

Industrial Holding Bulgaria PLC

**Individual Financial Statements
for the period ended 30 June 2007**

INDUSTRIAL HOLDING BULGARIA PLC
INDIVIDUAL INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007

Income Statement
For the three-month period ended 30 June 2007

<i>In thousands of Bulgarian levs</i>	Note	2007 30 June	2006 30 June
Income from interest, dividends and dealings with investments	1	3,617	664
Other operating income	2	<u>68</u>	<u>348</u>
		3,685	1,012
Personnel expenses	3	(113)	(103)
Hired services		(86)	(76)
Other operating expenses	4	<u>(73)</u>	<u>(75)</u>
Net operating income		3,413	758
Financial income (expense)	5	<u>(169)</u>	<u>(295)</u>
Financial income (expense)	5	(169)	(295)
Profit before tax		3,244	463
Tax income (expense)	6	<u>-</u>	<u>(1)</u>
Profit after tax		<u>3,244</u>	<u>462</u>
Basic earnings per share (BGN)	17 (a)	0,1544	0,0219
Diluted earnings per share (BGN)	17(6)	0,1295	0,0235

The Income Statement should be considered together with the notes thereto, which form integral part of the financial statements presented on pages 6 to 24.

Daneta Zheleva
Executive Director

Toshka Vasileva
Preparer

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INDIVIDUAL INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007

Balance Sheet
as at 30 June 2007

	Note	2007 30 June	2006 31 December
<i>In thousands of Bulgarian levs</i>			
Non-current assets			
Non-current tangible assets	7	72	96
Investments in subsidiaries	9	39,483	31,320
Investments in associates	10	4,346	4,345
Long-term loans to related parties	11	392	317
Other long-term receivables	12	580	763
Total non-current assets		44,873	36,841
Current assets			
Trade and other receivables	13	825	757
Receivables from related parties	14	3,036	784
Financial assets held for trading	15	931	1,361
Cash and cash equivalents	16	200	3,141
Materials		3	3
Total current assets		4,995	6,046
Total assets		49,868	42,887
Equity			
Capital and reserves			
Share capital	17	21,003	21,003
Reserves		3,661	3,475
Retained earnings (net)		14,299	11,241
Total equity and reserves		38,963	35,719
Non-current liabilities			
Payable to related parties	18	2,824	-
Total non-current liabilities		2,824	
Current liabilities			
Trade and other payables	19	6,099	1,915
Payable on debenture loan	19	-	5,244
Payables to related parties	20	1,975	3
Tax payables		7	6
Total current liabilities		8,081	7,168
Total equity and liabilities		49,868	42,887

The balance sheet should be considered together with the notes thereto, which represent an integral part of these financial statements presented on pages 6 to 24.

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007

Statement of Cash Flows
For the six-month period ended 30 June 2007

<i>In thousands of Bulgarian levs</i>	2007	2006
	30 June	30 June
Operating activities		
Proceeds received on sale of shares and other trade receivables	772	520
Dividends received	1,366	430
Recovered loan amounts	783	468
Interest received	23	37
Payments related to acquisition of shares and stakes	(9,047)	(489)
Loans granted	(1,187)	(2,279)
Remuneration related payments	(108)	(97)
Foreign exchange gain (loss)	(15)	(125)
Corporate taxes paid	-	(1)
Other payments	(175)	(170)
<i>Net cash flow used in operating activities</i>	<u>(7,588)</u>	<u>(1,706)</u>
Investing activities		
Purchase (sale) of property, plant and equipment	-	(27)
<i>Net cash flow used in investing activities</i>	<u>-</u>	<u>(27)</u>
Financing activities		
Interest paid on bonds	(304)	(159)
Received loans	5,346	-
Repaid loans and interest paid	(389)	-
Other payments on financing activities	(6)	(8)
<i>Net cash flow from / (used in) financing activities</i>	<u>4,647</u>	<u>(167)</u>
Increase/(decrease) in cash and cash equivalents	(2,941)	(1,900)
Cash and cash equivalents at the beginning of the period	3,141	3,044
Cash and cash equivalents at 30 June	<u>16</u>	<u>200</u>
		<u>1,144</u>

The statement of cash flows should be considered together with the notes thereto, which represent an integral part of these financial statements presented on pages 6 to 24.

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007

Statement of Changes in Equity

For the six-month period ended 30 June 2007

<i>In thousands of Bulgarian levs</i>	Note	Share capital	Statutory reserves	Additional reserves	Retained earnings	Total
Balance at 1 January 2005		21,003	732	604	3,035	25,374
Increase in the reserve against 1997 dividends written off		-	-	1,322	-	1,322
Profit for the period		-	-	-	7,502	7,502
Increase in the reserve against 2004 profit			105		(105)	
Balance at 30 June 2005		21,003	837	1,926	10,432	34,198
Balance at 1 January 2006		21,003	837	1,924	10,100	33,864
Profit for the period		-	-	-	462	462
Other changes		-	-	(3)	1	1
Increase in the reserve against 2005 profit			717		(717)	
Balance at 30 June 2006		21,003	1,554	1,921	9,846	34,324
Balance at 1 January 2007		21,003	1,554	1,921	11,241	35,719
Profit for the period					3,244	3,244
Increase in the reserve against 2006 profit			186		(186)	
Balance at 30 June 2007		21,003	1,740	1,921	14,299	38,963

The statement of changes in equity should be considered together with the notes thereto, which represent an integral part of these financial statements presented on pages 6 to 24

Daneta Zheleva
Executive Director

Toshka Vasileva
Preparer

Notes to the interim financial statements
Significant accounting policies

(a) Legal status

Industrial Holding Bulgaria PLC (the Company or the Holding) is a public limited company registered in the Republic of Bulgaria under company file 13081 dated 1996 with a seat in Sofia.

Initially the Company was established as a privatisation fund under the Law on Privatisation Funds under the name Privatisation Fund Bulgaria PLC.

The General Assembly of the Shareholders held on 27 February 1998 passes a decision for restructuring of the operations of Privatisation Fund Bulgaria PLC as a holding company and change in the Company's name from Privatisation Fund Bulgaria PLC to Industrial Holding Bulgaria PLC.

The Company's capital amounts to BGN 21,003,235.

The Company has a two-tier management system comprising Supervisory and Management Board.

The object of activities of the Company is the acquisition, management, assessment and sale of participations in Bulgarian and foreign entities, acquisition, assessment and sale of patents, ceding of licenses to use the patents of the entities in which the Holding has interest, financing of the entities in which the Holding has interest, as well as any other activity not forbidden by law.

The Company's operations are not limited with a term of another termination condition.

An entry has been made in the Unified State Register of Economic Subjects BULSTAT under identification code BG 121631219, as well as with the State Social Security Authority. The Company is registered under the VAT Law.

The Company's shares are traded at the Bulgarian Stock Exchange AD, Sofia.

(b) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), adopted by the European Commission as a result of EC Regulation 1606/2002.

In accordance with the Accountancy Law effective 1 January 2006 the International Financial Reporting Standards (IFRS) adopted by the European Commission are effective on the territory of the Republic of Bulgaria. The latter should be translated officially to Bulgarian language, adopted by the Council of Ministers of the Republic of Bulgaria and promulgated in the State Gazette (SG). At the date the accompanying financial statements have been approved by the Company's management, only IFRS adopted by the European Commission in effect as of 1 January 2005 have been approved by the Council of Ministers by virtue of Decree 207/7 August 2006 and have been promulgated in Bulgarian in SG, issue 66/15 August 2006. However, these financial statements have been prepared in accordance with IFRS adopted by the European Commission, applicable for 2006, as they are published in the Official Journal of the European Union in English language.

The Company's management has reviewed and compared the information, presentations and disclosures had these financial statements been prepared in accordance with the accounting standards adopted in the Republic of Bulgaria by the Council of Ministers with Decree 207/07 August 2006 and promulgated in SG, issue 66/ 15 August 2006. As a result of this review no material differences have been found, related to the carrying amount of the assets and liabilities and the amounts reported in the income statement.

Notes to the interim financial statements
Significant accounting policies, continued

(c) Basis of preparation

These financial statements are prepared in thousands of BGN. Historical cost has been used as basis for preparation with the exception of investments held for sale, which have been presented at fair value, determined based on an active stock exchange market.

The accounting policies have been consistently applied by the Company throughout all periods presented in the financial statements.

The Company has not consolidated the financial statements of its subsidiaries at 30 June 2007. In accordance with the requirements of the national accounting legislation the consolidated financial statements will be prepared by 30 August 2007.

These interim financial statements should be considered in relation to the annual financial statements of the Company for the year 2006.

(d) Comparative information

When the presentation or classification of items in the statements have been adjusted, comparative amounts have been reclassified to ensure comparability with the current period. Such restatements result from the more detailed presentation of the balance sheet and income statement items in the notes to the financial statements.

(e) Reporting currency

The functional and reporting currency of the Company is the Bulgarian lev. With the introduction of the EURO as the official currency of the European Union the Bulgarian lev has been pegged to the EURO at a ratio BGN 1.95583 for EUR 1.

(f) Foreign currency transactions

Transactions in foreign currency are recorded in Bulgarian levs at the exchange rate effective on the date of the transaction. At the balance sheet date monetary assets and liabilities denominated in foreign currency have been translated to Bulgarian levs applying the foreign exchange rate on that date. Foreign currency gains and losses arising as a result of translation are taken to the Income statement.

(g) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and trade payables.

Non-derivative financial instruments are initially recognised at fair value. Financial instruments are recognised when the Company becomes party under the instrument's contractual terms and conditions. Financial assets are derecognised if the contractual rights to receive cash flows from the financial asset no longer exist or when the Company transfers the financial asset to third parties without retaining control or significant risks and benefits from the asset. Regular way purchases and sales of financial assets in the course of business are accounted for as at the date of the transaction, i.e. the date when the Company committed to purchase or sell the asset. Financial liabilities are derecognised, if the Company's liabilities set out in the contract no longer exist, or have been discharged or revoked.

Notes to the interim financial statements
Significant accounting policies, continued

(i) Investments in subsidiaries

Subsidiaries are the entities in which the Company exercises control. Control exists where the Company is in position, directly or indirectly, to govern the financial and operating policies of the subsidiary, in order to benefit from its operations. The cost method is used to report these investments. Upon acquisition the investment is initially recorded at cost, which includes the cash amounts paid and the costs related to the acquisition: charges, commissions, fees, non-refundable taxes, etc.

The share of the attributable net profit of the investee, i.e. the dividend following its distribution, is reported as current financing income.

(ii) Investments in associates

Associates are entities where the Company has significant influence, but not control, on the financial and operating policies. Current reporting is at cost. Dividend income is recognised following its determining.

(iii) Financial assets available for sale

Financial assets available for sale valued at their fair value have been presented as other long-term financial assets, with the resulting gains or losses being taken to the income statement. Financial assets which fair value cannot be measured reliably are valued at depreciated cost or at cost. Dividends received therefrom are taken to the income statement.

(iv) Financial assets held for trading

Financial assets held for trading include debenture and equity securities, as well as loans and receivables which the Company has acquired with the intention of realising short-term profit.

Financial instruments held for trading are presented as current financial assets and are measured at fair value. Fair value measurement gains and losses are taken to the income statement as incurred.

(v) Trade and other receivables

For sales realised under share purchase-sale agreements and stated payments terms, the portion of the receivable which should be paid within one year as of the balance sheet date as per the contractual terms is presented as short-term. Receivables on cash loans granted under art. 280, para 1 of the Commercial Act are presented similarly.

Trade and other receivables are presented at amortised cost less the impairment losses (see Accounting policies (k)).

Receivables on share sale agreements and loans granted are split into short-term and long-term depending on the term of their collectibility.

Notes to the interim financial statements
Significant accounting policies, continued

(vi) Cash

Cash includes cash on hand and at banks and cash on deposits placed with local banks.

For the purposes of the statement of cash flows:

- Cash proceeds from customers and cash payments to suppliers are presented gross, including VAT (20%)
- Cash flows for acquisition and sale of shares and stocks in companies in which the Holding invests, as well as dividends received from them are reported as proceeds from and payments for operating activities.
- Cash flows related to the granting of loans to subsidiaries under art. 280 of the Commercial Act and the proceeds upon their repayment are reported as proceeds from and payments for operating activities.
- The underwriting of cash from the issue of equity securities or debenture securities, short-term or long-term loans from lenders external for the Company's operations, and their repayment, as well as the payment of dividends are reported as proceeds from and payments for financing activities.

(vii) Payables on loans received

Loans received are initially recorded at cost, less the respective transaction expenses. Following initial recording loans received are stated at amortised cost, while any difference between the origination cost and the subsequent measurement are taken to the income statement in the period of origination of the loan based on the effective interest rate.

(viii) Trade and other payables

Short-term and long-term payables in Bulgarian leva are measured at amortised cost. Dividend payables and the current portion of long-term debt are stated in the balance sheet as short-term payables.

(h) Property, plant and equipment

Property, plant and equipment are valued at cost less the accumulated depreciation and impairment losses.

Newly acquired property, plant and equipment are reported at cost, which includes the purchase price and costs incurred to commission the asset.

The adopted value materiality threshold, below which tangible assets are reported as current expenses upon acquisition is BGN 500.

Upon classification of subsequent expenses on property, plant and equipment as costs increasing the carrying amount of the assets or as current operating expenses it is considered whether these costs are related to an increase of the economic benefit in excess of the initially assessed efficiency of the asset.

Notes to the interim financial statements
Significant accounting policies, continued

(h) Property, plant and equipment, continued

The Company applies the straight line depreciation method for property, plant and equipment, considering their useful life, determined by the Company's management by groups, as follows:

■ Computers and computer equipment	2-5 years
■ Transport vehicles (cars)	5 years
■ Fixtures and fittings and all others	6-10 years

(i) Intangible assets

Non-current intangible assets acquired by the Company are presented at cost, less the accumulated amortisation and impairment loss, if any.

The amortisation of intangible assets is charged based on the straight-line amortisation method depending on their assessed useful lives.

Patents and trademarks	4-7 years
Software	4-7 years

(j) Share capital

The share capital is presented at nominal amount and it corresponds to the current court registration of the Company.

(k) Impairment of assets

(i) Financial assets

A financial asset is considered impaired if there is objective evidence that one or more events have had negative impact on the estimated future cash flows to be generated by the financial asset.

Impairment loss for a financial asset carried at amortised cost is calculated as the difference between the asset's current carrying amount and the present value of the future cash flows generated by this asset and discounted by its original effective interest rate. Impairment loss for an available-for-sale asset is calculated taking into account the asset's current fair value.

Individually significant financial assets are reviewed for impairment individually. All other financial assets are measured collectively, split into groups based on similar features of credit risk.

All impairment losses are taken to the income statement. Accumulated losses related to available-for-sale financial assets recognised in equity in prior periods are transferred to the income statement.

Impairment losses are reversed if such reversal may objectively be related to an event occurring after recognition of the impairment loss. For financial assets at amortised cost and available-for-sale financial assets which represent debt securities, reversal of the impairment is recognised in the income statement. For available-for-sale financial assets, which are equity securities, reversal of the impairment is recognised directly in equity.

Notes to the interim financial statements
Significant accounting policies, continued

(k) Impairment of assets (continued)

(ii) Non-financial assets

The carrying amount of the Company's assets, with the exception of inventories and deferred tax assets (see accounting policy (m)), is reviewed at each balance sheet date to assess whether any indication of impairment exists. If any such indication exists an estimate of the asset's recoverable amount is made.

For intangible assets with indefinite useful life, which are not ready for use yet, an estimate of the asset's recoverable amount is made at each date of the balance sheet.

Impairment loss is recognised if the carrying amount of an asset or the cash generating unit to which the asset belongs exceeds its recoverable amount. Cash generating unit is the smallest identifiable group of assets generating cash flows significantly independent from other assets or groups of assets.

Impairment losses are recognised in the income statement. Impairment losses related to cash generating units are recognised so that to reduce the carrying amount of positive goodwill recognised for this unit (if any), and then pro rata to reduce the carrying amount of the other assets in the unit (units).

Impairment losses are recognised in the income statement to the extent no previously set revaluation reserve for the respective asset exists. Any impairment of a revalued asset is treated as a decrease in the revaluation reserve, to the extent the impairment loss does not exceed the revaluation reserve set in respect of the asset itself.

(l) Income and expense recognition

Income and expenses are accrued at the time of their origination regardless of cash proceeds and payments. Their accounting for is made in compliance of the requirement for the cause and value relation between them.

Income is measured at the fair value of the consideration received or to be received, less any discount given.

Income from sales of goods is recognised when the significant risks and rewards associated with the ownership of the goods are transferred to the buyer.

Income from services rendered is recognised in the income statement pro rata to the stage of completion of the service at the balance sheet date.

The key income includes interest income on invested funds, dividend income, gain (loss) on sale of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as accrued under the effective interest rate method. Dividend income is recognised on the date the Company's right to receive payment is established, which in the case of quoted / traded securities is the date on which the shares become without right to receive last dividend.

Notes to the interim financial statements
Significant accounting policies, continued

(l) Income and expense recognition (continued)

(i) Net finance income (expense)

Net finance income (expense) include interest expenses on loans, net foreign exchange gain (loss). All costs on loan interest due are recognised as profit or loss using the effective interest rate method.

(m) Income taxes

Income taxes for the year include current and deferred taxes. Income taxes are recognised in the income statement unless related to items, which are taken directly to equity, while in such a case the taxes are presented in equity as well.

Current tax is the estimated tax payment on the taxable profit for the year applying the tax rates in effect at the balance sheet date.

Deferred tax is measured by applying the liability method, to temporary differences between the current value of assets and liabilities for accounting purposes and for tax purposes. The following temporary differences are not taken into account: positive goodwill not recognised for tax purposes, recording assets and liabilities which do not affect the accounting or tax profit, as well as differences related to investments in subsidiaries to the extent it is expected that these will not reverse in the foreseeable future. The amount of deferred tax is based on the estimated carrying amount of the asset or the liability, applying tax rate in effect at the balance sheet date.

Deferred tax asset is recognised to the extent it is probable that future taxable profit will be available against which the unused tax asset can be utilised. The deferred tax asset is reduced to the extent where it is no longer probable that future economic benefit will be realised.

Notes to the interim financial statements

1. Income from interest, dividends and dealings with investments

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Interest income	98	78
Income from sales of shares	435	728
Carrying amount of shares written off	(430)	(597)
Costs on sales of shares	(2)	(1)
Dividend income	3,516	456
	<u>3,617</u>	<u>664</u>

The major portion of interest income is related to interest-bearing receivables from securities, as well as other entities in relation to deferred payments under share sale contracts.

Profit from sales of shares reported in 2006 has been realised from the sale of:

- 12 172 shares of the capital of Bulgartabac Holding AD.

Net sales income amounting to BGN 3 thousand has been reported while the total amount of income has been reduced with the carrying amount of the shares sold and the costs related to their sale.

As a result of an increase in the stock exchange price of Bulgartabac Holding AD shares as at 31 December 2006 (price per share as at 31 December 2006 – BGN 35,30) the Company has revalued the remaining shares held in its portfolio and reported a gain from the revaluation in 2006 amounting to BGN 281 thousand. In January 2007 the Holding sold some of the shares held at an average price per share of BGN 35.71.

Dividend income amounting to BGN 427 thousand has been reported, as distributed by Maritime Holding AD, BGN 3,020 thousand, distributed by ZMM Bulgaria Holding AD and BGN 69 thousand by Bulgartabac Holding AD.

2. Other operating income

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Income from rendering of services	68	344
Other income	-	4
	<u>68</u>	<u>348</u>

Income from rendering of services relates to consulting services provided to companies in the group of the Holding and outside.

Notes to the interim financial statements

3. Personnel expenses

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Expenses on remuneration	87	75
Expenses on social security contributions and other social payments	26	28
	<u>113</u>	<u>103</u>

4. Other operating expenses

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Depreciation and amortisation	25	25
Expenses on materials	10	8
Other operating expenses	38	42
	<u>73</u>	<u>75</u>

5. Net finance costs

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Foreign currency loss	(126)	(230)
Foreign currency gains	222	96
Interest expenses on debenture loan and other	(264)	(160)
Other expenses	(1)	(1)
	<u>(169)</u>	<u>(295)</u>

6. Tax expense

Current tax expenses include the accrued income tax at tax rate of 10% (2006: 10%). Under the provisions of the Corporate Income Tax Act in the period 01.01.2007 – 30.06.2007 the Company does not owe corporate tax and no such tax has been accrued.

Notes to the interim financial statements

7. Property, plant and equipment

	Computers and equipment	Transport vehicles	Fixtures and fittings and other	Total
<i>In thousands of Bulgarian levs</i>				
Book value				
Balance at 1 January 2005	80	172	82	334
Additions	-	-	6	6
Disposals	(8)	(33)	(6)	(47)
Balance at 31 December 2005	72	139	82	293
Balance at 1 January 2006	72	139	82	293
Additions	22	-	1	23
Disposals	(27)	-	(20)	(47)
Balance at 31 December 2006	67	139	63	269
Balance at 1 January 2007	67	139	63	269
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at 30 June 2007	67	139	63	269
Depreciation and impairment losses				
Balance at 1 January 2005.	66	28	57	151
Depreciation charge	12	35	6	53
Depreciation on assets written off	(8)	(25)	-	(33)
Balance at 31 December 2005	70	38	63	171
Balance at 1 January 2006	70	38	63	171
Depreciation charge	9	35	5	49
Depreciation on assets written off	(27)	-	(20)	(47)
Balance at 31 December 2006	52	73	48	173
Balance at 1 January 2007	52	73	48	173
Depreciation charge	4	17	3	24
Balance at 30 June 2007	56	90	51	197
Balance at 1 January 2007	15	66	15	96
Balance at 30 June 2007	11	49	12	72

There are no restrictions imposed on the Company in respect of the title of ownership over the property, plant and equipment and no assets have been pledged as security for liabilities or for other reasons.

Notes to the interim financial statements

8. Intangible assets

Since the intangible assets held by the Company represent immaterial portion and are fully amortised no detailed note in respect to the movements in intangibles has been prepared during the current period.

9. Investments in subsidiaries

The investments held by the Company as at 30 June 2007 and 31 December 2006 are as follows:

<i>In thousands of Bulgarian levs</i>	30 June 2007		31 December 2006	
	Amount of participation	Percentage of participation	Amount of participation	Percentage of participation
ZMM Bulgaria Holding AD	7,885	99.998	7,885	95.998
Privatengineering AD	2,800	97.220	2,800	97.220
Dockyard Bourgas AD	1,777	91.740	1,776	91.720
Augusta Mebel AD	823	97.860	823	97.860
Bulyard AD	25,591	61.500	17,427	61.500
Maritime Holding AD	400	61.000	400	61.000
International Industrial Holding Bulgaria Plc	130	100.000	130	100.000
KLVK AD	44	66.844	44	66.844
Hydropower Bulgaria AD	34	67.000	34	67.000
	<u>39,483</u>		<u>31,320</u>	

The Company holds 2 shares from the capital of Leyarmach AD, which is controlled by the ZMM Bulgaria Holding AD Group.

In March 2007 the Holding participated pro rata to its shareholding in the capital increase of its subsidiary Bulyard AD, which is the majority shareholder of 75% of the capital of Bulyard Shipbuilding Industry AD and acquired new 5,289 thousand ordinary registered voting shares with a par value of BGN 1. By virtue of decision No 5 dated 19 March 2007 Sofia City Court entered in the Commercial Entities Register the increase of the capital of Bulyard.

By virtue of Decision No 6 dated 20 April 2007 Sofia City Court registered the second capital increase of the subsidiary Bulyard AD, in which the Holding participated by acquiring another 2 874 510 shares with a par value of BGN 1 each. All shares are fully paid-in.

10. Investments in associates

<i>In thousands of Bulgarian levs</i>	31 June 2007		31 December 2006	
	Amount of participation	Percentage of participation	Amount of participation	Percentage of participation
Dunav Tours AD	2,762	48,44	2,761	48,40
Odesos PBM AD	1,584	30,00	1,584	30,00
	<u>4,346</u>		<u>4,345</u>	

Notes to the interim financial statements

11. Long-term receivables from related parties

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Leyarmach AD	-	60
DOCKYARD Port Bourgas AD	392	247
	<u>392</u>	<u>317</u>

Receivables amounting to BGN 392 thousand (2006: BGN 317 thousand) represent the long-term portion of the loans granted to the subsidiaries under art. 280 para 1 of the Commercial Act.

12. Other long-term receivables under share sale contracts

Receivables under share sale contracts amounting to BGN 580 thousand have been presented as other long-term receivables. As per repayment schedule they should be repaid over a period exceeding one year after the balance sheet date.

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Chimremontstroy Engineering AD	440	586
MAK AD	140	140
ALPO – 2000 OOD	-	37
	<u>580</u>	<u>763</u>

13. Trade and other receivables

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Receivables under share sale contracts	459	464
Other receivables from clients and others	186	121
Tax refundable	44	44
Prepaid services	26	11
Transbalkan Oil Pipeline Bulgaria AD	107	107
Other receivables	3	10
	<u>825</u>	<u>757</u>

Receivables amounting to BGN 459 thousand (2006: BGN 464 thousand) represent the short-term portion of deferred receivables under share sale contracts.

Due to the failure of Transbalkan Oil Pipeline Bulgaria AD to fulfil the objective for which it has been established in accordance with the Articles of Association of the Company at a General Assembly of the Shareholders held in October 2006 the shareholders made a decision to announce the company in liquidation. Following completion of the liquidation procedure the portion of the capital paid-in by Industrial Holding Bulgaria PLC in July 2007 has been refunded, but as at the date of the accounts it has been taken to short-term receivables.

Notes to the interim financial statements

14. Receivables from related parties

<i>In thousands of Bulgarian leva</i>	30 June 2007	30 June 2006
<i>Receivables on cash loans granted</i>		
Private Engineering AD	-	82
Leyarmach AD	131	106
Elprom ZEM AD	-	57
KLVK AD	-	325
Dockyard Port Bourgas AD	120	180
Bulyard AD	-	9
Bulyard Shipbuilding Industry AD	673	3
	<u>924</u>	<u>762</u>
Dividend receivables – ZMM Bulgaria Holding AD	2,082	
Services rendered	27	18
Other receivables	3	4
	<u>3,036</u>	<u>784</u>

15. Financial assets held for trading

<i>In thousands of Bulgarian leva</i>	30 June 2007	30 June 2006
Shares at carrying amount at the beginning of the period	1,361	1,310
Sold	(430)	(230)
Revalued (impaired)	-	281)
Value at 31 December	<u>931</u>	<u>1,361</u>

At the balance sheet date the Company holds 26,383 shares amounting to BGN 931 thousand. The shares are valued at the price they are traded at the Bulgarian Stock Exchange as at 31 December 2006 (BGN 35.30 per share). During the current year 12,172 shares were sold at an average price of BGN 35,71 per share (see note 1).

16. Cash and cash equivalents

<i>In thousands of Bulgarian leva</i>	30 June 2007	30 June 2006
Cash on hand	3	2
Cash at banks	25	176
Bank deposits	172	2,963
	<u>200</u>	<u>3,141</u>

Cash in BGN is valued at its nominal amount, and cash in foreign currency - at the closing exchange rate of BNB at the end of the reporting period. Foreign exchange gains and losses are reported as current income, respectively expense.

The Company does not have blocked cash, which is unavailable for free operation at the balance sheet date.

Notes to the interim financial statements

17. Share capital

The capital of the Company comprises 21,003,235 dematerialised registered voting shares with a face value of BGN 1.

The share capital is subscribed at its face value and is fully paid-in. There are no preference shares and bearer shares.

Shareholder	Number of shares 30 June 2007	30 June 2007 %	31 December 2006 %
Venside Enterprises PLC	6,326,799	30,12%	36.31%
DZH AD	1,422,442	6.77%	6.77%
SPF Allianz Bulgaria AD	1,170,000	5,57%	2,54%
Other	12,083,994	57,54%	54,38%
	<u>21,003,235</u>	<u>100.00%</u>	<u>100.00%</u>

17(a) Basic earnings per share

The calculation of basic earnings per share at 30 June 2007 is based on the net yield attributable to the holders of ordinary shares, amounting to BGN 3,244 thousand (30 June 2006: profit of BGN 462 thousand) and the average weighted number of ordinary shares outstanding for the period ended 30 June 2007, of 21,003,235 (2006: 21,003,235). The calculation was made as follows:

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Net profit for the period	3,244	462
Net profit attributable to the holders of ordinary shares	<u>3,244</u>	<u>462</u>
	30 June 2007	30 June 2006
Ordinary shares issued as at 1 January	21,003	21,003
Shares issued in 2006 and 2007	-	-
Number of ordinary shares as at 30 June	<u>21,003</u>	<u>21,003</u>
Average weighted number of shares at 30 June	<u>21,003</u>	<u>21,003</u>

17(b) Diluted earnings per share

The Company holds one type of potential ordinary shares – the issued convertible bonds with the following features:

- *Type:* convertible registered dematerialised bonds;
- *Total number of bonds:* 5 250 805;
- *Total par value:* BGN 5 250 805;
- *Par value:* BGN 1;
- *Issued valued:* BGN 1;
- *Term:* 3 years;
- *Interest rate:* 6% per annum, payables on a 6-monthly basis;
- *Date of conclusion of the debenture loan:* 2 July 2004;
- *Date of maturity of the principal payment:* 2 July 2007;
- *Bank servicing the payments:* Commercial Bank Allianz Bulgaria

To determine the diluted earnings per share the average weighted ordinary shares in circulation is adjusted by the number of shares with which the Company's capital will be increased as a result of decision of the General Assembly of the Holding held on 1 June 2007 on the conversion of all convertible bonds into ordinary shares. At the balance sheet date and within the term set as a result of the voted decision all bond holders have converted their bonds into shares.

Notes to the interim financial statements

17(b) Diluted earnings per share (continued)

In this case the calculation of the diluted earnings per share as at 30 June 2007 is based on the net profit of BGN 3,244 thousand (2006: BGN 462 thousand) attributable to the ordinary shareholders and the average weighted number of ordinary shares (diluted shares) outstanding during the year of 26,254,040 (2006: 26,254,040) as a result of the conversion of the bonds.

Profit attributable to the ordinary shareholders (diluted)

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Net profit attributable to the ordinary shareholders	3,244	462
Effect after tax from the interest on convertible bonds	156	156
Net profit attributable to the ordinary shareholders (diluted)	<u>3,400</u>	<u>618</u>

Average weighted ordinary shares (diluted)

<i>Number of shares</i>	30 June 2007	30 June 2006
Average weighted number of shares at 1 January	21,003,235	21,003,235
Effect of conversion of convertible bonds	5,250,805	5,250,805
Average weighted number of shares (diluted) as at 30 June	<u>26,254,040</u>	<u>26,254,040</u>

18. Long-term payables

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Private Engineering AD	2,824	-
	<u>2,824</u>	<u>-</u>

19. Short-term payables

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
Payables on rights sold to shareholders	116	116
Interest on debenture loan	-	158
Payables related to purchase of shares	724	1,634
Other short-term payables	8	7
	<u>848</u>	<u>1,915</u>
Payables on debenture loan	19	5,244
Payables on subscribed capital	19	-
	<u>5,251</u>	<u>-</u>
	<u>6,099</u>	<u>7,159</u>

Notes to the interim financial statements

20. Short-term payables to related parties

<i>In thousands of Bulgarian levs</i>	30 June 2007	30 June 2006
<i>Private Engineering AD</i>		
Payables on cash loan received – principal	1,909	
- interest	66	
- other	-	3
	<u>1,975</u>	<u>3</u>

21. Related party transactions

No unordinary terms and conditions or departure from market conditions existed for the transactions carried out during the period.

<i>In thousands of BGN</i>	Type of relation	2007
<i>Interest income</i>		
- Private Engineering AD	Subsidiary	2
- Leyarmach AD	Indirect control	6
- Elprom ZEM AD	Indirect control	5
- KLVK AD	Subsidiary	6
- Bulyard Shipbuilding Industry AD	Subsidiary	20
- Dockyard Port Bourgas AD	Subsidiary	20
<i>Interest expense</i>		
- Private Engineering AD	Subsidiary	97
<i>Income from sales of services</i>		
- Augusta Mebel	Subsidiary	30
- Dunav Tours AD	Associate	9
- Elprom ZEM AD	Indirect control	29
<i>Cash loans granted</i>		
- Private Engineering AD	Subsidiary	163
- Elprom ZEM AD	Indirect control	207
- Dockyard Port Bourgas AD	Subsidiary	75
- Bulyard Shipbuilding Industry AD	Indirect control	742
<i>Cash loans recovered</i>		
- Elprom ZEM AD	Indirect control	264
- Private Engineering AD	Subsidiary	83
- KLVK AD	Subsidiary	318
- Bulyard AD	Subsidiary	9
- Leyarmach AD	Indirect control	34
- Bulyard Shipbuilding Industry AD	Indirect control	75
<i>Cash loans received</i>		
- Private Engineering AD	Subsidiary	5,395
- ZMM Bulgaria AD	Subsidiary	394
<i>Repaid cash loans</i>		
- Private Engineering AD	Subsidiary	407
- ZMM Bulgaria AD	Subsidiary	394

Notes to the interim financial statements

22. Contingent liabilities

At 31 March 2007 the Company has provided guarantees for payables of subsidiaries in the form of avals on promissory notes at the total amount of BGN 167 thousand, securing bank guarantees for good performance.

Industrial Holding Bulgaria PLC secured the issue of bank guarantees by DSK Bank EAD amounting to EUR 671 thousand to secure payables of Elprom ZEM to a client. A contract is concluded for the granting of a credit limit for the issuance of bank guarantees and working capital financing with a limit of BGN 4 500 thousand, which are secured through a specific pledge of the business Dockyard Port Bourgas AD – a subsidiary of the Holding.

On 15 November 2006 Industrial Holding Bulgaria PLC issued first corporate guarantee for the third advance payment for a ship with building number 457 to the buyer Gerogi Maritime Ltd. amounting to EUR 3,433,424 and USD 2,977,531 which has been released in April 2007 as a result of performance of the commitments.

23. Post balance sheet events

In July 2007 Industrial Holding Bulgaria PLC issued first corporate guarantee for the third advance payment for a ship with building number 515 to the buyer amounting to EUR 4 211 942 and USD 3,595,434. The corporate guarantees are secured with mortgage of real estate of Bulyard Shipbuilding Industry AD.

On 19 July 2007 by virtue of decision of Sofia City Court an increase has been entered in the capital of Industrial Holding Bulgaria Plc as a result of conversion of the corporate bonds from BGN 21 003 235 to BGN 26 254 040.