

Bulgarian Air Traffic Services Authority

Financial Statements
For the year ended 31 December 2008
With Independent Auditors' Report Thereon



INDEPENDENT AUDITOR'S REPORT

TO THE SOLE OWNER OF AIR TRAFFIC SERVICE AUTHORITY, SOFIA, BULGARIA

We have audited the accompanying financial statements of Air Traffic Service Authority (the Company), which comprise the Balance sheet as of 31 December 2008, the Income statement, Statement of changes in equity and Cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes: design, implementation and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free or material misstatement, whether due to fraud or error; selection and application of appropriate accounting policies; making accounting estimates that are reasonable in the particular circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These 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.

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

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

Opinion

Based on the verification, we certify that the financial statement gives a true and fair view of the

financial position of Air Traffic Service Authority as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with the Bulgarian Law of Accountancy and International Financial Reporting Standards.

The balance amount of the assets and liabilities of the Balance Sheet of Air Traffic Services Authority as of 31 December 2008 is BGN 536 623 thousand and the financial result is BGN 26 510 thousand representing balance profit.

Report on other legal and regulatory requirements

We performed the verification of the annual activity report regarding its compliance with the financial statement for the same period according to the requirements of the Bulgarian Law of Accountancy.

Based on the verification, we certify that the Company annual activity report complies with the Company financial statements as of 31 December 2008 regarding the financial information.

Sofia, 10 June 2009

Maria Daskalova
Registered auditor

Bulgarian Air Traffic Services Authority
Financial Statements for the Year
Ended 31 December 2008

Income Statement

For the year ended 31 December 2008

| <i>In thousands of BGN</i> | Notes | 2008 | 2007 |
|--------------------------------|--------------|----------------|----------------|
| Revenue from sale of services | 1 | 167,830 | 160,575 |
| Other operating income | 1 | <u>12,557</u> | <u>822</u> |
| | | 180,387 | 161,397 |
| Cost of materials | 2 | (4,482) | (4,535) |
| Hired services | 3 | (19,829) | (17,691) |
| Depreciation and amortization | 9,10 | (27,256) | (26,176) |
| Personnel expenses | 4 | (102,482) | (88,286) |
| Impairment losses | 5 | (547) | - |
| Other operating expenses | 6 | <u>(5,165)</u> | <u>(6,993)</u> |
| | | (159,761) | (143,681) |
| Profit from operations | | <u>20,626</u> | <u>17,716</u> |
| Net financial income | 7 | 6,995 | 5,374 |
| Profit before tax | | <u>27,621</u> | <u>23,090</u> |
| Income/Expenditure tax | 8 | (1,111) | (953) |
| Net profit for the year | | <u>26,510</u> | <u>22,137</u> |

The income statement is to be read in conjunction with the notes to and forming part of the financial statements presented on pages 5 to 24.

Emanuil Radev
Director General

Krasiyan Tinchev
Chief Accountant

Date: 14 March 2009

Bulgarian Air Traffic Services Authority
Financial Statements for the Year
Ended 31 December 2008

Balance Sheet

For the year ended 31 December 2008

| <i>In thousands of BGN</i> | Notes | 2008 | 2007 |
|--------------------------------------|--------------|-----------------------|-----------------------|
| Assets | | | |
| Property, plant and equipment | 9 | 223,467 | 232,462 |
| Intangible assets | 10 | 28,323 | 19,919 |
| Deferred tax assets | 11 | 1,594 | 1,210 |
| Total non-current assets | | <u>253,384</u> | <u>253,591</u> |
| Inventories | 12 | 3,481 | 3,275 |
| Trade and other receivables | 13 | 46,825 | 30,117 |
| Cash and cash equivalents | 15 | 232,933 | 201,805 |
| Total current assets | | <u>283,239</u> | <u>235,197</u> |
| Total assets | | <u><u>536,623</u></u> | <u><u>488,788</u></u> |
| Equity and reserves | | | |
| Registered capital | 16 | 129,758 | 129,758 |
| Reserves | | 318,776 | 295,849 |
| Retained earnings (loss) | | 26,510 | 22,051 |
| Total capital and reserves | | <u>475,044</u> | <u>447,658</u> |
| Liabilities | | | |
| Provisions for retirement benefits | 18,19 | 13,730 | 7,141 |
| Financing | | 12 | 13 |
| Deferred tax liabilities | 11 | 2,156 | 2,122 |
| Total non-current liabilities | | <u>15,898</u> | <u>9,276</u> |
| Provisions for retirement benefits | 18, 19 | 3,991 | 3,230 |
| Trade and other payables | 17 | 41,690 | 28,624 |
| Total current liabilities | | <u>45,681</u> | <u>31,854</u> |
| Total capital and liabilities | | <u><u>536,623</u></u> | <u><u>488,788</u></u> |

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements presented on pages 5 to 24.

Emanuil Radev
Director General

Krasiyan Tinchev
Chief Accountant

Date: 14 March 2009

Bulgarian Air Traffic Services Authority
Financial Statements for the Year
Ended 31 December 2008

Statement of changes in equity

For the year ended 31 December 2008

| <i>In thousands of BGN</i> | Registered capital | Special reserves | Reserves | Retained Earnings | Total |
|---|---------------------------|-------------------------|-----------------|--------------------------|--------------|
| Balance at 1 January 2007 | 129,758 | 23,008 | 259,594 | 15,747 | 428,107 |
| Profit for the year | - | - | - | 22,137 | 22,137 |
| Allocation of profit for 2006 | - | 1,583 | 14,250 | (15,833) | - |
| Assets disposed through reserves | - | - | (2,586) | - | (2,586) |
| Balance at 31 December 2007 | 129,758 | 24,591 | 271,258 | 22,051 | 447,658 |
| Balance at 1 January 2008 | 129,758 | 24,591 | 271,258 | 22,051 | 447,658 |
| Profit for the year | | | | 26,510 | 26,510 |
| Allocation of profit for 2007 | | 4,666 | 17,385 | (22,051) | - |
| Assets disposed through reserves | | | (19) | | (19) |
| Assets transferred to retained earnings | | | 895 | | 895 |
| Balance at 31 December 2008 | 129,758 | 29,257 | 289,519 | 26,510 | 475,044 |

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements presented on pages 5 to 24.

Emanuil Radev

Director General

Krasiyan Tinchev

Chief Accountant

Date: 14 March 2009

Bulgarian Air Traffic Services Authority
Financial Statements for the Year
Ended 31 December 2008

Statement of cashflows

For the year ended 31 December 2008

| <i>In thousands of BGN</i> | Notes | 2008 | 2007 |
|---|--------------|----------------|-----------------|
| Operating activities | | | |
| Net profit before taxation | | 27,621 | 23,090 |
| Adjustments for: | | | |
| Depreciation and amortization | 9,10 | 27,256 | 26,176 |
| Impairment losses charged/(reversed) | | 547 | (307) |
| Provisions for retirement benefits to employees | | 9,914 | 4,947 |
| Net interest (income)/expense | | (7,238) | (5,390) |
| Unrealised foreign exchange gains and losses | | 174 | (49) |
| (Profit)/Loss on disposal of fixed assets | | 104 | 1,642 |
| Operating profit before working capital changes and provisions | | <u>58,378</u> | <u>50,109</u> |
| (Increase)/decrease in debtors | | (15,218) | (5) |
| (Increase)/decrease in inventory | | (166) | 632 |
| Increase/(decrease) in creditors | | (647) | 759 |
| Cash generated from operations | | <u>42,347</u> | <u>51,495</u> |
| Income taxes paid | | (1,798) | (217) |
| Net cash from operating activities | | <u>40,549</u> | <u>51,278</u> |
| Investing activities | | | |
| Interest received | | 5,802 | 5,079 |
| Payments to acquire property, plant and equipment | | (7,070) | (2,398) |
| Payments to acquire intangible assets | | (8,153) | (16,314) |
| Cash flows from investing activities | | <u>(9,421)</u> | <u>(13,633)</u> |
| Financing activities | | | |
| Loans repaid | | - | (7,334) |
| Interest paid | | - | (263) |
| Cash flows from financing activities | | <u>-</u> | <u>(7,597)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 31,128 | 30,048 |
| Cash and cash equivalents at beginning of period | 15 | <u>180,291</u> | <u>150,243</u> |
| Cash and cash equivalents at end of period | 15 | <u>211,419</u> | <u>180,291</u> |

The Statement of cash flows is prepared under the indirect method and is to be read in conjunction with the notes to and forming part of the financial statements presented on pages 5 to 24.

Emanuil Radev
Director General

Krasiyan Tinchev
Chief Accountant

Date: 14 March 2009

Significant Account Policies

Legal Status

Bulgarian Air Traffic Services Authority (BULATSA, the “Company”) is a company domiciled in the Republic of Bulgaria. On 1 January 2001 the Company was registered as a state owned enterprise. Prior to that it operated as an agency of the Ministry of Transport and Communications in Bulgaria. The Minister of Transport and Communications (MTC) exercises the rights of the sole owner.

The Company performs the activities of providing air navigation services in the civil airspace of the Republic of Bulgaria. Its main activities include: granting of authority for flights over the territory of Bulgaria; air traffic control and management of the controlled airspace over the country; providing information, communication and meteorological services.

The activities of the Company are governed by the Civil Aviation Act and Regulations of the Function, Organization and Activity of Bulgarian Air Traffic Services Authority.

(a) Statement of compliance

The current financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), adopted by the Commission of the European Union in the edition as of January 1, 2005 issued by the International Accounting Standards Board (IASB). These standards have been adopted in Bulgaria with a decree of the Council of Ministers No 207/07.08.2006 and promulgated in the State Gazette, issue 66/2006 of 15.08.2006.

The Management of the Company has performed an analysis and has not identified material differences in the carrying amount of the assets and liabilities, as well as in amounts presented in the Income Statement as they were reported in the financial statements prepared under IAS effective in 2002, and as they would be reported under IFRS as adopted by the EU Commission as at 1 January 2005 and adopted in Bulgaria with Decree №207/7.08.2006 of the Council of Ministers. A list of the applicable standards is presented in note 25.

IAS 8 “Accounting policies, changes in accounting estimates and errors” requires the Company to disclose the fact that it has not applied new standards and interpretations to published International Financial Reporting Standards that are not yet effective, as well as information about the possible effect from application of the respective standards and interpretations in the period of the first time application. The Company disclosed the effect from application of published International Financial Reporting Standards which were still not in force as to the balance sheet date and which may have impact on the activities of the Company (see note 26).

(b) Basis of preparation

All amounts are presented in thousands of Bulgarian leva (BGN). The financial statements are prepared on the historic cost basis except for certain classes of financial instruments and other assets and liabilities.

(c) Changes in accounting policy and corrections of errors

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

Significant Account Policies

(d) Comparative information

When the presentation or classification of items in the financial statements was amended, comparative numbers have also been reclassified, to ensure comparability with the current period.

(e) Foreign currency

Transactions in foreign currencies are translated to BGN at the foreign exchange rate ruling at the date of the transaction. Monetary assets denominated in foreign currencies at the balance sheet date are translated to BGN at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies are stated at fair value and are translated to BGN at foreign exchange rates ruling at the dates the values were determined.

(f) Property, plant and equipment

(i) Owned assets

Property, plant and equipment (PPE) are measured at their deemed cost less accumulated depreciation and impairment losses (ref. accounting policy (k)).

Effective from 2002, the Bulgarian accounting legislation has been changed to harmonise with International Financial Reporting Standards. According to an interpretation from the Bulgarian Ministry of Finance and the Bulgarian Institute of Certified Chartered Accountants companies were provided with the opportunity to perform a one off valuation of fixed assets as at 1 January 2002 or as at 1 January 2003 at fair value and use that fair value as deemed cost at the respective date in order to eliminate the accumulated effects of the statutory revaluations using specific price indexes and the hyperinflation on the carrying value of the fixed assets.

The Company used independent valuers to make a fair valuation of tangible fixed assets at 1 January 2003. The resulting deemed cost under the statutory reporting framework is broadly comparable to the depreciated cost of the property, plant and equipment under IFRS at that date adjusted to reflect the hyper-inflationary effects. The Company therefore adjusted the carrying value of the tangible non-current assets at 1 January 2003 in its IFRS financial statements to bring them to their fair value in the statutory accounts at that date. With effect from 1 January 2003 the Company management has set a materiality limit of BGN 150 for capitalisation of tangible fixed assets. All assets with a cost below BGN 150 are directly expensed in the Income statement for the period. The effects of any reclassifications or adjustments are disclosed in the notes to the financial statements.

(ii) Subsequent expenditure

Expenditure for current service of capital assets is recognised in the income statement as an expense as incurred. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment.

Significant Account Policies

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. Depreciation accruals are being made starting from the month subsequent to the respective asset's introduction. The estimated useful lives are as follows:

| | | |
|---|-----------------------|----------------|
| § | buildings | up to 40 years |
| § | plant and equipment | 7-15 years |
| § | automobiles | 7 years |
| § | other vehicles | 7-10 years |
| § | fixtures and fittings | 15 years |
| § | computer equipment | 5 years |
| § | other | 7 years |

(g) Intangible assets

(i) Software and other intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses (refer accounting policy (k)). As at the balance sheet date, no impairment has been charged.

With effect from 1 January 2003 the Company management has set a materiality limit of BGN 150 for capitalisation of intangible assets. All assets with a cost below BGN 150 are directly expensed in the Income statement for the period.

(ii) Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed in the Income statement as incurred.

(iii) Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

| | | |
|---|----------|---------|
| § | software | 5 years |
| § | rights | 7 years |

(h) Trade and other receivables

Trade and other receivables are stated at their cost of origin less impairment losses (see accounting policy (k)).

(i) Inventories

Inventories are stated at the lower of cost or net realisable value. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories are expensed based on their weighted average cost method. Their cost includes cost of acquisition and cost of bringing them to their present location and condition.

Significant Account Policies

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, current accounts and short term bank deposits.

(k) Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there are any indications of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(l) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

(m) Provision for retirement compensation to employees

In accordance with the requirements of the Labour Code and Collective Labour Contract on termination of the labour contract of an employee entitled to retirement, the Company is obliged to pay certain compensation based on the gross monthly salary.

In accordance with IAS 19 "Employee benefits", the Company has accrued in these financial statements a liability for retirement benefits to employees based on its best estimate. The estimate of the accrual is disclosed in notes 18 and 19.

(n) Revenue

(i) Services rendered

Revenue is recognised in the income statement according to the stage of completion of the services rendered at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the associated costs.

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Significant Account Policies

(ii) *Deferred income*

Financing for fixed assets is recognized in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions relating to it. Revenue from financing for fixed assets is recognized in the income statement on a systematic basis over the useful life of the relevant assets.

(o) *Expenses*

Operating expenses

Expenses associated with the rendering of services are recognized at the completion of the service, and in the same period in which the related revenue is recognized.

Net financing costs

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested, foreign exchange gains and losses and other bank charges and fees.

(p) *Income tax*

Income tax for the year comprises current and deferred taxes. The income tax is recognised in the Income statement, unless it relates to transactions affecting the equity, in which case the tax is recognised in the Company's equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted at the balance sheet date, applicable for the Company.

Deferred tax is provided using the balance sheet method of the liabilities, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statement

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Notes to the financial statement

1. Revenues

| <i>In thousands of BGN</i> | 2008 | 2007 |
|---|---------------|-------------|
| Revenue from air navigation services | 167,830 | 160,575 |
| Other income | | |
| Income from penalties | 12,007 | |
| Income from rent, training and from other services | 550 | 515 |
| Impairment of receivables | - | (694) |
| Collection of receivables written off in previous periods | - | 338 |
| Reversed impairment | - | 663 |
| | <u>12,557</u> | <u>822</u> |

Revenue from air navigation services is from route charges – 156 762 000 BGN and terminal charges – 11 068 000 BGN.

Income from penalties is under a contract with “Alenia Marconi Systems” (SELEX S.I.) for development of an automated ATM system in accordance with an Agreement for out-of-court settlement of the disputes under Contract No.31072000.

2. Cost of materials

| <i>In thousands of BGN</i> | 2008 | 2007 |
|---------------------------------|--------------|--------------|
| Electric power | 1,875 | 1,721 |
| Heat power | 616 | 476 |
| Spare parts | 538 | 1,197 |
| Fuel and oil materials | 479 | 345 |
| Consumables | 428 | 310 |
| Low cost items | 357 | 298 |
| Stationery | 105 | 92 |
| Water | 51 | 46 |
| Safeguard apparel and equipment | 33 | 50 |
| | <u>4,482</u> | <u>4,535</u> |

3. Hired services

| <i>In thousands of BGN</i> | 2008 | 2007 |
|--|-------------|-------------|
| Eurocontrol membership and administrative charges | 9,191 | 8,585 |
| License fees | 2,613 | 2,224 |
| Communication expenses | 1,464 | 1,753 |
| Insurance expenses | 1,264 | 1,472 |
| Consultant services and audit fees | 1,176 | 193 |
| Security | 1,012 | 731 |
| Maintenance of equipment | 826 | 893 |
| Maintenance of building and outdoor amenities | 455 | 328 |
| Flight inspection of the navigation aids | 411 | 451 |
| Maintenance of the buildings | 339 | 217 |
| Complex maintenance of recreation centers | 326 | 110 |
| ATSA Rules for Health Care, Rehabilitation & Recreation Activities | 113 | 101 |
| Advertisement | 56 | 58 |
| Postal and courier services | 52 | 50 |
| Transportation | 48 | 58 |

Notes to the financial statement

| | | |
|---|-------------|-------------|
| Subscription for periodicals | 46 | 51 |
| Other (ATC licences, measurements, fees etc.) | 437 | 416 |
| | 19,829 | 17,691 |
| | | |
| 4. Personnel expenses | | |
| <i>In thousands of BGN</i> | 2008 | 2007 |
| Salaries and remuneration | 76,362 | 69,447 |
| Social security contributions | 7,709 | 6,464 |
| Social benefits | 8,497 | 7,428 |
| Provisions for retirement benefits | 9,914 | 4,947 |
| | 102,482 | 88,286 |
| | | |
| 5. Allowances for impairment losses | | |
| <i>In thousands of BGN</i> | 2008 | 2007 |
| Impairment of receivables | 750 | - |
| Collection of receivables written off in previous periods | (11) | - |
| Reversal of impairment | (192) | - |
| Impairment of expenses for fixed assets | - | - |
| | 547 | - |
| <i>(For 2007 – see note 1)</i> | | |
| | | |
| 6. Other expenses | | |
| <i>In thousands of BGN</i> | 2008 | 2007 |
| Tax on social expenses | 1,376 | 1,405 |
| Business trips and training costs | 2,467 | 1,228 |
| One off taxes, property taxes, other tax costs | 1,113 | 863 |
| Waste, donation, written-off non-current assets, etc. | 209 | 1,961 |
| Court fees | - | 1,536 |
| | 5,165 | 6,993 |
| | | |
| 7. Net finance income | | |
| <i>In thousands of BGN</i> | 2008 | 2007 |
| Interest income | 7,577 | 5,790 |
| Interest expenses | - | (175) |
| Net foreign exchange gain/ (loss) | (181) | 31 |
| Other finance (expense)/income (net) | (401) | (272) |
| | 6,995 | 5,374 |

Notes to the financial statement

8. Income tax expense

In thousands of BGN

| | 2008 | 2007 |
|---|--------------|--------------|
| <i>Current tax expense recognized in the Income Statement</i> | | |
| Profit tax rate for the current year | <u>1,461</u> | <u>1,635</u> |
| <i>Change in deferred tax recognised in the Income Statement</i> | | |
| Origination and reversal of temporary tax differences (<i>see: note 11</i>) | <u>(350)</u> | <u>(682)</u> |
| | <u>1,111</u> | <u>953</u> |

Current profit tax rates

According to the Corporate Income Tax Act (CITA, art.180), the Company is entitled to a tax allowance in the amount of 60% of the corporate tax on profit provided that it reinvests the corporate tax, that it would otherwise have to pay, for programs for integration and harmonization of the national systems for air traffic management to the relevant standards of other European countries or uses the tax allowance for maintenance of the reserve required by the Civil Aviation Act.

The current tax rate is 10%. The current tax expense represents 40% of the general tax rate for all the companies, as regulated by CITA. There is no change in the current tax rate as compared to 2007.

9. Property, plant and equipment

| | Lands and buildings | Property, plant and equipment | Vehicles | Fittings and hardware | Tangible assets - acquisition expense | Total |
|---|----------------------------|--------------------------------------|-----------------|------------------------------|--|----------------|
| <i>In thousands of BGN</i> | | | | | | |
| Reported value | | | | | | |
| Balance at 1 January 2008 | 139,497 | 166,767 | 2,011 | 3,624 | 11,518 | 323,417 |
| Additions | 937 | 1,946 | 1,399 | 121 | 8,589 | 12,992 |
| Transfers | 673 | 14,944 | | 21 | (15,638) | - |
| Disposed | | (280) | (118) | (68) | (77) | (543) |
| Balance at 31 December 2008 | <u>141,107</u> | <u>183,377</u> | <u>3,292</u> | <u>3,698</u> | <u>4,392</u> | <u>335,866</u> |
| Depreciation and impairment losses | | | | | | |
| Balance at 1 January 2008 | 14,796 | 73,404 | 1,225 | 1,376 | 154 | 90,955 |
| Depreciation charge for the year | 3,440 | 17,770 | 289 | 324 | | 21,823 |
| Disposals | | (231) | (98) | (50) | | (379) |
| Balance at 31 December 2008 | <u>18,236</u> | <u>90,943</u> | <u>1,416</u> | <u>1,650</u> | <u>154</u> | <u>112,399</u> |
| Carrying amount | | | | | | |
| At 1 January 2008 | <u>124,701</u> | <u>93,363</u> | <u>786</u> | <u>2,248</u> | <u>11,364</u> | <u>232,462</u> |
| At 31 December 2008 | <u>122,871</u> | <u>92,434</u> | <u>1,876</u> | <u>2,048</u> | <u>4,238</u> | <u>223,467</u> |

Notes to the financial statement

Tangible assets - acquisition expense

The major assets under construction as at 31 December 2008 are as follows:

- Airport Control Tower (TWR) at Sofia Airport” (BGN 55 thousand)
- Enhancement and upgrading of the automatic ATM system (SATCAS) (BGN 3,065 thousand)
- Reconstruction of installations at Substation 2 and Substation “Radar” – Sofia ACC (BGN 495 thousand)
- Power supply line 20KV – APP/TWR Center – Varna (BGN 200 thousand)

Major assets put into operation during the year

- Track systems “LOT B2 Sofia Airport” (BGN 12,501 thousand)
- Company owned housing - Sofia (BGN 350 thousand)
- MET system Vaisala APP/TWR Center – Varna (BGN 399 thousand)
- Power supply line, middle voltage for Substation 2, Sofia ACC (BGN 121 thousand)
- Reconstruction of electrical installation, category “O” in Sofia ACC (BGN 240 thousand)
- Reconstruction of electrical switch boards in Gorna Oriahovitsa Tower (BGN 82 thousand)

10. Intangible assets

| <i>In thousands of BGN</i> | Software | Rights | Intangible assets - acquisition expense | Total |
|---|-----------------|---------------|--|---------------|
| Cost | | | | |
| Balance at 1 January 2008 | 14,049 | 7,805 | 13,165 | 35,019 |
| Additions | 264 | | 13,573 | 13,837 |
| Transfers | 15,291 | | (15,291) | - |
| Disposed | (79) | (7,805) | | (7,884) |
| Balance at 31 December 2008 | <u>29,525</u> | | <u>11,447</u> | <u>40,972</u> |
| Depreciation and impairment losses | | | | |
| Balance at 1 January 2008 | 7,574 | 7,526 | - | 15,100 |
| Depreciation charge for the year | 5,154 | 279 | | 5,433 |
| Disposals | (79) | (7,805) | | (7,884) |
| Balance at 31 December 2008 | <u>12,649</u> | <u>-</u> | <u>-</u> | <u>12,649</u> |
| Carrying amount | | | | |
| At 1 January 2008 | 6,475 | 279 | 13,165 | 19,919 |
| At 31 December 2008 | <u>16,876</u> | <u>-</u> | <u>11,447</u> | <u>28,323</u> |

- Major intangible assets put into operations during the year:
 Software for ATM Center – Phase 3, automatic ATM system SATCAS, version V2 (BGN 14,146 thousand)
- Major intangible assets under construction during the year:
 Expenditure for intangible assets is for enhancement and upgrading of the automated ATM system SATCAS (BGN 11,447 thousand)
 - Right to use ended in April 2008.

Notes to the financial statement

11. Deferred tax assets and liabilities

In thousands of BGN

| | 31 Dec 2008 | | 31 Dec 2007 | | 2008 | 2007 |
|---|----------------|--------------|----------------|--------------|------------|------------|
| | Assets | Liabilities | Assets | Liabilities | Net | Net |
| Property, plant and equipment | | 2,156 | - | 2,122 | 2,156 | 2,122 |
| Impairment of property, plant and equipment | (6) | | (6) | - | (6) | (6) |
| Provision for unpaid leave | (337) | | (250) | - | (337) | (250) |
| Social securities payable on unpaid leave | (77) | | (62) | - | (77) | (62) |
| Impairment of receivables | (103) | | (90) | - | (103) | (90) |
| Liabilities for income of persons | (301) | | (326) | - | (301) | (326) |
| Provisions for retirement benefits | (709) | | (415) | - | (709) | (415) |
| Provisions for court liabilities | (61) | | (61) | - | (61) | (61) |
| Deferred tax (assets)/liabilities | (1,594) | 2,156 | (1,210) | 2,122 | 562 | 912 |

Movement in temporary differences during the year

In thousands of BGN

| | Balance as at 1 January 2008 | Recognised in the income statement | Balance as at 31 December 2008 |
|---|---------------------------------|--|--------------------------------------|
| Property, plant and equipment | 2,122 | 34 | 2,156 |
| Impairment of property, plant and equipment | (6) | - | (6) |
| Provision for unpaid leave | (250) | (87) | (337) |
| Social securities payable on unpaid leave | (62) | (15) | (77) |
| Impairment of receivables | (90) | (13) | (103) |
| Liabilities for income of persons | (326) | 25 | (301) |
| Provisions for retirement benefits | (415) | (294) | (709) |
| Provisions for court liabilities | (61) | - | (61) |
| Deferred tax (assets)/liabilities | 912 | (350) | 562 |

Deferred tax for 2008 is calculated based on the effective tax rate, applied by the Company, equal to 4% (40% from statutory tax rate set for all companies for 2008, i.e. 10%), (2007: effective tax rate 4%).

Notes to the financial statement

12. Inventories

| <i>In thousands of BGN</i> | 2008 | 2007 |
|----------------------------|--------------|--------------|
| Materials and spare parts | 3,416 | 3,242 |
| Goods | 65 | 33 |
| | <u>3,481</u> | <u>3,275</u> |

A physical stock take was carried out as at year end. No shortages have been identified.

13. Trade and other receivables

| <i>In thousands of BGN</i> | 2008 | 2007 |
|--|---------------|---------------|
| Trade receivables | 27,614 | 25,815 |
| Impairment | (3,018) | (2,785) |
| Receivables from liquidated damages | 11,495 | - |
| Receivables from litigation and claims | 14,541 | 13,845 |
| Impairment on receivables from litigation and claims | (13,778) | (13,778) |
| Contracted advances to suppliers | 712 | 866 |
| Deferred expenses | 2,610 | 2,365 |
| Corporate tax receivable | 379 | 42 |
| Interests on deposits, guarantees and other | 6,710 | 4,187 |
| Impairment | (440) | (440) |
| | <u>46,825</u> | <u>30,117</u> |

99,26% (BGN 27,614 thousand) of trade receivables are the receivables from charges for air navigation services, including BGN 26,440 thousand route charges and BGN 970 thousand terminal charges; the principal part of these receivables are within the period of payment.

The adjudicated receivables from Balkan Airlines represent 99,5% from all the court and adjudicated receivables and amount to BGN 13,750 thousand, which is fully impaired.

14. Impairment

| <i>In thousands of BGN</i> | 2008 | 2007 |
|----------------------------------|---------------|---------------|
| Balance at 1 January 2008 | 17,157 | 20,397 |
| Accrued | 750 | 722 |
| Reversed | (192) | (663) |
| Written off | (325) | (3,297) |
| Net foreign exchange gain/(loss) | - | (2) |
| Balance at 31 December 2008 | <u>17,390</u> | <u>17,157</u> |

The impairment refers to receivables for air navigation services (BGN 3,018 thousand) and impairment on receivables from litigation and claims (BGN 13,778 thousand).

Notes to the financial statement

15. Cash and cash equivalents

| <i>In thousands of BGN</i> | 2008 | 2007 |
|--|-------------|-------------|
| Petty cash | 51 | 45 |
| Cash in banks | 62,380 | 78,228 |
| Deposits | 170,502 | 123,532 |
| | | |
| Total cash and cash equivalents | 232,933 | 201,805 |
| | | |
| <i>Deposits with the Bulgarian National Bank</i> | (21,514) | (21,514) |
| | | |
| Cash and cash equivalents in the statement of cash flow | 211,419 | 180,291 |

Deposits include BGN 21,514 thousand, which is the BGN equivalent of Euro 11 million and represents a term deposit with the Bulgarian National Bank (BNB) in compliance with the Regulation No 140 of the Ministry of Transport and Communications and the Ministry of Finance dated 4 December 2001 for regulation of maintenance and utilization of ATSA cash reserve. The deposit is not included in “Cash in cash equivalents “ for the purposes of preparation of the Statement of cash flow.

The fixed term 12 month deposits are denominated in euro. Interest charge varies from 4,00% to 5,10%.

16. Capital and reserves

Registered capital

The Company’s registered capital amounts to BGN 129,758 thousand and is 100% owned by the State.

Specific reserves

The specific reserves include a tax allowance on profits under the CITA provided that the Company complies with certain conditions. The Company forms a specific reserve equivalent to this allowance amounting to 60% of the corporate income tax payable. The total amount of the reserve accumulated from tax allowances for the period 2001-2007 is BGN 19,114 thousand.

The specific reserves also include a statutory reserve amounting to 10% of the net profits for the years from 2001 up to 2007 in compliance with Regulation No 140 dated 4 December 2001 of the Ministry of Transport and Communications and the Ministry of Finance of Bulgaria for cash reserve maintenance and utilization. The total amount of reserves accumulated as 10% of the net profit for the period 2001-2007 is BGN 10,143 thousand. The total amount of specific reserves is BGN 29,257 thousand.

Other reserves

On the basis of Decisions of the Council of Ministers of Bulgaria the Ministry of Transport-CAA has entitled the Company to manage real estate (land) for the construction of Airport Control Tower at Sofia Airport, by Order No. RD-08-392/16.10.2008 of the Minister of Transport to a state-owned company have been granted assets. Their statement has been done in the account “Other reserves”. See: Statement of changes in equity”.

Notes to the financial statement

17.

Trade and other payables

| <i>In thousands of BGN</i> | 2008 | 2007 |
|--|---------------|---------------|
| Trade payables | 17,550 | 8,478 |
| Payables to employees | 17,397 | 13,345 |
| Payables to the budget | 1,177 | 2,232 |
| Social insurance payable | 2,727 | 2,119 |
| Guarantees | 241 | 194 |
| Other (insurances, salary deductions, other) | 1,062 | 671 |
| From litigation and claims | 1,536 | 1,585 |
| | <u>41,690</u> | <u>28,624</u> |

The major trade payables are to the following suppliers: “Allenia Marconi Systems” (Selex S.I.) (BGN 10,962 thousand) related to the enhancement and updating of the automated ATM system; “Sofia Airport” (BGN 2,847 thousand) related to the “Reconstruction, development and extension of Sofia Airport – Lot B2” project; EUROCONTROL (BGN 1,924 thousand) for membership fees. All due liabilities are settled in compliance with contracted terms and conditions.

18. Liabilities for retirement compensations

| <i>In thousands of BGN</i> | 2008 | 2007 |
|--|---------------|---------------|
| Opening balances for the period | 10,371 | 8,816 |
| Paid compensations during the period | (2,950) | (3,622) |
| Additional accrual of liabilities for retirement compensations | 10,300 | 5,177 |
| Closing balances for the period | <u>17,721</u> | <u>10,371</u> |

19. Provisions for retirement compensations

| <i>In thousands of BGN</i> | % | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
|---------------------------------------|-------|--------------|--------------|--------------|--------------|--------------|---------------|
| Provision before discounting | | 3,290 | 2,756 | 957 | 790 | - | 7,793 |
| Additional accrual before discounting | | 701 | 1,717 | 3,125 | 2,220 | 3,757 | 11,520 |
| Total liabilities before discounting | | <u>3,991</u> | <u>4,473</u> | <u>4,082</u> | <u>3,010</u> | <u>3,757</u> | <u>19,313</u> |
| Discount | 4.75% | - | (203) | (362) | (391) | (636) | (1,592) |
| Present value | | <u>3,991</u> | <u>4,270</u> | <u>3,720</u> | <u>2,619</u> | <u>3,121</u> | <u>17,721</u> |

In accordance with the requirements of the Labour Code and Collective Labour Contract on termination of the labour contract of an employee entitled to retirement, the Company is obliged to pay certain compensation based on the gross monthly salary.

The provision for retirement benefits is calculated in accordance with the provisions of the Labour Code and the Collective Labour Contract and covers the time period from January 2009 to December 2013 inclusive.

Notes to the financial statement

20. Financial instruments

Foreign currency risk

BULATSA incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than BGN. The Bulgarian Lev is fixed to the EUR at the rate of 1:1.95583. The currency risk for the Company is incurred mainly by possible transactions in USD. The Company manages foreign currency risk by fixing its prices of sales and purchases and of loans in BGN or EUR.

Interest rate risk

As the Company has no interest-bearing loans and borrowings the interest rate risk is low.

Effective interest rates and pricing analysis

The rates of the effective interest in respect of income-earning financial assets and interest-bearing financial liabilities, together with the periods of revaluation are presented in the following table:

| <i>In thousands of BGN</i> | Note | Effective interest rate | Total | Up to 6 months | 6-12 months |
|----------------------------|-------------|--------------------------------|--------------|-----------------------|--------------------|
| Cash in cash-box | 15 | - | 51 | | |
| Current accounts | 15 | 0,58 | 62,380 | | |
| Deposits | 15 | 4,63 | 170,502 | 3,912 | 166,590 |

Credit risk

The Company has a credit exposure as disclosed in note 13. The major part of its trade receivables arises from route charges, billed and collected by EUROCONTROL, which are regulated for the current period by the Multilateral Agreement for Route Charges.

21. Related parties

Tables below give information about most significant related party transactions in compliance with IAS 24. Related parties to BULATSA are other state-owned companies.

| Title | Description of the transaction | Purchases in 2007 | Outstanding liabilities as at 31 December 2007 |
|---|---|--------------------------|---|
| General Directorate "Civil Aviation Administration" | Fees for certification of air-navigation equipment | 2,225 | - |
| Sofia Airport | Re-charge of utility services – electricity, water, rent | 249 | 34 |
| “Communications Regulation Commission” | License fees | 160 | - |
| “Aviodetachment 28” | Flight inspection of navigation aids | 451 | 88 |
| Sofia Airport | Contract for construction of Lot B2 | 1 | - |
| “Transport Construction and rehabilitation” | Contract for construction of rehabilitation and training centre “St. Constantine and Elena” | 7 | 3 |
| Bulgargaz AD | Supply of natural gas | 150 | 1 |

Notes to the financial statement

| | | | |
|---|---|-------|-----|
| Research&Design Center at University of Architecture,Engi- neering&Geodesy | Terrain regulation for a new airport control tower | 11 | - |
| | | 3,254 | 126 |

| Title | Description of the transaction | Purchases in 2008 | Outstanding liabilities as at 31 December 2008 |
|--|---|----------------------|--|
| General Directorate "Civil Aviation Administration" Sofia Airport | Fees for certification of air- navigation equipment | 2,431 | 1 |
| Communications Regulation Commission | Re-charge of utility services – electricity, water, rent | 316 | 39 |
| Aviodetachment 28 Sofia Airport | License fees | 163 | 0 |
| Bulgargaz AD | Flight inspection of navigation aids | 409 | 0 |
| | Contract for construction of Lot B2 | 388 | 388 |
| | Supply of natural gas | 305 | 0 |
| Research & Design Centre at University of Architecture, Civil Engineering & Geodesy | Terrain regulation for a new airport control tower | 14 | 14 |
| MT-CAA | Real estate | 4,026 | 442 |

| Title | Description of the transaction | Sales in 2008 | Outstanding receivables as at 31 December 2008 |
|-----------------------------------|--------------------------------|---------------|---|
| State National Security Agency | Security Vehicles | - | - |

In the course of execution of the management bodies' duties, the Company has accrued the following remunerations:

| <i>In thousands of BGN</i> | 2008 | 2007 |
|----------------------------|-------------|-------------|
| Managing Board | 258 | 243 |
| Control Board | 147 | 118 |
| CEO | 110 | 56 |
| | 515 | 417 |

22. Contingent assets

The Company reports bank guarantees and collaterals issued in favour of BULATSA amounting to BGN 10,347 thousand, the most significant part being bank guarantees issued by "Allenia Marconi Systems" (Selex S.I.) amounting to BGN 9,864 thousand.

Notes to the financial statement

23. Contingent liabilities

A new lawsuit was filed by “Plams 2001” OOD against BULATSA, claiming expenses related to a property right over the hotel complex “Kopitoto”. The lawsuit filed is at first instance court. The price of the claim is BGN 663 thousand.

24. Subsequent events

After the balance sheet date there are no events that could have significant effect on the Financial Statements for 2008.

The average unit rate for air navigation services for overflying is EUR 46.26 for 2008. The average basic en-route unit rate (taking into account the minor variations of the ratio between BGN and EUR according to the REUTERS exchange rates) amounts to EUR 43,73 for 2009.

25. Applicable accounting framework

Description of the applicable accounting framework

The Company has prepared its annual financial statements for 2007 in accordance with the International Financial Reporting Standards (IRFS) in the edition as of 1 January 2005, adopted in Bulgaria with a Decree No207/7.08.2006 of the Council of Ministers and promulgated in the State Gazette, issue 66/2006. A list of the International Accounting Standards, adopted in Bulgaria, is shown below.

List of International Accounting Standards applicable in Bulgaria, used as a basis for preparation of the financial statements for 2008

| | |
|--------|--|
| IFRS 1 | First time adoption of International Financial Reporting Standards |
| IFRS 2 | Share based payment |
| IFRS 3 | Business combinations |
| IFRS 4 | Insurance contracts |
| IFRS 5 | Non-current assets held for sale and discontinued operations |
| IFRS 6 | Exploration for and evaluation of mineral resources |
| IAS 1 | Presentation of financial statements |
| IAS 2 | Inventories |
| IAS 7 | Cash flow statement |
| IAS 8 | Accounting policies, changes in accounting estimates and errors |
| IAS 10 | Events after the Balance Sheet date |
| IAS 11 | Construction contracts |
| IAS 12 | Income taxes |
| IAS14 | Segment Reporting |
| IAS16 | Property, Plant and Equipment |
| IAS17 | Leases |
| IAS 18 | Revenue |
| IAS 19 | Employee benefits |
| IAS 20 | Accounting for government grants and disclosure of government assistance |
| IAS 21 | The effects of changes in foreign exchange rates |
| IAS 23 | Borrowing costs |
| IAS 24 | Related party disclosures |

Notes to the financial statement

| | |
|---------|--|
| IAS 26 | Accounting and reporting by retirement benefit plans |
| IAS 27 | Consolidated and separate financial statements |
| IAS 28 | Investments in associates |
| IAS 29 | Financial reporting in hyperinflationary economies |
| IAS 30 | Disclosures in financial statements of banks and similar financial institutions |
| IAS 31 | Interest in joint ventures |
| IAS 32 | Financial Instruments – disclosure and presentation |
| IAS 33 | Earnings per share |
| IAS 34 | Interim financial reporting |
| IAS 35 | Discontinued activities |
| IAS 36 | Impairment of assets |
| IAS 37 | Provisions, contingent liabilities and contingent assets |
| IAS 38 | Intangible assets |
| IAS 39 | Financial instruments: recognition and measurement |
| IAS 40 | Investment property |
| IAS 41 | Agriculture |
| IFRIC 1 | Changes in existing decommissioning, restoration and similar liabilities |
| IFRIC 2 | Members' shares in co-operative entities and similar instruments |
| IFRIC 4 | Determining whether an arrangement contains a lease |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| SIC 7 | Introduction of the Euro |
| SIC 10 | Government assistance - no specific relation to operating activities |
| SIC 12 | Consolidation – special purpose entities |
| SIC 13 | Jointly controlled entities - non-monetary contributions by ventures |
| SIC 15 | Operating leases - incentives |
| SIC 21 | Income taxes - recovery of revalued non-depreciable assets |
| SIC 25 | Income taxes - changes in the tax status of an enterprise or its shareholders |
| SIC 27 | Evaluating the substance of transactions in the legal form of a lease |
| SIC 29 | Disclosure – service concession arrangements |
| SIC 31 | Revenue - barter transactions involving advertising services |
| SIC 32 | Intangible assets - website costs |

26. List of published International Financial Reporting Standards that are not effective in Bulgaria as at Balance Sheet date but might be related to company`s activities

- IFRS 7 – Financial Instruments: Disclosure and Amendment to IAS 1: Presentation of financial statements: Disclosures related to the equity require detailed disclosure of the significance of financial instruments for an entity`s financial position as well as qualitative and quantitative disclosures about the nature and the rate of influence of the risks. The new IFRS 7 and the amended IAS 1 will be valid for the period beginning on 1 January 2007 and will require additional disclosure related to the financial instruments and the equity of the Company;
- IFRS 8 – Operational segments (effective from 01.01.2009); The Company does not expect the amendment to have an effect on the financial statements;
- Amendment to IAS 21 – Effects of changes in foreign exchange rates – net investment in a foreign operation (effective from 1 January 2006) – the Company does not expect the interpretation to have an effect on the financial statements;
- Amendment to IAS 39 – Financial instruments: recognition and measurement of cash flow hedging and fair value option (effective from 1 January 2006). The Company does not expect the amendment to have an effect on its financial statements;
- Amendment to IAS 39 – Financial instruments and IFRS 4 Insurance

Notes to the financial statement

- contracts (effective from 1 January 2006). The Company considers issued financial guarantees as contingent liabilities until a guarantee payment opportunity appears and recognizes a provision in case the requirements of IAS 37 are met;
- Interpretation 6 – Liabilities arising from participating in a specific market – waste electrical and electronic equipment (effective from 1 December 2005). The Company does not expect the interpretation to have an effect on the financial statements taking in account the activities performed by the Company;
 - Interpretation 7 – Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies. The application of the requirements of the interpretation becomes mandatory for the Company's financial statements for 2007. The Company does not expect the interpretation to have an effect on its financial statements;
 - Interpretation 8 – Scope of IFRS 2. The application of the requirements of the interpretation becomes mandatory for the Company's financial statements for 2007. The Company does not expect the interpretation to have an effect on its financial statements;
 - Interpretation 9 – Reassessment of embedded derivatives. The application of the requirements of the interpretation becomes mandatory for the Company's financial statements for 2007. The Company does not expect the interpretation to have an effect on its financial statements;
 - Interpretation 10 - Amendment to IAS 34 Interim financial reporting and IAS 39 Impairment of assets – prohibits the reversal of an impairment loss recognized in a previous interim periods in respect of goodwill, an investment in an equity instrument or a financial asset carried at purchasing cost. The application of the requirements of the interpretation becomes mandatory for the Company's financial statements for 2007 and will be applied in respect of goodwill, investments in equity instruments or financial assets carried at purchasing cost prospectively from the date that the Company first applied the measurement criteria of IAS 36 and IAS 39 respectively. The Company does not expect the interpretation to have an effect on its financial statements;
 - Interpretation 11- Amendment to IFRS 2 – Group and treasury share transactions (for annual periods beginning on or after 1 March 2007). The Interpretation requires that the share-based payment agreement where an entity receives goods or services as a consideration for own equity instruments to be accounted as a share-based transaction for payment, arranged through shares regardless of the way the necessary capital instruments have been obtained. The Interpretation gives guidelines if the share-based payment agreement where the providers of goods or services to an entity have been given capital instruments of the parent Company have to be accounted as arranged through pecuniary funds or arranged through shares in the financial statements of the Company. The Company considers that IFRIC 11 is not applicable for the operations of the Company as the Company has not concluded share-based payment agreements.
 - Interpretation 12 – Service Concession arrangements (effective from 1 January 2008). This Interpretation gives guidance to private companies on some disclosure and questions in connection with assessments that appear in the accounting of the public-to-private service concession arrangements. The Company considers that IFRIC 12 is not applicable for the operations of the Company as the Company has not concluded service concession agreements.
 - Interpretation 13 – Programmes for clients' loyalty (effective from 01.01.2008);
 - Interpretation 14 (effective from 01.01.2008) – referring to IAS 19 Employee benefits – Restrictions of the assets included in plans with defined installments, minimum capital requirements and their interaction;
 - Amendment to IAS 23 Borrowing costs (effective from 01.01.2009);

Notes to the financial statement

- Amendment to IAS 1 Presentation of financial statements (effective from 01.01.2009)
- Amendment to IAS 27 Consolidated and separate financial statements (effective from 01.07.2009)
- Amendment to IFRS 2 Share based payment: Conditions for granting rights and cancelation (effective from 01.01.2009)

Most of the Standards and Interpretations referred above are not applicable for the activities of the Company therefore they will have no influence on its financial statements for 2008.