All amounts are in thousand BGN unless otherwise stated

4. Revenue

Revenues from sales consist mainly of revenues from cable TV and broadband internet services, rendered to corporate clients and individuals. In addition, the Group offers corporate internet solutions, dark fiber and leased line services.

	Year ended 31.12.2008	Year ended 31.12.2007
Revenue from cable tv services including HBO	38,993	31,228
Revenue from internet services	12,409	10,475
Corporate internet solution, dark fiber, leased line	5,102	5,737
Revenue from telephone services	345	118
Other	181	56
TOTAL	57,030	47,614

5. Raw materials, consumables and services used

	Year ended 31.12.2008	Year ended 31.12.2007
Construction costs capitalized	(1,724)	(1,022)
Materials	474	1,130
Spare parts, instruments and fuel	439	415
Promotional materials	241	174
Consumables and hygienic materials	152	143
Other	309	76
Subtotal materials and consumables	1,615	1,938
Broadcasting rights	7,373	5,912
Internet costs	2,475	2,096
Consultancy and audit	4,144	1,100
Leased duct	2,085	1,812
Office expenses	2,070	1,640
Marketing	1,157	1,059
Notary and legal services	40	337
Administrative costs	32	582
Insurance	206	138
Information support	456	330
Repair and maintenance	423	231
Other	798	856
Subtotal services used	21,159	16,093
TOTAL	21,150	17,009

All amounts are in thousand BGN unless otherwise stated

6. Employee benefits expense

	Year ended 31.12.2008	Year ended 31.12.2007
Wages and salaries	8,874	7,779
Social security contribution	1,574	1,551
TOTAL	10,448	9,330

7. Other expense

	Year ended 31.12.2008	Year ended 31.12.2007
Impairment loss on receivables	1,267	1,780
Taxes	13	12
Entertainment costs	67	65
Business trips	46	46
Donations	387	7
Other	592	21
TOTAL	2,372	1,931

The other expenses of BGN 592 thousand for the year ended December 31, 2008 include the following expenses: BGN 60 thousand for collection of overdue subscription fees, BGN 96 thousand for incasso services, BGN 84 thousand additional services, BGN 45 thousand for rent of cars, BGN 87 thousand for expenses without supporting documents and other expenses for BGN 220 thousand.

8. Other income and losses from disposals of equipment

The other income for the year ended December 31, 2008 and 2007 is as follows:

	Year ended 31.12.2008	Year ended 31.12.2007
Impairment loss on receivables reversed	144	227
Other	289	295
TOTAL OTHER INCOME	433	522

The losses from disposals of property, plant and equipment for the year ended December 31, 2008 and 2007 is as follows:

	Year ended 31.12.2008	Year ended 31.12.2007
Proceeds from sales	66	-
Carrying amount of disposed property, plant and equipment	(117)	-
TOTAL LOSS FROM DISPOSAL OF EQUIPMENT	(51)	-

All amounts are in thousand BGN unless otherwise stated

9. Finance costs, net

	Year ended 31.12.2008	Year ended 31.12.2007
Interest expense	15,756	13,214
Foreign exchange losses	112	105
Other financial expense	794	895
Total financial expense	16,662	14,214
Interest income	(80)	(2,224)
Foreign exchange gains	(93)	(114)
Other financial income	(162)	(154)
Total financial income	(335)	(2,492)
TOTAL FINANCE COSTS, NET	16,327	11,722

10. Taxation

Income tax expenses for the years ended December 31, 2008 and 2007 are as follows:

	Year ended 31.12.2008	Year ended 31.12.2007 (restated)
Current tax expense	34	432
Deferred tax income	(439)	(204)
TOTAL TAX EXPENSE / (INCOME)	(405)	228

The calculation of the effective tax rate applicable for the year ended December 31, 2008 is as follows:

	Year ended 31.12.2008	Year ended 31.12.2007 (restated)
Loss before tax	(4,455)	939
Applicable tax rate	10%	10%
Tax income	(446)	94
Tax effect of permanent differences, and decrease in tax rate applied to deferred tax calculations	5	12
Tax effect of unrecognized and unused tax losses	36	122
TOTAL TAX EXPENSE / (INCOME)	(405)	228
Effective tax rate	9.09%	24.28%

All amounts are in thousand BGN unless otherwise stated

10. Taxation (continued)

As of December 31, 2008 deferred tax assets and liabilities are as follows:

	As of 31.12.2008	As of 31.12.2007
Deferred tax assets:		
Tax effect from impairment of receivables	256	154
Tax effect from unused paid leaves provision	54	61
Tax effect from loss	1,717	951
Other	527	231
TOTAL DEFERRED TAX ASSETS	2,554	1,397
Deferred tax liabilities:		
Tax effect from revaluations	-	-
Tax effect from non-current assets related temporary differences	(1,495)	(758)
TOTAL DEFERRED TAX LIABILITIES	(1,495)	(758)
TOTAL DEFERRED TAX ASSETS, NET	1,059	639

Deferred tax asset on tax losses carried forward incurred by ECMB and initially recognignized in its separate financial statements are recognized in these consolidated financial statements, and are as follows:

Year of origination	Tax loss	Deferred tax asset recognized	Year of expiry
2006	7,640	764	2011
2007	1,866	187	2012
2008	7,661	766	2013
		1,717	

All amounts are in thousand BGN unless otherwise stated

11. Property, plant and equipment

	Technical Equipment	Fixtures and other equipment	Assets under construction	Total
COST				
As of 1 January 2007	30,185	1,500	1,767	33,452
Additions	1,542	267	11,858	13,668
Transfers	4,236	-	(4,236)	-
Disposals	(22)	(130)	-	(152)
Acquisition through business combination (note 12)	2,126	-	-	2,126
As of 31 December 2007	38,067	1,638	9,390	49,095
Additions	4,278	2,550	11,609	18,437
Transfers	12,854	268	(13,122)	-
Disposals	(344)	(36)	-	(380)
Acquisitions through business combinations (note 12)	5,896	192	-	6,088
As of 31 December 2008	60,751	4,612	7,877	73,240
ACCUMULATED DEPRECIATION				
As of 1 January 2007	4,586	164	-	4,750
Charged for the period	5,088	172	-	5,260
Disposed for the period	(22)	(48)	-	(70)
As of 31 December 2007	9,652	288	-	9,940
Effect of restatement (note 2.8.)	(1,076)	(26)	-	(1,102)
As of 31 December 2007 (restated)	8,576	262	-	8,838
Charged for the period	6,730	1,271	-	8,001
Disposed for the period	(108)	(67)	-	(175)
As of 31 December 2008	15,198	1,466	-	16,664
NET BOOK VALUE AS OF DECEMBER 31, 2007	29,491	1,376	9,390	40,257
NET BOOK VALUE AS OF DECEMBER 31, 2008	45,553	3,146	7,877	56,576

Assets under construction include costs accumulated for the construction of own network.

The gains/losses from disposed assets are disclosed in note 8 above.

All amounts are in thousand BGN unless otherwise stated

12. Goodwill

The movements of goodwill for the year ended December 31, 2007 are as follows:

	Goodwill
Cost	
Balance at January 1, 2007	6,348
Koel EOOD acquisition	
Cost of the consideration given	1,498
Fair value of net assets acquired	(507)
Customer base	(940)
Goodwill arising from Koel EOOD acquisition	51
Centrum Group Kabel OOD acquisition	
Cost of the consideration given	4,792
Fair value of net assets acquired	(1,619)
Customer base	(3,074)
Goodwill arising from Centrum Group Kabel OOD acquisition	99
Deferred tax liability arising from the merge of Eurocom Plovdiv	181
Adjustment of cost of consideration given to Centrum Group BG	51
Balance at December 31, 2007	6,730

The movements of goodwill for the year ended December 31, 2008 are as follows:

	Goodwill
Cost	
Balance at January 1, 2008	6,730
OSG Intercom OOD acquisition	
Cost of the consideration given	5,463
Fair value of net assets acquired, excluding subsidiaries	(1,440)
Subsidiaries acquired (Intercom Bor Sat 100%)	(5)
Customer base	(3,900)
Goodwill arising from OSG Intercom OOD acquisition	118
TOMEKOM EOOD acquisition	
Cost of the consideration given	14,053
Fair value of net assets acquired	(4,479)
Customer base	(9,345)
Goodwill arising from TOMEKOM EOOD acquisition	229
Insight Com OOD acquisition	
Cost of the consideration given	935
Fair value of net assets acquired	(70)
Customer base	(676)
Goodwill arising from Insight Com OOD acquisition	189
Goodwill arising from Eurocom Chirpan OOD acquisition	62
Write-off the goodwill arising from Gigabit Net EOOD	159
Adjustment of cost of consideration given to Eurocom Plovdiv EOOD	(391)
Balance at December 31, 2008	7,096

All amounts are in thousand BGN unless otherwise stated

12. **Goodwill (continued)**

On December 22, 2008 the subsidiary Gigabit Net EOOD was liquidated. As a result the goodwill arising from the acquisition of the subsidiary has been written-off.

The adjustment of the cost of consideration given to Eurocom Plovdiv EOOD is as a result of the renegotiated terms during April 2008 for the deal for acquisition of Eurocom Plovdiv, when was agreed with the seller the acquisition price to be decreased by BGN 391 thousand. As disclosed in note 22 the remaining part of the payable has been settled in cash during 2008.

The goodwill as of December 31, 2008 and 2007 by subsidiaries, from which it has arizen, is presented in the following schedule:

	As of 31.12.2008	As of 31.12.2007
Cost		
BBB	3,861	3,861
Eurocom Plovdiv	2,236	2,468
Centrum Group BG	251	251
Koel EOOD	51	51
Centrum Group Kabel OOD	99	99
OSG Intercom OOD	118	-
TOMEKOM EOOD	229	-
Insight Com OOD	189	-
Eurocom Chirpan OOD	62	-
TOTAL	7,096	6,730

The business combinations accomplished in 2008 are as follows:

OSG Intercom acquisition

In April 2008 the Company acquired the following assets from OSG Intercom: cable network, cars, customer base and 1000 shares which are 100% of the capital of Intercom Bor Sat EOOD. Intercom Bor Sat EOOD is the owner of the 50% of the shares in Eurocom Chirpan OOD and according to the agreement with the other owner of the shares the entity will be jointly controlled by its shareholders and there have to be unanimous consent of the parties sharing control regarding all significant decisions related to the operations of Eurocom Chirpan OOD.

The cost of acquisition of OSG Intercom OOD was paid in cash. The net cash flow on acquisition is as follows:

Total purchase price	5,463
Less cash and cash equivalent acquired	-
TOTAL	5,463

All amounts are in thousand BGN unless otherwise stated

12. **Goodwill (continued)**

TOMEKOM EOOD acquisition

In February 2008 the Company acquired the following assets from TOMEKOM EOOD: cable network, cars and customer base

The cost of acquisition of TOMEKOM EOOD was paid in cash. The net cash flow on acquisition is as follows:

Total purchase price	14,053
Less cash and cash equivalent acquired	-
TOTAL	14,053

Insight Com OOD acquisition

In June 2008 the Company acquired customer base of Insight Com OOD. Part of the deal was the upgrade of the cable network in Nadejda district in Sofia.

The cost of acquisition of Insight Com was paid in cash. The net cash flow on acquisition is as follows:

Total purchase price	935
Less cash and cash equivalent acquired	-
TOTAL	935

The business combinations accomplished in 2007 are as follows:

Koel acquisition

In July, 2007 the Company acquired the network of Koel EOOD. According to the requirements of IFRS 3 this acquisition is a business combination and ECMB has to recognize all identifiable assets, liabilities and contingent liabilities. As a result of the business combination ECMB accounted – Network, Customer base and Goodwill. The fair value of the Network of Koel EOOD was determined by a licensed appraiser in August 2007, and the fair value of the Customer base in September 2007.

The cost of acquisition of Koel was paid in cash. The net cash flow on acquisition is as follows:

Total purchase price	1,498
Less outstanding amount payable	-
Less cash and cash equivalent acquired	-
TOTAL	1,498

All amounts are in thousand BGN unless otherwise stated

12. **Goodwill (continued)**

Centrum Group Kabel OOD acquisition

In April, 2007 the Company acquired network of Centrum group Cable. According to the requirements of IFRS 3 this acquisition is a business combination and ECMB has to recognize all identifiable assets, liabilities and contingent liabilities. As a result of the business combination ECMB accounted – Network, Customer base and Goodwill. The fair value of the Network of Centrum group Cable was determined by a licensed appraiser in May 2007, and the fair value of the Customer base in June 2007.

The cost of acquisition of Koel was paid in cash. The net cash flow on acquisition is as follows:

Total purchase price	4,792
Less outstanding amount payable	-
Less cash and cash equivalent acquired	-
TOTAL	4,792

Impairment test

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 10 years. As of December 31, 2008 the management of the Group had determined that there are no indications for the impairment of goodwill. For the purpose of determination of the discounted cash flows of the cash generating unit, which is considered the whole Group, the management has considered the following factors as of December 31, 2008:

- Discount rate before taxes of 10.5%;
- Almost constant level of the number of subscribers;
- Increase of the subscription fees and as a result increase of revenues in next five years (2009 – 2013), and constant revenues for the remaining five years (2014 – 2018).

All amounts are in thousand BGN unless otherwise stated

13. Other intangible assets

	Customer base	Other	Total
COST			
As of 1 January 2007	72,983	351	73,334
Additions	-	136	136
Acquisition through business combinations	4,014	-	4,014
As of 31 December 2007	76,997	487	77,484
Additions	-	344	344
Acquisition through business combinations (note 12)	13,921	-	13,921
As of 31 December 2008	90,918	831	91,749
ACCUMULATED DEPRECIATION			
As of 1 January 2007	2,888	84	2,972
Charged for the period	3,000	65	3,065
As of 31 December 2007	5,888	149	6,037
Effect of restatement B) (note 2.8.)	-	(18)	(18)
As of 31 December 2007 (restated)	5,888	131	6,019
Charged for the period	3,458	110	3,568
As of 31 December 2008	9,346	241	9,587
NET BOOK VALUE AS OF DECEMBER 31, 2007	71,109	356	71,465
NET BOOK VALUE AS OF DECEMBER 31, 2008	81,572	590	82,162

The Customer base acquired during 2008 was recognized effective as of the date of the acquisition of OSG Intecom, Insight and Tomekom, and is described in note 2.10 above.

14. Other non-current assets

	As of 31.12.2008	As of 31.12.2007
Other Investments	13	13
TOTAL	13	13

15. Inventories

	As of 31.12.2008	As of 31.12.2007
Materials	2,677	2,085
Goods for resale	2	95
TOTAL	2,679	2,180

All amounts are in thousand BGN unless otherwise stated

16. Trade and other receivables

	As of 31.12.2008	As of 31.12.2007
Trade receivables from customers net of impairment	2,585	3,757
Prepayments for business combinations	-	3,052
Prepayments and deferred expenses	804	503
Swap valuation	-	268
Swap interest	75	66
Tax refundable	218	163
Other receivables	80	1
TOTAL	3,762	7,810

As of December 31, 2007 the Group has reported prepayments for acquisition of networks for BGN 3,052 thousand. Some of the acquisitions of networks were occurred during the 2008, and the remaining part of the prepaid amounts for business combinations amounting to BGN 822 thousand has been recognized as an expense during 2008, because the Group's management believes that these amounts will not be recovered due to postponement of the deals.

As of December 31, 2007 the accounts with main counterparties of the Company are as follows:

Name	Type	Carrying amount of the receivables as of 31.12.2008
Counterparty 1	In the country	51
Counterparty 2	In the country	48
Counterparty 3	In the country	48
Counterparty 4	In the country	37
Counterparty 5	In the country	23

As of December 31, 2008 the age structure of trade receivables from customers not impaired is as follows:

	As of 31.12.2008	As of 31.12.2007
Less than 1 month	1,355	941
From 1 to 3 months	840	605
From 3 months to 1 year	267	2,211
From 1 to 5 years	123	-
TOTAL RECEIVABLES NOT IMPAIRED	2,585	3,757

The impairment losses recognized in 2008 of the overdue accounts receivables is BGN 1,267 thousand (see also note 7) and the income from impairment loss reversed in 2008 is BGN 144 thousand (see also note 8).

All amounts are in thousand BGN unless otherwise stated

17. Cash and bank balances

	As of 31.12.2008	As of 31.12.2007
Cash on hand	185	242
Cash in transit	305	369
Restricted cash	94	94
Current bank accounts	3,592	3,123
TOTAL	4,176	3,828

Restricted cash represents cash of ECMB, restricted as collateral for a court trial against the Company, dated 2005. No significant further development on the court case has been occurred as of December 31, 2008.

Cash in transit is cash collected from the cash points, but not deposited with banks as at the balance sheet date.

18. Issued capital

The share capital of the Company as of December 31, 2006 amounts to BGN 17,607,470. On October 31, 2007 the share capital was decreased from BGN 17,607 thousand to BGN 3,000 thousand by decrease of a loan receivable from FN Cable Holdings B.V. with BGN 14,607 thousand (see note 14). The number of shares outstanding as of December 31, 2008 and 2007 are 300,000 with a face value of BGN 10 each.

19. Bank loans

	As of 31.12.2008	As of 31.12.2007
Long-term loans		
Loan from ING Bank	63,014	43,327
Deferred bank and legal fee related to refinancing	(1,176)	(1,480)
TOTAL LONG-TERM BANK LOANS	61,838	41,847
Short-term loans		
Bank loan		-
Bank overdrafts ING Bank Sofia	978	700
TOTAL SHORT-TERM BANK LOANS	978	700

The Company has obtained three loans and one overdraft from ING Bank.

The first loan is for amount of EUR 11,000 thousand (BGN 21,514 thousand), and has been utilized in 2006. The loan is with maturity date October 24, 2015. The interest rate as per contract is 3.25% + 1-m EURIBOR.

All amounts are in thousand BGN unless otherwise stated

19. Bank loans (continued)

The second loan from ING Bank is an acquisition loan with a limit of EUR 25,000 thousand (BGN 48,896 thousand), from which the Company has utilized BGN 28,201 thousand as of December 31, 2008 and BGN 21,813 thousand as of December 31, 2007. The loan is due on 6 equal semi-annual instalments during the period 2011 – 2013. The interest rate as per contract is 2.25% + 1-m EURIBOR.

The third loan is a revolving loan with limit of EUR 6,800 thousand (BGN 13,299), and has been utilized in 2008. The loan is with maturity date October 24, 2013. The interest rate as per contract is 2.25% + 1-m EURIBOR. As a collateral for the loans obtained from ING Bank was established a special pledge of the whole enterprise – Eurocom Cable Management Bulgaria EOOD.

According to the loan agreement the parent of the Group – FN Cable Holdings B.V. have to comply with several financial covenants. As disclosed in note 2.24. above the FN Cable Group will be presumably unable to fulfil with the covenants indicators set out in the credit agreement during 2009. As of balance sheet date and as of date of authorization of these financial statements there is no information that the loans provided to the Group may become payable on demand. The management of the Group believes that the loans are properly presented in these financial statements.

20. Finance lease liabilities

The policy of the Group is to finance part of the purchases of equipment and cars through finance lease. As at the balance sheet date there are 27 active contracts. The interest rate charges is based on 3-month EURIBOR plus margin. The average interest rate is 8%.

The net present value of the finance lease liabilities is as follows:

	As of 31.12.2008	As of 31.12.2007
Less than 1 year	336	162
From 1 to 5 years	146	78
Future interest charges on finance lease contracts	(36)	(19)
Net present value of the finance lease liabilities	446	221

The finance lease liabilities as at the balance sheet date are as follows:

	As of 31.12.2008	As of 31.12.2007
Long-term part of lease obligations	137	65
Short-term part of lease obligations	309	156
TOTAL	446	221

All amounts are in thousand BGN unless otherwise stated

21. Loans from related parties

	As of 31.12.2008	As of 31.12.2007
Loan from FN Cable Holdings B.V.	79,345	71,522
Less: Deferred charges for loan	(1,306)	(1,474)
TOTAL	78,039	70,048

On October 24, 2006 the Company has received a loan from FN Cable B.V. of BGN 74,322 thousand (EUR 38,000 thousand).

On January 1, 2007 based on an Agreement the loan granted by the Company to FN Cable B.V. of BGN 1,623 thousand was set-off with the outstanding liability of the Company for interest.

On October 31, 2007 based on a Set-off Agreement the loan to FN Cable B.V. with total amount BGN 17,407 thousand was set-off against reduction of the registered capital of Eurocom Cable by BGN 14,607 thousand (see also note 18), and BGN 2,800 thousand from the loan from FN Cable B.V. to Eurocom Cable.

On Arpil 3, 2008 the Company has received a second loan from FN Cable B.V. of BGN 7,823 thousand (EUR 4,000 thousand).

The effective interest rate per the contract is 14.5% per annum. No collateral has been established per the loan agreement.

22. Trade and other payables

	As of 31.12.2008	As of 31.12.2007
Trade payables to suppliers	9,640	4,055
Acquisition payables	-	8,218
Payables to the state	271	730
Staff payables	1,229	1,180
Swap valuation	225	-
Interest payable	3,190	-
VAT payables	540	446
Other payables	314	996
Total trade and other liabilities	15,409	15,625

Acquistion payables of BGN 8,218 thousand as of December 31, 2007 represent part of the purchase price for acquisition of Eurocom Plovdiv unpaid as of December 31, 2007. The amount of the payable has been renegotiated during 2008 by decrease of the purchase price with BGN 391 thousand, and the remaining part hasbeen settled in cash.

As of December 31, 2008 and 2007 the "Staff payables" includes provisions for retirement for BGN 140 and 124 thousand, respectively.

The interest payables as of December 31, 2008 include payable for interest to FN Cable Holdings B.V. amounting to BGN 2,398 thousand, and payable for interest to ING Bank amounting to BGN 792 thousand.

All amounts are in thousand BGN unless otherwise stated

23. Deferred revenue

Deferred revenue represents prepaid taxes from subscribers to be recognized as income in 2009.

24. Joint ventures

The Group has the following significant interests in joint ventures: 50% equity shareholding with equivalent voting power in Eurocom Chirpan OOD.

The following amounts are included in the Group financial statements as a result of the proportionate consolidation of Eurocom Chirpan OOD:

	As of 31.12.2008	As of 31.12.2007
Current assets	21	-
Non-current assets	104	-
Current liabilities	(141)	-
Non-current liabilities	-	-

	Year ended 31.12.2008	Year ended 31.12.2007
Income	70	-
Expenses	(60)	-

25. Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The account payables with the related parties as of December 31, 2008 are as follows:

	As of 31.12.2008	As of 31.12.2007
Loan from FN Cable Holdings B.V. - principal	79,345	71,522
Deferred charges for loan	(1,306)	(1,474)
Interest (note 22)	2,398	-
	80,437	70,048

All amounts are in thousand BGN unless otherwise stated

25. Related party transactions (contuned)

The income from related parties for 2008 and 2007 is as follows:

	Year ended 31.12.2008	Year ended 31.12.2007
Interest income	-	2,102
	-	2,102

The expense from transactions with related parties for 2008 and 2007 is as follows:

	Year ended 31.12.2008	Year ended 31.12.2007
Management fees from FN Cable Holdings B.V.	795	411
Interest expense	11,192	10,709
	11,987	11,120

During 2008 renumeration of the Group amounting to BGN 554 thousand has been paid.

26. Financial instruments and financial risk management

Categories of financial instruments

Financial assets

	As of 31.12.2008	As of 31.12.2007
Derivative instruments	-	268
Loans and receivables and cash and cash equivalents	7,938	11,370
TOTAL FINANCIAL ASSETS	7,938	11,638

Financial liabilities

	As of 31.12.2008	As of 31.12.2007
Financial liabilities by amortized cost [1]	156,709	128,320
	156,709	128,320

[1] Includes bank loans, other financial liabilities, intercompany loans, trade and other payables, other financial liabilities and bank overdraft and loans.

Credit risk

Financial assets, which potentially expose the Group to credit risk, are mainly trade receivables and long-term loans. The Group is exposed to credit risk in case counterparty does not pay their liabilities. Due to the large number of clients the Group has no significant concentration of credit risk. Credit risk, or the risk of counterparties defaulting, is controlled by the application of monitoring procedures. The Group has no policy of obtaining collateral from its debtors.

All amounts are in thousand BGN unless otherwise stated

26. Financial instruments and financial risk management (continued)

The Company does not have any significant credit risk exposure to any single counterparty, except for the disclosed in note 16 accounts with major counterparties.

The impairment policy with respect of the overdue receivables is disclosed in note 2.20. above.

Liquidity risk

The liquidity risk results from the time differences of the contracted maturity dates of monetary assets and liabilities and the possibility counterparties to be unable to meet their obligations to the Group within standard terms. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast.

As of December 31, 2008 the Group's financial liabilities, analyzed by residual period from the balance sheet date to the date of next contract or expected maturity, are as follows:

	Interest rate	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
Loans from related parties	14.5%	-	-	-	78,039	78,039
Bank loans	7%	-	978	40,726	21,112	62,816
Trade and other payables	n/a	10,408	4,460	-	-	14,868
Current tax liabilities	n/a	540	-	-	-	540
Other financial liabilities	8%	77	232	137	-	446
Total financial liabilities		11,025	5,670	40,863	99,151	156,709

As of December 31, 2007 the Group's financial liabilities, analyzed by residual period from the balance sheet date to the date of next contract or expected maturity, are as follows:

	Interest rate	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Above 5 years	Total
Loans from related parties	14.5%	-	-	-	70,048	70,048
Bank loans	6.4%	700	-	14,542	27,305	42,547
Trade and other payables	n/a	6,840	8,218	-	-	15,058
Current tax liabilities	n/a	446	-	-	-	446
Other financial liabilities	8%	39	117	65	-	221
Total financial liabilities		8,025	8,335	14,607	97,353	128,320

Foreign currency risk

The Group performs transactions, denominated mainly in BGN and EUR, which is fixed to the Bulgarian Lev, and accordingly the Group is not exposed to foreign currency risk. Therefore the Group's management believes the effect from possible changes in other foreign currency rates would affect insignificantly profit or loss.

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The biggest exposure for the Group is the bank loan, which bears floating interest rate.

26. Financial instruments and financial risk management (continued)

Interest rate risk (continued)

During 2006 the Company had entered into interest rate swap transactions to mitigate the risk of rising interest rates. Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year. The fair value of the financial asset/liability, arised from the interest rate swap transaction is reported in notes 16 and 22 above.

The following tables detail the remaining terms of interest rate swap contracts outstanding as of balance sheet date:

Receive floating pay fixed contract	Average contracted fixed interest rate		Fair value of the swap	
	2008	2007	2008	2007
	%	%	BGN'000	BGN'000
Less than 1 year	4.14%	2.840%	(225)	197
Total			(225)	268

If the interest on long-term and short-term loans would have been 0.5% higher in 2008, that would result in greater amount of interest expenses for 2008 amounting to BGN 704 thousand and therefore, loss after taxation would have been with BGN 634 thousand more. If the interest on long-term borrowing would have been 0.5% lower in 2008, that would result in lower interest expenses for 2008 amounting to BGN 704 thousand and therefore, loss after taxation would have been with BGN 634 thousand less.

Capital risk management

The Company manages its capital in order to operate as a going concern and to optimize the return by optimization the ration debt-capital. This strategy continues unchanged.

The capital structure of the Company comprise loans from related parties (note 21), bank loans (note 19), other financial liabilities, cash and bank balances (note 17), and equity including share capital and retained earnings.

The debt ratio as of December 31, 2008 and 2007 is as follows:

	As of 31.12.2008	As of 31.12.2007
Long-term borrowings, incl. short-term portion	141,301	112,660
Cash and cash equivalents	(4,082)	(3,734)
Long-term borrowings, net of cash	137,219	108,926
Equity	(2,193)	2,111
Debt ratio (long-term borrowings, net of cash to equity)	(62,57)	51.60

All amounts are in thousand BGN unless otherwise stated

27. Acquisitions

The net assets acquired in the transactions described in note 12 above, considering business combinations in 2008 are as follows:

	Tomekom		Insight		OSG Intercom	
	Acquiree's carrying amount before combination	Fair value	Acquiree's carrying amount before combination	Fair value	Acquiree's carrying amount before combination	Fair value
Net assets acquired:						
Share in equity					5	5
Property, plant and equipment	4,479	4,479		70	1,440	1,440
Customer base acquired		9,345		676		3,900
Total net assets acquired		13,824		746		5,345
Net cash outflow arising on acquisition:						
Cash consideration paid		14,053		935		5,463
Cash acquired		-		-		-
Calculated Goodwill		229		189		118

The net assets acquired in the transactions described in note 12 above, considering business combinations in 2007 are as follows:

	Centrum Group Kabel OOD		Koel EOOD	
	Acquiree's carrying amount before combination	Fair value	Acquiree's carrying amount before combination	Fair value
Net assets acquired:				
Property, plant and equipment	1,619	1,619	507	507
Customer base acquired	-	3,074	-	940
Total net assets acquired		4,693		1,447
Net cash outflow arising on acquisition:				
Cash consideration paid		4,792		1,498
Cash acquired		-		-
Calculated Goodwill		99		51

28. Potential liabilities

According to some of the contracts with cable TV-providers the provider retains the right to audit the accounting records of the company and to verify the actual number of subscribers. In case of underpayment the companies are obliged to pay all additional taxes as well as 5% interest on them.

There is no history of such audits requested and performed and hence, no additional taxes have been accrued on the basis of actual subscribers. Based on the past experience management of the companies consider that it is hardly probable that additional charges will arise. Therefore, no provision has been accrued for such potential liabilities.

29. Post balance sheet events

During April 2009 the Group's management decided to discontinue the operations of Eurocom Trans EOOD and the operations of the subsidiary to be carried by Eurcom Cable Management Bulgaria EOOD.