ANNUAL REPORT ON THE ACTIVITY

ACCOMPANIED BY
INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2009

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ANNUAL REPORT ON THE ACTIVITY

SELECTED PERFORMANCE INDICATORS

Financial highlights	2009	2008	2007
Revenue (BGN'000), including:	884,400	891,964	659,120
Light fuel	*859,128*	*813,824*	*595,061*
Heavy fuel	*12,565*	*27,813*	*7,432*
Aviation fuel	*3,109*	*44,437*	*45,834*
Lubricants and other goods	*753*	*1,645*	*3,661*
Gross margin of goods sold (BGN'000)	25,515	51,193	42,830
EBITDA (BGN'000) [1]	11,473	178,183	24,283
EBIT (BGN'000) [2]	9,914	176,297	21,894
Profit (loss) for the year (BGN'000)	(203,396)	206,363	(9,685)
Assets (BGN'000)	499,929	650,031	350,826
Debt (BGN'000)	316,282	305,349	177,596
Equity (BGN'000)	38,656	242,052	35,689
Working capital (BGN'000) [3]	275,870	477,118	81,316
Capital expenditure (BGN'000)	2,563	3,692	4,734

Financial ratios	2009	2008	2007
ROE (%)[4]	(144.92)	148.60	(23.89)
ROACE (%)[5]	2.04	47.57	13.62
ROA (%)[6]	1.72	35.23	6.69
Debt to Assets ratio (%)	63.27	46.97	50.62
Equity to Assets ratio (%)	7.73	37.24	10.17
Current ratio (coefficient) [7]	2.77	5.45	1.42
Accounts receivable collection period (in days) [8]	16	12	23

[1] EBITDA (earnings before interest, taxes, depreciation and amortization)

[2] EBIT (earnings before interest and taxes)

[3] Working capital is the difference between the current assets and the current liabilities

[4] ROE (return on equity) is calculated as a ratio between profit (loss) for the year and the average equity

[5] ROACE (return on average capital employed) is calculated by dividing EBIT by the averaged value of the invested capital. The latter is the difference between the total amount of the assets and the current liabilities to third persons (who are not part of the Petrol Holding AD Group).

[6] ROA (Return on assets) is calculated by dividing EBIT by the averaged assets value

[7] Current ratio is the ratio between the current assets and the current liabilities

[8] Accounts receivable collection period is the ratio between the trade receivables and the income multiplied by 365 days

Operating data	2009	2008	2007
Market share (%)	20	14	12
Total number of own fuel storage facilities	34	34	35
Fuel storage facilities operating during the period	14	14	15
Number of clients	2,283	1,788	2,279
Number of personnel	284	280	312

FROM THE MANAGEMENT

Dear Ladies and Gentlemen,

Naftex Petrol EOOD ('the Company') is a company concerned with wholesale trade and storage of petroleum products, which has 34 own fuel storage facilities located throughout the country. The Company operates 12 fuel storage facilities (11 of its own and one owned by Petrol AD) for distribution of petroleum products, 2 of the facilities are leased out and the remaining facilities belong to the group of the so-called "reserve" storage facilities.

The Company is a licensed warehouse holder under the *Excise Duties and Tax Warehouses Act* (EDTWA) and as of December 31, 2009 holds licenses for 10 fuel storage facilities, which provide opportunity for temporary suspension of excise duty taxation, in case certain conditions are observed. In addition, at the end of 2009 the Company holds licenses under the *Mandatory Stocks of Crude Oil and Petroleum Products Act (MSCOPPA)* for tanks with total capacity of 155,473 m^3, situated in 7 of the operating fuel storage facilities, allowing storage of fuels under the same law.

The offered fuels are in compliance with the EU standards, in particular Standard EN 590 on diesel fuel and EN 228 on gasoline. The uncompromising quality is guaranteed by 4 laboratories, where with the help of modern technologies, strict control and quality analysis of fuel and petroleum products are carried out.

At the end of 2009, in pursuance of the investment program, the reconstruction and modernization of fuel storage facility (FSF) Plovdiv was completed, including the construction of a new modern installation for bottom and top loading of tanker trucks, a process control center, an installation for automated dosage of additives and blending of fuels with biodiesel and bioethanol, reconstruction of the pumping station, installation of new pipelines, etc. After reconstruction Plovdiv fuel storage facility became one of the facilities, fitted with the most modern equipment for storage and distribution of petroleum products on the territory of the country.

In 2009 hydrocarbon vapour recovery units (VRU) were fitted at FSF Stara Zagora, Kaspichan and Varna. It is expected VRU to be put into operation at FSF Burgas in 2010. Scheduled tanks repairs at FSF Kaspichan, Pleven and Ruse were carried out whereby 50,000 m^3 of tank capacity were prepared for fuel storage under the MSCOPPA requirements. At the beginning of 2010, internal floating roofs were fitted on the repaired gasoline tanks in compliance with the *Ordinance No 16 on the control of volatile organic compound emissions resulting from the storage, loading and unloading, and transportation of gasoline*. Surveillance systems were mounted in most operating facilities aimed at strengthening the control.

I would like to thank our clients for the confidence they have in us. I would like to thank my colleagues for the shared values and efforts in achieving the common goal of lasting growth. The Company's team has fulfilled its plans and participates in the projects implementation clearly aware that the best guarantee for the success of Naftex Petrol EOOD is the mutual trust between our partners and us.

НАФТЕКС ПЕТРОЛ ЕООД NAFTEX PETROL LTD

Yordan Georgiev
Manager

April 23, 2010

COMPANY'S PROFILE

The Company was registered in 1999 in Sofia. Later on the Company's headquarter was moved to Varna according to Court Decision No. 427/2001 of Varna District Court. The Company's register office is at 22 A, Bratya Miladinovi Str., Varna. As from April 6, 2005 Petrol AD is a sole owner of the Company's capital.

Naftex Petrol EOOD is a company from the business group of Petrol Holding AD. The Company is a well-established market leader since 2001, specialized in fuel and petroleum products import, storage and wholesale. The Company operates 12 fuel storage facilities, situated all over the country, through which it directly sells fuel and petroleum products. Apart from distribution, the Company provides complex services such as fuel storage, tanker handling and laboratory analyses. For its customers' convenience, the Company offers electronic ordering and information, transportation of products to the customer's warehouse; there is a possibility for deferred payment and cash payment at the fuel storage facilities directly prior to dispatch.

The main lines of business of Naftex Petrol EOOD could be summarized as follows:

- Import of gasoline, diesel oil and gas oil;
- Wholesale in all types of fuels in the country;
- Distribution of lubricants and other goods in the country;
- Providing of services – mainly, fuel storage under the MSCOPPA, qualification of oil products;
- Aircraft refuelling at Varna, Burgas and Sofia airports (the activity was discontinued in 2009);
- Tankers handling and laboratory analyses.

Additional services for the customers' complex servicing are:

- Transportation to the customer's warehouse;
- Internet services electronic system;
- Opportunity for cash payment on the territory of the fuel storage facility;
- Deferred payment under specific conditions.

Company's mission is the achievement of sustained growth in cooperation with customers, acting with responsibility to customers, partners, employees and the society as a whole.

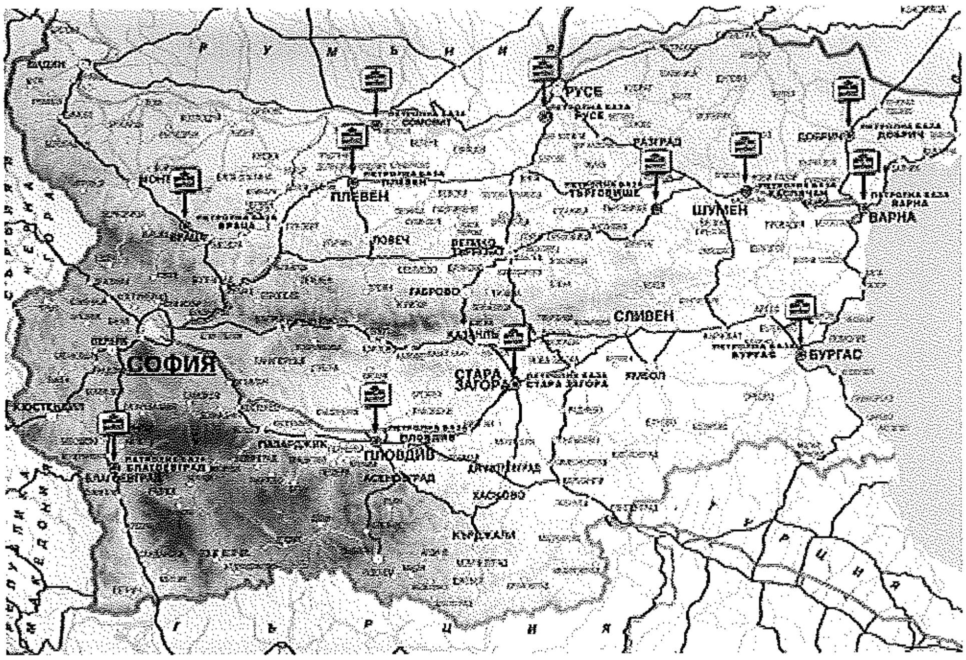
The Management of Naftex Petrol EOOD relies on:

- Maintaining of uncompromising quality of the fuels and petroleum products;
- Open trading policy and transparency of pricing;
- Keeping a high standard to satisfy the customers through optimizing the trade processes;
- Investments in technical equipment for the environmental protection.

Naftex Petrol EOOD has one of the widest distribution networks for wholesale of fuels in the country - 12 fuel storage facilities operate actively and 2 fuel storage facilities are leased out. The Company operates 4 quality control laboratories as the laboratory at FSF Varna holds accreditation.

The operating fuel storage facilities have a potential to secure large volumes of sales and have been selected by the following criteria:

- Strategic location – built-up areas with large population, storage facilities with ports on the Black Sea and the Danube river;
- Technical and technological equipment;
- Infrastructure connected to the national road network.



The Company holds licenses for storage of diesel fuel, gasoline, heating oil and aviation fuel in tanks with total capacity of 155,473 m^3. According to the requirements of MSCOPPA, tank capacities at FSF Ruse, Kaspichan, Pleven, Stara Zagora, Varna, Burgas and Plovdiv were licensed, allowing storage of fuels under the same law.

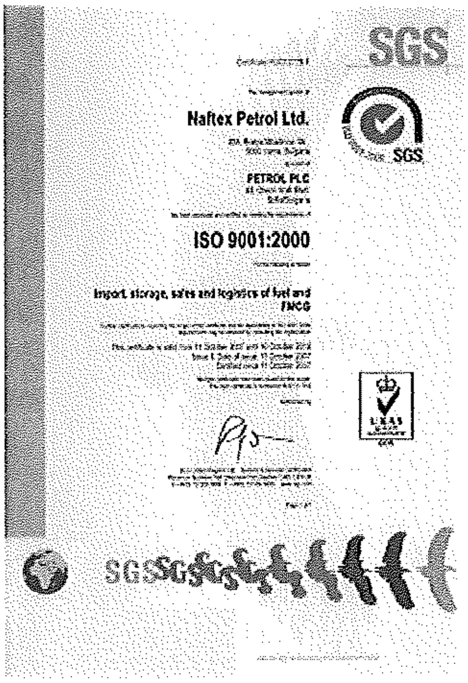
The licensed capacities in cubic meters by types of fuel in 2009 are presented in the following table:

Fuel storage facility	Gasoline	Industrial gas oil	Diesel fuel	Heating oil	Aviation fuel	Total
Burgas	10,000	-	15,000	-	5,773	**30,773**
Varna	10,000	-	15,000	-	5,000	**30,000**
Ruse	1,000	2,000	21,000	-	-	**24,000**
Kaspichan	2,000		12,000	-	-	**14,000**
Pleven	10,000	2,700	20,000	-	-	**32,700**
Plovdiv	5,000	-	10,000	-	-	**15,000**
Stara Zagora	2,000	-	2,000	5,000	-	**9,000**
Total	**40,000**	**4,700**	**95,000**	**5,000**	**10,773**	**155,473**

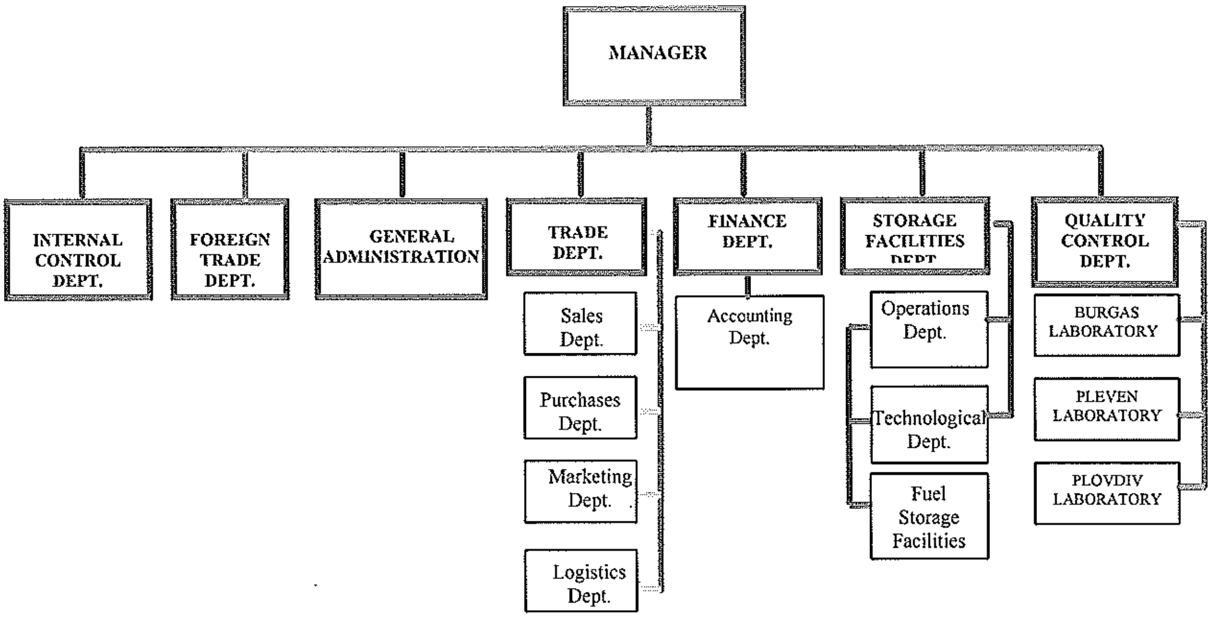
In the beginning of 2010 a licensing procedure of additional 50,000 m^3 of gasoline and diesel fuel tank capacity at FSF Varna, Kaspichan, Pleven and Ruse was started.

Naftex Petrol EOOD is a licensed warehouse holder under the EDTWA and as of December 31, 2009 holds licenses for 10 fuel storage facilities in Pleven, Plovdiv, Varna, Burgas, Kaspichan, Ruse, Stara Zagora, Dobrich, Blagoevgrad and Somovit, which provide opportunity for temporary suspension of excise duty taxation.

Naftex Petrol EOOD is ISO 9001:2000 certified.



Organizational and management structure of the Company are shown on the following diagram:



COMPANY'S PERFORMANCE REVIEW

1. Market environment analysis

Fuel market in Bulgaria was marked by a steady consumption growth during the last few years. Economic crisis and subsequent recession are reasons for the anticipated slight decrease in the consumption for 2009[9] and 2010. In mid and long–term plan, however, the consumption is expected to resume its rising trend. The projected average annual growth rate for the next ten years is within 2%. One of the major leading factors is the potential growth of the motor car fleet in the country and entire South-East Europe, since in this region the number of cars per one thousand people is twice less than the number in Western European countries.

With relation to product mix, during the last couple of years the fuel market in Bulgaria witnessed a shift of consumption from all types of gasoline to diesel oil and LPG. The extended diesel oil consumption is accounted for by modern diesel-engines entering the market, as well as the increasing use of diesel in transport industry. Branded fuels and methane came into the market. Due to their better quality, these fuels can offer acceleration of automobile power, expense reduction, increased engine life, etc.

Being dependent on the crude oil and petroleum products quotations on the international markets, fuel prices are characterized by high dynamics and volatility. After 2008, which was marked with a significant increase of the prices in the first eight months and with a dramatic slump in the last months, in 2009 the prices turned back to their upward trend, but kept levels lower than the levels from the previous year. Another factor, influencing significantly both the prices and the sector's margins is the increase of the excise rates in the connection with the process of synchronization to the European legislation after the country's accession to EU. The latest increase of this kind was undertaken in 2008.

The main companies operating on the wholesale market in Bulgaria are Naftex Petrol EOOD, Rompetrol Bulgaria AD, OMV Bulgaria EOOD and LUKoil Bulgaria EOOD - the exclusive distributor of the products of Lukoil Neftochim Burgas AD. At present, the domestic market is to a large extent still bound to the production of the latter, as the wholesale prices are typically linked to the pricing of the producer. The share of realized imported fuels is not yet significant, but it shows a trend for increase, as during the last years it has reached almost 30%.

In view of the Bulgaria's accession to EU, as from January 1, 2007 the requirements on the quality of the offered petroleum products and the ecological standards have been considerably heightened. According to the *Ordinance on Requirements for the Liquid Fuel Quality, the Conditions, the Procedure and the Method of Control over Liquid Fuels* as from January 1, 2009 the diesel motor fuel and the motor gasoline must be with a maximum sulphur content of 10 mg/kg (10 ppm). Additional requirements are imposed under the *Renewable and Alternative Energy Sources and Biofuel Act*, as from 1 March, 2010 blending of the liquid fuels of crude oil origin consumed in the transportation sector with biofuel must commence stage by stage. In accordance with the last amendments in the EDTWA every licensed storage holder should by its own and at its expenses to provide an Internet access for the Customs authorities to its automated accounting system, aiming to provide control in real time over the storaged excise goods and to ensure compliance of the regime for deferred payment of excise.

Regulations regarding environmental protection, requiring additional capital investments, as well as the requirements of the MSCOPPA for keeping higher stock level, are a serious barrier against entering of new participants on the wholesale market.

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[9] At the time of issuance of this report there is no official statistics about fuel consumption in Bulgaria.

2. Operating results

The Company's revenue for 2009 was basically formed by the following lines of business:

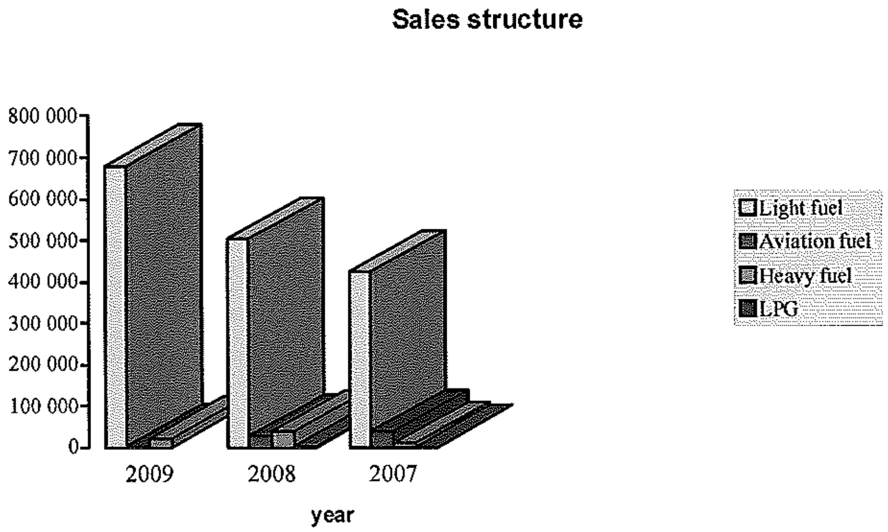
- Import of gasoline, diesel fuel and industrial gas oil;
- Sale of all types of fuels in the country;
- Aircraft refuelling at Varna, Burgas and Sofia airports;
- Distribution of lubricants and other products in the country;
- Storage under MSCOPPA;
- Storage and dispatch of fuels, lubricants and other goods besides MSCOPPA

The revenue of Naftex Petrol EOOD is generated from sales of goods and rendering of services. In 2009 the Company`s revenue is at the amount of BGN 884,400 thousand and remained at the levels of the previous year as slightly decreased by 0.8%. The major part of the sales revenue is formed by sales of goods (99%). In 2009 it is at the amount of BGN 875,555 thousand, as compared to BGN 887,719 thousand in 2008. The revenue of sales of goods was formed almost entirely (99%) from the sales of fuels.

In 2009 the revenue from sales of fuels reached levels closed to the levels of the previous year, amounted to BGN 874,802 thousand, compared to BGN 886,074 in 2008. The slightly decline of 1% thousand is due to the decrease in the average prices of fuels.

Structure of sold fuel by types is presented in the following table:

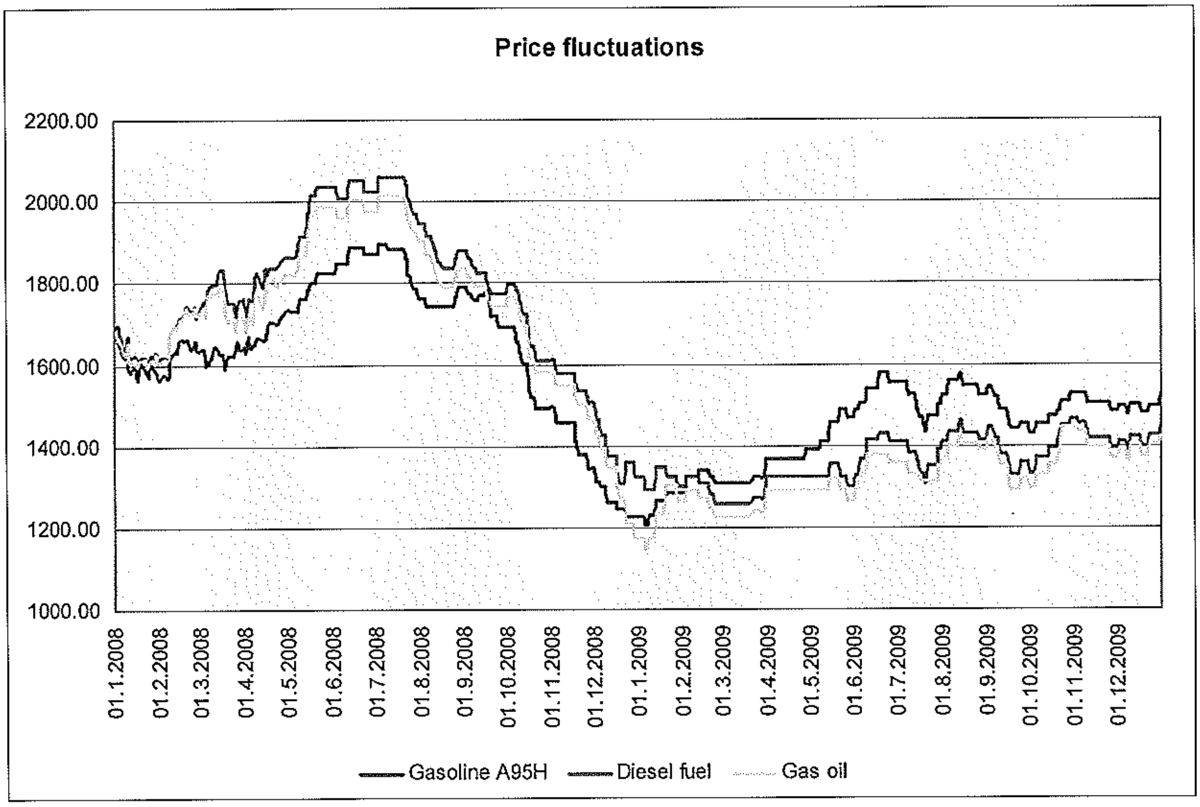
Fuel type	measurement unit	2009	2008	2007
Light fuel	litres thousand	678,444	502,823	422,187
Aviation fuel	tonnes	3,491	26,811	37,693
Heavy fuel	tonnes	21,230	37,535	9,014
LPG	tonnes	-	1,661	106



2. Operating results (continued)

In 2009 the volumes of light fuels sold continued their upward trend from the previous years, as the increase in 2009 is 35% compared to 2008. The drop in the sales of aviation fuel (jet) and heavy fuels is a result of the termination of both the aircraft refuelling and vessels bunkering activities. In 2009 Naftex Petrol EOOD suspended the sales of LPG.

Despite the considerable growth in the volume of sales, the sales revenue of light fuels grew by 6% only. Main reason was the decrease in the average selling price of gasoline and diesel fuel by 13% and 26%, respectively in 2009 compared to 2008. The drop is due to the lower average prices on the international markets, on the first place and on the second place, to the lower selling prices of the producer Lukoil Neftochim Burgas AD, by which the sector pricing is traditionally bound.



In 2009 65% of the light fuel revenue is generated from the sale of diesel fuel. The rest 35% are distributed between the sales of gasoline and gas oil in proportion of 93% to 7%.

Until June 2009 the main Company's fuels supplier has been LUKoil Bulgaria EOOD. With the contract expiration, Naftex Petrol EOOD changed its logistic scheme and the supplies are provided predominantly by import under contracts with suppliers from Romania, Greece, Turkey and Israel. Import is carried out through Varna and Burgas Ports.

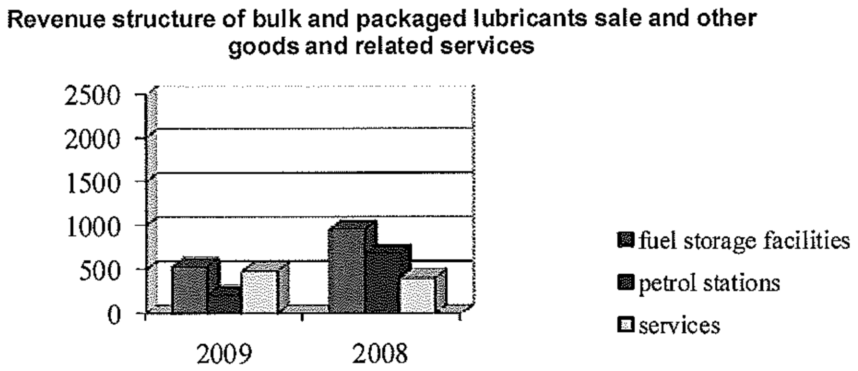
2. Operating results (continued)

The imported quantities in metric tonnes by types of fuel in 2009 and 2008 are presented in the table below.

	2009	2008
Light fuel	211,072	77,900
Aviation fuel	-	24,025
Heavy fuel	-	15,966
Total import	**211,072**	**117,891**

Diesel fuel has the largest relative share (64%) of the total imported light fuels in 2009, followed by gasoline with 33% and industrial gas oil with 3%. Due to termination of the aircraft and vessels refueling activities, the Company did not import aviation fuel and heavy fuel in 2009.

Bulk and packaged lubricants are sold directly from the fuel storage facilities as well as from petrol stations of Petrol AD in the proportion 72% to 28% for the current year (2008: 58% to 42%). In 2009 the revenue from sales of lubricants and other petroleum derivatives dropped by 54% compared to the previous year, mainly as a result of redirection of the supplies from the main supplier directly to the petrol stations of Petrol AD. At the same time, however, the revenue from storage and dispatch services of lubricants and packaged goods has grown by around 20%.



The upward trend in revenue is also seen in the other activities related to rendering of services. In 2009 total amount of the revenue from rendering of services increased twice, reaching BGN 8,845 thousand, compared to BGN 4,245 thousand for 2008. The growth is mainly due to the increased income from storage under MSCOPPA, as well as storage of fuels, lubricants (as it was mentioned above) and other packaged goods. The achieved growth is in compliance with the adopted strategy for the development of the storage activity as a main line of the Company's business.

2. Operating results (continued)

The operating expenses for 2009 amount to BGN 25,925 thousand, which is a decrease of 12% compared to 2008. The main reason for the decline is the fact that in the current year the Company reported negative expenses for impairment of inventories due to reversed impairment loss as a result of increase in sale market price of fuels. The impairment loss of jet oil and heating oil in stock was recognized in 2008 due to decrease in their net fair value at the end of the year.

In 2009 material expenses decreased by 23% mainly as a result of the lower costs of heating fuel preheating at Varna fuel storage facility used for vessel bunkering, as well as the lower expenses for advertising materials, fuels and lubricants.

Although in 2009 hired services remained at the levels of 2008, their structure changed. During the year, the transportation costs increased by 53% as there was a growth in the volumes of fuels sold. On the other hand, due to termination of the aircraft refuelling activity during the year, taxes and commissions decreased significantly – by BGN 1,774 thousand. As a result of the adopted optimisation strategy, the Company reports decrease in the security, advertising, insurance and other hired services expenses.

In 2009 the other expenses decreased by 3% to BGN 4,060 thousand compared to BGN 4,190 thousand for 2008. Decrease is mainly due to the reduction of the entertainment allowances, sponsorship, as well as local taxes. Investments in the internal floating roofs, hydrocarbon vapour recovery units and video surveillance systems made during the last 2 years at the fuel storage facilities, resulted in the decreased of fuel wastage and losses. In 2009 the latter decrease by 12% to BGN 2,217 thousand, compared to BGN 2,518 thousand in 2008.

Company reports an operating profit before interest, taxes, depreciation and amortization (EBITDA) at the amount of BGN 11,473 thousand.

3. Financial position

The main ratios, describing the financial position of Naftex Petrol EOOD are presented in the *Selected performance indicators section.*

Company's major capital requirements consist of general working capital needs and service of indebtedness. The Company's sources of liquidity include the cash balances, the short-term and long-term borrowings and the optimization of the average inventory turnover period, receivables collection and payables payment period.

As of December 31, 2009 the Company's working capital decreased to BGN 275,870 thousand compared to BGN 477,118 thousand at December 31, 2008. Decrease is due both to the smaller amount of current assets and higher amount of the current liabilities. The decrease of BGN 152,192 thousand in the current assets is caused mainly by the fall in the fair price of the short-term financial assets held for trade. Reason for the growth of current liabilities with BGN 49,056 thousand is the increase in the payables to suppliers (by BGN 27,766 thousand), followed by the increase in related parties payables (by BGN 20,810 thousand) and the interest-bearing loans liabilities (by BGN 9,034 thousand).

Liquidity, solvency, inventory turnover period and receivables collection period are important measures of the Company's financial stability. As a result of the above mentioned decrease in the current assets paired with the increase in the current liabilities, the current liquidity ratio for 2009 reduced to 2.77 compared to 5.45 for 2008 and returned within the admissible limits.

In 2009 Company's debt grew by BGN 10,933 thousand due to the increase in the interest-bearing loans and trade loans liabilities. Debt increase paired with the assets decrease lead to a deterioration of the Debt to Assets ratio, which reached 63.27% compared to 46.97% for 2008, but remained at a close to the optimal level.

4. Human resources

The Company's policy to ensure equal opportunities under equal other conditions, for the selection and professional career growth in professional and qualification aspects of the best workers and employees. The managers on each management level are responsible for the training and development of the personnel of the respective structural units. The Company encourages and supports the workers and employees who show interest and initiative for self-training and education. Proposals are made and the annual budget for the necessary training courses in the next year is worked out on yearly basis. The training courses conducted in 2009 amount to BGN 16 thousand and are predominantly related to the implementation of new technologies at the fuel storage facilities.

A human resources management system was introduced and currently operates in the Company. The system, being a combination of rules and procedures on the work process performance, contributes to the progress of the Company's business as clearly defines and distinguishes the responsibilities of the different management levels. The system prescribes annual appraisal of the work performance carried out by the direct manager, which includes assessment of the results, the professional competency, the work quality, the use and maintenance of the Company's resources, as well as the personal qualities.

In 2008 in compliance with the adopted strategic goals for HR management, the first stage of the project relating to the introduction of the SAP HR module was completed. The latter combines strategic characteristics of the HR management with keeping analytical personnel data.

A joint project with Petrol AD under an operational program for the improvement of the employees' productivity and adaptivity, co-financed by the European Social Fund of EU was completed in 2009. The training courses were related to the acquirement of commercial and management skills.

In 2009 the average monthly salary reached BGN 947, which was an increase of about 9.0% in comparison to 2008.

5. Business risks management

One of the main operational risks for the Company arises from the long-standing practice of using the price of the manufacturer Lukoil Neftochim Burgas AD only for the purposes fuel pricings determination. Company's management strives to cease this long-standing practice and to impose daily pricing on the local wholesale market, reflecting the actual fuel supply and demand. Linking selling prices to the international market and achieving fast turnover of the traded goods is a condition for realization of positive financial operating results.

Other market risks to which the Company is exposed to are the emerging competitors, increase in the number of fuel importing companies, fluctuations of oil prices on the international market, etc. The Company holds firm competitive positions due to the fact that it possesses one of the largest networks for distribution of petroleum products in the country consisting of strategically located fuel storage facilities and has the potential for significant investments. These advantages, as well as the recognition of Naftex Petrol EOOD as one of the largest fuel importers, are the basis for the Company's stable positions in the sector.

Financial risks which the Company is exposed to, are discussed in detail in Note 25 to the financial statements as of December 31, 2009.

6. Events after the reporting period

The events after the date of preparation of the annual financial statements are described in Note 28.

FUTURE DEVELOPMENT PROSPECTS

In the next 2010 Naftex Petrol EOOD will continue to develop its activities in two main lines of business - wholesale and storage of fuels.

In wholesale, efforts will be focused on expanding Company's market presence by achieving a continuous growth in volume of sales by increasing the volume of fuels sold to existing and new customers. The goal is by providing high quality fuels and building relationships with customers based on mutual trust, Naftex Petrol EOOD to become a preferred supplier for the wholesalers and retailers operating on the territory of Bulgaria. Fuels will be provided mainly by import. Possibility for import is ensured by the strategic location of some fuel storage facilities operated by the Company (mainly Burgas and Varna fuel storage facilities), as well as good communication and established trade relationship with distinguished international suppliers.

Next, Company's business in storage of fuel will continue to be developed. A prerequisite for that development remains the undeniable competitive advantage of the Company, deriving from the large storage capacity and the legal requirements imposed by MSCOPPA.

In order to achieve the above mentioned goals, Management intends to continue investments in modernization, replacement and reconstruction of machinery and equipment located at the fuel storage facilities. Budgeted investment will result not only in adherence to the environmental requirements but also will lead to reduction of technological losses from equipment operation.

In the field of human resource management priority will remain focused on professional skills development of staff. It will be achieved through implementation of planned staff training.

INDEPENDENT AUDITOR'S REPORT

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This document is a translation of the original in Bulgarian text, in case of divergence the Bulgarian original is prevailing.

INDEPENDENT AUDITOR'S REPORT

To the Owner of
Naftex Petrol EOOD

Report on the financial statements

1. We have audited the accompanying financial statements of **Naftex Petrol EOOD** (the "Company"), which comprise the statement of financial position as at December 31, 2009, and the statement 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's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union Commission. 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

3. Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in paragraph 6 below, 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.

4. 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 Company'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 Company'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.

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

Basis for Qualification

6. As disclosed in Note 11 and Note 18 to the accompanying financial statements, the Company has bought shares of the Parent Company traded on the Bulgarian Stock Exchange (BSE), presented as of December 31, 2009 and 2008 as current financial assets of BGN 319,331 thousand and 503,520 thousand, respectively, and has also recognized loss for 2009 and gain for 2008 of BGN 183,509 thousand and BGN 181,900 thousand respectively, resulting from valuation of these financial assets at market price as of the date of the statement of financial position and dealing throughout the year. In addition, as disclosed in note 28, after the reporting date the Company has recorded an impairment loss on these current financial assets amounting to BGN 140,707 thousand. As the volume of shares traded on BSE, excluding transactions between related parties, is relatively insignificant in relation to the total volume of purchased shares, the prices used may not be representative for the purposes of the measurement of the investment to fair value and the reported results from their valuation and dealing in 2009 and 2008. As a result, we were unable to satisfy ourselves through other independent sources whether the financial assets as of December 31, 2009 and 2008, of BGN 319,331 thousand and 503,520 thousand, respectively, and the resulting loss for 2009 and gain for 2008 from their valuation and dealing of BGN 183,509 thousand and 181,900 thousand, respectively, and the related effects and disclosures thereon are fairly presented in the financial statements.

Qualified Opinion

7. In our opinion, except for the effects, if any, on the financial statements, had we been able to satisfy ourselves of the matter discussed in paragraph 6 above, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009, and of its financial performance and its cash flows for the year then ended, in accordance with IFRS, as adopted by the European Union Commission.

Report on other legal and regulatory requirements – Annual report on the activities of the Company according to article 33 of the Accountancy Act

8. Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4, we have read the accompanying Annual report on the activities. The Annual report on the activities of the Company, prepared by the Company's management is not a part of the financial statements. The historical financial information, presented in the Annual report on the activities of the Company, prepared by the management, is consistent, in all material respects, with the financial information, disclosed in the annual financial statements of the Company as of December 31, 2009, prepared in accordance with IFRS, as adopted by the European Union Commission. Management is responsible for the preparation of the Annual report on the activities of the Company, dated April 23, 2010.

Deloitte Audit

Deloitte Audit OOD

Sylvia Peneva
Managing Director
Registered Auditor

May 14, 2010
Sofia

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2009

STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2009

	Note	**December 31, 2009 BGN'000**	**December 31, 2008 BGN'000**
Revenue	*4*	884,400	891,964
Other income	*5*	1,479	150,338
Cost of goods sold		(850,040)	(836,526)
Materials and consumables	*6*	(589)	(767)
Hired services	*7*	(15,338)	(15,242)
Employee benefits expenses	*8*	(4,579)	(4,765)
Depreciation and amortization expenses	*13*	(1,559)	(1,886)
Impairment of assets	*9*	200	(2,629)
Other expenses	*10*	(4,060)	(4,190)
Finance income	*11*	1,533	183,343
Finance cost	*11*	(216,719)	(150,782)
Profit (loss) before taxation		(205,272)	208,858
Income tax benefit (expense)	*12*	1,876	(2,495)
Profit (loss) for the year		**(203,396)**	**206,363**
Total comprehensive income for the year		**(203,396)**	**206,363**

These financial statements have been approved on behalf of Naftex Petrol EOOD by:

Yordan Georgiev
Managing Director

Vesselinka Zlateva
Chief Accountant

April 23, 2010

Sylvia Peneva
Registered auditor
May 14, 2010

НАФТЕКС ПЕТРОЛ ЕООД NAFTEX PETROL LTD

София Рег. №033

(The accompanying notes from page 28 to page 60 are an integral part of these financial statements)

STATEMENT OF FINANCIAL POSITION
As of December 31, 2009

	Note	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Non-current assets			
Property, plant, equipment and intangible assets	13	44,217	43,591
Investments in associates	14	22,094	22,094
Deferred tax assets	12	1,464	-
Total non-current assets		67,775	65,685
Current assets			
Inventories	15	34,352	21,569
Receivables on interest-bearing loans	16	28,084	-
Trade and other receivables	17	41,176	37,744
Short-term investments	18	319,331	503,520
Income tax receivable	24	-	6,000
Cash	19	9,211	15,513
Total current assets		432,154	584,346
Total assets		**499,929**	**650,031**
Equity			
Share capital	20	62,757	62,757
Retained earnings		(24,101)	179,295
Total equity		38,656	242,052
Non-current liabilities			
Interest-bearing loans	21	304,989	299,781
Deferred tax liabilities	12	-	970
Total non-current liabilities		304,989	300,751
Current liabilities			
Trade and other payables	22	144,877	101,455
Interest-bearing loans	21	11,293	5,568
Income tax payable	24	114	-
Derivative liabilities	23	-	205
Total current liabilities		156,284	107,228
Total liabilities		461,273	407,979
Total equity and liabilities		**499,929**	**650,031**

These financial statements have been approved on behalf of Naftex Petrol EOOD by:

НАФТЕКС ПЕТРОЛ ЕООД NAFTEX PETROL LTD

Yordan Georgiev
Managing Director
April 23, 2010

Vesselinka Zlateva
Chief Accountant

Sylvia Peneva
Registered auditor
May 14, 2010

София Рег. №033

The accompanying notes from page 28 to page 60 are an integral part of these financial statements)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
For the year ended December 31, 2009

	Share capital	Retained earnings	Total
	BGN'000	BGN'000	BGN'000
Balance as of January 1, 2008	**62,757**	**(27,068)**	**35,689**
Profit for the year	-	206,363	206,363
Balance as of December 31, 2008	**62,757**	**179,295**	**242,052**
Loss for the year	-	(203,396)	(203,396)
Balance as of December 31, 2009	**62,757**	**(24,101)**	**38,656**

These financial statements have been approved on behalf of Naftex Petrol EOOD by:

Yordan Georgiev
Managing Director

Vesselinka Zlateva
Chief Accountant

April 23, 2010

Sylvia Peneva
Registered auditor
May 14, 2010

(The accompanying notes from page 28 to page 60 are an integral part of these financial statements)

STATEMENT OF CASH FLOWS
For the year ended December 31, 2009

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Cash flows from operating activities		
Proceeds from customers	1,023,560	1,211,920
Payments to suppliers	(972,477)	(1,124,714)
Payments to employees	(4,521)	(4,375)
Cash generated from operations	46,562	82,831
Income tax paid	(18)	(5,497)
Net cash generated by operating activities	46,544	77,334
Cash flows from investing activities		
Payments for financial assets held for trading	(181)	(294,962)
Proceeds from sale of financial assets held for trading	861	1,380
Payments for purchase of property, plant and equipment	(2,224)	(3,869)
Proceeds from sale of property, plant and equipment	315	158,286
Interest-bearing loans granted, net	(28,084)	30,422
Interest received	536	1,280
Cash flows from dealing with derivatives, net	(1,180)	(118,636)
Dividends received	766	-
Net cash used in investing activities	(29,191)	(226,099)
Cash flows from financing activities		
Proceeds from borrowings	19,863	186,139
Repayment of borrowings	(4,604)	(58,339)
Interest and commissions paid	(25,288)	(17,921)
Net cash from financing activities	(10,029)	109,879
Net increase (decrease) of cash and cash equivalents during the year	**7,324**	**(38,886)**
Cash and cash equivalents at the beginning of the year	**2,364**	**41,738**
Foreign exchange rate losses	(571)	(488)
Cash and cash equivalents at the end of the year (see note 19)	**9,117**	**2,364**

These financial statements have been approved on behalf of Naftex Petrol EOOD by:

Yordan Georgiev
Managing Director
April 23, 2010

Vesselinka Zlateva
Chief Accountant

Sylvia Peneva
Registered auditor
May 14, 2010

The accompanying notes from page 28 to page 60 are an integral part of these financial statements)

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31,2009

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31,2009

1. Legal status

Naftex Petrol EOOD (the Company) is registered in 1999 in Sofia. According to the court decision from 2001 the Company's headquarters was relocated to Varna with registered address 22A Bratya Miladinovi Street. Effective from April 6, 2005 the sole owner of the Company is Petrol AD (see also Note 20).

The main activities of the Company relate to storage and wholesale of petrol products.

2. Basis for preparation of the financial statements and accounting principles

2.1 General

The Company prepares and presents its financial statements in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Union Commission (the Commission) and applicable in the Republic of Bulgaria. IFRS as adopted by the Commission do not differ from IFRS, issued by the IASB, and are effective for reporting periods ended as of December 31, 2009, except for certain requirements for hedge reporting in accordance with the IAS 39 *Financial Instruments: Recognition and Measurement*, which has not been adopted by the Commission. The management believes that if the hedge requirements have been approved by the Commission it would have no influence on these financial statements.

These financial statements have been prepared under the historical cost convention, except for assets, which are presented at their fair value – financial assets available for sale and derivatives for which quotes on active market exist.

Management has made estimate about the Company's ability to continue its operations as a going concern as of the date of preparation of the these financial statements. The available information for the foreseeable future, which is at least but not limited to twelve months from the reporting date, is considered for this estimate.

2.2. Applying new and revised IFRS

2.2.1. Standards and interpretations affecting information presented in the financial statements

IAS 1 (as revised in 2007) *Presentation of Financial Statements*	Revised IAS 1 introduces terminology changes and changes in the format and content of the financial statements.
Amendment to IFRS 7 Financial instruments: Disclosures	Amendments to IFRS 7 expand the disclosures in respect to fair value measurements and liquidity risk. Adoption of the amendments result in additional disclosures in note 25 in these financial statements.

2.2.2. Standards and interpretations adopted with no effect on the financial statements

The following new and revised standards and interpretations have been adopted for the first time in these financial statements. Their adoption has not had any significant impact on the presented information in these financial statements but it may have in the future.

Amendment to IFRS 1 *First-time Adoption of IFRS* and IAS 27 *Consolidated and Separate Financial Statements*	The amendments are related to the estimation the value of investments in subsidiaries, jointly consolidated entities and associates when applying IFRS for the first time and to the recognition of subsidiary dividends income in the separate financial statements of the parent company.
Amendment to IFRS 2 *Share-based Payment*	The amendments clarify the definition of vesting condition for the purposes of IFRS 2 and the accounting treatment of cancellations.
Amendment to IFRS 3 *Business combinations* (applied before the effective date – for annual periods, beginning on or after July 1, 2009)	Applying the amendments to IFRS 3 will result in recognition of the expenses related to business combinations in profit or loss for the current year instead of including them in the cost of the acquired company, as well as in change in the recognition and subsequent accounting requirements for contingent considerations.
IFRS 8 *Operating segments*	IFRS 8 requires a management approach in presentation of segment information in the financial statements on the same basis as that used by the Entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.
Amendments to IAS 16 *Property, plant and equipment*	The amendments affect companies that usually sell property, plant and equipment previously being leased to third parties. According to the new requirements such assets are to be reclassified as inventories at their carrying amount when they are no longer leased to third parties.

2.2.2. Standards and interpretations applied by the Company without an impact on the presented information in the financial statements (continued)

Amendments to IAS 19 *Employee benefits*	The primary change in the standard is related to the accounting for the effect of plan amendment which reduces benefits to be received.
Amendments to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*	As part of the improvements of IFRS (2008) a change in IAS 20 requires the benefit of using government loan at lower interest rate than the market interest rate to be accounted for as a government grant.
Amendments to IAS 23 (revised in 2007) *Borrowing costs*	The amendments of the standard eliminate the option for recognition of all borrowing costs immediately as an expense, whereas costs related to the acquisition of qualifying assets should be capitalized in the cost of the assets.
Amendments to IAS 32 *Financial instruments: Presentation*	The revision of IAS 32 changes the criteria for classification of financial instruments of debt/equity through the opportunity certain puttable financial instruments and instruments which impose on entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity instruments provided that the conditions defined in the standard are met.
Amendments to IAS 38 *Intangible assets*	According to the changes the entity is allowed to recognize an asset related to advertising or promotional expenses up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*	According to the changes in IAS 39 the reclassification of non derivative financial assets of the categories „at fair value through profit or loss" and „available for sale" which is allowed in the presence of particular circumstances.
Amendments to IAS 27 *Consolidated and Separate Financial Statements,* IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures* (applied before the effective date)	Applying changes in IAS 27, 28 and 31 will lead to change in the accounting treatment when as a result of combination the entity gains or loses control over the company subject of the combination.
IAS 40 *Investment Property*	The change of IAS 40 affects its scope which now includes investment properties under construction.

2.2.3. Standards and interpretations issued but not yet adopted

Changes in IFRS and interpretations, adopted by IASB and IFRIC and approved by the Commission as of the date of the financial statements, but effective for annual periods beginning on or after July 1, 2009.

Standard or interpretation, effective date	Title of the standard or interpretation
IFRS 1 (Revised), effective for annual periods, beginning on or after July 1, 2009	First-time Adoption of International Financial Reporting Standards
Amendments to IAS 39, effective for annual periods, beginning on or after July 1, 2009	Financial instruments: Recognition and Measurement
Improvements to IFRS 2008 and 2009, applicable for annual periods beginning on or after July 1, 2009	Affect the interpretations, presentation, recognition and the principles of measurement in IFRS 2, 5 and IAS 38
IFRIC 17, effective for annual periods, beginning on or after July 1, 2009	Distributions of Non-Cash Assets to Owners
IFRIC 18, effective for transfers received on or after July 1, 2009	Transfers of Assets from Customers

2.2.3. Standards and interpretations issued but not yet adopted (continued)

Changes in IFRS and interpretations, adopted by IASB and IFRIC, which are not approved by the Commission as of the date of the financial statements.

Standard or interpretation, effective date	Title of the standard or interpretation
Amendments to IFRS 1, effective for annual periods beginning on or after January 1, 2010	First-time Adoption of International Financial Reporting Standards
Amendments to IFRS 2, effective for annual periods beginning on or after January 1, 2010	Share-based Payment
IFRS 9, effective for annual periods beginning on or after January 1, 2013	Financial Instruments
IAS 24 (Revised effective for annual periods beginning on or after January 1, 2011	Related Party Disclosures
Amendments to IAS 32, effective for annual periods beginning on or after February 1, 2010	Financial instruments: Presentation
Improvements to IFRS 2009	The earliest effective date is January 1, 2009
Amendments to IFRIC 14, effective for annual periods beginning on or after January 1, 2011	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 19, effective for annual periods beginning on or after July 1, 2010	Extinguishing Financial Liabilities with Equity Instruments

Most of the standards and interpretations stated above are not applicable to the Company's activity. Therefore, they will have no material effect on the financial statements.

2.3. Functional and presentation currency of the financial statements

Functional currency is the currency of the primary economic environment in which the entity operates and in which it primarily generates and expends cash. An entity's functional currency reflects the underlying transactions, events and conditions that are relevant to it.

The Company keeps its records and prepares its financial statements in the national currency of the Republic of Bulgaria - the Bulgarian Lev, which is adopted by the Company as its functional currency.

These financial statements are presented in thousand Bulgarian Levs.

2.4. Foreign currency

Transactions in foreign currency are initially recorded at the official rate of exchange of the Bulgarian National Bank (BNB) as of the date of the transaction. The foreign exchange rate differences, arising upon the settlement of these monetary positions or at restatement of these positions at rates, different from those when initially recorded, are reported in profit or loss for the period in which they arise.

The monetary positions denominated in foreign currency as of December 31, 2009 and 2008 are stated in these financial statements at the closing exchange rate of BNB. The closing exchange rates of BGN against USD as of the respective reporting periods are as follows:

December 31, 2009:	1 USD = BGN 1.36409
December 31, 2008:	1 USD = BGN 1.38731

2.5. Accounting estimates and reasonable assumptions

The preparation of the financial statements in accordance with IFRS requires management to make certain accounting estimates and reasonable assumptions that affect some of the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based on the best estimate of management, taking into account historical experience and analysis of all factors of significance in the circumstances as of the date of the financial statements. The actual results could differ from those estimates, presented in these financial statements.

2.6. Associates

An associate is an enterprise over which the Company is in a position to exercise significant influence, but is neither subsidiary, nor joint venture. Significant influence is the right of participation in, but not control over, the financial and operating policy decisions of the investee.

3. Definition and valuation of the statement of financial position and the statement of comprehensive income items

3.1. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are initially carried at acquisition cost, including the purchase price, import duties and non-refundable taxes, as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. After initial recognition, property, plant and equipment and intangible assets are stated at cost less accumulated depreciation/amortization and impairment loss, if any (see also note 3.2).

When property, plant and equipment include significant items having various useful lives, such items are reported as separate assets.

Subsequent costs, including costs for replacement of components of property, plant and equipment are capitalized in the amount of the asset, if they satisfy the recognition principle. The carrying amount of the replaced item is derecognized in accordance with the requirements of IAS 16 *Property, Plant and Equipment*. All other subsequent costs are recognized as expenses for the period as incurred.

Depreciation and amortization are charged over the estimated useful lives, using the straight-line method. Depreciation and amortization is recognized in profit or loss for the current period.

The assets' estimated useful lives are as follows:

Useful life	**2009**	**2008**
Administrative and trade buildings	25 years	25 years
Machinery, plant and equipment	2-25 years	2-25 years
Vehicles	4-10 years	4-10 years
Office equipment	4-6 years	4-6 r years
Intangible assets	2-7 years	2-7 years

Depreciation of an asset begins in the month following the month in which it is available for use and ceases at the earlier of the date that the asset is classified as held for sale, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and the date that the asset is derecognized.

Land, assets under construction and fully depreciated assets are not depreciated.

3.2. Impairment of property, plant and equipment, intangible assets

As of the end of the reporting period, the Company's management estimates if there are indications for impairment of property, plant and equipment and intangible assets. If such indication exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit, to which the asset belongs.

The recoverable amount is the higher of the asset's fair value less costs to sell the asset and its value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. Impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.3. Inventories

Inventories are stated at lower of cost and net realizable value. Cost comprises purchase price, transportation, customs duties and other similar costs. Net realizable value represents the estimated selling price less all estimated costs to be incurred in selling.

Upon consumption, the cost of inventories is calculated using the following methods:

Aviation fuel	- Specific identification price of each delivery
Fuels	- First-in, first-out (FIFO)
Materials	- Weighted average cost

3.4. Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets/liabilities are recognized in the statement of financial position only when the Company becomes a party to the contractual provisions of the instrument. Financial assets are removed from the statement of financial position after the contractual rights for receiving cash flows expired or the asset is transferred and the transfer meets the derecognition requirements under IAS 39 *Financial Instruments: Recognition and Measurement.* Financial liability is removed from the statement of financial position when, and only when, it is extinguished – that is when the obligation specified in the contract is discharged, cancelled, or expires.

On initial recognition financial assets/liabilities are measured at fair value. Transaction costs, which are directly attributable to the acquisition or issue of the financial assets/liabilities are included in their value, except when the financial assets/liabilities are measured at fair value through profit or loss.

For the purposes of subsequent measurement, in accordance with IAS 39 Financial Instruments: Recognition and Measurement, the Company classifies the financial assets and financial liabilities into the following categories: financial assets or financial liabilities at fair value through profit and loss; loans and receivables; financial assets available for sale and financial liabilities at amortized cost. Classification under each category depends on the purpose and term of the respective contract. The Company does not apply this classification of assets and liabilities for the purposes of their presentation in the statement of financial position. Data about the respective categories of financial instruments is included in note 25.

3.4.1. Financial assets (liabilities) at fair value through profit and loss

A financial asset or liability is classified as held for trading when it is acquired mainly for the purpose of selling or being bought back in the near future or is a derivative instrument, for example, option of futures contracts concluded on international stock exchange markets.

After its initial recognition financial assets at fair value through profit and loss are measured at fair value as of the date of the preparation of the financial statements and every difference up to this amount is recognized in profit or loss in the period in which it arises.

3.4.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable terms for settlement, which are not quoted on an active market. The assets from this category are presented in the statement of financial position as receivables on interest loans, trade and other receivables and cash.

Receivables on interest-bearing loans, trade and other receivables

After initial recognition, trade receivables and receivables on interest bearing loans are measured at amortized cost by using the effective interest rate method, less impairment loss, if any. Current receivables are not subject to amortization. Impairment loss is accrued if any objective evidence exists, such as material financial difficulties of the borrower, probability the borrower to be entered into liquidation and other (see note 3.4.4).

Cash

For the purposes of the statement of cash flows preparation, cash comprise cash in hand and cash at banks, with the exception of restricted cash, which the Company has no right to use or dispose of.

3.4.3. Financial assets available for sale

Financial assets available for sale are non-derivative financial instruments, which are not classified in the previous categories. They are presented in the statement of financial position of the Company as investments in associated companies.

The fair value of financial assets available for sale, which are quoted on an active market, are measured at the stock exchange price as of the date of the financial statements preparation. Financial assets for which there is no stock exchange price on an active market and the fair value of which cannot be reliably measured after their initial recognition are reported at cost less impairment losses, if any (see also note 3.4.4).

3.4.4. Impairment of financial assets

As of the end of the reporting period the management of the Company assessed whether there is any objective indication of impairment of all financial assets with the exception of financial assets at fair value through profit and loss. A financial asset is considered impaired only when there is objective evidence that the estimated future cash flows have decreased as a result of one or more events that have occurred after the initial recognition of the asset.

When such indications exist for assets carried at cost, the impairment loss is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the current market interest rate for similar assets.

When a decline in the fair value of a financial asset available for sale has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss, calculated as a difference between the acquisition cost and the current fair value, that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss, even if the financial asset is not written off. Impairment losses recognized for equity instruments available for sale, cannot be reversed in profit or loss.

3.4.4. Impairment of financial assets (continued)

Impairment loss on loans and receivables carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment losses are immediately recognized in profit or loss. It is recovered if a subsequent increase of the recoverable amount could be objectively tied to the occurrence of an event after the date on which the impairment loss was recognized.

3.4.5. Financial liabilities at amortized cost

After initial recognition the Company measures all financial liabilities at amortized cost with the exception of financial liabilities measured at fair value through profit and loss, financial liabilities originating when the transfer of an asset does not meet the conditions for being written-off; agreements for financial guarantees, engagements for granting loans at an interest rate that is lower than the market interest rate. These liabilities are presented in the statement of financial position of the Company as trade and other liabilities and interest-bearing loans.

Trade and other payables

Trade and other payables are incurred as a result of purchases of goods and services. Current liabilities are not amortized.

Interest-bearing loans

Interest-bearing loans are initially recorded at fair value, determined from the cash proceeds less transaction costs. After initial recognition, interest bearing loans are measured at amortized cost, as any difference between the initial cost and maturity cost is recognized in profit or loss over the loan period, using the effective interest method. If no transaction costs have been incurred in negotiating an interest bearing loan, the loan is not subject to amortization. The same applies to bank overdrafts, where the borrower is entitled to multiple utilizations or repayments of the borrowed funds within a pre-determined overdraft limit.

Finance costs, including direct issue costs, are accounted for on an accrual basis using the effective interest method, except for transaction costs on bank overdrafts, which are recognized in profit or loss on a straight line basis over the overdraft period.

The effective interest rate method is a method of calculating the amortized cost of financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate for a shorter period, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate the Company measures the cash flows and takes into consideration all contractual provisions of the financial instrument, excluding eventual future loan impairment losses. The calculation includes fees, transaction costs, premiums or discounts, paid or received by the parties to the contract, which are an integral part of the effective interest rate.

Interest bearing loans are classified as current when they are expected to be settled within a twelve month period after the reporting period.

3.4.6. Share capital

The share capital of the Company is presented at historical cost at the date of its registration.

3.5. Income tax

Income tax expense comprises current income tax and deferred tax.

The current income tax is based on taxable profit for the year by applying the effective tax rate according to the tax legislation as of the date of the financial statements. Deferred tax is the income tax expected to be payable (recoverable) on taxable (deductible) temporary differences. Temporary differences are the differences between the carrying amount of an asset and a liability in the statements of financial position, and the corresponding tax basis. Deferred tax is calculated using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets are recognized for deductible temporary differences, only to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on the information that the Company is provided for as of the date of the issuance of the financial statements. Deferred tax is recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, either in other comprehensive income or directly in equity. In this case the tax is also recognized outside profit or loss either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are reported on a net basis when they are subject to a unified tax regime.

In accordance with the tax legislation enforceable for the years ended 2009 and 2008, the tax rates applied for the calculation of current tax liabilities of the Company is 10%, respectively. For the calculation of the deferred tax assets and liabilities as of December 31, 2009 and 2008, the Company has used a tax rate of 10%.

3.6. Revenue and expenses recognition

3.6.1. Revenue from sales of goods, services and other revenue

Revenues and expenses are accounted for on an accrual basis, regardless of cash receipts and payments. They are reported in compliance with the matching concept.

Revenue is recognized at the fair value of the consideration received or expected to be received, less any discounts allowed and includes the economic benefits received by or due to the Company. The amounts gathered on behalf of third parties as tax on sales, such as the value added tax, are excluded from the income. Revenue generated from sale of fuel is reported in its gross amount with the due excise, which is regarded as integral part of the product's price.

3.6.1. Revenue from sales of goods, services and other revenue (continued)

Revenue from sales of goods is recognized when:

- The significant risks and rewards of ownership of the goods are transferred to the buyer;
- The Company retains neither continuing managerial involvement nor effective control over the goods sold;
- It is probable that the economic benefits associated to the transaction will flow to the Company;
- The amount of revenue and costs incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving rendering of services can be estimated reliably, revenue is recognised by the reference of the stage of completion of the transaction at the reporting date. When the outcome of a transaction cannot be estimated reliably revenue is recognised only to the extent of the expenses recognised that are recoverable.

Gain or loss from sales of property, plant, equipment, intangible assets and materials is reported as other income or other expense.

When economic benefits are expected to arise during few reporting periods and their relation with the revenue can be determined generally or indirectly, expenses are recognized in profit or loss on the basis of procedures for systematic and rational distribution.

Profit or loss arising from the exchange of assets is stated at the difference between the fair value of the asset received and the carrying amount of the asset exchanged.

3.6.2. Finance income and cost

Borrowing costs that may be directly attributed to the acquisition, construction or production of an asset, when it takes significant time before it is ready for use or sale, should be capitalized as part of the asset's cost. All other finance income and finance costs are accrued through profit or loss measured at amortized cost by using the effective interest rate method.

Income from equity interests is recognized when the Company is entitled to receive such income.

3.7. Lease

Expenses for hired assets under operating lease agreements are reported in profit or loss on a straight-line basis for the period of the agreement.

Revenue generated from assets, leased out under operating lease agreements, is recognized in profit or loss on a straight-line basis for the period of the agreement. Initial costs, directly related to the conclusion of the lease agreement, are capitalized in the cost of the asset and are recognized as expense on a straight-line basis for the term of the lease agreement.

4. Revenue

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Goods	875,555	887,719
Services	8,845	4,245
	884,400	**891,964**

5. Other income

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Surplus of assets	643	402
Income from penalties	571	297
Profit from sale of property, plant and equipment, including:	69	149,287
Income from sale	*79*	*158,287*
Carrying amount	*(10)*	*(8,175)*
Expenses related to sales	-	*(825)*
Other	196	352
	1,479	**150,338**

The profit from the sales of property, plant and equipment recognized in 2008 is mainly from the sale of a petrol storage facility at the amount of BGN 158,227 thousand. The carrying amount of the sold assets is BGN 8,166 thousand. The expenses related to the sale performed in April amount to BGN 825 thousand.

6. Materials and consumables

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Electricity and heating	360	499
Office consumables	73	74
Advertising materials	27	56
Work clothes	25	23
Water	18	18
Spare parts	16	16
Fuels and lubricants	8	25
Other	62	56
	589	**767**

7. Hired services

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Transport	7,132	4,664
Security	1,323	1,582
Holding fee	1,291	1,046
Fees and commissions	1,086	2,860
Maintenance and repairs	1,052	1,084
Consulting and training	998	1,034
Rents	802	757
Software licenses	673	717
Insurances	585	656
Communications	264	277
Advertising	33	255
Other	99	310
	15,338	**15,242**

8. Employee benefits expenses

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Wages and salaries	3,315	3,640
Social security contributions	1,264	1,125
	4,579	**4,765**

9. Impairment of assets

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Impairment of trade and other receivables	49	2
Impairment of inventories	(249)	2,627
Originated during the year	-	*2,627*
Reversed during the year	*(249)*	-
	(200)	**2,629**

As of the end of the previous reporting period management of the Company has performed an estimation of the net realizable value of the inventories available as of December 31, 2008. As a result, an impairment loss to the amount of BGN 2,627 thousand has been recognized. In 2009 as a result of the increased sales prices, an impairment loss to the amount of BGN 249 thousand has been reversed.

10. Other expenses

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Scrap and shortage of assets	2,217	2,518
Penalties and indemnities	1,235	627
Entertainment expenses and sponsorship	177	708
Local taxes and taxes on expenses	163	220
Loss on disposal of property, plant and equipment, including	133	-
Income from disposal of fixed assets	*(235)*	-
Carrying amount	*368*	-
Business trips	113	101
Other	22	16
	4.060	**4,190**

11. Finance income and costs

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Finance income		
Interest income from loans and deposits granted	529	950
Interest income from bank accounts	238	493
Dividends received	766	-
Gain from dealings with financial assets, held for trading, incl.	-	181,900
Gains from sales	-	*215*
Revaluation at fair value, net	-	*181,685*
	1,533	*183,343*
Finance costs		
Interest expenses on bank loans	(319)	(1,115)
Interest expenses on trade loans	(29,441)	(19,378)
Loss from dealings with financial assets, held for trading, incl.	(183,509)	-
Gain from sales	*41*	-
Revaluation at fair value, net	*(183,550)*	-
Loss from dealings with derivatives, incl.	(1,196)	(126,240)
Loss from sales	*(1,401)*	*(132,479)*
Revaluation at fair value, net	*205*	*6,239*
Foreign exchange rate loss, net	(408)	(2,199)
Bank fees, commissions and other finance costs	(1,846)	(1,850)
	(216,719)	*(150,782)*
Finance income (costs), net	**(215,186)**	**32,561**

12. Taxation

Income tax recognized in profit or loss includes the amount of current and deferred income taxes in accordance with the requirements of IAS 12 *Income Taxes*.

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Current tax expense	132	-
Income tax expense as a result of tax audit	426	-
Change in deferred taxes, including	(2,434)	2,495
Temporary differences originated during the year	*(2,919)*	*3,187*
Temporary difference recognized during the year	*485*	*(319)*
Correction of temporary differences during the year	*-*	*(373)*
Total tax (income) expense	**(1,876)**	**2,495**

The reconciliation between accounting loss and tax benefit or tax expense, and the calculation of the effective tax rate as of December 31, 2009 and 2008 are as follows:

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Accounting profit (loss)	(205,272)	208,858
Applicable tax rate	10%	10%
Income tax at the applicable tax rate	(20,527)	20,886
Effect from revaluation of financial assets, traded on regulated market	18,355	(18,541)
Tax effect on permanent differences	178	150
Tax effect on other differences	118	-
Tax expense (tax income)	(1,876)	2,495
Effective tax rate	**-**	**1.19%**

Deferred tax liability (asset) reported in the statement of financial position occurs as a result of income taxes accrued on deductable temporary differences the effect from which is as follows:

12. Taxation (continued)

	December 31, 2009		December 31, 2008	
	Temporary difference BGN'000	Tax effect BGN'000	Temporary difference BGN'000	Tax effect BGN'000
Balance at the beginning of the period				
Property, plant and equipment	15	1	1,314	131
Tax loss to be carried forward	1,981	198	14,828	1,483
Accrued unused annual paid leave	233	24	208	21
Investments in associates	(16,869)	(1,687)	(16,869)	(1,687)
Subsequent measurement of assets	206	20	2,708	271
Excess of interest payments	-	-	10,926	1,093
Impairment of assets	4,739	474	2,113	211
Other temporary differences	1	-	24	2
	(9,694)	(970)	15,252	1,525
Originated during the period				
Property, plant and equipment	-	-	162	16
Tax loss to be carried forward	-	-	-	-
Accrued unused annual paid leave	188	19	187	19
Subsequent measurement of financial assets	-	-	206	20
Excess of interest payments	28,993	2,899	-	-
Impairment of assets	3	-	2,627	263
Other temporary differences	9	1	7	1
	29,193	2,919	3,189	319
Recognized during the year				
Property, plant and equipment	(7)	(1)	(1,461)	(146)
Tax loss to be carried forward	(1,981)	(198)	(12,847)	(1,285)
Accrued unused annual paid leave	(164)	(16)	(162)	(16)
Subsequent measurement of financial assets	(206)	(20)	(6,444)	(644)
Excess of interest payments	-	-	(10,926)	(1,093)
Impairment of assets	(2,495)	(250)	(1)	-
Other temporary differences	(1)	-	(30)	(3)
	(4,854)	(485)	(31,871)	(3,187)
Correction				
Subsequent measurement of financial assets	-	-	3,736	373
	-	-	3,736	373
Balance at the end of the period				
Property, plant and equipment	8	-	15	1
Tax loss to be carried forward	-	-	1,981	198
Accrued unused annual paid leave	257	27	233	24
Investments in associates	(16,869)	(1,687)	(16,869)	(1,687)
Subsequent measurement of financial assets	-	-	206	20
Excess of interest payments	28,993	2,899	-	-
Impairment of assets	2,247	224	4,739	474
Other temporary differences	9	1	1	-
	14,645	1,464	(9,694)	(970)

13. Property, plant and equipment and intangible assets

	Land	Buildings	Plant and equipment	Vehicles	Other	Assets under construction	Intangible assets	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cost								
Balance at January 1, 2008	**15,043**	**9,031**	**27,122**	**171**	**528**	**3,156**	**334**	**55,385**
Additions	-	-	452	-	5	3,235	-	3,692
Transfers	-	-	1,297	-	9	(1,306)	-	-
Disposals	(1,536)	(1,745)	(6,365)	-	(32)	-	(195)	(9,873)
Balance at December 31, 2008	**13,507**	**7,286**	**22,506**	**171**	**510**	**5,085**	**139**	**49,204**
Additions	-	-	59	-	-	2,504	-	2,563
Transfers	-	-	2,142	-	2	(2,144)	-	-
Disposals	-	(8)	(490)	(19)	-	(8)	-	(525)
Balance at December 31, 2009	**13,507**	**7,278**	**24,217**	**152**	**512**	**5,437**	**139**	**51,242**
Accumulated depreciation and amortization								
Balance at January 1, 2008	-	**902**	**4,054**	**36**	**310**	-	**119**	**5,421**
Charged	-	315	1,445	19	73	-	34	1,886
Disposals for the period	-	(198)	(1,408)	-	(10)	-	(78)	(1,694)
Balance at December 31, 2008	-	**1,019**	**4,091**	**55**	**373**	-	**75**	**5,613**
Charged	-	291	1,172	19	56	-	21	1,559
Disposals for the period	-	-	(137)	(10)	-	-	-	(147)
Balance at December 31, 2009	-	**1,310**	**5,126**	**64**	**429**	-	**96**	**7,025**
Carrying amount at January 1, 2008	**15,043**	**8,129**	**23,068**	**135**	**218**	**3,156**	**215**	**49,964**
Carrying amount at December 31, 2008	**13,507**	**6,267**	**18,415**	**116**	**137**	**5,085**	**64**	**43,591**
Carrying amount at December 31, 2009	**13,507**	**5,968**	**19,091**	**88**	**83**	**5,437**	**43**	**44,217**

As of December 31, 2009 and 2008 assets under construction include advances to suppliers for the purchase of non-current assets amounting to BGN 308 thousand and BGN 279 thousand, respectively.

Land and buildings with carrying amount of BGN 1,990 thousand (2008: BGN 5,390 thousand) have been pledges as collateral on bank loans, granted to the Company (see also note 21).

14. Investments in associates

By decision of Sofia City Court dated December 28, 2007 the Company acquired 36.92% of the capital of Eurocapital Bulgaria AD by in-kind contribution of thirty six storage facilities, valuated by experts at BGN 22,094 thousand.

15. Inventories

	December 31, 2009 BGN'000	**December 31, 2008 BGN'000**
Light fuels	31,883	14,887
Aviation fuel	948	4,972
Lubricants and other goods	651	789
Heavy fuel	447	498
Materials	423	423
	34,352	**21,569**

Available petrol products serve as collateral on bank borrowings utilized by the Company (see also note 21).

As of December 31, 2009 impairment loss at the amount of BGN 249 of the available aviation fuel was reversed due to increase of market prices (see also note 9).

16. Receivables on interest-bearing loans

A loan granted to the Controlling company is presented in the Company's statement of financial position as current receivables on interest-bearing loans (see also note 26).

17. Trade and other receivables

	December 31, 2009 BGN'000	**December 31, 2008 BGN'000**
Receivables from customers and advances granted, including:	24,329	25,803
Initial cost	*26,427*	*27,899*
Allowance for doubtful debts	*(2,098)*	*(2,096)*
Related party receivables	14,304	9,508
Litigations and writs	2,459	1,054
Initial cost	*2,476*	*1,070*
Allowance for doubtful debts	*(17)*	*(16)*
Refundable taxes	4	1,298
Other	80	81
	41,176	**37,744**

Related party receivables are further disclosed in note 26.

17. Trade and other receivables (continued)

In compliance with the adopted policy, the Company grants credit period to some of its customers after which penalty interest is charged on the outstanding balance for the delay according to the terms of the agreement.

As of December 31, 2009 trade and other receivables include overdue receivables at the amount of BGN 17,665 thousand. The Company considers that despite the delay in payments there are no significant changes in the creditworthiness of the customers and the receivables are recoverable. In addition, as of the date the financial statements are authorized for issuance 94% of the receivables have been recovered.

As of December 31, 2009 trade receivables serve as collateral on utilized loans as disclosed in note 21.

Ageing analysis of the overdue, but not impaired receivables is presented in the table below:

	December 31, 2009 BGN'000	**December 31, 2008 BGN'000**
Up to 30 days	15,223	4,311
From 31 to 120 days	794	3,554
From 121 to 210 days	328	48
Over 211 days	1,320	1,214
	17,665	**9,127**

Company's management believes that the carrying amount of trade and other receivables approximates their fair value as of December 31, 2009 and 2008.

18. Short-term investments

As of December 31, 2009 and 2008 shares of the Parent Company acquired as a result of transactions on the Bulgarian Stock Exchange at the amount of BGN 319,331 thousand and BGN 503,520 thousand, respectively, have been recognized as short-term financial assets. As of the end of the reporting period the shares are revalued at stock price and the effect is reported in the statement of comprehensive income (see also note 11).

19. Cash and cash equivalents

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Cash at bank accounts	9,015	2,185
Cash on hand	102	179
Total cash according to statement of cash flows	**9,117**	**2,364**
Restricted cash	94	13,149
Cash according to the statement of financial position	**9,211**	**15,513**

Restricted cash as of December 31, 2009 comprises cash at the amount of BGN 94 thousand serving as collateral on excise liabilities and bank guarantees.

Restricted cash as of December 31, 2008 comprises cash at the amount of BGN 12,872 thousand serving as collateral on excise liabilities as well as margin deposits on dealings with derivatives and bank guarantees.

20. Share capital

The share capital of the Company is presented at nominal value, at the amount of BGN 62,757 thousand, distributed into 6,275,733 shares with a nominal value of BGN 10 each.

As of the date of the accompanying financial statements the sole owner of the share capital is Petrol AD.

21. Interest-bearing loans

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Non-current payables		
Trade loans from related parties	304,989	299,781
	304,989	**299,781**
Current payables		
Bank loans	9,998	964
Trade loans from related parties	1,295	4,604
	11,293	**5,568**
	316,282	**305,349**

The effective interest rate on bank loans for 2009 and 2008 varies between 3.5% and 9.5%. The collateral for the short-term loans, granted to the Company, is 120% of the loan amount and includes pledged goods, cash at current account, receivables and an issued promissory note (see also notes 15, 16).

22. Trade and other payables

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Payables to suppliers	57,264	29,498
Related parties payables	49,412	28,602
Tax payables, including:	36,113	41,935
VAT	*12,962*	*27,521*
Excise duty and other taxes	*23,151*	*14,414*
Advances received	1,687	311
Payables to personnel and to social security funds	257	233
Other	144	876
	144,877	**101,455**

Related party payables are disclosed in note 26.

The Company accrues provisions for unused paid annual leaves of employees in compliance with IAS 19 *Employee Benefits*. The movements of these provisions are as follows:

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Balance at the beginning of the year	233	208
Accrued during the year	188	187
Utilized during the year	(164)	(162)
Balance at the end of the year, incl.:	**257**	**233**
Annual leaves	*222*	*197*
Social security contributions on paid annual leaves	*35*	*36*

The Company's management believes that the carrying amount of the Company's current liabilities in the statement of financial position approximates their fair value.

23. Derivative liabilities

Derivative liabilities include revaluation at market prices of open positions at standard commodity and financial futures and options contracts at NYMEX as of December 31, 2008. Open positions, as of December 31, 2008, comprise 150 lots put options Euro FX.

24. Income tax payable

	December 31 2009 BGN'000	December 31 2008 BGN'000
Recoverable income taxes at the beginning of the year	(6,000)	(503)
Corporate income tax charged	132	-
Corporate income tax paid	(18)	(5,497)
Adjusted corporate tax	426	-
Deducted corporate tax with VAT	5,574	-
Income tax payable (recoverable) at the end of the year	**114**	**(6,000)**

25. Financial instruments and risk management

Carrying amounts of assets and liabilities as of December 31, 2009 and 2008 by categories are set in accordance with IAS 39 *Financial instruments: Recognition and Measurement* and are presented in the following tables:

December 31, 2009 BGN'000	**Fair value through profit and loss**	**Loans and receivables**	**Available for sale**	**Total**
Investments in associates	-	-	22,094	22,094
Interest-bearing loans granted	-	28,084	-	28,084
Trade and other receivables	-	41,090	-	41,090
Short-term investments	319,331	-	-	319,331
Cash	-	9,211	-	9,211
	319,331	**78,385**	**22,094**	**419,810**

December 31, 2008 BGN'000	**Fair value through profit and loss**	**Loans and receivables**	**Available for sale**	**Total**
Investments in associates	-	-	22,094	22,094
Trade and other receivables	-	36,212	-	36,212
Short-term investments	503,520	-	-	503,520
Cash	-	15,513	-	15,513
	503,520	**51,725**	**22,094**	**577,339**

25. Financial instruments and risk management (continued)

December 31, 2009 BGN'000	**Fair value through profit and loss**	**At amortized cost**	**Total**
Trade and other payables	-	106,820	106,820
Interest bearing loans	-	316,282	316,282
	-	**423,102**	**423,102**

December 31, 2008 BGN'000	**Fair value through profit and loss**	**At amortized cost**	**Total**
Trade and other payables	-	58,976	58,976
Interest-bearing loans	-	305,349	305,349
Derivative liabilities	205	-	205
	205	**364,325**	**364,530**

Company's use of financial instruments exposes it to market, credit and liquidity risk. The current note presents information about risk management goals, policies and processes, as well as equity management. The Ultimate parent company's Board of Directors sets strategic guidelines for financial risk management as the operative implementation of the adopted polities and the realization of risk management processes are carried out by the Cash Flows Department and Global Markets Department of Petrol Holding AD.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and may occur as currency, interest or other price risk.

The Company use the following hierarchy for measurement of financial instruments subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company classify its current financial assets in Level 1 according to the hierarchy for measurement of financial instruments at fair value.

25. Financial instruments and risk management (continued)

Currency risk

The Company concludes transaction in currency, other that its functional currency, which exposes it to risk, related to possible fluctuations in exchange rates. Such risk arises mainly from fluctuations in the exchange rate of US dollars (USD) as the Company concludes purchases and has liabilities under received interest-bearing loans, denominated in USD. Transactions, concluded in EURO, do not expose the Company to risk due to the fact that since January 1, 1999 the Bulgarian lev is fixed to this currency.

Financial assets and liabilities, denominated in USD, are presented in the following table:

	December 31, 2009		December 31, 2008	
	USD'000	BGN'000	USD'000	BGN'000
Financial assets				
Trade and other receivables	289	394	2,407	3,339
Cash	47	64	262	363
Total financial assets	**336**	**458**	**2,669**	**3,702**
Financial liabilities				
Trade and other payables	(21,062)	(28,730)	(277)	(384)
Derivative liabilities	-	-	(148)	(205)
Total financial liabilities	**(21,062)**	**(28,730)**	**(425)**	**(589)**

The sensitivity analysis to the currency risk has been estimated with a 11% change of the US dollar to the Bulgarian lev. Management believes that this is a reasonable and plausible change based on a statistical analysis of exchange rate dynamics in the past year, conducted on the basis of daily deviation, calculated for 250 days. If as of December 31, 2009 USD rate had gone up/gone down by 11% towards BGN and all other risk variables held constant, the loss after taxes would have decreased/increased by BGN 2,799 thousand, mainly as a result of exchange rate differences from revaluations of trade payables in USD. The result after taxes for 2009 is more sensible to the change in USD exchange rate than the result for 2008 due to increased exposures of trade payables in USD.

Interest risk

The Company is exposed to interest rate risk since part of its received bank loans bear variable interest rates, contracted at some base interest rate plus an interest rate margin.

The Company permanently monitors and analyses its basic interest exposures and develops various optimizing scenarios as refinancing, renewal of existing loans, alternative financing and calculates the influence of the changes in the interest rate in certain range over the financial result.

25. Financial instruments and risk management (continued)

As of the date of the accompanying financial statements, the profile of interest-bearing financial instruments is as follows:

	December 31, 2009 BGN'000	December 31, 2008 BGN'000
Fixed interest rate instruments		
Financial assets	28,084	-
Financial liabilities	(306,284)	(299,781)
Total	**(278,200)**	**(299,781)**
Variable interest rate instruments		
Financial assets	-	-
Financial liabilities	(9,998)	(5,568)
Total	**(9,998)**	**(5,568)**

Interest rate risk sensitivity analysis is based on the assumption that the variable interest rate positions as of the reporting date have existed at the same amount during the entire year and the reasonable and plausible increase/decrease of the interest rate is 12 base points. If the interest rates had been higher/lower by 12 base points, and all other variables were constant, the loss for the year would have been BGN 11 thousand higher/ lower.

Price risk

Investments in equity instruments classified as financial assets available for sale (at fair value though profit and loss) and derivatives expose the Company to price risk.

Equity instruments sensitivity analysis to the price risk is calculated only for those of them for which stock quotations exist. The net loss for the current year would have decreased/increased by BGN 79,833 thousand in case that the value of the index SOFIX had increased/decreased by 25 %, and all other variable are constant, due to impairments of financial assets, reported at fair value through profit or loss.

25. Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk for one of the parties on the financial instrument to fail to perform its obligation and in this way to cause loss for the other. Financial assets which potentially expose the Company to credit risk are mainly receivables on sales and granted interest loans. The Company is mainly exposed to credit risk in case the customers do not meet their payment obligations. The Company's policy in this area is focused on performing sales of goods and services on credit to clients with good credibility and on using adequate collateral to limit the risk of financial losses. The customers' credibility is assessed by taking into consideration their financial position, previous experience and other factors. The Company has set credit limits and monitors their observance on a regular basis.

The Company cooperates with large number of clients – mostly retail and wholesale merchants of fuel. About 85% of the Company's revenue for the current year is generated with six major clients. As of December 31, 2009 the receivables from sales with these customers amount to BGN 30,207 thousand which is 78% from the total net amount of the receivables from customers (including from related parties).

Credit risk on cash at bank account is minimum as the Company works only with banks with high credit rating.

The carrying amount of the financial assets, net of impairment losses, presents to a maximum extent the credit risk to which the Company is exposed.

Liquidity risk

Liquidity risk is the risk for the Company to fail to settle its financial liabilities when they become due. The policy in this area is focused on ensuring the availability of enough liquid resources to serve the liabilities when they become due including in emergency and unforeseen situations. The goal of management is to maintaining a permanent balance between continuity and flexibility of the financial resources by using different forms of financing. Management of liquidity risk includes maintenance of enough cash, negotiation of adequate credit lines, preparation, analysis and update forecasts of cash flows.

The table below presents the agreed maturity of the financial liabilities on the basis of the earliest date on which the Company can be obligated to repay them. The table shows the undiscounted cash flows which include principals and interests:

25. Financial instruments and risk management (continued)

December 31, 2009 BGN '000	Up to 1 year	From 3 to 5 years	Total
Bank loans	10,209	-	10,209
Trade loans	37,587	329,134	366,721
Trade and other payables	99,502	-	99,502
Total	**147,298**	**329,134**	**476,432**

December 31, 2008 BGN '000	Up to 1 year	From 3 to 5 years	Total
Bank loans	989	-	989
Trade loans	38,825	351,993	390,818
Trade and other payables	53,531	-	53,531
Derivative liabilities	205	-	205
Total	**93,550**	**351,993**	**445,543**

Equity management

The Company manages its equity in such a manner so as to ensure its functioning as a going concern. The objective of the management is to retain the trust of the investors, creditors and the market and to guarantee the future development of the Company.

The equity of the Company as of December 31, 2009 is formed by share capital at the amount of BGN 62,757 and accumulated loss of BGN 24,101 thousand as well as by loan granted by the parent company at the total amount of BGN 304,989 thousand and a loan at the amount of BGN 1,295 thousand granted by a related party. As of the same date the liabilities under interest-bearing loans, granted by unrelated parties amount to BGN 9,998 thousand. The management of the parent company determines the amount of the necessary equity in proportion to the risk level, which is inherent to the Company's activity.

26. Disclosure of related parties and transactions

The related parties over which the Company is in a position to exercise significant influence are disclosed in note 14.

The Parent company Petrol AD is controlled by Petrol Holding AD.

The following transactions with related parties were performed in the reported period:

Related party

Petrol Holding AD	ultimate parent company
Petrol AD	Parent company
Petrol Trans Express EOOD	subsidiary of Petrol AD
Petrol Technika EOOD	subsidiary of Petrol AD
New Co Zagora EOOD	subsidiary of Petrol Holding AD
Naftex Security EAD	subsidiary of Petrol Holding AD
Interhotel Bulgaria Burgas EOOD	subsidiary of Petrol Holding AD
Jurex Consult AD	subsidiary of Petrol Holding AD
Izvor Bottling Company AD	subsidiary of Petrol Holding AD
Ross Oil EOOD	subsidiary of Petrol Holding AD
Air Lazur – General Aviation EOOD	subsidiary of Petrol Holding AD
Petrol Trade EOOD	subsidiary of Petrol Holding AD
Morsko casino EAD	subsidiary of Petrol Holding AD
Transat AD	subsidiary of Petrol Holding AD
Varna Business Services EOOD	subsidiary of Petrol Holding AD
Eurocapital Bulgaria AD	subsidiary of Petrol Holding AD
Trans Telecom AD	subsidiary of Petrol Holding AD until April 30, 2009 associate company of Petrol Holding AD since May 1, 2009
Transhold Bulgaria AD	subsidiary of Petrol Holding AD until September 3, 2009
Tema Sport OOD	subsidiary of Petrol Holding AD
Balneohotel Pomorie AD	subsidiary of Petrol Holding AD
Petrol Gas OOD	subsidiary of Petrol AD
Black Sand Resort AD	subsidiary of Petrol Holding AD
Naftex Trade EOOD	subsidiary of Petrol Holding AD
Tema News AD	associate company of Petrol Holding AD

The transactions performed relate primarily to:

- purchase and sale of fuels;
- granting and receiving of loans/deposits;
- purchase and sale of property, plant and equipment;
- holding fees and services.

26. Disclosure of related parties and transactions (continued)

The volume of the transactions performed with related parties for 2009 and 2008 are as follows:

Related party	**December 31, 2009 BGN'000 Sale of goods and services**	**December 31, 2008 BGN'000 Sale of goods and services**	**December 31, 2009 BGN'000 Purchase of goods and services**	**December 31, 2008 BGN'000 Purchase of goods and services**
Ultimate parent company	3	6	2,251	2,098
Parent company	380,795	255,054	644	1,262
Companies under common control	2,332	2,032	187,104	178,650
	383,130	**257,092**	**189,999**	**182,010**

Related party	**December 31, 2009 BGN'000 Finance income**	**December 31, 2008 BGN'000 Finance income**	**December 31 2009 BGN'000 Finance cost**	**December 31, 2008 BGN'000 Finance cost**
Ultimate parent company	529	415	16	845
Parent company	-	-	29,425	18,582
Companies under common control	766	535	-	-
	1,295	**950**	**29,441**	**19,427**

As of December 31, 2009 and 2008 the unsettled balances with related parties are as follows:

Related party	**December 31, 2009 BGN'000 Receivables**	**December 31, 2008 BGN'000 Receivables**	**December 31, 2009 BGN'000 Payables**	**December 31 2008 BGN'000 Payables**
Ultimate parent company, including:	28,622	305	65	6,074
Short-term interest-bearing loans	*28,084*	-	-	*4,604*
Parent company, including:	12,430	8,877	312,402	304,763
Long-term interest-bearing loans	-	-	*304,989*	*299,781*
Companies under common control, including:	1,336	326	43,229	22,150
Short-term interest-bearing loans	-	-	*1,295*	-
Total	**42,388**	**9,508**	**355,696**	**332,987**

26. Disclosure of related parties and transactions (continued)

In 2009 the Company has granted to its ultimate parent company interest bearing loan at the amount of BGN 28,084 thousand with interest rate of 9.5%, maturity in 2010 and maximum allowed amount of BGN 30,000 thousand. In 2009 and 2008 proceeds from repayment of interest-bearing loans granted to related parties during prior periods are at the net amount of BGN 4,604 thousand and BGN 30,422 thousand.

In 2009 and 2008 the Company received interest loans from the Parent company in the net amount of BGN 9,533 thousand and BGN 180,571 thousand, respectively.

The total amount of the remuneration of the management staff of the Company included in employee benefits expenses, amounts to BGN 54 thousand, and for the prior reporting period it amounts to BGN 175 thousand, respectively.

27. Contingent assets and liabilities

27.1. Contingent assets

In 2006 the Company has recognized income from penalties amounting to BGN 8,196 thousand, calculated to counterparty (the Counterparty) because of a quantitative non-execution of a fuel supply contract. As of December 31, 2006 the income has been reversed, because the management has assessed that the income recognition criteria in accordance with IAS 18 Revenue have not been met. In the view of this fact a contingent asset amounting to BGN 8,196 thousand arises for the Company, because the receivable from the Counterparty was not recognized in these financial statements.

27.2. Contingent liabilities

As of December 31, 2009 the Company has contingent liabilities which include bank guarantees issued with respect to public tenders at the amount of BGN 49 thousand, promissory notes and accepted guarantees on bank loan contracts at the amount of BGN 38,089 thousand, financial assets held for trading serve as collateral for loan granted to the Company.

In October 2006 the Company became a guarantee for the parent company on a bond issue, to the amount of EUR 100,000 thousand with maturity in 2011.

Assets with a carrying amount of BGN 1,990 thousand (2008: BGN 5,390 thousand) are mortgaged and serve as collateral for bank loans granted to related party (see also note 13).

28. Events after the reporting period

As of March 31, 2010 as a result of a decrease in the price of shares traded on the Bulgarian Stock Exchange, the Company revalued the assets held for trading and recognized a loss at the amount of BGN 140,707 thousand (see also note 11).