognized in the income statement directly.

Tangible fixed assets are written off the balance sheet when they are permanently put out of operation and there is not expectation for future economic benefits or if they are sold. Profit/ loss of their sale are reported by net value, in "other income of operating activities, net", at the front side of the Statement of the comprehensive income.

2.6. Intangible Fixed Assets

Intangible Fixed Assets are reported in the Report on financial position at cost of acquisition, less the accumulated depreciation and losses of impairment.

Depreciation method

Intangible fixed assets are depreciated on a straight-line basis. The annual depreciation rates per categories of intangible fixed assets are determined on the grounds of their expected useful lives in years as follows:

Software products	5

2.7. Investment property

Investment properties are buildings, held by the Company to earn rentals. They include residential buildings, leased out to individuals and office buildings, leased out to other companies.

Investment properties initially are valued by cost of acquisition. Subsequent expenditure relating to an investment property that has already been recognized is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the enterprise. All other subsequent expenditures are recognized as costs for the period in which it is incurred.

Investment properties are presented in the Report on financial position at fair value determined by an independent appraiser. The management decides on the intervals for revaluation depending on changes in market conditions.

The effects of the revaluation to fair value are reported in the group of other comprehensive income.

2.8. Investments in associates

Associates are entities in which the Company has significant influence and which are neither subsidiaries nor joint ventures of the Company. The investments in associates are presented in the balance sheet as equity at cost plus post-acquisition changes in the Company's share of net assets of the associate after the acquisition date. Other comprehensive income reflects the Company's share from the financial results of the associate.

2.9. Financial assets on disposal and for sale

Financial assets on disposal and for sale represent shares of the Company in other trade companies, where the Company has no significant influence or control. These financial assets are reported at fair value when it is possible to be determined; otherwise they are reported at cost.

2.10. Inventories

Inventories are presented in the financial statements at their acquisition cost and net realizable value, whichever is lower. Inventories delivery value is the sum of all costs related to purchase, processing, as well as other costs occurring in regard to their delivery to the present location and condition.

Notes to the financial statements for the year ended on December 31st, 2010

The value at writing off is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less usual selling expenses.

2.11. Trade and other receivables

Trade Receivables from Clients are valued and recognized at fair/ nominal value, less impairment for bad debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Receivables book value is corrected using a correction account where all impairments are accumulated. Reported impairments and subsequent restoration of impairment – correction of reported costs, for the period, are recognized in the current costs and are independently reported on the front side of the Statement of comprehensive income, net.

2.12. Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, current accounts in banks and short-term deposits in banks with original maturity of up to six months. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as described above.

2.13. Fixed/ share capital

The fixed capital is the registered capital of the Company that is not subject of allocation.

According to the requirements of the Commerce Act and statutes the Company must form Reserve Fund, which raises funds from the following sources:

- at least one tenth of the profit that is allocated until the fund reaches one tenth or bigger part of the capital;

- funds received as dividends from participation in other companies;

- funds received in excess of shares and bonds nominal value at their issuing;

Fund amounts may be used only for covering the annual loss or losses from previous years. When the Fund amounts exceed 25% of the capital nominal value, the contributions may be terminated.

2.14 Revaluation Reserve

The revaluation reserve is a result of revaluation in the carrying amount of a tangible fixed asset. The whole revaluation surplus relating to an asset is transferred directly to the retained earnings when it is realized, upon the disposal of this item through sale, liquidation or gratuitous transfer.

2.15. Government Grants

Government grants, including non-cash grants, valued by their fair value, are recognized in the balance sheet only if there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a proportional basis to the costs that it is intended to compensate. Where the grant relates to asset acquisition, its fair value is presented in the balance sheet and is recognized as income as per the straight-line method for the expected useful life of the relevant asset.

2.16. Trade and other payables

Payables to suppliers and the other payables are reported by historical cost, which is assumed as fair value and will be paid for received goods and services, invoiced or not for the Company.

Notes to the financial statements for the year ended on December 31st, 2010

2.17. Interest-bearing loans

All loans are initially reported by prime cost (nominal value), which assumed as fair value of the result of the transaction, net of direct costs related to these loans and drawn resources. After the initial recognition the interest-bearing loans and other drawn funds are subsequently valued by depreciation value determined by applying the effective interest method. Depreciation value is calculated by considering all types of fees, commissions and other costs related to these loans. Profit and loss are reported in the Statement of comprehensive income as "financial income" or "financial costs" during the depreciation period or when the liabilities are written off or reduced (Note 2.22). Interest-bearing loans are classified as current, except for such their part for which the company has unconditional right to settle the liability for a term of more than 12 months as of the balance sheet date.

2.18. Income taxes

Income taxes are determined in accordance with the requirements of the Bulgarian legislation, and in particular the Corporate Income Taxation Act.

Deferred tax assets and liabilities are determined by using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their book value for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the amount to which it is probable that the deductible temporary differences, carried forward unused tax assets and unused tax losses can be restored from the taxable profit.

Assets and liabilities on deferred taxes are determined using the tax rates estimated for the period, when the asset will be restored or the liability will be redeemed, on the grounds of tax percentages (rates) being in force as of or after the balance sheet date. The applicable rate of corporate tax pursuant to the Corporate Income Taxation Act for years 2009 and 2010, is 10%.

2.19. Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are recognized in the Statement of comprehensive income.

The Bulgarian Lev is fixed to the common European currency - EURO at a rate BGN 1.95583 = EURO 1.00. The exchange rate as of 31 December 2010 for one USD is 1,472760 BGN (2009 : 1,364090 BGN).

Notes to the financial statements for the year ended on December 31st, 2010

2.20. Personnel income

Current income

Current income of personnel in the form of remunerations, bonuses and social benefits (payable within 12 months after the end of period when the personnel has performed activities or has fulfilled the necessary conditions) are reported as costs in the Statement of Comprehensive Income in the period when the work is performed or the requirements for receiving the payment are fulfilled, and as current liability at the amount of their non-discountable value. Company contributions due in regard to social and health insurance are reported as current cost and payable in non-discountable amount, together and in the period of reporting the relevant income to which they related.

As of the date of each financial statement the Company performs valuation of the amount of estimated costs for paid annual leave that will be paid as a result of not used right of accumulated leave. This valuation includes the approximate estimate of costs for the remunerations and costs on the mandatory social and health insurance, which the employers owes on these amounts.

Payables to the staff upon retirement

In accordance with the Collective Labour Agreement, the Company is obliged to provide retirement benefits to its employees. Upon retirement, each employee is entitled to receive an amount, which ranges from two to seven monthly gross salaries, depending on the number of years in service with the Company.

Amounts reported according to the estimated nominal value of forthcoming payments for the following one year period are recognized as Costs on personnel in the Statement of comprehensive income.

2.21. Costs on loans

Costs on loans are reported as expenses for the period they refer to.

2.22. Financial Instruments

2.22.1. Financial Assets

The Company classifies its financial assets in the following categories: "loans (credits) and payables" and "assets available and for sale". Classification depends on the nature and purpose of financial assets as of the date of their acquisition. The management determines Company financial assets classification as of the date of their initial reporting in the balance sheet.

In general the Company reports its financial assets in the balance sheet at the "date of trading" – the date, on which it has undertaken commitment for purchasing the relevant financial assets. All financial assets are assessed by their fair value plus the direct costs on the transaction.

Financial assets are written off the Company balance sheet when the rights for receiving cash resources from these assets expire or are transferred and Company has transferred essential part of ownership risks and benefits on this asset to other legal entity (individual). If the Company continues to hold the essential part of risks and benefits associated with the ownership on certain transferred financial assets, it still reports the asset in its balance sheet, but also reports the secured payable (loan) for funds received.

Credits and Receivables

Credits and receivables are non-derivative financial assets with fixed or ascertained payments, which are not listed in active market. They are valued in the balance sheet by their depreciation value, using the effective interest method, decreased with the devaluation. These assets are included in the group of current assets if their maturity is within 12 months or within the company usual operational cycle, and the other – as non-current.

This group of financial assets includes: trade and other receivables, cash and cash equivalents from the balance sheet (Notes 2.11 and 2.12). The interest income related to "credits and receivables" is recognized on the basis of effective interest, except for the short-term receivables, less than 3 months, for which recognition of such interest is ungrounded as inessential and within the usual credit conditions. It is reported in the Statement of comprehensive income under "financial income" item.

As of the date of each balance sheet the Company assesses if there are events and circumstances, which indicate for presence of objective proofs that require impairment of credits and receivables.

Financial assets available and for sale

Financial assets available and for sale are non-derivative assets, which are acquired with this purpose or are not classified in other group. Usually these are shares or participation in other companies, acquired for investment purposes and included to non-current assets, unless the Company intends to sell them within the following 12 months and is actively searching a purchaser (Notes 2.8 and 2.9).

Financial assets available and for sale are valued by:

- fair value – for companies with shares listed at a stock exchange. These assets fair value is determined by applying the "buy" price from the last month as of the balance sheet date,

or as an exception

- cost of acquisition – for companies of closed type, for which it is difficult to find information about similar market transaction and due to the circumstance that future existence of these companies is connected with some uncertainties, so as to prepare reasonable enough and grounded long-term assumptions for calculation of their shares fair value through other alternative valuation methods.

Dividends on shares and participations, classified as financial assets available and for sale are recognized and reported in the Statement of Comprehensive Income when it is ascertained that Company has obtained the right over these dividends.

Owned investments available and for sale are reviewed as of each balance sheet date in regard to events and circumstances occurred that indicate presence of objective proofs for impairment of certain financial asset or group of assets. They are devaluated if the book value is higher than the estimated reimbursable amount. The value of the recognized impairment loss equals to the difference between the acquisition cost, decreased with payments and the reimbursable amount that is considered to be equal to the present value of the estimated foreseen future cash flows, discounted with current market interest rate or income rare for similar financial assets.

2.22.2. Financial liabilities and equity instruments

The Company classifies debt instruments and equity instruments either as financial liabilities or equity depending on the nature and conditions in a contract with the relevant partner in relation to these instruments.

Financial liabilities

The financial liabilities include loans (credits), payables to suppliers and other partners. Initially they are recognized in the balance sheet by fair value, net of transaction direct costs, and further – by depreciation value as per the effective interest method (Notes 2.16 and 2.17).

Notes to the financial statements for the year ended on December 31st, 2010

3. Income from services

	2010	2009
Loading and unloading income	44 434	41 118
Warehousing income	6 317	4 825
Other income	579	1 057
	51 330	**47 000**

4. Cost of services offered

	2010	2009
Personnel expenses	30 423	29 856
Expenses on materials	6 122	5 588
Expenses for external service	3 860	2 866
Depreciation expenses	2 756	2 842
Other expenses	29	62
	43 190	**41 214**
incl. Supporting activities	3 238	3 991

5. Other operating income, net

	2010	2009
Other operating income		
Income from maintenance and repair of public government property	1 573	2 408
Rental income	464	519
Income from sales of assets	115	63
Surplus of assets	5	10
Other services	135	88
Fines and penalties received	41	38
Income from fixed tangible assets liquidation	16	1
	2 349	**3 127**
Other costs		
Costs for maintenance and repair of public government property	1 573	2 408
Provision for contract obligation on use, maintenance and repair of public state property	1 428	-
Book value of sold assets	15	930
Donations	3	7
	3 019	**3 345**
Net other income	**(670)**	**(218)**

Notes to the financial statements for the year ended on December 31st, 2010

6. Income of government grants

	2010	2009
Income from Grants received for acquisition of tangible fixed assets	1	2
Income from Grants received for operating activities	2	-
	3	**2**

7. General and Administrative Expenses

	2010	2009
Costs on personnel	2 178	2 561
Costs for materials	312	269
Expenses on external services	331	294
incl. auditor's services	11	16
Depreciation expenses	91	139
Expenses for representation purposes	21	34
Other expenses	41	62
Legal expenses	23	2
	2 996	**3 361**
Incl. Supporting activities	208	169

8 Costs on sales

	2010	2009
Expenses on personnel	114	112
Advertisement	29	55
Electricity, water, heating	7	9
Depreciation	2	2
	152	**178**

9. Financial income

	2010	2009
Interest income	88	198
Income from shares in other companies	104	70
Positive exchange rate differences	1	44
Profit of terminated participation in associated company	6	-
	199	**312**

10. Financial costs

	2010	2009
Costs on interest	79	159

Notes to the financial statements for the year ended on December 31st, 2010

Bank charges and commissions	4	22
Negative exchange rate differences	22	29
	105	**210**

11. Taxes on profit

Tax costs

Main components of the tax cost are:

	2010	**2009**
Current costs on taxes	555	194
Deferred taxes	(147)	(36)
Total tax costs	**408**	**158**

The applicable tax rates for years 2010 and 2009 are as follows:

	2010	**2009**
Profit (loss) before taxes	4 011	1 770
Tax rate – normative	10%	10%
Costs for taxes as per the applicable tax rate	401	177
Effect from costs not recognized for tax purposes	7	(19)
Costs on taxes	**408**	**158**
Effective rate of taxes on profit	**10.17 %**	**8.93 %**

Deferred Tax Assets and Liabilities

As of 31 December 2010 and 2009, deferred tax liabilities, and the related tax effects in the income statement are as follows:

	Deferred tax assets/ (liabilities)		Deferred tax costs / (income)	
	2010	**2009**	**2010**	**2009**
Deferred tax assets:				
Impairment of Tangible Fixed Assets	1	1		
Impairment of receivables (part not recognized for tax purposes)	108	70	38	23
Accrual for Unused Paid Leave, other payables to individuals	54	126	(72)	(43)
Provisions for benefits upon retirement	41	45	(4)	7
Provisions for payables	143		143	
Tax loss				
Total:	**347**	**242**	**105**	**(13)**
Deferred tax liabilities:				
Revaluation of Investments in Associates – terminated participation		(2)	2	
Difference between tax	(160)	(200)	40	49

base and net book value of tangible fixed assets				
Total:	**(160)**	**(202)**	**42**	**49**
Total deferred tax assets (liabilities), net	**187**	**40**	**147**	**36**

12. Properties, machinery and equipment/ Tangible Fixed Assets

	Land and buildings	Machinery and Equipment	Vehicles	Other assets	Expenses for acquisition of TFA	TOTAL
Revaluated value:						
Balance as of December 31st, 2009	**653**	**35 037**	**7 970**	**867**	**194**	**44 721**
Acquired	179	319	240	12	(131)	619
Written off		47		7		54
Balance as of December 31st, 2010	**832**	**35 309**	**8 210**	**872**	**63**	**45 286**
Accumulated depreciation:						
Balance as of December 31st, 2009	**306**	**20 658**	**6 209**	**600**		**27 773**
Reported during the year	52	2 271	476	40		2 849
For written off assets		30		9		49
Balance as of December 31st, 2010	**358**	**22 899**	**6 658**	**631**		**30 573**
Book value as of December 31st 2009	**347**	**14 379**	**1 761**	**267**	**194**	**16 948**
Book value as of December 31st 2010	**474**	**12 410**	**1 525**	**241**	**63**	**14 713**

As per permanent contract agreement with "Port Infrastructure" the Company has at its disposal government public property (buildings and equipment) amounting to 141 271 thousand BGN for rendering port related services and cargo handling.

Book value of assets provided as security on bank loans (one 100-tons mobile cranes from the category "machinery, facilities, equipment") amounts to 5 206 thousands BGN.

13. Intangible Fixed Assets

The Intangible Fixed Assets include software products. Their book value is formed by decreasing the acquisition costs of 153 thousand BGN (2009: 148 thousand BGN) with the accumulated depreciation amounting to 133 thousand BGN (2009: 123 thousand BGN).

Notes to the financial statements for the year ended on December 31st, 2010

The annual depreciation of intangible fixed assets at the amount of 31 thousand BGN (2009: 14 thousand BGN) is recognized in the Statement of Comprehensive Income as element of the general and administrative costs.

14. Investment property

Book value as of December 31st 2009	**590**
Acquired	-
Written off	-
Book value as of December 31st 2010	**590**

The investment properties book value is determined by independent appraiser.

15. Investments in Associates

In 2010 company Devnya Cement S.T AD was terminated (subject of activity being maintenance of port terminal for cement), in way of liquidation due to lack of economic activity. The participation of Port Varna EAD at the amount of 26% of the capital of Devnya Cement S.T. has cost value of 390 thousand BGN and reporting value as of the date of company termination – 480 thousand BGN. The investment recovered in cash amount is 414 thousand BGN (as per the liquidation balance sheet) and the reported profit is 6 thousand BGN, presented as Financial income in the Statement of comprehensive income.

Book value as of December 31st, 2009	**408**
Acquired	-
Termination – recovered value	(414)
Profit after investment writing off	6
Book value as of December 31st 2010	**0**

16. Financial assets on disposal and for sale

The Company owns 8.9% of the share capital of Oil tanking Bulgaria AD.

Oiltanking Bulgaria AD is a joint-stock company with subject of activity: construction and development of independent terminals, receiving, storing, allocation, processing and maintenance of liquid chemical products. The Company operates a terminal for sulphur acid located in Devnya, Industrial zone, Port Varna West.

Oiltanking Bulgaria AD is a subsidiary of the German Oiltanking GmbH that operates more than 70 terminals for liquid chemical products in the biggest international ports. As the shares of Oiltanking Bulgaria AD are not listed at the exchange stock and it is not possible to determine their fair value as of December 31st 2010, the participation is valued by cost of acquisition.

In 2010 the realized financial income in the form of dividends for 2009 amounts to 104 thousand BGN (2009: 70 thousand BGN).

17. Inventories

	2010	**2009**
Spare parts	1 928	1 884
Auxiliary materials	787	678

Notes to the financial statements for the year ended on December 31st, 2010

Main materials	382	354
Fuels and lubricants	389	373
Other	3	4
Total Inventories	**3 489**	**3 293**

18. Trade a d other Receivables

	2010	**2009**
Trade receivables	5 344	5 879
Taxes for reimbursement	695	327
Court and awarded receivables	576	132
Prepayments	87	60
Other receivables	159	178
	6 861	**6 576**
Impairment of receivables	**(1 080)**	**(700)**
Total trade and other receivables	**5 781**	**5 876**

Receivables from clients are interest-free and 4 470 thousand BGN are in Bulgarian levs (2009: 4 091 thousand BGN), in Euro – 874 thousand BGN (2009: 1 788 thousand BGN).

Usually the Company agrees with its clients 30 days term of payment related to receivables from sales.

The Company has determined a standard crediting period of 90 days. Delay after this term is considered by the Company as indicator of impairment. The management assesses the collection by analyzing the client exposure, the possibilities for paying off and makes decision regarding impairment reporting.

Age structure of regular (not in maturity) trade receivables, is the following:

	2010	***2009***
up to 30 days	3 107	3 127
from 31 to 90 days	898	1 111
Total	**4 005**	**4 238**

Age structure of overdue devalued trade receivables is as follows:

	2010	***2009***
from 91 to 180 days	352	617
from 181 days to 365	312	520
from 1 to 2 years	270	380

Notes to the financial statements for the year ended on December 31st, 2010

more than 2 years	405	124
Total	**1 339**	**1 641**

Changes in impairment of receivables

	Impairment of receivables from clients	Impairment of legal receivables	Impairment of other receivables	Total
Balance as of December 31st 2009	**616**	**70**	**14**	**700**
Reported during the year	205	484	-	689
Restored impairment	(258)	(23)	-	(281)
Impairment, net	**(53)**	**461**	**-**	**408**
Written off receivables	(28)	-	-	(28)
Balance as of December 31st 2010	**535**	**531**	**14**	**1 080**

19. Cash and cash equivalents

	2010	**2009**
Cash on Hand	26	27
Cash at Bank in Current Accounts	6 995	2 296
Cash at Bank in Short-term Deposit Accounts	2 347	1 536
Total cash and cash equivalents	**9 368**	**3 859**

Incl.:

- in BGN - 4 323 thousand BGN
- in Euro - 2 577 thousand Euro = 5 040 thousand BGN
- in USD - 3 thousand USD = 5 thousand BGN

Short-term deposits are in foreign currency – Euro, with fixed interest rates.

20. Equity

As of December 31st 2010 the registered and paid in capital of the Company consists of 8 493 571 shares of nominal value of 1 BGN each.

In 2010 the Company allocates the 2009 profit, at the amount of 1 861 thousand BGN, according to the Rules and Art.18, item 2 of RCM № 324/30.12.2009 as follows:

- dividends - 1 160 thousand BGN,
- Company provisions - 701 thousand BGN.

Reserves

As of December 31st, 2010 they include:

- legal reserves – at the amount of 1707 thousand BGN (2009: 1 545 thousand BGN), formed form allocation of profit and include as whole the amounts for Reserves Fund;
- additional reserves – at the amount of 6 839 thousand BGN (2009: 6 300 thousand BGN), formed from allocation of profit.

Revaluation provision

The revaluation provision at the amount of 4 676 thousand BGN (2009: 4 679 thousand BGN), is formed from the positive difference between the book value of properties, machinery, equipment and investment property and their fair values as of the date of their revaluation. The effect of deferred taxes on the revaluation provision is expressed as temporary difference between tax and book values of fixed tangible assets and therefore taxes on profit are not charged on the expense of the revaluation provision. (Note 11)

21 Long-term bank loans

In years 2005 and 2008 the Company enters into bank loan contracts for purchasing of fixed assets – two 100-tons mobile cranes for cargo handling. Loans currency is Euro. Paying off is effected in equal installments and interest on the decreasing balance.

The conditions of long-term bank loans received are the following:

Year of drawing	Bank	31.12.2010	31.12.2009	Interest %	Term for paying off
2005	ING Bank	-	261	one month EURIBOR + 2,20 % extra	22.04.2010 Paid off
2008	SG Expressbank	2 923	3 954	three-month EURIBOR + 1,45 % extra	15.10.2013
	Balance	**2 923**	**4 215**		

The debt for a period of more than a year is reported as long-term one, counted after December 31st 2010; is amounts to 1 891 thousand BGN. (2009: 2 923 thousand BGN); and short-term – at the amount of 1 032 thousand BGN (2009: 1 292 thousand BGN).

Special pledge, at the amount of 5 206 thousand BGN, on the mobile crane and for securing the above loans, is established on behalf of bank-creditors. (Note 12)

22. Government Grants

Balance at December 31, 2009	**13**
Received	-
Recognized as Income	1
Balance at December 31, 2010	**12**

The book value of government grants is the fair value of donations of assets, subject of depreciation, (machinery, and equipment) received by Port Varna, and decreased with the accumulated depreciation of these assets.

Notes to the financial statements for the year ended on December 31st, 2010

23. Payables for benefits upon retirement

Balance as of December 31st 2009	**447**
Recognized costs on activity (as Personnel Expenses)	(420)
Accrued Provisions for 2010	381
Balance as of December 31st 2010	**408**

24. Trade and other payables

	2010	2009
Payables on personnel	1 752	2 305
Payables for social insurance	615	686
Trade payables	1 042	287
Payables on guarantees	162	159
Government donations for working capital	127	129
Payables to budget	159	158
Other payables	4	2
Total Other Current Liabilities	**3 861**	**3 726**

Staff and social insurance payables include an accrual for unused paid leave. As of December 31, 2010 the accrual for unused paid leave is BGN 156 thousand (2009: BGN 502 thousand).

The book value of government grants for working capital is the cost of spare parts with special use. The spare parts are part of a grant of machinery and equipment received by Port Varna. They can be used for maintenance and repair only of this specific machinery and equipment. The recognition of the government grant as income is to the extent of the amount of spare parts used in 2010.

- In this financial statement the short-term part of the long-term bank loans is presented as independent article in the front side of the Balance Sheet 1 032 thousand BGN (2009: 1 292 thousand BGN.

25. Provisions

Company reports provision under the contract for use, maintenance and repair of public state property on the basis of cargoes processed and passengers passed, at the amount of 1 428 thousand BGN (2009: 0 BGN).

26. Transactions with related parties

The related parties of the Company, as defined by IAS 24 - "Related parties", are Devnya Cement S.T. AD (Note 15) and the members of the Board of Directors.

During the year Devnya Cement S.T. AD was liquidated due to lack of economic activity. As result of this company termination Port Varna received 414 thousand BGN and reported profit at the amount of 6 thousand BGN.

As of the date of these financial statements the company has no receivables from the entity liquidated (2009: 0 BGN).

The accrued payments to management (Board of Directors) in 2010 amount to BGN 88 thousand (2009: 94 thousand BGN).

Notes to the financial statements for the year ended on December 31st, 2010

27. Commitments and Contingencies

As of December 31, 2010, the Company is a defendant in lawsuits and the total amount of claims is BGN 1 thousand (2009: BGN 46 thousand). The management of the Company finds impossible to predict the final court resolution because of the particularities of the legal procedures.

28. Financial risk management

In the course of the usual business the company may be exposed to different financial risks, the most important of which include: market risk (including: currency risk, risk of change of fair value and price risk), credit risk, liquidity risk and risk of interest-dependent cash flows. Financial risks are currently reviewed, analyzed and forecasted using different controls implemented for determining the adequate prices of products and services of the company the borrowed capital, as well as to assess properly the market conditions in regard to investments made and forms of maintaining free ready funds without unreasonable focus on certain risk.

Financial instruments categories:

	2010	2009
Financial assets		
On disposal and for sale	169	169
Trade receivables	5 781	5 876
Surplus profit tax paid	-	72
Cash and cash equivalents	9 368	3 859
Total	**15 318**	**9 807**
Financial liabilities		
Bank loans	2 923	4 215
Trade and other payables	3 861	3 726
Payables for profit tax	363	-
Total	**7 147**	**7 941**

Risk management is carried out regularly by the management of the company according to the policy defined by the Board of Directors. The latter has adopted main principles for general management of the financial risk, which are the basis for development of specific procedures for management of different specific risks, such as currency, price, interest, credit and liquidity risk, as well as for the risk in using non-derivative instruments.

The policy that the management applies for the management of these risks is summarized below.

Interest risk

Company's activity is subject of the risk of fluctuation in interest rates to the level, where the interest-bearing assets and interest-related liabilities may be changed in regard to interest levels in different time and degree.

Notes to the financial statements for the year ended on December 31st, 2010

Company's financial assets include mainly interest-free receivables and short-term deposits with fixed interest (Note 19).

Main financial liabilities of the company consist of short-term interest-free trade payables and interest-bearing loans (Note 21).

Loans are agreed with floating rate, formed through fixed extra: 1,45 points above the three-month EURIBOR, therefore the company is exposed to potential risk of change in market interest rates. The risk of possible changes in interest rates of the three-month EURIBOR is insignificant for the company.

Liquidity risk

The Company's exposure to liquidity risk – possibility for unconditional paying off all payables on their maturity, is not significant. The Company maintains significant cash balances and its policy is to finance both its working capital requirements and its capital expenditure from accumulated profit, generating sufficient incoming cash flows.

As of December 31st the maturity structure of company financial liabilities based on agreed undiscounted payments is as presented below:

Year ending on December 31st, 2010

	On request	< 3 months	3-12 months	1-5 year	Total
Financial assets					
Financial assets on disposal and for sale	169	-	-	-	169
Trade receivables	3 949	915	468	449	5 781
Cash and cash equivalents	9 368	-	-	-	9 368
Total					**15 318**
Financial liabilities					
Bank loans	-	258	774	1 891	2 923
Trade and other payables	2 908	186	640	127	3 861
Payables for profit tax	-	363	-	-	363
Total					**7 147**

Year ending on December 31st 2009

	On request	< 3 months	3-12 months	1-5 year	Total
Financial assets					
On disposal and for sale	169	-	-		169
Trade receivables	4 368	347	777	384	5 876
Surplus profit tax paid	-	-	72	-	72
Cash and cash equivalents	3 859	-		-	3 859

Notes to the financial statements for the year ended on December 31st, 2010

Total					**9 807**
Financial liabilities					
Bank loans	-	453	839	2 923	4 215
Trade and other payables	3 438	9	64	215	3 726
Total					**7 941**

Currency risk

Company carries out purchases, sales and borrows loan mainly in Euro. As the foreign exchange rate BGN/ Euro is fixed to 1.95583, the currency risk arising from company's Euro positions is reduced to minimum. Company's transactions in other foreign currencies are insignificant compared with total number of transaction. Presently company has no practice of hedging the exposure of currency transactions.

Assets and liabilities denominated in Bulgarian levs and foreign currency (currency structure of financial assets and liabilities), are presented below:

31 December 2010	***in USD*** **in BGN thousand**	***in EUR*** **in BGN thousand**	**in BGN thousand**	**Total in BGN thousand**
Financial assets				
Financial assets on disposal and for sale	-	-	169	169
Trade and other receivables	-	-	5 781	5 781
Cash and cash equivalents	5	5 040	4 323	9 368
Total	**5**	**5 040**	**10 273**	**15 318**
Financial liabilities				
Bank loans	-	2 923	-	2 923
Trade and other payables	-	-	4 224	4 224
Total	**-**	**2 923**	**4 224**	**7 147**

31 December 2009	***in USD*** **in BGN thousand**	***in EUR*** **in BGN thousand**	**in BGN thousand**	**Total in BGN thousand**
Financial assets				
Financial assets on disposal and for sale	-	-	169	169
Trade and other receivables	-	-	5 948	5 948
Cash and cash equivalents	5	2 206	1 648	3 859
Total	**5**	**2 206**	**7 765**	**9 807**
Financial liabilities				
Bank loans	-	4 215	-	4 215

Notes to the financial statements for the year ended on December 31st, 2010

Trade and other payables	-		3 726	3 726
Total	**-**	**4 215**	**3 726**	**7 941**

Credit risk

Credit risk is mainly the risk that company clients shall not be able to pay off in whole and within the usually agreed terms, the amounts due related to trade receivables. The latter are presented in the Report on the financial position net after deduction of impairment accrued for bad and doubtful receivables.

The company has minimized the credit risk as the management applies good policy regarding the collection of receivables from clients and the other receivables, and in addition the company maintains significant in size ready assets.

Market risk

The Company's exposure to commodity price risk arises primarily from the variability in the prices of fuel - diesel, black oil and gas oil - which it consumes at high rates in the course of its business. The Company does not have a policy to hedge its commodity price risk exposure.

Equity management

Company manages its equity in order to continue its functioning as going concern, to maintain optimum equity structure and continuously to improve its activity financial indicators despite the changes in the economic conditions

Company monitors its equity through the following indicators

	2010	**2009**
Net profit	3 603	1 602
Total equity	25 322	22 879

Company regularly monitors its security and equity structure on the basis of the indebtedness ratio. The table below provides the indebtedness ratios on the basis of equity structure as of December 31st:

Indicators for financial structure/ indebtedness	**2010**	**2009**
Total assets / Equity	1,36	1,37
Equity / Drawn equity - liabilities	2,82	2,72
Loans / Trade and other current payables	0,69	1,13
Cash and cash equivalents / Drawn equity	1,04	0,46

Notes to the financial statements for the year ended on December 31st, 2010

29. Events after the Balance Sheet date

There are no new events after the end of the reported period that require correction or additional disclosure in these financial statements.