

INDUSTRIAL HOLDING BULGARIA PLC
INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2006

INCOME STATEMENT

For the 12-month period ended 31 December 2006

<i>In BGN thousand</i>	Note	2006	2005
		31 December	31 December
Income from interests, dividends and investment transactions	1	1,906	7,942
Other operating revenue	2	<u>1,040</u>	<u>113</u>
		2,946	8,055
Payroll costs	3	(219)	(205)
Costs of hired services		(171)	(167)
Other operating expenses	4	<u>(159)</u>	<u>(148)</u>
Net operating profit		2,397	7,535
Net financial expenses	5	<u>(508)</u>	<u>(396)</u>
Profit prior to taxation		1,889	7,139
Income tax revenue (expenses)		<u>(31)</u>	<u>31</u>
Profit after taxation		<u>1,858</u>	<u>7,170</u>
Basic earnings per share (in BGN)	19	0,088	0,341

This Income Statement shall be considered together with the Notes given on pages 6 to 22, which shall form integral part of these Financial Statements.

Executive Director:
Ms. Daneta Zheleva

Drawn by:
Ms. Toshka Vassileva

INDUSTRIAL HOLDING BULGARIA PLC
INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS

**BALANCE SHEET
AS OF 31 DECEMBER 2006**

<i>In BGN thousand</i>	Note	2006 31 December	2005 31 December
Non-current assets			
Property, plant and equipment	7	96	122
Intangible non-current assets	8	0	2
Long-term investments in subsidiaries	9	31,320	28,199
Investments in associates	10	4,345	4,822
Long-term loans to related parties	11	317	165
Financial assets available for sale	12	-	228
Other long-term receivables	13	763	523
Deferred tax asset	14	-	31
Total non-current assets		36,841	34,092
Current assets			
Trade and other receivables	15	757	482
Receivables from related parties	16	785	453
Financial assets held for trading	17	1,361	1,310
Cash and cash equivalents	18	3,141	3,044
Materials		3	3
Total current assets		6,047	5,292
Total assets		42,888	39,384
Equity			
Capital and reserves			
Share capital	19	21,003	21,003
Reserves		3,475	2,761
Retained earnings (net)		11,242	10,100
Total equity and reserves		35,720	33,864
Non-current liabilities			
Payable on Debenture loan	20	-	5,233
Total non-current liabilities		-	5,233
Current liabilities			
Trade and other payables	21	1,915	285
Payable on Debenture loan	20	5,244	
Payables to related parties		3	2
Tax payables		6	-
Total current liabilities		7,168	287
Total equity and liabilities		42,888	39,384

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CASH FLOW STATEMENT

For the 12-month period ended 31 December 2006

In BGN thousand

	2006	2005
Operating cash flow		
Receivables from sale of shares and other trade receivables	1,584	7,498
Received dividends	1,221	978
Recovered amounts on loans	3,976	4,789
Received interests	176	301
Payments related to acquisition of shares and stocks	(1,115)	(9,992)
Granted loans	(4,481)	(1,927)
Payments related to payroll	(193)	(187)
Foreign exchange gain (loss)	(209)	316
Paid corporate taxes	(1)	(7)
Other payments	(499)	(319)
<i>Net operating cash flow</i>	459	1,450
Investment cash flow		
Purchase (sale) of tangible non-current assets	(30)	6
<i>Net investment cash flow</i>	(30)	6
Financial cash flow		
Paid bank loan interests and charges	-	(127)
Paid bond interests and charges	(315)	(315)
Recovered amounts on bank loan	-	(2,657)
Paid dividends	-	(4)
Other financial payments	(17)	-
<i>Net financial cash flow</i>	(332)	(3,103)
Increase (decrease) in cash and cash equivalents	97	(1,647)
Cash and cash equivalents at the beginning of the period	3,044	4,691
Cash and cash equivalents as of 31 December	3,141	3,044

This Cash Flow Statement shall be considered together with the Notes given on pages 6 to 22, which shall form integral part of these Financial Statements.

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EQUITY STATEMENT

For the 12-month period ended 31 December 2006

<i>In BGN thousand</i>	Share capital	Statutory reserves	Additional reserves	Retained earnings	Total
Balance as of 1 January 2004	21,003	713	608	2,006	24,330
Donations made	-	-	(4)	-	(4)
Profit for the period	-	-	-	1,048	1,048
Increase in reserves against 2003 profit		19		(19)	
Balance as of 31 December 2004	21,003	732	604	3,035	25,374
Balance as of 1 January 2005	21,003	732	604	3,035	25,374
Increase in reserves against 1997 dividend written-off	-	-	1,323	-	1,323
Profit for the period	-	-	-	7,170	7,170
Increase in reserves against 2004 profit		105		(105)	
Donations against reserves			(3)		(3)
Balance as of 31 December 2005	21,003	837	1,924	10,100	33,864
Balance as of 1 January 2006	21,003	837	1,924	10,100	33,864
Profit for the period	-	-	-	1,858	1,858
Other changes			(3)	1	(2)
Increase in reserves against 2005 profit	-	717	-	(717)	
Balance as of 31 December 2006	21,003	1,554	1,921	11,242	35,720

Executive Director:
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Ms. Toshka Vassileva

(a) Legal Status

Industrial Holding Bulgaria PLC (the Company or the Holding) is a joint-stock company registered in the Republic of Bulgaria under company file 13081 dated 1996 having its seat in Sofia.

Initially the Company was established as a privatization fund in compliance with the Law on Privatization Funds under the name of Privatization Fund Bulgaria AD.

The General Meeting of Shareholders adopted a resolution on rearrangement of the activities of Privatization Fund Bulgaria AD as a holding company and change of the name of the latter to Industrial Holding Bulgaria PLC at a session held on 27.02.1998

The capital of the Company amounts to BGN 21,003,235.

The Company has a two-tier system of management including Management Board and Supervision Board.

The scope of activity of the Company includes acquisition, management, assessment and sale of shares in Bulgarian and foreign companies, acquisition, assessment and sale of patents, cession of licenses for usage of patents of companies in which the Company holds interests, financing of companies in which the Company holds interest, as well as any other activity not prohibited by law.

The activity of the Company is bound by no term or termination clause.

The Company is registered in compliance with the Law on Tax Procedure under Tax No 1221112349, entered into the BULSTAT Unified Public Classifier of Economic Entities under Identification No BG 121631219 and with the State Public Social Security Office. The Company is also registered in compliance with the Law on Value Added Tax.

The Company's shares are listed and traded at Bulgarian Stock Exchange AD – City of Sofia.

(b) Statement of Compliance

These Financial Statements have been prepared in compliance with the International Financial Reporting Standards adopted by the Commission of the European Union, which were approved (revision as of 01.01.2005) for application in the Republic of Bulgaria by Decree of the Council of Ministers No 207 of 07.07.2006.

(c) Basis of Preparation

The Financial Statements are presented in BGN thousand. Historical cost has been used as basis for preparation with the exception of investments held for sale, which have been presented at their fair value determined on an active stock exchange market.

The accounting policies have been consistently applied by the Company during all periods presented in these Financial Statements.

The financial statements of the Company's subsidiaries were not consolidated as of 31 December 2006. Interim consolidated financial statements will be prepared by 28 February 2007 in compliance with national legal provisions on accounting.

These Financial Statements should be read in relation to the annual financial statements of the Company for 2005.

(d) Comparative Information

When the presentation or classification of items in the statements have been adjusted, comparative amounts have been restated 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 of BGN 1.95583 for EUR 1.

(f) Foreign Currency Transactions

Transactions in foreign currency are recorded in Bulgarian leva at the exchange rate effective on the date of the transaction. As of Balance Sheet date monetary assets and liabilities denominated in foreign currency have been translated to Bulgarian leva 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) Property, Plant and Equipment and Intangible Assets

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

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

As of 2003 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 costs 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.

(g) Property, Plant and Equipment and Intangible Assets, 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

(h) Intangible Assets

Intangible non-current assets acquired by the Company are presented at acquisition 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 7 years

Software 7 years

(i) Long-Term Investments in Subsidiaries

Subsidiaries are the entities on which the Company exercises control. Control exists where the Company is in position, directly or indirectly, to direct 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 subsidiary, in which the Company has invested, is reported as current financial income, i.e. the dividend following its distribution.

(j) Long-Term 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.

(k) 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, the fair value of which cannot be measured reliably are valued at depreciated cost or at cost. Dividends received therefrom are taken to the Income Statement.

(l) 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.

(m) Trade and Other Receivables

For sales realised under share sale agreements and stated terms of payments, the portion of the receivable which should be paid within one year as of Balance Sheet date as per the contractual terms is presented as short-term. Receivables under cash loans granted under Article 280, Paragraph 1 of the Law on Commerce are presented similarly.

Trade and other receivables are presented at amortised cost of acquisition less the impairment loss (see Accounting policies (p)).

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

(n) Cash

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

For the purposes of the Cash Flow Statement:

- Cash proceeds from customers and cash payments to suppliers are presented gross, including VAT (20%).
- Cash flows for acquisition and sale of equity 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 in compliance with Article 280 of the Law on Commerce 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.

(o) Share Capital

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

(p) 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.

(q) 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.

(r) Impairment of Assets

The carrying amount of the Company's assets, with the exception of investment properties, inventories and deferred tax assets, are reviewed as of Balance Sheet date to determine whether events or circumstances exist that indicate impairment. If such events or circumstances exist, assessment is made as to the recoverable amount of the asset.

For intangible assets, not ready for use yet, the assessment of the asset's recoverable amount is made as of each Balance Sheet date. Impairment loss is recognised if the carrying amount of the asset or the cash generating unit to which the asset belongs exceeds its recoverable amount. Impairment losses are taken to the income statement.

(i) Measurement of the recoverable amount

The Company applies receivables write-down policy while reviewing and analysing the individual receivables.

The recoverable amount of other assets is the higher of their net selling price and their value in use. Upon measuring value in use future cash flows are discounted to their present value by applying a discount rate prior to taxation, reflecting the current assessments of the market, time value of money and the risk specific to the asset. For an asset which does not generate cash independently, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(ii) Reversal of impairment losses

Impairment loss for a receivable is reversed when subsequent increase of the recoverable amount of the receivable can be objectively related to an event occurring following the recognition of the impairment.

In respect of other assets, impairment loss is reversed if there is a change in the assessment used to determine the recoverable amount.

Impairment loss is reversed only to the carrying amount of the asset, not exceeding the carrying amount, less the accumulated depreciation, had the impairment loss not been recognised.

(s) Income and Expense Recognition

(i) Operating revenue

Financial and non-financial income and expenses are charged as incurred, regardless of cash proceeds and payments.

(ii) Interest income

Interest income and expenses are charged by using the effective interest rate.

(ii) Dividend income

Dividend income is recognised when the entitlement of the shareholder to receive the payment is established.

(t) 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 as of 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 of 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 effective as of 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 Financial Statements

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1. Income from Interests, Dividends and Investment Transactions

<i>In BGN thousand</i>	31 December 2006	31 December 2005
Interest income	220	289
Unrealized profit (loss) from revalued assets held for trading	281	(206)
Income from sale of shares	1,017	8,955
Carrying amount of shares written-off	(828)	(1,906)
Share sale costs	(2)	(52)
Dividend income	1,218	862
	<u>1,906</u>	<u>7,942</u>

The major portion of interest income is related to interest-bearing receivables from subsidiaries, as well as from other entities in respect of deferred payments on share sale agreements.

The share sale profit is realised in the sale of:

- 430,489 shares of Chimremontstroy AD;
- 39,349 shares of Elpo AD;
- 8,233 shares of Bulgartabac Holding AD.

Net sale income of BGN 187,000 was reported after deducting the carrying amount of shares sold and sale-related costs from the total revenue.

As a result of increase in the exchange price of the shares of Bulgartabac Holding AD as of 31.12.2006, the Company revalued the rest of shares in its portfolio and reported revaluation gain of BGN 281,000 (in 2005, as a result of decrease in their price, loss of BGN 206,000 was reported).

There have been reported dividend income of BGN 456,000 allocated by Maritime Holding AD, dividend income of BGN 727,000 allocated by ZMM Bulgaria Holding AD and dividend income of BGN 35,000 allocated by Bulgartabac Holding AD.

2. Other Operating Revenue

<i>In BGN thousand</i>	31 December 2006	31 December 2005
Income from sale of services	1,036	113
Other	4	
	<u>1,040</u>	<u>113</u>

Income from sales of services is related to rendered consulting services to the companies within the Group of the Holding and to external companies.

3. Payroll Costs

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<i>In BGN thousand</i>	31 December 2006	31 December 2005
Payroll costs	157	150
Social security costs and other social payments	62	55
	<u>219</u>	<u>205</u>

4. Other Operating Expenses

<i>In BGN thousand</i>	31 December 2006	31 December 2005
Depreciation and amortization	51	57
Costs of materials	17	17
Other operating expenses	91	74
	<u>159</u>	<u>148</u>

5. Net Financial Expenses

<i>In BGN thousand</i>	31 December 2006	31 December 2005
Exchange rate loss	419	362
Exchange rate gain	(238)	(422)
Debenture loan interest expense and other	326	327
Bank loan interest expense	-	127
Other expenses	1	2
	<u>508</u>	<u>396</u>

6. Tangible Non-Current Assets

<i>In BGN thousand</i>	Computers and computer equipment	Transport vehicles	Fixtures and fittings and other	Costs of acquisition of tangible non- current assets	Total
<i>Book value</i>					
Balance as of 1 January 2005	80	172	82	-	334
Additions	-	-	6	-	6
Disposals	(8)	(33)	(6)	-	(47)
Balance as of 31 December 2005	<u>72</u>	<u>139</u>	<u>82</u>	<u>-</u>	<u>293</u>
Balance as of 1 January 2006	72	139	82	-	293
Additions	22	-	2	-	24
Disposals	(27)	-	(20)	-	(47)
Balance as of 31 December 2006	<u>67</u>	<u>139</u>	<u>64</u>	<u>-</u>	<u>270</u>
<i>Depreciation and impairment loss</i>					

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Balance as of 1 January 2005	66	28	57	-	151
Depreciation costs	12	35	6	-	53
Depreciation of disposals	(8)	(25)			(33)
Balance as of 31 December 2005	70	38	63		171
Balance as of 1 January 2006	70	38	63		171
Depreciation costs	9	35	5	-	50
Depreciation of disposals	(27)	-	(20)		(47)
Balance as of 31 December 2006	52	73	48		174
<i>Carrying amount</i>					
As of 1 January 2006	2	101	19	-	122
As of 31 December 2006	15	66	15	-	96

The Company has no limitations imposed in respect of the title of ownership on tangible non-current assets, and there are no assets pledged as collateral on liabilities or for other reasons.

8. Intangible Assets

As the intangible non-current assets held by the Company represent an insignificant portion, no detailed note on their movement for the period has been prepared.

9. Investments in Subsidiaries

Investments held by the Company as of 31 December 2006 and 31 December 2005 are as follows:

<i>In BGN thousand</i>	31 December 2006		31 December 2005	
	Amount of participation	Percentage of participation	Amount of participation	Percentage of participation
ZMM Bulgaria Holding AD	7,885	99,998	7,885	95,998
Private Engineering AD	2,800	97,22	2,800	97,22
KRZ Port-Bourgas AD	1,777	91,74	1,775	91,72
Augusta Mebel AD	823	97,86	823	97,86
Bulyard AD	17,427	61,50	14,307	51,50
Maritime Holding AD	400	61,00	400	61,00
International Industrial Holding Bulgaria AD	130	100,00	130	100,00
KLVK AD	44	66,844	44	66,844
Hydropower Bulgaria AD	34	67,00	34	67,00
	<u>31,320</u>		<u>28,199</u>	

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

In April the Company acquired 2,401,898 ordinary registered voting shares owned by Dockyard Odessos AD, representing 10% of the capital of Bulyard AD.

10. Investments in Associates

<i>In BGN thousand</i>	31 December 2006		31 December 2005	
	Amount of participation	Percentage of participation	Amount of participation	Percentage of participation
Dounav Tours AD	2,761	48,40	2,761	48,395
Chimremontstroy AD	-	-	476	25.86
Odessos PBM AD	1,584	30%	1,584	
	<u>4,345</u>		<u>4,822</u>	

11. Long-Term Receivables from Related Parties

<i>In BGN thousand</i>	31 December 2006	31 December 2005
Leyarmash AD	60	165
KRZ Port Bourgas AD	257	
	<u>317</u>	<u>165</u>

12. Financial Assets available for Sale

<i>In BGN thousand</i>	31 December 2006		31 December 2005	
	Amount of participation	Percentage of participation	Amount of participation	Percentage of participation
Transbalkan Oil Pipeline Bulgaria AD	-		107	14,29%
Elpo AD	-		121	17,99%
	<u>-</u>		<u>228</u>	

During the second quarter of the current year the shares of Elpo AD were sold (see Note 1).

As Transbalkan Oil Pipeline Bulgaria AD failed to achieve the purpose of its establishment, the General Meeting of Shareholders decided to declare the Company in liquidation proceedings at a session held in October. Upon proceedings closure the capital share, subscribed by IHB PLC, will be recovered; therefore, it has been reported as a short-term receivable (see Note 1).

13. Other Long-Term Receivables on Share Sale Agreements

<i>In BGN thousand</i>	31 December 2006	31 December 2005
Chimremontstroy Engineering AD	586	313
MAK AD	140	210
ELPO – 2000 OOD	37	-
	<u>763</u>	<u>523</u>

Receivables on share sale agreements amounting to BGN 763,000 are presented as other long-term receivables, which as per repayment schedule should be repaid over a period of more than one year as of Balance Sheet date.

14. Deferred Tax Asset

<i>In BGN thousand</i>	31 December 2006	31 December 2005
	-	31
Deferred tax asset	<u>-</u>	<u>31</u>

15. Trade and Other Receivables

<i>In BGN thousand</i>	31 December 2006	31 December 2005
Receivables on share sale agreements	464	383
Other receivables from customers	121	19
Refundable tax	44	44
Advances to suppliers	-	12
Prepaid services	11	11
Other receivables	107	-
Receivables on share sale agreements	<u>10</u>	<u>13</u>
	<u>757</u>	<u>482</u>

Receivables amounting to BGN 464,000 (2005: BGN 383,000) represent the short-term portion of deferred receivables under share sale agreements.

16. Receivables from Related Parties

<i>In BGN thousand</i>	31 December 2006	31 December 2005
<i>Receivables on loans granted</i>		
Private Engineering AD	82	260
Leyarmash AD	106	1
Elprom ZEM AD	57	138
KLVK AD	325	-
Augusta Mebel AD	180	-
KRZ Port Bourgas AD	9	
Bulyard AD	<u>3</u>	
ZMM Bulgaria Holding AD	762	399
	-	3
Dividend receivables from Maritime Holding AD	18	3
Rendered services	<u>5</u>	<u>48</u>
	<u>785</u>	<u>453</u>

Receivables from related parties are associated mainly with loans granted and receivables on services rendered.

17. Financial Assets held for Trading

	31 December 2006	31 December 2005
<i>In BGN thousand</i>		
Shares at acquisition cost	1,249	1,516
Impairment - 2005	<u>(170)</u>	<u>(206)</u>
Revaluation - 2006	<u>282</u>	<u>-</u>
Value as of 31 December 2006	<u>1,361</u>	<u>1,310</u>

The Company holds 38,555 shares amounting to BGN 1,361,000 as of Balance Sheet date. The shares are valued at the amount at which they are traded at the Bulgarian Stock Exchange as of 31 December 2006. During the current year 8,233 shares were sold at average price less the sale cost of BGN 34.82 per share.

18. Cash and Cash Equivalents

	31 December 2006	31 December 2005
<i>In BGN thousand</i>		
Cash on hand	2	5
Cash at banks	176	110
Deposits with banks	<u>2,963</u>	<u>2,929</u>
	<u>3,141</u>	<u>3,044</u>

Cash in BGN is valued at its nominal value, 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 expenses.

The Company has no blocked cash which is unavailable for free operation as of Balance Sheet date.

19. 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 has been subscribed at its face value and is fully paid-in. There are no preference shares or bearer shares.

Shareholder	Number of shares 31 December 2006	2006 %	2005 %
Venside Enterprises AD	7,626 799	36.31%	36.31%
DZH AD	1,422 442	6.77%	6.77%
Other trading companies	4,616 960	21.98%	13.69%
Individuals	<u>7,337 034</u>	<u>34.93%</u>	<u>43.23%</u>
	<u>21,003 235</u>	<u>100.00%</u>	<u>100.00%</u>

19(a). Earnings per Share

Basic earnings per share

The calculation of basic earnings per share as of 31 December 2006 is based on the net yield attributable to the holders of ordinary shares, amounting to BGN 1,858,000 (31 December 2005: profit of BGN 7,170,000) and the average weighted number of ordinary shares available for the year ended 30 September 2006 of 21,003,235 (2005: 21,003,235).

20. Long-Term Payables

	31 December 2006	31 December 2005
<i>In BGN thousand</i>		
Debenture loan payables	-	5,233
	-	5,233

Four out of the six interest payments have been made as of Balance Sheet date, and the fourth payment was made in 2006.

Characteristics of the issue of convertible bonds issued by IHB AD:

- *Type:* convertible registered dematerialized bonds;
- *Total number of bonds:* 5,250,805;
- *Total face value:* BGN 5,250,805;
- *Face value:* BGN 1;
- *Issuance value:* BGN 1;
- *Maturity:* 3 years;
- *Interest rate:* 6% per year, payable each 6 months;
- *Date of Debenture Loan signature:* 02.07.2004;
- *Maturity date of interest payments:* 25.01.2005, 25.07.2005, 25.01.2006, 25.07.2005, 25.01.2007 and 02.07.2007;
- *Maturity date of principal payment:* 02.07.2007;
- *Bank servicing payments:* CB Allianz Bulgaria.

This payable has been reported as short-term as the maturity date of principal payment is 02.07.2007.

21. Short-Term Payables

	31 December 2006	31 December 2005
<i>In BGN thousand</i>		
Payables on options sold to shareholders	116	116
Debenture loan interests	158	158
Payables related to purchase of shares	1,634	-
Other short-term payables	7	11
	1,915	285
Debenture loan payables	20 5,244	

22. Transactions with related Parties

No unusual terms and conditions or departures from the market conditions exist in transactions with third parties executed during the period.

<i>In BGN thousand</i>	Вид на свързаност	2006
<i>Interest income</i>		
- Private Engineering AD	Subsidiary	20
- Leyarmash AD	Indirect control	13
- Elprom ZEM AD	Indirect control	14
- KLVK AD	Subsidiary	28
- ZMM Bulgaria AD	Subsidiary	16
- KRZ Port Bourgas AD	Subsidiary	19
<i>Income from sale of services</i>		
- Augusta Mebel AD	Subsidiary	50
- Dounav Tours AD	Associate	56
- Elprom ZEM AD	Indirect control	215
- ZMM Nova Zagora AD	Indirect control	30
- Leyarmash AD	Indirect control	65
- Bulyard Shipbuilding Industry AD	Indirect control	507
<i>Granted loans</i>		
- Private Engineering AD	Subsidiary	2,356
- Elprom ZEM AD	Indirect control	316
- KLVK AD	Subsidiary	668
- ZMM Bulgaria AD	Subsidiary	600
- Augusta Mebel AD	Subsidiary	19
- KRZ Port Bourgas AD	Subsidiary	567
- Bulyard AD	Subsidiary	36
<i>Repaid loans</i>		
- Elprom ZEM AD	Indirect control	397
- Private Engineering AD	Subsidiary	2,525
- Augusta Mebel AD	Subsidiary	19
- ZMM Bulgaria AD	Subsidiary	600
- KLVK AD	Subsidiary	288
- Bulyard AD	Subsidiary	75
- KRZ Port Bourgas AD	Subsidiary	130

23. Contingent Liabilities

The Company has provided guarantees for payables of subsidiaries in the form of avals on promissory notes of the total amount of BGN 214,000 on a performance bond as of 31 December 2006.

IHB PLC provided issuance of bank guarantees by DSK Bank EAD of the total amount of EUR 671,000 as security of obligations of Elprom ZEM to a client, and these guarantees have been secured by second special pledge of the trading company of KRZ Port Bourgas AD, a subsidiary of the Holding.

In June 2006 the Company issued the first corporate guarantee of EUR 4,280,850 and USD 3,729,018 as security for the third advance payment received for building of ship with construction No 516. As a result of a performed obligation of Bulyard Shipbuilding Industry AD to the ship buyer Varna Maritime Ltd, the guarantee was closed on 15.12.2006.

On 15.11.2006 IHB AD issued the first corporate guarantee for the third advance payment for ship with construction No 457 before the buyer Georgi Maritime Ltd, in the amount of EUR 2,970,000 /two million and nine hundred and seventy thousand euros/ and EUR 2,501,730 /two million and five hundred and one thousand and seven hundred and thirty euros/. The corporate guarantees have been secured by pledge of immovable property of Bulyard Shipbuilding Industry AD.

24. Post Balance Sheet Events

In January 2007 the fifth of the total number of six interest payments on the debenture loan was made.