CHIMIMPORT AD
Consolidated financial statements
31 December 2007

Grant Thornton

CHIMIMPORT
PUBLIC COMPANY

Grant Thornton

INDEPENDENT AUDITOR'S REPORT

**To the shareholders of
Chimimport AD**

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Chimimport AD,** which comprise the consolidated balance sheet as of 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by EU and the national legislation. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of **Chimimport AD** as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by EU and the national legislation.

Report on other legal and regulatory requirements – Management's report for the year ended 31 December 2007.

We have reviewed the management's report for the year ended 31 December 2007 of **Chimimport AD**, which is not part of the consolidated financial statements. The historical financial information in the Management's report, prepared by the management, complies in its main aspects with the financial information, presented in the consolidated financial statements for the year ended 31 December 2007, prepared in accordance with International Financial Reporting Standards, as adopted by EU and the national legislation. The preparation of the management's report is responsibility of the management.

Auditing Company:

Grant Thornton

Grant Thornton Ltd.

29 April 2008
Sofia

Registered Auditor:

0488 Марий Апостолов
Регистриран одитор

Mariy Apostolov

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Contents

Consolidated balance sheet

	Notes	2007 BGN'000	2006 BGN'000
Assets			
Non-current			
Property, plant and equipment	7	434 285	201 454
Investment property	8	18 136	10 545
Goodwill	10	10 822	11 403
Other intangible assets	11	50 069	6 910
Investment in associates	5.2	26 272	26 445
Long-term financial assets	12	674 587	479 185
Long-term receivables due from related parties outside the Group	41.1	1 000	94
Deferred tax assets	13	1 930	412
		1 217 101	736 448
Current			
Inventories	14	71 872	27 061
Short-term financial assets	15	438 884	358 961
Short-term receivables due from related parties outside the Group	41.2	35 522	6 210
Trade receivables	16	126 977	74 032
Other receivables	17	107 619	62 210
Cash and cash equivalents	18	748 869	366 548
		1 529 743	895 022
Total assets		2 746 844	1 631 470

Prepared by: ______

Executive director: ______

Date: 29.04.2008

Audited by: ______

Auditing Company GRANT THORNTON LTD. Sofia

The accompanying notes form an integral part of the financial statements.

Consolidated balance sheet

	Notes	2007 BGN'000	2006 BGN'000
Equity			
Equity attributable to the shareholders of Chimimport AD			
Share capital	19.1	150 000	130 000
Share premium	19.2	232 343	32 925
Other reserves	19.3	3 678	3 199
Retained earnings		124 587	70 617
Net profit for the year		119 110	53 330
		629 718	290 071
Minority interest		179 877	61 033
Total equity		**809 595**	**351 104**
Specialized reserves	20	**59 608**	**38 122**
Liabilities			
Non-current			
Long-term financial liabilities	21	915 864	330 912
Liabilities to secured persons	22	70 722	40 061
Long-term liabilities due to related parties outside the Group	41.3	146 709	7 760
Other long-term liabilities	23	18 109	7 921
Deferred tax liabilities	13	11 274	1 349
		1 162 678	**388 003**
Current			
Short-term financial liabilities	24	518 613	771 569
Short-term liabilities to related parties outside the Group	41.4	1 292	1 037
Trade and other payables	26	195 058	81 635
		714 963	**854 241**
Total liabilities		**1 877 641**	**1 242 244**
Total equity and liabilities		**2 746 844**	**1 631 470**

Prepared by: ____________ Executive director: ____________

Date: 29.04.2008

Audited by: ____________

Auditing Company Grant Thornton LTD Sofia

The accompanying notes form an integral part of the financial statements.

Consolidated income statement

	Notes	2007 BGN'000	2006 BGN'000
Income from non-financial activities	27	520 028	256 182
Expenses on non-financial activities	28	(482 350)	(227 165)
Net profit from non-financial activities		37 678	29 017
Insurance income	29	135 537	85 475
Insurance expenses	30	(123 794)	(77 790)
Net insurance profit		11 743	7 685
Interest income	31	93 622	66 938
Interest expenses	32	(41 274)	(32 558)
Net interest income		52 348	34 380
Gains from transactions with financial instruments	33	197 919	68 893
Losses from transactions with financial instruments	34	(68 536)	(31 443)
Net profit from transactions with financial instruments		129 383	37 450
Administrative expenses	35	(107 634)	(76 786)
Negative goodwill	36	4 409	17 199
Share in results of associated companies	5.2	(203)	519
Other financial income	37	21 255	23 558
Allocation to secured persons	38	(7 860)	(6 034)
Profit for the period before tax		141 119	66 988
Tax expense	39	(4 829)	(6 218)
Net profit for the period		136 290	60 770
Attributable to minority interest		17 180	7 440
Attributable to the shareholders of Chimimport AD		119 110	53 330

		2007 BGN	2006 BGN
Earnings per share	40	0.89	0.51

Prepared by: ____________ **Executive director:** ____________

Date: 29.04.2008

Audited by: ____________

Auditing Company GRANT THORNTON LTD

The accompanying notes form an integral part of the financial statements.

Consolidated statement of cash flows (direct method)

	Notes	2007 BGN'000	2006 BGN'000
Operating activities			
Cash receipts from short-term loans		179 821	128 561
Cash paid for short-term loans		(106 828)	(122 405)
Proceeds from sale of financial instruments		174 592	246 357
Payments for financial instruments		(283 211)	(293 297)
Cash receipts from customers		469 344	274 309
Cash paid to suppliers		(369 904)	(237 487)
Cash receipts from secured persons		27 003	12 725
Cash paid to secured persons		(3 322)	(3 242)
Cash paid to employees and social security institutions		(67 265)	(21 814)
Cash receipts from banking operations		19 532 107	11 945 090
Cash paid for banking operations		(19 248 755)	(11 775 778)
Cash receipts from insurance operations		81 202	52 940
Cash paid for insurance operations		(76 303)	(40 242)
Income taxes paid		(3 088)	(2 096)
Other cash outflow for operating activities		(37 587)	(9 538)
Net cash flows from operating activities		**267 806**	**154 083**
Investing activities			
Net proceeds from/(payments for) business combinations		81 630	(66 132)
Proceeds from sale of property, plant and equipment		61 581	4 727
Payments for purchase of property, plant and equipment		(176 533)	(56 748)
Interest payments received		8 664	132
Other cash inflows from/ (outflows for) investing activities		(2 706)	3 206
Net cash flows from investing activities		**(27 364)**	**(114 815)**
Financing activities			
Proceeds from issuing of shares		220 018	46 418
Proceeds from loans received		121 264	140 746
Payments for loans received		(163 365)	(95 851)
Interest paid		(3 598)	(10 480)
Payments for finance lease		(3 001)	(1 475)
Other cash inflows from/ (outflows for) financing activities		(29 439)	17 709
Net cash flows from financing activities		**141 879**	**97 067**
Cash and cash equivalents at the beginning of the period		366 548	230 213
Net increase of cash and cash equivalents for the period		382 321	136 335
Cash and cash equivalents at the end of the period	18	**748 869**	**366 548**

Prepared by: ____________
Date: 29.04.2008
Audited by: ____________

Executive director: ____________

Auditing Company GRANT THORNTON OOD Sofia

0488 Марий Апостолов Регистриран одитор

The accompanying notes form an integral part of the financial statements.

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Consolidated statement of changes in equity

All amounts presented in BGN'000	Share capital	Unpaid capital	Additional paid-in capital	Share premium	Other reserves	Retained earnings	Minority interest	Total equity
Balance 1 January 2006	60 000	(2 082)	58 916	-	8 699	69 928	40 540	236 001
Charity donations	-	-	-	-	(470)	-	-	(470)
Other changes in equity	-	-	-	-	(5 030)	689	-	(4 341)
Net income/(expense) recognized directly in equity	-	-	-	-	(5 500)	689	-	(4 811)
Net profit for the year	-	-	-	-	-	53 330	7 440	60 770
Total recognized income and expense for 2006	-	-	-	-	(5 500)	54 019	7 440	55 959
Installments for increase of share capital	58 916	2 082	(58 916)	-	-	-	-	2 082
Initial public offering	11 084	-	-	32 925	-	-	-	44 009
Minority interest arising on business combinations	-	-	-	-	-	-	13 053	13 053
Balance 31 December 2006	130 000	-	-	32 925	3 199	123 947	61 033	351 104

Prepared by: ______________
Date: 29.04.2008
Audited by: ______________

Executive director: ______________

Auditing Company GRANT THORNTON LTD Sofia

Grant Thornton Ltd

The accompanying notes form an integral part of the financial statements.

Consolidated statement of changes in equity

All amounts presented in BGN'000	Share capital	Share premium	Other reserves	Retained earnings	Minority interest	Total equity
Balance 1 January 2007	130 000	32 925	3 199	123 947	61 033	351 104
Charity donations	-	-	(11)	-	-	(11)
Increase in reserves and retained earnings	-	-	490	640	-	1 130
Net income/(expense) recognized directly in equity	-	-	479	640	-	1 119
Net profit for the year	-	-	-	119 110	17 180	136 290
Total recognized income and expense for 2007	-	-	479	119 750	17 180	137 409
Subsequent public offering	20 000	199 418	-	-	-	219 418
Minority interest arising on business combinations	-	-	-	-	101 664	101 664
Balance 31 December 2007	150 000	232 343	3 678	243 697	179 877	809 595

Prepared by: ______________

Date: 29.04.2008

Audited by: ______________

Executive director: ______________

Auditing Company GRANT THORNTON LTD Sofia

The accompanying notes form an integral part of the financial statements.

Notes to the consolidated financial statements

1 General information

Chimimport AD is registered as a joint-stock company at Sofia City Court on 24 January 1990. The address of the Company's registered office is 2, St. Karadja Str., Sofia, Bulgaria.

The Company is listed on the Bulgarian Stock Exchange – Sofia since 30 October 2006.

The main activity of the Group consists of:

- Acquisition, management and sale of share participations in both domestic and foreign companies;
- Financing of companies in which interest is held;
- Banking services, finance, insurance and life insurance, pension and health insurance;
- Securitization of real estate and receivables;
- Extraction of crude oil and natural gas;
- Construction of output capacity in the area of oil-processing industry, production of biodiesel and production of rubber items;
- Production and trading with oil and chemical products;
- Production of vegetable oil, purchasing, processing and trading with grain foods;
- Aviation transport and ground activities on servicing and repairing of aircrafts and aircraft engines;
- River and sea transport and harbor infrastructure;
- Trade representation and agency;
- Commission, forwarding and warehouse activity.

The Company has a two-tier management structure consisting of a Supervisory Board and a Managing Board.

The Supervisory Board has the following members:
Chimimport Invest AD
CCB Group Assets Management EAD
Jivko Velikov Jekov

The Managing Board has the following members
Alexander Dimitrov Kerezov
Ivo Kamenov Georgiev
Marin Velikov Mitev
Nikola Peev Mishev
Mirolub Panchev Ivanov
Cvetan Cankov Botev

The Company is represented by its executive directors Ivo Kamenov and Marin Mitev, both together and separately.

The consolidated financial statements as at 31 December 2007 have been approved for release by the Managing Board on 29 April 2008.

2 Basis for preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB) and as adopted by the EU.

The financial statements are the consolidated statements of the Company. The Company has released its separate financial statements on 31 March 2008.

3 Changes in accounting policies

3.1 Overall considerations

The company has adopted for the first time IFRS 7 Financial Instruments: Disclosures in 2007. The Standard has been applied retrospectively, i.e. with amendments to the 2006 accounts and their presentation. The 2006 comparatives contained in these financial statements therefore differ from those published in the financial statements for the year ended 31 December 2006.

Other Standards or Interpretations relevant for IFRS financial statements did not become effective during the current financial year.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect of presentation, recognition and measurement of accounts are described in the following notes. An overview of Standards and Interpretations that will become mandatory for the Group in future periods is given in note 3.4.

3.2 Amendment of IAS 1 Presentation of Financial Statements

In accordance with the amendment of IAS 1 the Company now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in IAS 1 can be found in note 44.

3.3 Adoption of IFRS 7 Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends disclosure requirements previously set out in IAS 32 Financial Instruments: Presentation and Disclosures and has been adopted retrospectively by the Group in its consolidated financial statements. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, financial statements of the Group now feature:

- a sensitivity analysis, to explain the Group's market risk exposure in regard to its financial instruments, and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of IFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

3.4 Standards and Interpretations not yet applied by the Group

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in the Company's 2007 consolidated financial statements.

Standard or Interpretation	Effective for in reporting periods starting on or after
IFRS 3 Business Combinations – revised	1 July 2009
IFRS 8 Operating Segments	1 January 2009
IAS 23 Borrowing Costs (revised 2007)	1 January 2009
IAS 27 Consolidated and Separate Financial Statements	1 July 2009
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programs	1 July 2008
IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

Based on the Group's accounting policy, the management does not expect material impacts on the Group consolidated financial statements when the Interpretations become effective.

The Group does not intend to apply any of these pronouncements early.

4 Summary of accounting policies

4.1 Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below.

The consolidated financial statements have been prepared on the historical cost basis, modified in certain cases with the revaluation of certain assets and liabilities. The measurement bases are more fully described in the accounting policies of the consolidated financial statements.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2 Consolidation and investments in associates

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. Chimimport AD obtains and exercises control through voting rights. The consolidated financial statements of Chimimport AD incorporate the financial statements of the parent company as well as those entities controlled by the Group by full consolidation

In addition, acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Associates are those entities over which Chimimport AD is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in associates.

All subsequent changes to the share of interest in the equity of the associate are recognized in the Company's carrying amount of the investment. Changes resulting from net results generated by the associate are charged against "Share in results of associated companies" in the Group's consolidated income statement and therefore affect net results of the Group. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Items that have been directly recognized in the associate's equity, for example, resulting from the associate's accounting for available-for-sale securities, is recognized in consolidated equity of the Group. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transaction with the associate's shareholders, are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4.3 Segment reporting

The separate business segment includes assets or activities, divided for offering of products and services, which are target to risk and profit different from those of the other business segments.

4.4 Foreign currency transactions

The separate elements of the consolidated financial statements of the Group are in the currency of the main economic environment in which it carries out its activities ("functional currency"). The consolidated financial statements of Chimimport AD are presented in Bulgarian Leva (BGN), which is also the functional currency of the Group.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of remaining balances at year-end exchange rates are recognized in the income statement.

The Currency Board was introduced in Bulgaria on 01 July 1997 following the recommendations by the International Monetary Fund (IMF) and fixed the value of the BGN against the DEM in ratio 1:1. Following the introduction of the EURO, the BGN was fixed to the EUR at rate 1EUR = 1.95583 BGN.

4.5 Revenue and expense recognition, borrowing costs

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates, allowed by the Group. In case of similar assets with similar values are exchanged, the transaction is not recognized as generating income.

Revenue from sale of goods is recognized, provided all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the value of the revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the enterprise
- the cost incurred or to be incurred in respect of the transaction can be measured reliably

Revenue from rendering of services is recognized, when the outcome of the transaction can be measured reliably.

Operating expenses are recognized in the income statement upon utilization of the service or at the date of their origin. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. Interest income and expenses are reported on an accrual basis. Dividends received, other than those from investments in associates, are recognized at the time of their distribution.

All borrowing costs are expensed as incurred, in accordance with IAS 23 Borrowing Costs.

Interest income and expenses are recognized on a time proportion basis using the effective interest rate method as the difference between the amount at initial recognition of the respective asset or liability and the amount at maturity is depreciated/amortized.

For loans granted by the Group's bank and amounts owed to depositors, where the interest is calculated on a daily basis by applying the contracted interest rate to the outstanding balance, the effective interest rate is considered to be approximately equal to the contracted interest rate due to the nature of the contractual terms.

Interest earned as a result of securities held for trade or securities available-for-sale is recognized as interest income. Interest income includes the amount of amortization of any discount, premium or other difference between the initial cost of debt securities and their amount at maturity.

Upon acquisition of an interest-bearing security, the interest accrued as of the acquisition date is accounted for as interest receivable.

Fees and commissions consist mainly of fees for payment transactions in BGN and in foreign currency, fees for granting and management of loans, opening of letters of credit and issuance of guarantees. Fees and commissions are recognized when the service is performed.

Commissions arising from foreign currency transactions are reported in the income statement on their receipt. Fees and commissions for granting and management of loans, when considered to be part of the effective income, are amortized during the loan term and are recognized as current financial income during the period by adjusting the effective interest income.

Revenue recognition from premiums over insurance contracts is based on the amount, due by the insured (insuring) person for the whole term of the insurance, which the Group has the right to receive according to insurance contracts signed during the accounting period and for insurances with terms covering whole or parts of the next accounting period. Reinsurance premiums from inward reinsurance are recognized as revenue based on the premiums due in the accounting period from assignors in connection with reinsurance contracts.

In case of co-insurance revenue is recognized only for the insurer's part from the whole amount of premiums.

Premiums signed away to reinsurers for common insurance include premiums due to reinsurers according to reinsurance contracts for reinsurance of risks over signed during the period contracts on direct insurance and inward reinsurance. The reinsurance premiums, which are not paid as at the balance sheet date, are accounted for as payables.

The amounts for reimbursement by reinsurers in connection with paid by the Group's insurer during the period claims, are accounted for as reinsurer's share including the case in which the settlement of the relations with reinsurers occurs in following accounting period.

4.6 Goodwill

Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities at the date of the exchange transaction is described as goodwill and recognized as an asset.

Any excess as at the date of the exchange transaction of the acquirer's interest in the fair value of the identifiable assets and liabilities, over the cost of the acquisition, is negative goodwill.

In accordance with IFRS 3 Business Combinations positive goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Negative goodwill is recognized in the income statement as occurred.

4.7 Intangible assets and research and development activities

Intangible fixed assets are measured initially at cost. If an intangible asset is acquired separately, the cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.
Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and this expenditure can be measured and attributed to the asset reliably. If these two conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Amortization is calculated using the straight-line method over the estimated useful life of individual assets, as follows:

- software 2 years
- other 2-7 years

Amortization is calculated using the straight-line method over the estimated useful life of individual assets. Amortization expense for intangible assets is recognized in the income statement as Expenses for non-financial activities.

Costs associated with research activities are expensed in the income statement as they incurred.

Costs that are directly attributable to the development phase of new internally generated intangible assets are recognized as intangible assets provided they meet the following recognition requirements:

- demonstration of technical feasibility of the prospective product for internal use or sale
- the intangible asset will generate probable economic benefits through internal use or sale
- sufficient technical, financial and other resources are available for completion
- the intangible asset can be reliably measured.

Direct costs include employee costs incurred on internally generated intangible assets development along with an appropriate portion of relevant overheads. However, until completion of the development project, the assets are subject to impairment testing. Amortization commences upon completion of the asset.

All other development costs are expensed in the income statement as incurred.

Careful judgment by Group's management is applied when deciding whether the recognition requirements for development costs have been met. Judgments are based on the best information available at each balance sheet date. In addition, all activities, related to the research and development of new intangible fixed assets, are continuously monitored by Group's management.

The recognition threshold, selected by the Group for intangible fixed assets amounts to BGN 500.

4.8 Property, plant and equipment

An item of property, plant and equipment is initially measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized in the consolidated financial statements is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

Property, plant and equipment acquired under finance lease agreement, are depreciated based on their expected useful life, determined by reference to comparable assets or based on the period of the lease contract if shorter.

The useful lives of property, plant and equipment can be summarized as follows:

- Buildings 25 years
- Machines 5 years
- Technical equipment from 4 to 25 years
- Vehicles from 4 to 10 years
- Ships 30 years
- Fixtures and fittings 7 years
- Others 7 years

The recognition threshold, selected by the Group for tangible fixed assets amounts to BGN 500.

4.9 Leases

The Company has entered into contracts for finance lease and operating lease as a lessee. In accordance with IAS 17 (rev 2005), the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

The related asset is recognized at the time of inception of the lease at the lower of the fair value of the leased property the present value of the minimum lease payments. A corresponding amount is recognized as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs.

Assets acquired under the terms of finance leasing are depreciated in accordance with IAS 16 Property, plant and equipment and/or IAS 38 Intangible assets.

All other leases are treated as operating lease agreements. Operate lease payments are recognized as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

The Company has entered into contracts for finance lease and operating lease as a lessor.

Assets subject to operating leases are presented in the balance sheet according to the nature of the asset.

Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Costs, including depreciation, incurred in earning the lease income are recognized as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognized on a straight-line basis over the lease term even if the receipts are not on such a basis.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

The depreciation policy for depreciable leased assets is consistent with the lessor's normal depreciation policy for similar assets, and depreciation shall be calculated in accordance with IAS 16 Property, plant and equipment and IAS 38 Intangible assets.

Assets held under a finance lease contract are presented in the balance sheet as a receivable at amount equal to the net investment in the lease. The sales revenue from assets is recognized in the current year income statement. The recognition of the finance income is based on a pattern reflecting a constant periodic rate of return of the lessor's net investment outstanding in respect of the finance lease.

4.10 Impairment testing of the Group's assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment at whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, Group's management estimates expected future cash flows from each cash-generating unit and determines a discount factor in order to calculate the present value of those cash flows. The data used for the Group's impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the Company management.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist or be reduced. An impairment charge that has been recognized is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.11 Investment property

Investment property represents land and buildings held to earn rental income or for capital appreciation or both, rather than held for:

- Production or supply of goods or services or for administrative purposes;
- Sale in the ordinary course of the business.

Investment property is recognized in the consolidated financial statements of the Group as an asset only when the following two conditions are fulfilled:

- It is probable that future economic benefits, associated with the investment property, will flow to the Group;
- The cost of the investment property can be measured reliably.

The investment property is initially measured at cost, which comprises purchase price and any directly attributable expenses, e.g. legal fees, property transfer taxes and other transaction costs.

Following the initial recognition, the investment property is stated at cost according to IAS 16, Property, plant and equipment. In this case, the investment property is reported at its cost less accumulated depreciation and any impairment losses.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Buildings 25 years

Subsequent expenditure relating to investment property is added to the carrying amount of the investment property when it is probable that future economic benefits, in excess of the originally assessed standards of performance of the existing investment property, will flow to the Group. All other subsequent expenditures are recognized as an expense in the period they incurred.

Investment property is derecognized on disposal or when it is permanently withdrawn from use in case no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal are recognized in the income statement and represent the difference between the net disposal proceeds and the carrying amount of the Investment property.

4.12 Financial assets

Financial assets other than hedging instruments are divided into the following categories financial instruments:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognized in the income statement or directly in the equity of the Group.

All financial assets are recognized on their transaction date.

Financial assets are initially recognized by the Group at fair value. Transaction costs which are directly attributable to the acquisition or issue of the financial asset pertain to the value of the financial asset or liability, with the exceptions of financial assets or liabilities at fair value through profit or loss.

Derecognition of financial instruments occurs when the Group loses control of the contractual rights which constitute the financial asset – that is to say, when the rights to receive cash flows from the investments expire or a substantial part of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at each balance sheet date to determine whether or not there is objective evidence that the specific financial asset or group of financial assets is impaired.

Interest payments and other cash flows resulting from holding financial assets are recognized in the income statement when received, regardless of how the related carrying amount of financial assets is measured.

Loans and receivables, which have initially occurred in the Group, are non-derivative financial instruments with fixed payments that are not quoted in an active market. After initial recognition loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the income statement for the current period. Most of the Group's trade and other receivables fall into this category of financial instruments. Discounting, however, is omitted where the effect of discounting is immaterial.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when there is objective evidence that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other credit risks, if any. In this case, the percentage of the write down is based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated to be carried at fair value through profit or loss upon initial recognition. By definition, all derivative financial instruments that are not hedging instruments, fall into this category. The Company does not hold other financial instruments that fall into this category.

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by active market transactions or using a valuation technique where no active market exists.

Held-to-maturity investments are financial instruments with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if the investment is impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in the income statement.

Available-for-sale financial assets include those financial assets, which are not loans and receivables that have occurred in the Group, held-to-maturity investments, or financial assets at fair value through profit or loss. Financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they don't have fixed date of payment. Changes in value are recognized in equity, net of any effects arising from income taxes. Accumulated gains and losses arising from financial instruments classified as available-for-sale are recognized in the income statement when they are sold or when the investment is impaired.

4.13 Receivables and liabilities under repurchase agreements

Receivables and liabilities under repurchase agreements are recognized at cost, which represents the funds placed/obtained by the Bank owned by the Group, secured by the value of the securities. Interest due on the fair value of the funds placed/obtained for the term of the agreement is accounted for and recognized as interest income/expense in the period of its occurrence.

4.14 Inventories

Inventories include raw materials, work in progress, production and goods. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value. The amount of each impairment of inventories up to their net realizable value, is recognized as an expense for the period of impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, than the new net realizable value is adopted. The recovery amount can only be up to the balance value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The Group determines the cost of inventories by using the weighted average cost.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

4.15 Income taxes

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the budget relating to the current reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal period to which they relate, based on the taxable profit for the period. All changes in tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on all temporary differences. This includes the comparison of the carrying amounts of assets and liabilities with their respective tax bases. In accordance with the rules set out in IAS 12, no deferred taxes are recognized in conjunction with goodwill and temporary differences associated with shares in subsidiaries and joint ventures if the Group can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. Existing tax losses are assessed in accordance with available criteria for recognition before the deferred tax asset is carried forward. Deferred tax asset is recognized to the extent that the realization of the related tax benefits through the future taxable profits is probable.

Deferred tax liabilities arising from temporary differences are always provided for in full. Deferred tax assets arising from temporary differences are recognized to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement for the period. Changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to equity are charged or credited directly to equity.

4.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand as well as bank accounts, deposits, balances on accounts of the Bulgarian National Bank (BNB) and nostro accounts, which are unrestricted demand deposits at other banks, as well as placements with, loans and advances to other banks with a maturity up to 3 months, short-term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

4.17 Equity and dividend payments

Share capital of the Company is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the initial and subsequent issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from additional paid-in capital.

Other reserves are formed based on the requirements of the Commercial Act for forming legal reserves.

Retained earnings include the current financial result, disclosed in the income statement, and retained earnings from past periods.

Dividend distributions payable to equity shareholders are included in "other short-term financial liabilities" when the dividends are approved at the General Meeting prior to the balance sheet date.

4.18 Specialized reserves for pension insurance activity

The pension insurance company of the Group is obliged to designate specialized reserves with its own resources in accordance with article 213 paragraph 2 and article 193 paragraph 8 of the Social Security Code.

According to article 213 paragraph 2 from the Social Security Code a pension reserve for DPF CCB-SILA is formed for paying out life pensions.

According to article 193 paragraph 8 from the Social Security Code, reserves for guaranteeing the minimal return for the obligatory pension funds PPF CCB-SILA and UPF CCB-SILA are formed.

The reserves for guaranteeing the minimal return cold be invested only in strictly defined types of assets and only if there is compliance with the investment limitations defined in articles 175-180 of the Social Security Code.

The valuation of the assets representing investments of the specialized reserves is performed in compliance with Regulation № 9 dated 19 November 2003 for the method and order of valuation of the assets and the liabilities of the funds for supplementary pension insurance and of the pension insurance company, in the amount of the fund's net assets, for calculating and declaring the amount of one share and for the requirements for bookkeeping the individual batches, the applicable accounting standards and the accepted rules for valuing the assets and liabilities of POAD "CCB-SILA" and the managed funds for supplementary pension insurance.

4.19 Social security and pension contracts

The pension insurance company of the Group manages and represents three pension funds for supplementary pension insurance – Voluntary, Professional and Universal.

The Voluntary Pension Fund performs supplementary voluntary pension insurance for personal supplementary voluntary pension. The insurance cases covered are: old age, disability and death.

The supplementary pensions are life or periodic, depending by the choice of the insured person. The type of pension and the term for its disbursement are specified in the pension contract when the right for a supplementary pension is established.

The types of disbursements are:
- supplementary pensions for old age and disability;
- single or periodical disbursement of the funds from an individual batches;
- disbursement of inherited pension;
- single or periodical disbursement of the remaining funds from an individual batch to the heirs of the insured person or the pensioner.

The amount of the personal supplementary old-age life pension is calculated based on:
- the accumulated funds in the individual batch;
- the technical interest rate;
- biometric tables.

The right to supplementary pension can be obtained by depositing lump-sum contributions. The amount of the pension is determined based on actuarial reports.

The technical interest rate and the biometric tables are approved by the deputy director of the Financial Supervisory Commission, who is in charge of "Insurance control" department.

The insurance contract is terminated in the following cases:
- when the insured person deceases;
- when the insured person transfers the whole amount of his/her individual batch to a third party or another pension fund;
- when the insured person withdraws the whole amount from his/her individual batch.

The Professional Pension Fund offers periodic professional pensions for early retirement. The professional pension for early retirement is disbursed until the right to length of service and age pension is acquired under the requirements of part one of the Social Security Code (SSC).

The insured persons of the fund have the right to:
- periodic professional pension for early retirement when working under the conditions of I and II category labor, according to the labor category.
- single disbursement of up to 50% of the amount accumulated in the individual batch in the case of permanent loss of working capacity of over 70.99%..
- single or periodical disbursement of the accumulated funds from an individual batch to the heirs of a deceased insured person or a pensioner of the fund.

The amount of the professional pension for early retirement is calculated based on:
- the accumulated funds in the individual batch;
- the period for the pension disbursement;
- the technical interest rate, approved by the deputy director of the Financial Supervisory Commission.

When acquiring the right to length of service and age pension under the requirements of part one of SSC before the period of the professional pension has ended, the remaining of the funds in the individual batch are disbursed with the last professional pension.

The insurance contract is terminated in the following cases:
- when the insured person deceases;
- when the insured person enters an actual insurance contract with a pension fund, managed by another pension insurance company, signed with the Group's given consent for change of the fund.

The insurance is realized with monthly cash insurance contributions, the amount of which is determined in SSC as a percentage of the insurance income.

For 2007 the contributions are: 7% for persons working under the conditions of labor category I, and 12% for those working under the conditions of labor category II.

The Universal Pension Fund provides personal supplementary life pension for old age and insurance, conducted by the National Social Security Institute (NSSI).

A secured person has the right to a personal supplementary length of service and age pension from an universal pension fund, when he/she acquires the right to a length of service and age pension under the requirements of part one of the Social Security Code, or 5 years before turning the age for receiving pension from the State Social Security by the desire of the secured person, under the condition that the accumulated funds allow the disbursement of such a pension, not smaller that the size of the minimal length of service and age pension.

The insured persons of the fund have the right to:
- supplementary life pension for old age after acquiring the right to a length of service and age pension under the requirements of part one of the Social Security Code.
- supplementary life pension for old age five years before turning the age for receiving length of service and age pension under article 68, paragraph 1-3 of SSC under the condition that the accumulated funds from the individual batch allow the disbursement of such a pension, not smaller than the size of the minimal length of service and age pension under article 68, paragraph 1-3 of SSC.
- single disbursement of up to 50% of the amount accumulated in the individual batch in the case of permanent loss of working capacity of over 70.99%.
- single or periodical disbursement of the accumulated funds from an individual batch to the heirs of a deceased insured person or a pensioner of the fund.

The amount of the professional pension for early retirement is calculated based on:
- the accumulated funds in the individual batch;
- the technical interest rate;
- biometric tables.

The technical interest rate and the biometric tables are approved by the deputy director of the Financial Supervisory Commission, who is in charge of “Insurance control” department.

The insurance contract is terminated in the following cases:
- when the insured person deceases;
- when the insured person enters an actual insurance contract with a pension fund, managed by another pension insurance company, signed with the Group’s given consent for change of the fund.
- when the insured person withdraws the whole amount from his/her individual batch.

The insurance is realized with monthly cash insurance contributions, the amount of which is determined in SSC as a percentage of the insurance income. For 2007 the contributions are 5% of the insured person’s income, and the contribution is distributed between the insurer and the insured person by 65% and 35% respectively.

4.20 Pension and other employee obligations

The Group has not developed and does not apply plans for employee benefits after leaving, nor other long term remuneration and plans for remuneration after leave or ones in the form of compensations with stocks or shares of the share capital.

The Group reports short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected the leaves to occur within 12 months after the end of the accounting period during which the employees have performed the work related to those leaves. The short term payables to personnel include wages, salaries and related social security payments.

In accordance with Labor Code requirements, in case of retirement, after the employee has gained the legal right of pension due to years of services and age, the Group is obliged to pay him/her compensation at the amount between two to six gross wages.

The Group has reported a liability by law for the payment of retirement compensation in accordance with IFRS 19 Employee benefits. The amount is based on forecasts made for the next five years, discounted with the long-term income percentage of risk free securities.

Short-term employee benefits, including holiday entitlement are included in current pension and other employee obligations at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

4.21 Financial liabilities

The Group's financial liabilities include bank and other loans, overdrafts, trade and other payables.
Financial liabilities are recognized when the Group becomes a party to the contractual agreements for financial instruments. All interest related charges are recognized as an expense in the income statement.

Bank loans are raised for support of long-term funding of the Group's operations. They are recognized in the balance sheet of the Group, net of any costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accrual basis using the effective interest method and are added to the carrying amount of the financial liability to the extent that they are not settled in the period in which they arise.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends payable to shareholders are recognized when approved at the General Meeting of the Shareholders.

4.22 Insurance operations and insurance contracts

As at the date of preparation of the financial statements the insurance company of the Group applies IFRS 4 – Insurance contracts. The standard defines the requirements for disclosure of the accounting policy and representation of the comparative information with respect to the insurance assets and liabilities as well as income and expenses related to insurance activity. The accounting policy of the Group is taken into consideration with respect to the specificity of the insurance services and the respective legal requirements.

Insurance contracts are those that transfer significant insurance risk over to the Group. The Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event, which are at least 10% higher than the benefits payable if the insured event had not occurred.

Once classified as insurance contracts at the date of the inception, the Group continues to present them as insurance contracts over the period of their lifetime, even if the insurance risk reduces significantly during this period.

4.23 Reinsurance contracts

The Group assumes and cedes to reinsurers risk undertaken in the normal course of business. The expected benefits arising from reinsurance contracts are recognized as assets in the balance sheet.

The Group performs an impairment review on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that this can be measured reliably.
The difference is performed as change in the reinsurers' share into a reserve for outstanding payments in the technical statements for the insurance activity.

The Group also performs an active reinsurance. The premiums and the collaterals on active reinsurance are accounted together with the registered insurance premiums and the paid gross collaterals on direct insurance operations.

4.24 Insurance reserves

Insurance reserves are formed by the insurance company in order to cover present and future liabilities to insured persons or organizations in accordance with the insurance contract. Insurance reserves do not form part of the equity. Insurance reserves are calculated by the actuary of the Group by the use of actuarial methods, which consist of mathematical methods and rules. Insurance reserves are presented in gross in the Group's balance sheet and they are reduced by the amount of the reinsurers' share in the reserves formed. When the insurance is denominated in foreign currency, the corresponding reserves are formed in the same currency. The insurance reserves that have been formed during the prior period are recognized as income from released insurance reserves in the current period. The reserves formed at the year-end are recognized as expense for the formation of insurance reserves in the income statement. The insurance reserves referring to the reinsurers' share formed in the prior period are recognized as expense for released insurance reserves in the current period income statement and the reserves formed at the year-end are recognized as income from released insurance reserves in the current period income statement.

The Company should invest its insurance reserves, reduced by the part of the reinsurer (net amount of the insurance reserves) into assets in the ratios regulated by the Insurance Code.

4.25 Adequacy test of insurance reserves

At each balance sheet date, an adequacy test is performed by the actuaries, to ensure that the reserves, reduced by deferred acquisition costs, are sufficient to meet potential future payments. In accordance with the regulation requirements the amount of the reserves formed should be completely secured with investments in highly liquid assets (given in percentage, regulated by the applicable acts and regulations).

When performing an adequacy test, the cash flows related to payment of collaterals, cash flows generated by collected premiums, and paid commissions are taken into consideration.

4.26 Group's policy for lending to related parties in the course of its banking activity performed by Central Cooperative Bank AD

Central Cooperative Bank AD may, by a unanimous decision of its collective managing body, and with the approval of the head of the specialized internal control office extend loans to:
a) administrators of Central Cooperative Bank AD;
b) spouses and relatives in direct lineage to the third degree, including the relatives of the persons under item a);
c) holders of shares ensuring them over five percent of the total number of votes at the Shareholders' General Meeting of Central Cooperative Bank AD;
d) a shareholder whose legal representative is a member of a managing or supervisory body of Central Cooperative Bank AD;
e) legal persons in which persons under items a), b), c), and d) take part in the management;
f) commercial companies in which Central Cooperative Bank AD, or a person under items a), b), c), d) is involved with the management of or has a qualified equity;
g) persons supervising the operations of Central Cooperative Bank AD;
h) the head of the specialized internal control office in Central Cooperative Bank AD;

In these cases, the terms and conditions of redemption and the amount of interest shall be stipulated in the decision for extending the credit.

The above mentioned shall not apply where:
- the amount of the loan made to persons described in items a), b), g) and h) does not exceed their annual remuneration;
- the amount of the loan made to persons described in items c), d), e) and f) is below one percent of the paid-in capital of Central Cooperative Bank AD.

Central Cooperative Bank AD shall not offer preferential credit conditions to the above-mentioned persons such as:
- entering into a transaction which, because of its substance, aim, character or risk could not be entered into by the bank with customers not mentioned in items a) to h);
- collecting interest, fees or other financial obligations, or accepting collateral, which is less than required from other customers.

The amount of an unsecured loan made by Central Cooperative Bank AD to one of its employees shall not exceed his 24-month gross salary.

The total amount of the loans made to the persons described in items a) to h) shall not exceed ten percent of the funds owned by Central Cooperative Bank AD, and unsecured loans made by Central Cooperative Bank AD to one of its employees shall not exceed three percent of the funds owned by Central Cooperative Bank AD.

4.27 Other provisions, contingent liabilities and contingent assets

Provisions, representing current obligations of the Group arising from past events, the settlement of which is expected to result in the need of an outflow of resources, are recognized as liabilities for the Group. A provision is recognized only when the following conditions are present:

- The Group has a present obligation as a result of a past event
- It is probable that an outflow of resources will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the outflow of resources needed for the current obligation at the balance sheet date. In reaching the best estimate of the provision, the Group takes into account the risks and uncertainties that surround many events and circumstances as well as the effect of the time value of the money, when it is material.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, no liability is recognized.

The Group does not recognize contingent assets in the consolidated financial statements as possible obligations arise, whose existence is not yet confirmed or this may result in the recognition of income that may never be realized.

4.28 Provisions for credit-related contingent liabilities

The amount of provisions for guarantees and other off-balance credit-related commitments is recognized as an expense and a liability when the Group's bank - Central Cooperative Bank AD has current legal or constructive obligations, which have occurred as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reasonable estimate of the amount of the liability can be made. Any loss resulting from recognition of provisions for liabilities is reported in the income statement for the respective period.

5 Basis of consolidation

5.1 Investments in subsidiaries

The subsidiaries, included in the consolidation are as follows:

Name of the subsidiary	Country of incorporation	Principal activity	2007 %	2006 %
Central Cooperative Bank AD	Bulgaria	Banking	72.80%	81.39%
ZPAD Armeec	Bulgaria	Insurance	97.26%	92.62%
CCB Group Assets Management EAD	Bulgaria	Finance	100.00%	100.00%
CCB Assets Management EOOD	Bulgaria	Finance	100.00%	0.00%
CCB Real Estate Fund ADSIC	Bulgaria	Finance	100.00%	100.00%
SK Chimimport Consult OOD	Bulgaria	Finance	59.34%	59.34%
FBK Chimimport Finance EOOD	Bulgaria	Finance	96.00%	96.00%
ZAED CCB Zhivot	Bulgaria	Finance	100.00%	0.00%
ZOK CCB	Bulgaria	Finance	100.00%	0.00%
Chimimport Lega Consult OOD	Bulgaria	Finance	70.00%	70.00%
Armeec Leasing OOD	Bulgaria	Finance	100.00%	100.00%
POAD CCB Sila	Bulgaria	Pension fund	99.26%	99.26%
DPF CCB Sila	Bulgaria	Pension fund	100.00%	100.00%
UPF CCB Sila	Bulgaria	Pension fund	100.00%	100.00%
PPF CCB Sila	Bulgaria	Pension fund	100.00%	100.00%
Prouchvane i dobiv na neft i gaz AD	Bulgaria	Production	56.50%	55.03%
Zarneni Hrani Bulgaria AD	Bulgaria	Production	59.61%	77.63%
MAYAK KM AD	Bulgaria	Production	77.19%	77.19%
Bulgarian Oil Refinery EOOD	Bulgaria	Production	100.00%	100.00%
Bulgarian Drilling Company EOOD	Bulgaria	Production	100.00%	100.00%
Geofizichni izsledvania EOOD	Bulgaria	Production	100.00%	100.00%
Sofgeoprouchvane EOOD	Bulgaria	Production	100.00%	100.00%
PDNG – Serviz EOOD	Bulgaria	Production	100.00%	100.00%
Petrogaz Antika EOOD	Bulgaria	Production	100.00%	100.00%
Korabno Mashinostroene AD	Bulgaria	Production	51.81%	0.00%
Izdatelstvo geologiya i mineralni resursi OOD	Bulgaria	Production	70.00%	70.00%
Slanchevi lachi Commerce EOOD	Bulgaria	Production	100.00%	100.00%
Slanchevi lachi Provadia EOOD	Bulgaria	Production	100.00%	0.00%
Chimimport Group EAD	Bulgaria	Trade	100.00%	100.00%
Chimimport Oil Trade OOD	Bulgaria	Trade	60.00%	60.00%
Chimimport Oil AD	Bulgaria	Trade	100.00%	0.00%
Chimimport Rubber OOD	Bulgaria	Trade	60.00%	60.00%
Chimimport Orgachim OOD	Bulgaria	Trade	60.00%	60.00%
Chimimport Chimceltex OOD	Bulgaria	Trade	60.00%	60.00%

Name of the subsidiary – continued	Country of incorporation	Principal activity	2007 %	2006 %
Chimimport Fertilizers OOD	Bulgaria	Trade	52.00%	51.00%
Dializa Bulgaria OOD	Bulgaria	Trade	50.00%	50.00%
Chimimport Pharma AD	Bulgaria	Trade	60.00%	60.00%
Siliko 07 OOD	Bulgaria	Trade	50.00%	50.00%
Ecoland Engineering OOD	Bulgaria	Trade	52.00%	52.00%
Kame Bulgaria OOD	Bulgaria	Trade	75.00%	75.00%
Chimimport Medica OOD	Bulgaria	Trade	51.00%	51.00%
Bulchimex OOD	Germany	Trade	100.00%	100.00%
Chimsnab AD Sofia	Bulgaria	Trade	93.33%	93.33%
Brand New Ideas EOOD	Bulgaria	Trade	100.00%	100.00%
IT Creation OOD	Bulgaria	Trade	50.00%	60.00%
Chimsin OOD	Bulgaria	Trade	0.00%	50.00%
Sport Complex Varna AD	Bulgaria	Trade	65.00%	65.00%
Golf Shabla AD	Bulgaria	Trade	65.00%	0.00%
Port Balchik AD	Bulgaria	Trade	100.00%	0.00%
Trans Interkar EOOD	Bulgaria	Trade	100.00%	0.00%
Asen Nikolov 1 AD	Bulgaria	Trade	50.00%	0.00%
Aris 2003 EOOD	Bulgaria	Trade	100.00%	100.00%
Diagnozis Si and Es OOD	Bulgaria	Trade	95.00%	95.00%
Anitas 2003 EOOD	Bulgaria	Trade	100.00%	0.00%
AGRO EOOD	Bulgaria	Trade	100.00%	0.00%
Transkar Serviz EOOD	Bulgaria	Trade	100.00%	0.00%
Energoproekt AD	Bulgaria	Trade	83.20%	83.20%
Bulgarian Aviation Group EAD	Bulgaria	Transport	100.00%	100.00%
Port Balchik AD	Bulgaria	Transport	100.00%	100.00%
Bulgaria Air AD	Bulgaria	Transport	99.99%	0.00%
Chimtrans OOD	Bulgaria	Transport	60.00%	60.00%
Bulgarian Shipping Company EAD	Bulgaria	Transport	100.00%	100.00%
Hemus Air EAD	Bulgaria	Transport	100.00%	100.00%
Parahadstvo Bulgarsko Rechno Plavane AD	Bulgaria	Transport	83.25%	94.55%
ViTiSi AD	Bulgaria	Transport	51.00%	51.00%
Harbor Lesport AD	Bulgaria	Transport	99.00%	99.00%

5.2 Investments in associates

The Group has share of the capital in the following companies:

Name of the associate	Country of incorporation	2007 BGN‘000	Share %	2006 BGN‘000	Share %
POK Saglasie AD	Bulgaria	15 367	49.28%	15 159	49.28%
Kauchuk AD	Bulgaria	6 436	28.07%	8 436	37.50%
Capital Management ADSIC	Bulgaria	1 899	46.16%	2 406	46.16%
Lufthansa Technik OOD	Bulgaria	1 367	20.00%	-	-
Electroterm AD	Bulgaria	750	38.07%	-	-
Kavarna Gas OOD	Bulgaria	453	35.00%	444	41.00%
		26 272		**26 445**	

As at 31 December 2007, the fair value of shares of Kauchuk AD, traded on the Bulgarian Stock Exchange – Sofia at the exchange price of BGN 60.00 per share, is BGN 15 864 thousand. The Company owns 264 399 of the shares.

Financial information concerning the investments in associates can be summarized as follows:

2007	POK Saglasie BGN‘000	Kauchuk AD BGN‘000	Electroterm AD BGN‘000	Capital Management ADSIC BGN‘000	Lufthansa Technik OOD BGN‘000	Kavarna Gas OOD BGN‘000	Total BGN‘000
Assets	11 656	39 172	1 645	49 422	9 777	1 758	**113 430**
Liabilities	1 817	16 242	181	45 307	4	465	**64 016**
Revenues	6 276	25 366	1 090	3 851	-	1 295	**37 878**
Net result for the period	422	544	93	2 957	(27)	24	**4 013**
Share of the Group in the net result for the period	**208**	**153**	**35**	**(602)**	**(5)**	**8**	**(203)**

2006	POK Saglasie BGN'000	Kauchuk AD BGN'000	Capital Management ADSIC BGN'000	Kavarna Gas OOD BGN'000	Total BGN'000
Assets	9 156	40 804	71 187	1 685	122 832
Liabilities	1 365	18 149	65 974	416	85 904
Revenues	3 935	30 680	308	1 258	36 181
Net result for the period	241	923	208	50	1 422
Share of the Group in the net result for the period	**119**	**287**	**96**	**17**	**519**

During 2007 and 2006 the Group has not received any dividends from its associates.

In these consolidated statements, investments in associated companies are accounted using the equity method.

5.3 Acquisition of 100 % of the share capital of Trans Interkar EOOD

In 2007 100% of Trans Interkar EOOD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007 BGN'000
Purchase consideration - cash paid:	
- Purchase price	2 095
Fair value of net assets acquired (see below)	2 095
Goodwill	**-**

The fair value of the net assets acquired is different from the book value of the net assets acquired. The fair value adjustments reflect certain characteristics of Property, plant and equipment, related to their location and potential for utilization.

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	2007
	BGN'000	BGN'000
Cash and cash equivalents	379	379
Property, plant and equipment	12 747	11 402
Investment properties	615	615
Investments in subsidiaries	200	200
Inventories	7 820	7 820
Receivables	1 920	1 920
Other assets	2 518	2 518
Liabilities	(24 104)	(24 104)
Net assets acquired	**2 095**	**750**

5.4 Acquisition of 65% of the share capital of Golf Shabla AD

In 2007 65% of Golf Shabla AD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007
	BGN'000
Purchase consideration:	
- Purchase price, paid in cash	1 074
- Purchase price, paid with contributions in kind	581
Total purchase consideration	**1 655**
Fair value of net assets acquired (see below)	1 655
Goodwill	**-**

The fair value of the net assets acquired approximated the book value of the net assets acquired, since the company is established in 2007, and its Property, plant and equipment consists of contributions in kind.

The fair value of the acquired net assets is presented as follows:

	Fair value 2007 BGN'000	Book value of the company acquired 2007 BGN'000
Cash and cash equivalents	1 074	1 074
Property, plant and equipment	4 145	4 145
Net assets	**5 219**	**5 219**
Minority interest	(3 564)	
Net assets acquired	**1 655**	

5.5 Acquisition of 100 % of the share capital of Chimimport Oil AD

In 2007 100 % of Chimimport Oil AD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007 BGN'000
Purchase consideration - cash paid:	
- Purchase price	500
Fair value of net assets acquired (see below)	500
Goodwill	-

The fair value of the net assets acquired approximated the book value of the net assets acquired, since the company is established in 2007.

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	2007
	BGN'000	BGN'000
Cash and cash equivalents	500	500
Net assets acquired	**500**	**500**

5.6 Acquisition of 100 % of the share capital of Agro EOOD

In 2007 100 % of Agro EOOD's share capital was acquired. As a result of the acquisition, income amounting to BGN 19 thousand was recognized in the income statement as Negative goodwill.

The acquired net assets and goodwill are as follows:

	2007
	BGN'000
Purchase consideration - cash paid:	
- Purchase price	10
Fair value of net assets acquired (see below)	29
Negative goodwill	**(19)**

The fair value of the net assets acquired approximated the book value of the net assets acquired.

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	**2007**
	BGN'000	**BGN'000**
Cash and cash equivalents	180	180
Other assets	5	5
Liabilities	(156)	(156)
Net assets acquired	**29**	**29**

5.7 Acquisition of 100 % of the share capital of Port Balchik AD

In 2007 100% of Port Balchik AD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007
	BGN'000
Purchase consideration - cash paid:	
- Purchase price	3 537
Fair value of net assets acquired (see below)	3 537
Goodwill	**-**

The fair value of the net assets acquired is different from the book value of the net assets acquired. The fair value adjustments reflect certain characteristics of Property, plant and equipment, related to their location and potential for utilization.

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	2007
	BGN'000	BGN'000
Cash and cash equivalents	516	516
Property, plant and equipment	1 673	512
Intangible assets	395	395
Receivables	992	992
Liabilities	(39)	(39)
Net assets acquired	**3 537**	**2 376**

5.8 Acquisition of 100 % of the share capital of Slanchevi lachi Provadia EOOD

In 2007 100% of Slanchevi lachi Provadia EOOD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007
	BGN'000
Purchase consideration - cash paid:	
- Purchase price	51 346
Fair value of net assets acquired (see below))	51 346
Goodwill	-

The fair value of the net assets acquired is different from the book value of the net assets acquired. The fair value adjustments reflect certain characteristics of Property, plant and equipment, related to their location and potential for utilization.

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	2007
	BGN'000	BGN'000
Property, plant and equipment	33 520	23 068
Intangible assets	244	244
Inventories	1 653	1 653
Short-term financial assets	3 962	3 962
Receivables	13 174	13 174
Cash and cash equivalents	15	15
Liabilities	(1 222)	(1 222)
Net assets acquired	**51 346**	**40 894**

5.9 Acquisition of 100 % of the share capital of Slanchevi lachi Commerce EOOD

In 2007 100% of Slanchevi lachi Commerce EOOD's share capital was acquired. As a result of the acquisition, no goodwill was recognized. As a result of the acquisition, income amounting to BGN 197 thousand was recognized in the income statement as Negative goodwill.

The acquired net assets and goodwill are as follows:

	2007
	BGN'000
Purchase consideration - cash paid:	
- Purchase price	120
Fair value of net assets acquired (see below)	317
Goodwill	**(197)**

The fair value of the net assets acquired approximated the book value of the net assets acquired. The fair value adjustments reflect certain characteristics of Property, plant and equipment, related to their location and potential for utilization.

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	**2007**
	BGN'000	**BGN'000**
Property, plant and equipment	266	266
Intangible assets	20	20
Inventories	309	309
Receivables	1 309	1 309
Other assets	1	1
Cash and cash equivalents	29	29
Liabilities	(1 617)	(1 617)
Net assets acquired	**317**	**317**

5.10 Acquisition of 59.61 % of the share capital of Zarneni Hrani Bulgaria AD

In 2007 59.61 % of Zarneni Hrani Bulgaria AD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007
	BGN'000
Purchase consideration - cash paid:	
- Purchase price	100 435
Total purchase consideration	**100 435**
Fair value of net assets acquired (see below)	100 435
Goodwill	**-**

The fair value of the net assets acquired is different from the book value of the net assets acquired. The fair value adjustments reflect certain characteristics of Trade and other receivables.

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	**2007**
	BGN'000	**BGN'000**
Property, plant and equipment	149 074	149 074
Intangible assets	956	956
Investment properties	6 108	6 108
Investments in subsidiaries	54 547	54 547
Inventories	35 018	35 018
Short-term financial assets	4 602	4 602
Receivables	68 687	70 986
Other assets	2 353	2 353
Cash and cash equivalents	5 613	5 613
Liabilities	(158 471)	(158 471)
Net assets	**168 487**	**170 786**
Minority interest	(68 052)	
Net assets acquired	**100 435**	

5.11 Acquisition of 100 % of the share capital of CCB Asset Management EOOD

In 2007 100 % of CCB Asset Management EOOD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007
	BGN'000
Purchase consideration - cash paid:	
- Purchase price	500
Fair value of net assets acquired (see below)	500
Goodwill	-

The fair value of the net assets acquired approximated the book value of the net assets acquired

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	2007
	BGN'000	BGN'000
Cash and cash equivalents	500	500
Net assets acquired	**500**	

5.12 Acquisition of 100 % of the share capital of ZAED CCB Zhivot

In 2007 100 % of ZAED CCB Zhivot's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007
	BGN'000
Purchase consideration - cash paid:	
- Purchase price	6 440
Fair value of net assets acquired (see below)	6 440
Goodwill	**-**

The fair value of the net assets acquired approximated the book value of the net assets acquired.

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	2007
	BGN'000	BGN'000
Cash and cash equivalents	6 440	6 440
Net assets acquired	**6 440**	**6 440**

5.13 Acquisition of 100 % of the share capital of ZOK CCB EAD

In 2007 100 % of ZOK CCB EAD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007
	BGN'000
Purchase consideration - cash paid:	
- Purchase price	1 041
Fair value of net assets acquired (see below)	1 041
Goodwill	**-**

The fair value of the net assets acquired approximated the book value of the net assets acquired.

The fair value of the acquired net assets is presented as follows:

	Fair value	**Book value of the company acquired**
	2007	**2007**
	BGN'000	**BGN'000**
Cash and cash equivalents	1 000	1 000
Other assets	41	41
Net assets acquired	**1 041**	**1 041**

5.14 Acquisition of 51.81 % the share capital of Korabno Mashinostroene AD

In 2007 51.81 % of Korabno Mashinostroene AD's share capital was acquired. As a result of the acquisition, income amounting to BGN 2 648 thousand was recognized in the income statement as Negative goodwill.

The acquired net assets and goodwill are as follows:

	2007 BGN'000
Purchase consideration - cash paid:	
- Purchase price	220
Fair value of net assets acquired (see below)	2 868
Goodwill	**(2 648)**

The fair value of the net assets acquired is different from the book value of the net assets acquired.

The fair value of the acquired net assets is presented as follows:

	Fair value 2007 BGN'000	**Book value of the company acquired 2007 BGN'000**
Property, plant and equipment	8 643	8 598
Inventories	5 829	5 829
Receivables	1 347	645
Other assets	784	81
Cash and cash equivalents	64	64
Liabilities	(11 131)	(11 131)
Net assets	**5 536**	**4 086**
Minority interest	(2 668)	
Net assets acquired	**2 868**	

5.15 Acquisition of 50 % of the share capital of Asen Nikolov AD

In 2007 50 % of Asen Nikolov AD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007 BGN'000
Purchase consideration - cash paid:	
- Purchase price	50
Fair value of net assets acquired (see below)	50
Goodwill	-

The fair value of the net assets acquired approximated the book value of the net assets acquired.

The fair value of the acquired net assets is presented as follows:

	Fair value 2007 BGN'000	Book value of the company acquired 2007 BGN'000
Investment properties	1 309	1 309
Investments in associates	1 760	1 760
Receivables	143	143
Cash and cash equivalents	294	294
Liabilities	(3 406)	(3 406)
Net assets	**100**	**100**
Minority interest	(50)	
Net assets acquired	**50**	

5.16 Acquisition of 100 % of the share capital of Aris 2003 EOOD

In 2007 100 % of Aris 2003 EOOD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007 BGN'000
Purchase consideration - cash paid:	
- Purchase price	829
Fair value of net assets acquired (see below)	829
Goodwill	-

The fair value of the net assets acquired approximated the book value of the net assets acquired.

The fair value of the acquired net assets is presented as follows:

	Fair value 2007 BGN'000	Book value of the company acquired 2007 BGN'000
Receivables	948	948
Liabilities	(119)	(119)
Net assets acquired	**829**	**829**

5.17 Acquisition of 95 % of the share capital of Diagnozis Si and ES OOD

In 2007 95 % of Diagnozis Si and ES OOD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007 BGN'000
Purchase consideration - cash paid:	
- Purchase price	98
Fair value of net assets acquired (see below)	98
Goodwill	-

The fair value of the net assets acquired approximated the book value of the net assets acquired.

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	2007
	BGN'000	BGN'000
Receivables	705	705
Liabilities	(602)	(602)
Net assets	**103**	**103**
Minority interest	(5)	
Net assets acquired	**98**	

5.18 Acquisition of 100 % of the share capital of Anitas 2003 EOOD

In 2007 100 % of Anitas 2003 EOOD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007
	BGN'000
Purchase consideration - cash paid:	
- Purchase price	5
Fair value of net assets acquired (see below)	5
Goodwill	**-**

The fair value of the net assets acquired approximated the book value of the net assets acquired.

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	2007
	BGN'000	BGN'000
Receivables	156	156
Liabilities	(151)	(151)
Net assets acquired	**5**	**5**

5.19 Acquisition of 100 % of the share capital of Transkar Serviz EOOD

In 2007 100 % of Transkar Serviz EOOD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007
	BGN'000
Purchase consideration - cash paid:	
- Purchase price	200
Fair value of net assets acquired (see below)	200
Goodwill	**-**

The fair value of the net assets acquired approximated the book value of the net assets acquired.

The fair value of the acquired net assets is presented as follows:

	Fair value	Book value of the company acquired
	2007	2007
	BGN'000	BGN'000
Cash and cash equivalents	200	200
Net assets acquired	**200**	**200**

5.20 Acquisition of 100 % of the share capital of Bulgaria Air AD

In 2007 100 % of Bulgaria Air AD's share capital was acquired. As a result of the acquisition, no goodwill was recognized.

The acquired net assets and goodwill are as follows:

	2007 BGN'000
Purchase consideration - cash paid:	
- Purchase price	13 006
Fair value of net assets acquired (see below)	13 006
Goodwill	-

The fair value of the net assets acquired approximated the book value of the net assets acquired.

The fair value of the acquired net assets is presented as follows:

	Fair value 2007 BGN'000	Book value of the company acquired 2007 BGN'000
Property, plant and equipment	535	535
Intangible assets	32 140	4
Inventories	2 987	2 987
Receivables and other assets	32 660	32 660
Cash and cash equivalents	1 822	1 822
Liabilities	(57 138)	(57 138)
Net assets acquired	**13 006**	**(19 130)**

6 Segment reporting

For the reporting on segments the divisions of the Group are as follows:

- Production
- Trade
- Transport
- Insurance
- Banking
- Finance
- Pension funds

All inter-segment transfers are priced and carried out at market price and condition basis.

Business segments 31.12.2007	Production BGN'000	Trade BGN'000	Transport BGN'000	Insurance BGN'000	Banking BGN'000	Finance BGN'000	Pension Funds BGN'000	Consolidation BGN'000	Group BGN'000
Income from non-financial activities	112 959	58 912	399 027	240	8 132	9 528	-	(68 770)	520 028
Expenses on non-financial activities	(97 909)	(51 135)	(397 310)	-	-	-	-	64 331	(482 023)
Net profit from non-financial activities	**15 050**	**7 777**	**1 717**	**240**	**8 132**	**9 528**	**-**	**(4 439)**	**38 005**
Insurance income	-	-	-	141 457	-	-	-	(5 920)	135 537
Insurance expenses	(28)	(5)	-	(125 899)	-	-	-	2 138	(123 794)
Net profit from insurance	**(28)**	**(5)**	**-**	**15 558**	**-**	**-**	**-**	**(3 782)**	**11 743**
Interest income	651	649	765	122	92 264	7 412	300	(8 541)	93 622
Interest expense	(1 325)	(2 193)	(7 634)	(124)	(34 100)	(4 437)	(2)	8 541	(41 274)
Net interest income	**(674)**	**(1 544)**	**(6 869)**	**(2)**	**58 164**	**2 975**	**298**	**-**	**52 348**
Gains from transactions with financial instruments	7 573	389	12 211	36 844	24 622	84 945	65 571	(34 236)	197 919
Losses from transactions with financial instruments	(139)	(29)	(746)	(18 533)	(11 001)	-	(40 213)	2 125	(68 536)
Net profit from transactions with financial instruments	**7 434**	**360**	**11 465**	**18 311**	**13 621**	**84 945**	**25 358**	**(32 111)**	**129 383**
Administrative expenses	-	-	-	(18 759)	(81 698)	(9 513)	(2 286)	4 622	(107 634)
Negative goodwill	-	-	-	-	-	-	-	4 409	4 409
Other financial income/(expense)	(151)	(316)	(4 300)	(224)	23 965	620	1 842	(508)	20 928
Result from investments in associates under the equity method	-							(203)	(203)
Allocation to secured persons	-	-	-	-	-	-	(7 860)	-	(7 860)
Profit for the year before tax	**21 631**	**6 272**	**2 013**	**15 124**	**22 184**	**88 555**	**17 352**	**(32 012)**	141 119
Tax expenses	(1 954)	(642)	(43)	(213)	(2 090)	133	(20)	-	(4 829)
Net profit for the year	**19 677**	**5 630**	**1 970**	**14 911**	**20 094**	**88 688**	**17 332**	**(32 012)**	**136 290**

Business segments 31.12.2007	Production BGN'000	Trade BGN'000	Transport BGN'000	Insurance BGN'000	Banking BGN'000	Finance BGN'000	Pension Funds BGN'000	Consolidation BGN'000	Group BGN'000
Assets of the segment	496 191	116 352	339 421	126 259	1 566 880	1 012 859	99 086	(1 010 204)	2 746 844
Specialized reserves	-	-	-	58 460	-	-	1 148	-	59 608
Liabilities of the segment	214 821	54 045	203 931	13 010	1 355 535	264 926	71 471	(300 098)	1 877 641

Business segments 31.12.2006	Production BGN'000	Trade BGN'000	Transport BGN'000	Insurance BGN'000	Banking BGN'000	Finance BGN'000	Pension Funds BGN'000	Consolidation BGN'000	Group BGN'000
Income from non-financial activities	82 943	29 924	135 562	-	2 561	16 285	14	(11 107)	256 182
Expenses on non-financial activities	(76 721)	(29 181)	(130 405)	-	-	-	-	9 142	(227 165)
Net profit from non-financial activities	**6 222**	**743**	**5 157**	**-**	**2 561**	**16 285**	**14**	**(1 965)**	**29 017**
Insurance income	-	-	-	87 790	-	-	-	(2 315)	85 475
Insurance expenses	-	-	-	(77 892)	-	-	-	102	(77 790)
Net profit from insurance	**-**	**-**	**-**	**9 898**	**-**	**-**	**-**	**(2 213)**	**7 685**
Interest income	782	500	24	23	63 822	3 728	205	(2 146)	66 938
Interest expense	(1 746)	(1 427)	(1 796)	(39)	(26 224)	(3 472)	-	2 146	(32 558)
Net interest income	**(964)**	**(927)**	**(1 772)**	**(16)**	**37 598**	**256**	**205**	**-**	**34 380**
Gains from transactions with financial instruments	3 754	945	9	28 747	16 225	18 725	32 994	(32 506)	68 893
Losses from transactions with financial instruments	(16)	-	-	(4 497)	(6 006)	(119)	(23 569)	2 764	(31 443)
Net profit from transactions with financial instruments	**3 738**	**945**	**9**	**24 250**	**10 219**	**18 606**	**9 425**	**(29 742)**	**37 450**
Administrative expenses	-	-	-	(14 095)	(61 446)	(5 569)	(1 026)	5 350	(76 786)
Negative goodwill	17	-	-	-	-	-	-	502	519
Other financial income/(expense)	-	-	-	-	-	-	-	17 119	17 119
Result from investments in associates under the equity method	(376)	(26)	(1 092)	(92)	23 843	1 227	1 045	(891)	23 638
Allocation to secured persons	-	-	-	-	-	-	(6 034)	-	(6 034)
Profit for the year before tax	**8 637**	**735**	**2 302**	**19 945**	**12 775**	**30 805**	**3 629**	**(11 840)**	**66 988**
Tax expenses	(988)	(158)	(98)	(2 448)	(762)	(1 611)	-	(153)	(6 218)
Net profit for the year	**7 649**	**577**	**2 204**	**17 497**	**12 013**	**29 194**	**3 629**	**(11 993)**	**60 770**

Business segments 31.12.2006	Production BGN'000	Trade BGN'000	Transport BGN'000	Insurance BGN'000	Banking BGN'000	Finance BGN'000	Pension Funds BGN'000	Consolidation BGN'000	Group BGN'000
Assets of the segment	135 740	92 891	147 484	80 127	1 131 987	439 570	49 856	(446 185)	1 631 470
Total consolidated assets	**135 740**	**92 891**	**147 484**	**80 127**	**1 131 987**	**439 570**	**49 856**	**(446 185)**	**1 631 470**
	-	**-**	**-**	**37 787**	**-**	**-**	**335**	**-**	**38 122**
Liabilities of the segment	74 094	47 636	48 053	8 862	1 015 347	82 065	40 157	(73 970)	1 242 244
Total consolidated assets	**74 094**	**47 636**	**48 053**	**8 862**	**1 015 347**	**82 065**	**40 157**	**(73 970)**	**1 242 244**

7 Property, plant and equipment

	Land BGN'000	Buildings BGN'000	Machines BGN'000	Technical equipment BGN'000	Transportation vehicles BGN'000	Other BGN'000	Assets in process of acquisition BGN'000	Total BGN'000
At 1 January 2006								
Gross carrying amount	23 580	47 130	31 498	37 374	13 257	20 393	9 922	183 154
Accumulated depreciation	-	(10 026)	(14 147)	(10 535)	(5 639)	(19 696)	229	(59 814)
Carrying amount at 1 January 2006	**23 580**	**37 104**	**17 351**	**26 839**	**7 618**	**697**	**10 151**	**123 340**
At 31 December 2006								
Gross carrying amount	28 668	58 579	37 490	52 345	53 646	23 203	17 001	270 932
Accumulated depreciation	-	(11 554)	(17 246)	(14 684)	(6 392)	(19 831)	229	(69 478)
Carrying amount at 31 December 2006	**28 668**	**47 025**	**20 244**	**37 661**	**47 254**	**3 372**	**17 230**	**201 454**
At 31 December 2007								
Gross carrying amount	87 638	121 899	64 474	80 591	74 271	24 980	67 695	521 548
Accumulated depreciation	-	(14 173)	(21 513)	(14 714)	(16 688)	(20 175)	-	(87 263)
Carrying amount at 31 December 2007	**87 638**	**107 726**	**42 961**	**65 877**	**57 583**	**4 805**	**67 695**	**434 285**

The carrying amounts of the property, plant, and equipment presented in the consolidated financial statements at 31 December 2007 are calculated as follows:

	Land BGN'000	Buildings BGN'000	Machines BGN'000	Technical equipment BGN'000	Transportation vehicles BGN'000	Other BGN'000	Assets in process of acquisition BGN'000	Total BGN'000
2006								
Carrying amount at 1 January 2006	23 580	37 104	17 351	26 839	7 618	697	10 151	123 340
Additions:								
- from business combinations – gross carrying amount	190	1 650	401	182	52 784	275	2 363	57 845
- from business combinations – depreciation	-	(265)	(310)	(58)	(11 301)	(200)	-	(12 134)
- separately acquired	6 238	11 030	8 406	15 076	2 665	2 778	34 726	80 919
Disposals – gross carrying amount	(1 340)	(966)	(2 505)	(229)	(3 759)	(43)	(30 010)	(38 852)
Disposals – depreciation	-	23	2 021	220	1 587	21	-	3 872
Depreciation charge	-	(1 551)	(5 120)	(4 369)	(2 340)	(156)	-	(13 536)
Carrying amount at 31 December 2006	**28 668**	**47 025**	**20 244**	**37 661**	**47 254**	**3 372**	**17 230**	**201 454**

	Land BGN'000	Buildings BGN'000	Machines BGN'000	Technical equipment BGN'000	Transportation vehicles BGN'000	Other BGN'000	Assets in process of acquisition BGN'000	Total BGN'000
2007								
Carrying amount at 1 January 2006	28 668	47 025	20 244	37 661	47 254	3 372	17 230	201 454
Additions:								
- from business combinations – gross carrying amount	3 425	2 995	9 492	292	6 333	121	978	23 636
- from business combinations – depreciation	-	(793)	109	760	(2 542)	(33)	(229)	(2 728)
- separately acquired	56 286	60 523	17 918	28 545	28 601	1 724	63 001	256 598
Disposals – gross carrying amount	(741)	(198)	(426)	(591)	(14 309)	(68)	(13 285)	(29 618)
Disposals – depreciation	-	69	1 602	546	1 164	65	-	3 446
Depreciation charge	-	(1 895)	(5 978)	(1 336)	(8 918)	(376)	-	(18 503)
Carrying amount at 31 December 2007	**87 638**	**107 726**	**42 961**	**65 877**	**57 583**	**4 805**	**67 695**	**434 285**

Collaterals on payables

	Land	Buildings	Machines	Technical equipment	Transportation vehicles	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount at 1 January 2006	2 763	5 705	5 475	4	12 913	16	26 876
Carrying amount at 1 January 2007	4 293	8 097	1 233	814	11 816	67	26 320

As at 31 December 2006 a special pledge on three of the Group's airplanes (British Aerospace BAE/Model 146-300), purchased under a contract for financial lease, is established and is recorded in the Special Pledges Registry. The carrying amount of these assets at 31 December 2007 is BGN 6 691 thousand. Under an overdraft contract of the Group, the following airplanes are also pledged: airplane BAE-146-200-LZ-HBC, airplane IAK-40-LZ-DOS, airplane IAK-40-LZ-DOM, airplane TU-134-LZ-TUL, airplane TU-134-LZ-TUN. Under a long-term loan contract with TB Alianz Bulgaria the Group has three towboats pledged as collateral, with a carrying amount at 31.12.2007 of BGN 3 398 thousand/ USD 2 552 thousand/.

Property, plant and equipment, pledged as collateral benefiting UniCredit Bulbank AD, Central Cooperative Bank AD and Bulgarian Post Bank AD, are grouped by their carrying amounts as follows:

	Land	Buildings	Machines	Total
	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount at 1 January 2007	19 014	4 303	6 525	29 842

With a decision of Sofia City court Nr. 1 dated 27 May 2004 under the batch of PDNG AD, Sofia a contract for special pledge on the commercial entity PDNG AD is registered, as an aggregate of rights, liabilities and factual relations, including the described assets in accordance with Appendices 1 and 2 to it, signed between Bulgarian Post Bank AD and PDNG AD, in relation to a contract for bank credit № 532-1464/30.09.2003, signed between Chimimport AD, Sofia and Bulgarian Post Bank AD at the amount of EUR 4 807 thousand.

With a decision Nr. 3 of Sofia City court dated 27 May 2004 under the batch of Bulgarian Oil Refinery EOOD, Sofia a contract for pledge on the commercial entity Bulgarian Oil Refinery EOOD is registered as an aggregate of rights, liabilities and factual relations, including the assets described in the contract for special pledge included in the commercial entity of Bulgarian Oil Refinery EOOD and Bulgarian Post Bank AD, dated 25 May 2004, in relation with the contract for bank credit Nr. 532-1464/30.09.2003, signed between Chimimport AD, Sofia and Bulgarian Post Bank AD.

With a decision Nr. 2 of Sofia City court dated 15 June.2004 under the batch of PDNG AD, a contract for special pledge on the entire commercial entity – PDNG AD – is registered, as a aggregate of rights, liabilities and factual relations, including the described assets and Appendices 1 and 2 to it, signed between Bulgarian Post Bank AD and PDNG AD, in relation to a contract for bank guarantee Nr. 532-019/19.05.2004 and Annex Nr. 1/04.06.2004 at the amount of BGN 269 thousand and a contract for bank guarantee Nr. 532-024/04.06.2004 at the amount of BGN 1 611 thousand.

With a decision Nr. 4 of Sofia City court dated 15 June 2004 under the batch of Bulgarian Oil Refinery EOOD, Sofia, a contract for a pledge on the commercial entity – Bulgarian Oil Refinery EOOD, Sofia is registered, as a sum of rights, liabilities and factual relations, including the described in the contract for special pledge assets included in the commercial entity Bulgarian Oil Refinery EOOD, Sofia and Bulgarian Post Bank AD, dated 07 June 2004, in relation with contracts for bank guarantee Nr. 532-019/19.05.2004 and Nr. 532-024/04.06.2004, signed between PDNG AD, Sofia and Bulgarian Post Bank.

The deadline for extension of the contract period for bank loan Nr. 532-1464/30.09.2003, signed between Chimimport AD, Sofia and Bulgarian Post Bank AD, is 30 September 2008. As at the moment the loan is being repaid by the schedule, as the final installment is scheduled for 25 September 2008 After the loan is repaid Bulgarian Post Bank AD will erase the registered contract for special pledge on the commercial entity PDNG AD with a decision from 27 May 2004 under the batch of PDNG AD, including all property, plant and equipment of the company available as at June 2004, and the contract for special pledge on the commercial entity Bulgarian Oil Refinery EOOD with a decision from 15 June 2004 under the batch of Bulgarian Oil Refinery EOOD, including all property, plant and equipment of the company available as at June 2004.

The expiration date for bank guarantees under contract Nr. 532-019/19.05.2004, annex Nr. 1/04.06.2004 and contract Nr. 532-024/04.06.2004 has ended. The special pledges, recorded in the Special Pledges Registry and in the Trade Register, serving as collateral to the above-mentioned bank guarantees, will be erased.

8 Investment property

Investment property of the Group include real estate properties, which are owned to earn rental income and for investment purposes.

	Land BGN '000	Buildings BGN '000	Total BGN '000
As at 1 January 2006			
Gross carrying amount	969	9 234	10 203
Accumulated depreciation	-	(899)	(899)
Carrying amount	**969**	**8 335**	**9 304**
As at 31 December 2006			
Gross carrying amount	2 294	9 378	11 672
Accumulated depreciation	(1)	(1 126)	(1 127)
Carrying amount	**2 293**	**8 252**	**10 545**
As at 31 December 2007			
Gross carrying amount	7 181	12 322	19 503
Accumulated depreciation	(1)	(1 366)	(1 367)
Carrying amount	**7 180**	**10 956**	**18 136**

The carrying amount of the investment property, presented in the consolidated financial statement as at 31 December 2007, is calculated as follows:

	Land BGN '000	Buildings BGN '000	Total BGN '000
2006			
Opening carrying amount	969	8 335	9 304
Additions	1 325	226	1 551
Capitalized subsequent expenses	-	4	4
Disposals – gross carrying amount	-	(86)	(86)
Depreciation for the period	(1)	(227)	(228)
Closing carrying amount	**2 293**	**8 252**	**10 545**
2007			
Opening carrying amount	2 293	8 252	10 545
Additions	4 887	2 936	7 823
Capitalized subsequent expenses	-	25	25
Disposals – gross carrying amount	-	(17)	(17)
Disposals – depreciation	-	2	2
Depreciation for the period	-	(242)	(242)
Closing carrying amount	**7 180**	**10 956**	**18 136**

The investment property is recognized in the consolidated financial statements of the Group at cost. As at 31 December 2007 the fair value of the investment property amounts to BGN 50 411 thousand. The fair value of the investment property is determined by the Group in accordance with valuation reports from certified valuers and the current market prices.

As at 31 December 2007, the investment property owned by the Group, situated in Sofia, "Stefan Karadja" Str. 2 has been mortgaged to DSK Bank AD, in exchange for a revolving credit line.

In 2007 operating income from investment property was recognized. Real estate tax amounting to BGN 25 thousand per year is recognized as expense in the income statement for 2007.

As at 31 December 2007 the investment property owned by the Group, situated in Sofia, "Stefan Karadja" Str. 2 has been mortgaged to DSK Bank AD in exchange for a bank loan (Note 24.1).

As at 31 December 2007 the Group has not entered into any purchase agreements for acquisition of investment property.

The following amounts, relating to investment property have been recognized in the income statement:

	2007 BGN '000	2006 BGN '000
Rental income	3 180	7 370
Direct operating expenses	-	(16)
Real estate tax	(25)	(3)

9 Leases

9.1 Operating leases - lessor

The Group has entered into several lease contracts in the capacity of a lessor. The Group's lease contracts relate to letting out of buildings and premises.

The terms of the main operating lease agreements are as follows:

- Long-term agreements for rent of office premises at the price of 8 EUR/sq. meter.
- Rent of airplane sheds and other premises to Viadgio Air with a monthly rent installment at the amount of BGN 20 thousand, to Global Maintenance with a monthly rent installment at the amount of BGN 10 thousand, Scorpion Air with a monthly rent installment at the amount of BGN 240 thousand and other operating lease agreements with a maturity on 31 December 2007.
- Short-term agreements for rent of automobiles at an average price of 25 EUR per day

The Group's future minimum operating lease receivables are as follows:

	Within 1 year BGN '000	From 1 to5 year BGN '000	More than 5 years BGN '000	Total BGN '000
As at 31 December 2007	7 034	24 131	-	31 165
As at 31 December 2006	7 387	24 131	2 429	33 917

The operating lease agreements contain contingent payment clauses.

9.2 Operating lease – lessee

The Group has entered into several lease contracts in the capacity of lessee.

The Group's future minimum operating lease payments are as follows:

	Within 1 year BGN '000	From 1 to5 year BGN '000	More than 5 years BGN '000	Total BGN '000
As at 31 December 2007	16 606	1 841	573	19 020
As at 31 December 2006	4 900	17 984	4 250	27 134

Operating lease agreements relate to rent of office premises to agencies and branches of the insurance company all around the country and in Sofia. The operating lease agreements contain neither contingent payment clauses, nor subsequent purchase clauses.

9.3 Finance lease – lessee

The Group participates in its capacity of a lessee in the following finance lease contracts:

Five year finance lease contract with ANSEF London for the purchase of three aircrafts - BAE from 31 March 2006 with maturity date April 2011. (See note 7)

Finance lease agreements with: Unitrade – Leasing OOD, Leasing plus EOOD for an automobile Volkswagen Passat, Bultraco AD, Bulbank Leasing, Unitrade-Leasing, Interlease Auto, Afin Bulgaria, Sofia France Auto, Unicredit Leasing, HVB Leasing OOD, Hypo Group Alpe Adria, Unicredit Leasing, HVB leasing OOD, Hypo Group Alpe Adria, Bohemia Auto and others for the purchase of automobiles and transport vehicles.

The Group's future minimum finance lease payments are as follows:

31 December 2007	Within 1 year BGN '000	1 to 5 years BGN '000	Total BGN '000
Lease payments	6 009	17 374	23 383
Discounts	(1 461)	(2 549)	(4 010)
Net present value	**4 548**	**14 825**	**19 373**

31 December 2006	Within 1 year BGN '000	1 to 5 years BGN '000	Total BGN '000
Lease payments	2 968	8 519	11 487
Discounts	(528)	(1 764)	(2 292)
Net present value	**2 440**	**6 755**	**9 195**

For further information see note 23 and 24.4

10 Goodwill

	Goodwill BGN '000
As at 1 January 2006	
Gross carrying amount	11 904
Carrying amount	**11 904**
2006	
Opening carrying amount	11 904
Additions	171
Disposals	(672)
Closing carrying amount	**11 403**
As at 31 December 2006	
Gross carrying amount	11 403
Carrying amount	**11 403**
2007	
Opening carrying amount	11 403
Sale of subsidiaries	(581)
Closing carrying amount	**10 822**
As at 31 December 2007	
Gross carrying amount	10 822
Carrying amount	**10 822**

Subsequent to the annual impairment test for 2007, the carrying amount of goodwill is allocated to the following cash generating units:

Goodwill	2007 BGN '000	2006 BGN '000
Central Cooperative Bank AD	5 311	5 311
CCB Group Assets Management EAD	3 507	3 507
Hemus Air EAD	1 079	1 079
ZPAD Armeec	424	424
Bulchimeks OOD	217	217
Harbor Lesport AD	164	164
FBK Chimimport Finance EOOD	47	47
POAD CCB Sila	46	46
Chimsin OOD	13	13
Chimsnab AD	6	6
CCB Real estate fund ADSIC	5	5
Chimimport Fertilizers OOD	3	3
Slanchevi Lachi Bulgaria EAD	-	580
Chimimport Agrohimikali	-	1
Carrying amount as at 31 December	**10 822**	**11 403**

The recoverable amount of cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using constant growth rates characteristic of the sector in which each cash-generating unit operates.

The discount rates used reflect specific risks relating to the sector in which each cash-generating unit operates.

In 2007 no significant indications of impairment have been identified as at 31 December 2007.

The decrease of the goodwill in 2007 is result of the merger between Slanchevi lachi Bulgaria EAD and Chimimport into Zarneni Hrani Bulgaria AD.

For further information regarding the acquired shares please refer to note 5.

11 Other intangible assets

Intangible assets of the Company include acquired software licenses, trade marks and property rights. Their carrying amount for the current accounting period can be presented as follows:

	Trade marks	Repairs of rented assets	Licenses and patents	Software products	Internally generated intangible assets	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
As at 1 January 2006						
Gross carrying amount	61	4 118	3 593	898	54	8 724
Accumulated amortization	(14)	(918)	(1520)	(581)	(52)	(3 085)
Carrying amount	**47**	**3 200**	**2 073**	**317**	**2**	**5 639**
As at 31 December 2006						
Gross carrying amount	61	6 975	3 596	1 247	54	11 933
Accumulated amortization	(28)	(2 102)	(2 049)	(792)	(52)	(5 023)
Carrying amount	**33**	**4 873**	**1 547**	**455**	**2**	**6 910**
As at 31 December 2007						
Gross carrying amount	32 136	23 014	3 613	989	52	59 804
Accumulated amortization	(3 235)	(3 333)	(2 438)	(677)	(52)	(9 735)
Carrying amount	**28 901**	**19 681**	**1 175**	**312**	**-**	**50 069**

	Trade marks BGN'000	Repairs of rented assets BGN'000	Licenses and patents BGN'000	Software products BGN'000	Internally generated intangible assets BGN'000	Total BGN'000
2006						
Opening balance	47	3 200	2 073	317	2	5 639
Business combinations – gross carrying amount	-	363	-	-	-	363
Business combinations – amortization	-	(382)	-	-	-	(382)
Additions	-	2 591	31	352	-	2 974
Disposals – gross carrying amount	-	(97)	(28)	(3)	-	(128)
Disposals – amortization	-	32	28	2	-	62
Amortization charge	(14)	(834)	(557)	(213)	-	(1 618)
Closing carrying amount	**33**	**4 873**	**1 547**	**455**	**2**	**6 910**
2007						
Opening balance	33	4 873	1 547	455	2	6 910
Business combinations – gross carrying amount	31 830	-	-	1	-	31 831
Business combinations – amortization	(3 183)	-	-	-	-	(3 183)
Additions	245	16 061	72	223	-	16 601
Disposals – gross carrying amount	0	(22)	(55)	(482)	(2)	(561)
Disposals – amortization	10	224	180	480	-	894
Amortization charge	(34)	(1 455)	(569)	(365)	-	(2 423)
Closing carrying amount	**28 901**	**19 681**	**1 175**	**312**	**-**	**50 069**

As at 31 December 2007 there are no intangible assets pledged as collateral and the Group has not entered into any commitments to purchase intangible assets. The gross carrying amount of the fully amortized intangible assets in use as at 31 December 2007 amounts to BGN 41 thousand (as at 31 December 2006 – BGN 39 thousand)

The property rights include capitalized expenses related to marketing researches conducted in 2005. Their carrying amount as at 31 December 2007 amounts to BGN 245 thousand (as at 31 December 2006 – BGN 490 thousand). As at 31 December 2007 their remaining useful life is 2 years.

12 Long-term financial assets

Financial assets, recognized in the balance sheet include the following financial asset categories:

	2007 BGN '000	2006 BGN '000
Loans and receivables (Note 12.1)	472 296	310 439
Held-to-maturity financial assets (Note 12.2)	83 790	16 142
Financial assets at fair value through profit or loss (Note 12.3)	64 571	42 526
Available-for-sale financial assets (Note 12.4)	53 930	110 078
	674 587	**479 185**

12.1 Loans and receivables

	2007 BGN '000	2006 BGN '000
Long-term bank loans and client advance payments	445 392	304 402
Other long-term loans	35 222	11 743
Less impairment	(8 318)	(5 706)
	472 296	**310 439**

Long-term bank loans and client advance payments consist of bank loans and client advance payments are loans and advances granted in the course of banking activity of the Group.

Analysis by type of the client:

	2007 BGN'000	2006 BGN'000
Individuals		
-in BGN	154 118	85 320
-in foreign currency	19 327	12 464
Legal entities		
-in BGN	162 807	124 213
-in foreign currency	109 140	82 405
	445 392	**304 402**

Analysis by economic sectors:

	2007 BGN'000	2006 BGN'000
Agriculture and forestry	19 850	15 061
Manufacturing	34 117	22 864
Construction	47 151	29 167
Trade and finance	126 630	115 557
Transport and communications	26 325	13 425
Individuals	173 445	97 784
Others	17 874	10 544
	445 392	**304 402**

Other long-term loans

	2007 BGN'000	2006 BGN'000
Holding Nov Vek AD	9 004	-
Franchise Development OOD – non-current receivables	5 682	5 682
Pierro 97 MA – cession receivables, long-term part	2 000	4 000
Itil Kazan	5 205	-
Other	13 331	2 061
	35 222	**11 743**

12.2 Held-to-maturity financial assets

	2007 BGN'000	2006 BGN'000
Carrying amount at amortized cost		
Long-term Bulgarian government bonds	38 862	16 142
Mid-term Bulgarian government bonds	44 928	-
	83 790	**16 142**

Bulgarian securities pledged as collateral

As at 31 December 2007 government bonds, issued by the Bulgarian government at the amount of BGN 69 246 thousand, are pledged as collateral for servicing budget account.

12.3 Financial assets at fair value through profit or loss

Financial assets classified in this category meet the requirements for held-for-trading financial assets.

	2007 BGN'000	2006 BGN'000
Long-term Bulgarian government bonds	21 578	16 458
Capital investments with market value	20 302	14 987
Bulgarian corporate securities	5 912	6 683
Corporate bonds	14 983	4 322
Other	1 796	76
	64 571	**42 526**

All presented amounts are determined through published quotes of the listed securities on an active market.

Long-term Bulgarian government bonds
As at 31 December 2007 and 2006 long-term Bulgarian securities at the amount to BGN 21 578 thousand and BGN 16 548 thousand are presented at fair value and consist of securities in BGN.

Equity investments with market value
As at 31 December 2007 and 2006 the capital investments with market value at the amount of BGN 20 302 thousand and BGN 14 987 thousand comprise of: shares accepted for trading on a regulated securities market; shares of real estate investment trust, which securitize real estate

properties; shares issued from collective investment schemes under the regulation of the Public Offering of Securities Act, as well as participations issued by collective investment schemes.

Bulgarian corporate securities
As at 31 December 2006 the Group owns corporate securities of non-financial enterprises in the amount of BGN 5 912 thousand and BGN 6 683 thousand. These securities represent shares of the share capital of public commercial entities, which are traded on the Bulgarian Stock Exchange and are presented in the financial statements at fair value, as they are liquid in the Bulgarian market.

Corporate bonds
As at 31 December 2007 and 2006 the corporate bonds owned by the Group amount to BGN 14 983 thousand and BGN 4 322 thousand, and represent mortgage bonds.

12.4 Available-for-sale financial assets

	2007	2006
	BGN'000	BGN'000
Mid-term Bulgarian government bonds	12 658	110 078
Equity investments with market value	12 223	-
Bulgarian corporate bonds	23 982	-
Foreign corporate bonds	5 067	-
	53 930	**110 078**

Bulgarian securities pledged as collateral
As at 31 December 2007 government bonds, issued by the Bulgarian government at the amount of BGN 33 056 thousand, are pledged as collateral for servicing budget account.

Equity investments
As at 31 December 2007 equity investments at the amount of BGN 12 223 thousand are investments in companies in which the Group has no controlling interest.

Bulgarian corporate securities
As at 31 December 2007 the Bulgarian corporate securities held-for-sale at the amount of BGN 23 982 thousand consist of bonds. None of these investments is in subsidiaries or associates.

Foreign corporate bonds
As at 31 December 2007 the foreign corporate securities held-for-sale at the amount of BGN 5 067 thousand, consist of bonds, issued by the European Investment Bank, and are pledged as collateral for servicing budget accounts.

13 Deferred tax assets and liabilities

Deferred taxes arising from temporary differences under the liability method, using a principal tax rate of 2008 10% (2007 10%), can be summarized as follows:

	2007 Deferred tax assets BGN '000	2007 Deferred tax liabilities BGN '000	2006 Deferred tax assets BGN '000	2006 Deferred tax liabilities BGN '000
Related to:				
Property, plant and equipment	-	9 973	-	720
Unused paid holiday	679	168	223	-
Revaluation of financial instruments	-	-	-	539
Other	1 251	1 133	189	90
Total	**1 930**	**11 274**	**412**	**1 349**

Please refer to note 39 for information on the Group's tax expense.

14 Inventories

	2007 BGN'000	2006 BGN'000
Materials	19 428	15 971
Finished goods	2 101	4 218
Trading goods	44 476	5 064
Work in progress	5 789	1 687
Other	78	121
	71 872	**27 061**

The value of the inventories, pledged as collateral benefitting Unicredit Bulbank in exchange for a bank loan, is as follows:
Materials: BGN 2 783 thousand
Trading goods: BGN 3 775 thousand

The above-described agreement will be resigned in 2008, which might change the value of the inventories pledged.

15 Short-term financial assets

The amounts recognized in the balance sheet comprise of the following categories of financial assets:

	2007 BGN'000	2006 BGN'000
Loans and receivables (Note 15.1)	293 180	263 041
Financial assets at fair value through profit or loss	29 610	36 443
Held-to-maturity financial assets	7 004	36 042
Available-for-sale financial assets	109 090	23 435
	438 884	**358 961**

15.1 Loans and receivables

	2007 BGN'000	2006 BGN'000
Bank loan and client advance payments	213 791	253 072
Other short-term loans	93 148	17 521
Less impairment	(13 759)	(7 552)
	293 180	**263 041**

15.1.1 Short-term bank loans and client advance payments

Short-term bank loans and client advance are loans and advances granted to clients in the course of the banking activity of the Group.

Analysis by customer:

	2007 BGN'000	2006 BGN'000
Individuals		
-in BGN	70 544	70 476
-in foreign currency	8 847	10 295
Legal entities		
-in BGN	84 444	104 232
-in foreign currency	49 956	68 069
	213 791	253 072

Analysis by economic sector:

	2007 BGN'000	2006 BGN'000
Agriculture and forestry	9 086	15 061
Manufacturing	15 278	22 864
Construction	21 582	29 167
Trade and finance	68 223	64 227
Transport and communications	12 049	13 425
Individuals	79 391	97 784
Others	8 182	10 544
	213 791	253 072

Interest rates

Loans denominated in BGN and foreign currency bear interest at floating rates. Under the terms of these loans, the interest rate is calculated as the bank's base interest rate, plus a margin. The interest rate margin on performing (regular) loans varies from 5 to 10 percent based on the credit risk associated with the borrower, and a 35 percent interest is charged as penalty on overdue loans, corresponding to the interest on not allowed overdraft.

15.1.2 Other short-term loans

	2007 BGN'000	2006 BGN'000
ABAS EOOD	22 646	-
Damex	8 450	-
AKIN EOOD	6 158	-
Blyasak EOOD	5 143	257
Finance Consulting EAD	4 809	-
Business center Izgrev EOOD	4 485	569
AKS 77 EOOD	3 645	-
Loriyan EOOD	3 596	1 640
Velgraf Assets Management EAD	2 056	-
Holding Varna A AD	1 692	423
Nomakanon OOD	1 665	1 269
INO OOD	1 513	-
FINTRANS AD	1 118	-
Office 1 Superstore – Ukraine	1 001	1 001
Vitala Net AD	1 000	-
Andezit	-	1 093
Other	24 171	11 269
	93 148	**17 521**

The short-term loans are granted at annual interest levels between 10-12%. The maturity is by request of the Group.

The fair value of these loans granted is individually determined. The management considers the carrying amount to be a reasonable approximation of their fair value.

15.2 Financial assets at fair value through profit or loss

The financial assets classified in this category meet the requirements for financial assets held for trading.

	2007 BGN'000	2006 BGN'000
Bulgarian government bills	5 340	6 834
Bulgarian government notes	9 662	6 867
Bulgarian corporate securities	9 464	22 220
Bulgarian government bonds	3 838	522
Derivatives, held-for-trade	1 306	-
	29 610	**36 443**

Bulgarian government bills
As at 31 December 2007 the Bulgarian government bills amounting to BGN 6 834 thousand are presented at fair value and include securities denominated in BGN, issued by the Bulgarian government. The government bills mature in a period of up to 1 year.

Bulgarian government notes
As at 31 December 2007 the Bulgarian government notes amounting to BGN 9 662 thousand are presented at fair value and include securities denominated in BGN, issued by the Bulgarian government.

Bulgarian corporate securities
As at 31 December 2007 the Group owns corporate securities, issued by non-financial companies, amounting to BGN 9 464 thousand. These securities represent shares of public companies, listed on the Bulgarian Stock Exchange, which are stated at fair value. None of these investments is in subsidiaries or associates.

Bulgarian government bonds
As at 31 December 2007 the government bonds amounting to BGN 3 838 thousand are stated at fair value and include securities denominated in BGN.

Derivatives, held-for-trade
As at 31 December 2007 derivatives held-for-trade amounting to BGN 1 306 thousand are recognized at fair value and consist of contracts for trade of foreign exchange, securities, forward contracts and foreign exchange swaps traded on the open market.

15.3 Financial assets available-for-sale

	2007 BGN'000	2006 BGN'000
Bulgarian government bills	21 916	13 604
Bulgarian government notes	4 137	-
Equity investments	11 742	3 364
Repo receivables	10 006	6 462
Advance payments for purchase of financial instruments	61 289	-
Other	-	5
	109 090	**23 435**

Bulgarian government bills

As at 31 December 2007 the Bulgarian government bills amounting to BGN 21 916 thousand are available for sale and include securities denominated in BGN, issued by the Bulgarian government. The government bills mature in a period of up to 1 year.

Bulgarian government notes

As at 31 December 2007 the Bulgarian government notes amounting to BGN 4 137 thousand are presented at fair value and include government bonds denominated in BGN, issued by the Bulgarian government.

Equity investments

As of 31 December 2007 the equity investments at the amount of BGN 11 742 thousand, declared for sale represent investments in companies in which the Group has no controlling interest.

Repurchase receivables

As of 31 December 2007 the Group has signed agreements with a repurchase clause at a total amount of BGN 10 006 thousand, including the interest receivables. The Group has secured these receivables with Bulgarian government securities pledged as collateral. The maturity of these agreements is in January 2008.

Advance payments for purchase of financial instruments

	2007 BGN'000	2006 BGN'000
Shares issued by public offering by companies listed on the Bulgarian Stock Exchange that are not currently traded	**61 289**	**-**
	61 289	**-**

Company	Number of shares	Gross carrying amount
Holding Nov Vek	439 107	9 694 899
Holding Varna A	446 612	20 227 463
Industrial Holding Bulgaria	4 011 337	31 366 235
		61 288 597

From the centralized trade for unexercised rights the Group has purchased unexercised rights of Industrial Holding Bulgaria and Holding Nov Vek, granting subscription rights as follows: 4 011 337 shares of Industrial Holding Bulgaria and 439 107 shares of Holding Nov Vek.

On 28 January 2008 an application for registration of subsequent share issue on the Unofficial share market, segment "B" was submitted as follows:

- issuer: Holding Nov Vek AD /HNVEK/;
- ISIN code of the issue: BG1100058988;
- Amount of the issue prior to the increase: BGN 649 620
- Amount of the increase: BGN 907 589
- Amount of the issue after the increase: BGN 1 557 209
- Nominal value of BGN 1 per share

On a meeting held by the Board of directors of the Bulgarian Stock Exchange – Sofia AD according to protocol №03/28.01.2008 the following decision was taken:

Relating to the Resolution of the Financial Supervision Commission № 122-E/23.01.2008 regarding the subscription of subsequent share issue by Industrial Holding Bulgaria AD /IHLBL/ in the register of public companies' and other issuers of securities in conformity with art. 30, paragraph 1, item 3 of the Financial Supervision Commission Act kept by the Financial Supervision Commission, we declare the following:

The Board of directors of the Bulgarian Stock Exchange – Sofia AD in conformity with art 51, paragraph 5 and 6 of the Regulations of the Stock Exchange registers a subsequent share issue on the Official share market, segment A, as follows:

- issuer: Industrial Holding Bulgaria AD /IHLBL/;
- ISIN code of the issue: BG1100019980;
- Amount of the issue prior to the increase: BGN 26 254 040
- Amount of the increase: BGN 17 502 078
- Amount of the issue after the increase: BGN 43 756 118
- Nominal value of BGN 1 per share
- Type of shares: ordinary registered dematerialized share with voting rights
- Date of initial trading 30 January 2008 /Thursday/

15.4 Financial assets held-to-maturity

	2007 BGN'000	2006 BGN'000
Bulgarian government bills	668	35 399
Other	6 336	643
	7 004	**36 042**

Bulgarian government bills

As of 31 December 2007 the government bills amounting to BGN 668 thousand are held to maturity and include securities in BGN issued by the Bulgarian government. The maturity of the government bills is up to 1 year.

16 Trade receivables

The trade receivables as at 31 December 2007 are as follows:

	2007 BGN'000	2006 BGN'000
Bulgarian mills EOOD	42 568	222
Neftena Targovska Kompaniya EOOD	14 390	-
Velgraf Asset Management	12 600	-
Otorio Investment	9 297	9 297
Bank clients	4 167	3 952
DFS	2 335	-
Pierro 97 MA AD – short-term part	2 256	2 000
Damex EOOD	1 591	-
Zarneni Hrani Bulgaria EAD	-	7 838
Neftena Targovska Kompaniya EOOD	-	6 219
DESMET BALLESTRA OLEO S.P.A.	-	6 138
Zarneni Hrani – Valchi dol EAD	-	1 963
IATA BSP	-	1 206
Other /under BGN 1 000 thousand/	38 243	35 525
Impairment of trade receivables	(470)	(328)
	126 977	**74 032**

The fair value of the trade receivables is determined separately and is considered a reasonable approximation of fair value.

All the trade receivables have been reviewed for indicators of impairment.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2007 BGN'000	2006 BGN'000
Within 30 days	520	323
Within 60 days	173	73
Within 90 days	375	615
	1 068	1 011

Trade receivables are usually due within 30 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify any specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognized resemble a large number of receivables from various customers.

17 Other receivables

	2007 BGN'000	2 006 BGN'000
Insurance and reinsurance receivables	6 367	13 047
Short-term deposits and warrants	1 419	2 566
Foreign activity	8 321	10 002
Advance payments	24 145	10 842
Tax receivables	4 397	2 745
Interest receivables	179	3 488
Court receivables	14 220	1 231
Receivables due from personnel	10 002	21
Other	38 569	18 268
	107 619	**62 210**

The fair value of the short-term receivables is individually determined as the carrying amount is a reasonable approximation of their fair value.

Foreign activity

The presented balances "Foreign activity Libya" represent internal receivables from "Geokom – service" Libya arising from the payment of liabilities of "Geokom – service" Libya to its personnel – USD 6 500 thousand by "Prouchvane i Dobiv na Neft i Gaz" AD, Sofia.

18 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2007 BGN'000	2006 BGN'000
Placements with, and advances to, banks	166 973	94 317
Current accounts with the Central Bank	169 931	66 187
Short-term investments	359 265	192 378
Cash blocked	34 947	13 312
Deposits in conformity with the Insurance Code	17 753	-
Other	-	354
	748 869	**366 548**

18.1 Analysis of cash and cash equivalents

Placements with, and advances to banks and in hand, short-term investments and restricted cash as at 31 December 2007 are distributed as follows:

	2007 BGN'000	2006 BGN'000
Cash in hand:	88 651	68 898
Term deposits with local banks		
-in BGN	38 263	18 065
-in foreign currency	113 295	56 399
Term deposits with foreign banks in foreign currency	254 883	137 936
Restricted accounts with local banks		
-in BGN	6 588	13 632
-in foreign currency	28 359	
Nostro accounts with local banks		
-in BGN	306	296
-in foreign currency	200	110
Nostro accounts with foreign banks in foreign currency	30 640	4 671
Other current accounts and deposits with banks		
Total placements with, and advances to, banks	**561 185**	**300 007**

18.2 Current Accounts in Central Bank

As at 31 December 2007 the accounts in Central Bank are respectively BGN 156 631 thousand and BGN 13 300 thousand minimum compulsory reserve in foreign currency and as of 31 December 2006 – BGN 52 382 thousand and BGN 13 300 thousand minimum compulsory reserve in foreign currency. The commercial banks in Bulgaria are obliged to hold a minimum compulsory reserve in foreign currency in BNB. The compulsory minimum reserve, which is interest-free, is determined as a percentage of the borrowed funds in BGN and in foreign currency, periodically determined by BNB. These reserves are regulated on a monthly basis, as their shortage leads to the accrual of penalty fees. The Central bank does not impose limitations on the use of the minimum reserves and daily deviations within a one-month period for regulation are allowed.

19 Equity

19.1 Share capital

As of 31.12.2007 the shareholder of Chimimport AD are 3 940 individual and legal persons. The nominal amount of one entity share is BGN 1. The shares of the entity are ordinary, dematerialized, registered stocks and freely- transferable.

	2007 BGN'000	2006 BGN'000
Share capital:		
- beginning of the year	130 000	60 000
- issued during the year	20 000	70 000
Shares fully paid as at 31 December – issued	**150 000**	**130 000**

The list of the principal shareholders is as follows:

	2007 Number of shares	2007 %	2006 Number of shares	2 006 %
Chimimport Invest AD	114 808 367	76.54%	112 586 647	86.61%
Julias Bear	11 278 610	7.52%	-	0.00%
EFG Eurobank Clients ACC	2 890 615	1.93%	937 453	0.72%
Scandinavian Enscilda Banken	1 541 966	1.03%	128 640	0.10%
Bank Austria Credit Anstalt	897 106	0.60%	446 424	0.34%
Danske Fund Eastern Europe-Luxembourg	860 354	0.57%	398 624	0.31%
Consolid Commerce AD	704 276	0.47%	704 276	0.54%
DSK – funds (OTP Group)	658 800	0.44%	608 061	0.47%
Incest Bank AD	517 800	0.35%	468 180	0.36%
MEI Romanian and Bulgaria funds	510 161	0.34%	266 400	0.20%
ABN AMRO BANK – London	497 276	0.33%	-	0.00%
Raiffeisen – contractual fund	366 100	0.24%	142 000	0.11%
Raiffeisen Central Bank – Austria	267 898	0.18%	721 111	0.55%
COPER Bank Slovenia	228 934	0.15%	353 126	0.27%
Standard Investment – contractual funds	132 647	0.09%	245 882	0.19%
Other legal entities	8 009 387	5.34%	5 296 620	4.07%
Other individuals	5 829 687	3.89%	6 696 556	5.15%
	149 999 984	**100.00%**	**130 000 000**	**100.00%**

The tax on dividends for individuals and foreign legal entities is 7% for 2007 and 5% for 2008, the tax is to be withheld from the gross amount of the dividend payment.

19.2 Share premium

As at 31 December 2007 the premium reserve amounts to BGN 232 343 thousand (for 2006 – BGN 32 925 thousand).

The share premium in 2007 amounting to BGN 199 418 thousand is formed by the conducted subsequent public offering of shares of the Company from 10 September 2007 to 2 October 2007. The share premium is deducted with the amount of the expenses related to the emission of shares – BGN 581 thousand.

The share premium in 2006 amounting to BGN 32 925 thousand is formed by the conducted initial public offering of shares of the Company through subscription from 7 September 2006 to 20 September 2006. The number of the submitted applications, respectively of the investors, exceeds 2 100. The share premium is deducted with the amount of the expenses related to the emission of shares – BGN 327 thousand.

19.3 Other reserves

As at 31 December 2007 other reserves amounting to BGN 3 678 thousand are formed on the basis of the requirements of the Commercial Act for forming legal reserves.

20 Specialized reserves

	2007 BGN'000	2006 BGN'000
Insurance reserves	58 460	37 787
Pension fund reserves	1 148	335
	59 608	**38 122**

20.1 Insurance reserves

	2007 BGN'000	2006 BGN'000
Premium reserve carried forward	34 741	20 761
Reinsurer's share in premium reserve carried forward	(3 329)	(1 628)
Reserve for outstanding payments	27 963	19 279
Reinsurer's share in reserve for outstanding payments	(1 115)	(750)
Contingency fund	200	125
	58 460	**37 787**

Insurance reserves were set aside in the course of the Group's insurance activity performed by ZPAD Armeec.

20.1.1 Premium reserve carried forward

As at 31 December 2007 the premium reserve carried forward amounts to BGN 34 741 thousand (2006 – BGN 20 761 thousand). The Group sets aside premium reserve carried forward on the basis of the amount of accrued insurance premiums. All insurance contributions that have to be paid according to the insurance policies are accrued on a timely basis. The exact-date method is applied separately for each policy. The premium carried forward for insurances Cargo and Hauler's Liability insurance is calculated for the one-month term of the insurance. The basis for calculation is separate for each promissory note. The calculations are performed by a program set in the information system. The reinsurers' share in the premium reserve carried forward is calculated in proportion to the assigned premium on each promissory note. For the reinsurance contract „excess of loss" for insurance „Green card" reinsurers' share is not set aside.

20.1.2 Reserve of outstanding payments

As at 31 December 2007 reserve of outstanding payments amount s to BGN 27 963 thousand (2006 – BGN 19 279 thousand). This reserve consists of reserve for occurred and presented claims – it is calculated by applying the method claim by claim. For damages brought under court claims regarding Casco insurance and Public liability insurance of drivers, an adjustment coefficient is applied in accordance with art. 8, pr. 5, regulation N27 concerning the order and methodology for forming technical reserves of the insurers and health security insurance reserves. With regard to Public liability insurance of drivers, different coefficients are applied for court claims regarding material and non-material damages. Estimations are based on a preliminary assessment and a description of the damages. Calculations are carried out on the basis of statistical data about the registered claims in the information system INSIS. The reinsurer portion in the reserve for occurred and presented claims is calculated in accordance with the clauses contained in the reinsurance contract regarding the policy covering the damage.

<u>Reserve for occurred, but not presented claims</u>

The reserve for occurred, but not presented claims is calculated by applying the chain-ladder method. Regarding the calculation of reserve for occurred, but not claimed damages the chain-ladder method is used for every type of insurance offered by ZPAD "Armeec". This method is applied for the period being 2002-2007.

For Public liability insurance for the possession and use of motor vehicle, the reserve for occurred, but not presented claims is calculated by applying the chain-ladder method based on accumulated amounts for material and non-material damages respectively, solely using private data of the company. The abovementioned method is in accordance with decision N 101 - O3/17.01.08 of FSC and is approved by letters from FSC outgoing no. РГ-10-01/28 dated 06.03.2008 и 14.03.2008. The reserve is calculated by taking Public liability insurance together with Public liability insurance of motor vehicles from abroad and Green card insurance separately. The reserve is calculated on the basis of a 6 year period 2002-2007.

The Company does not set aside reserve for occurred, unclaimed damages for the following insurances: "Casco of vessels", "Cargo", "Vessels Third Party Liabilities Insurances", "Guarantees", "Financial Loss Insurance", "Court Expenses Insurance", because using the chain-ladder method for calculation of reserve for occurred but unclaimed damages at insurances such as "Casco of flying machines", "Casco of vessels", "Cargo", "Aviation Third Party Liabilities Insurances", "Vessels Third Party Liabilities Insurances", "Guarantees" and "Financial Loss Insurance", a result amounting to 0 arises. No premium income is realized relating to "Court Expenses Insurance".

Calculations are carried out on the basis of statistical data about the registered claims in the information system INSIS for the period 2002-2007. Reinsurers' reserve is calculated in accordance with the effectual reinsurance contracts in the year of occurrence of the damage. No reinsurer's reserve is set aside for disproportional reinsurance contracts.

20.2 Contingency fund

A contingency fund is set aside solely for Credit insurance which amounts to BGN 74 580, in accordance with art. 6, pr. 6, Regulation no. 27 concerning the order and methodology for forming technical reserves of the insurers and health security insurance reserves. Method no. 1 is applied from Appendix 1 of the regulation. As a result of the amount newly set aside in the contingency fund, as at 31 December 2007 it totals to BGN 200 283.

As at 31 December 2007 the total amount of the contingency fund of the Group amounts to BGN 200 283 thousand (2006 – BGN 125 thousand)

The total amount of insurance reserves set aside by ZPAD Armeec as of 31 December 2007 amounts to BGN 62 904 thousand. Out of those, BGN 34 740 thousand are in the premium reserve carried forward, BGN 27 963 thousand are in the reserve for outstanding payments and BGN 200 thousand are in the contingency fund. The share of the reinsurer in the insurance reserves amounts to BGN 4 444 thousand. In comparison with 2006 the total amount of the reserves has increased with BGN 22 739 thousand, or 57%.

20.3 Reserves of Pension Funds

	2007 BGN'000	2006 BGN'000
Reserves of universal pension fund	999	259
Reserves of professional pension fund	140	66
Life pension reserve UPF	9	10
	1 148	**335**

Reserves of pension funds are set aside in the course of the Group's pension insurance activity performed by POAD Sila and the pension funds under its management.

21 Long-term financial liabilities

	2007 BGN'000	2006 BGN'000
Liabilities to depositors (Note 25)	868 756	266 428
Bank loans – long-term part	40 989	30 455
Other loans – long-term part	-	10 160
Long-term trade liabilities	864	2 597
Other borrowed funds	5 255	21 272
	915 864	**330 912**

21.1 Long-term bank loans

	2007 BGN'000	2006 BGN'000
Bank DSK AD – investment loan	16 788	21 316
Bulgarian Post Bank – investment loan	2 298	3 500
Commercial Bank Allianz Bulgaria – investment credit	1 174	1 815
Post Bank – investment loan	-	1 428
Hypovereins Bank AD	1 254	1 254
Bank Gesellshaft Berlin	412	618
Hebros Bank		295
Bulbank AD – investment loan	65	229
Alfa Bank branch Bulgaria – revolving credit	18 573	-
Other	425	-
	40 989	**30 455**

Bank DSK AD

Under the terms of Loan agreement 114 from 6 June 2006 the Group was granted a loan amounting to EUR 11 000 thousand for purchase of 626 783 shares from the share capital of Parahodstvo BRP AD. The interest is formed on the basis of the three month EURIBOR plus a premium of 4,5%. The maturity date of the Agreement is 06 June 2016. The loan is secured with a mortgage on an real estate property – "Dom na Geologa" in the city of Varna and with market value BGN 6 293 thousand, both pledged as collateral.

Bulgarian Post Bank – investment loan

The loan contract amounting to BGN 3 500 thousand has a number 100-341/10.08.2006 and a maturity date on 10 August 2011, with an yearly interest: the sum of the current three-month SOFIBOR and an interest premium of 4.5%. The loan is signed in view of refinancing the invested funds for the purchase of real estate properties which are pledged as collateral.

Alfa Bank branch Bulgaria – revolving credit

The revolving credit contract is signed with Alfa Bank branch Bulgaria and has a maturity date 28 August 2010 and interest rate – one month EURIBOR and a premium of 2,75 points in the currency of settlement of the payments – EUR (euro). The revolving credit is secured with mortgage on a real estate owned by a subsidiary.

Bank Gesellshaft Berlin – investment loan

The investment loan signed in 2006 has a maturity date 31 December 2010 and amounts to BGN 422 thousand under interest rate – EURIBOR plus a premium of 4 points in the currency of settlement of the payments – EUR (euro).

Commercial Bank Allianz Bulgaria

The investment credit from CB Allianz Bulgaria was signed on 25 October.2005 with maturity 25. October 2010 under interest levels – 3.20% twelve month LIBOR; annual interest 7.7%, with the purpose of buying three towboats, which serve as collateral for the loan and which total amount is USD 2 552 thousand.

HYPOVEREINS BANK AD

The revolving mortgage credit from HVB 1 is in effect until 31 December 2008. The loan is at the amount of EUR 107 thousand and the installments are payable in euro. The interest rate is 4.85% on a yearly base. The pledged collateral for the loan is a mortgaged property in Offenbach, Germany.

The revolving mortgage credit from HVB 1 is in effect until 31 December 2008. The loan is at the amount of EUR 295 thousand and the installments are payable in euro. The interest rate is 4.25% on a yearly base. The pledged collateral on the loan is a mortgaged property in Frankfurt, Germany.

The revolving mortgage credit from HVB 2 is in effect until 31 December 2008. The loan is at the amount of EUR 279 thousand and the installments are payable in euro. The interest rate is 4.85% on a yearly base. The pledged collateral on the loan is a mortgaged property in Hanau.

Unicredit Bulbank – investment loan

The investment loan is in effect until 20 June 2009 under interest rate of Euribor plus a premium of a 6 points premium. Effective currency of the Group – EUR. The loan is secured with a real estate mortgage.

21.2 Other loans

	2007 BGN‘000	2006 BGN‘000
"Chimoil" AD – long-term part	-	6 014
"Neftena targovska kompaniya" EOOD	-	3 201
INO – investment loan – long term part	-	945
	-	10 160

21.3 Long-term trade liabilities

	2007 BGN‘000	2006 BGN‘000
ANZ Bank, Australia – long-term part	864	2 597
	864	**2 597**

The liability results from a contract for purchase of 3 airplanes BAE/146-200 on deferred payment amounting to USD 9 289 680. The sum is payable in 60 monthly equal installments amounting to USD 154 828 until 30 April 2009. The contract is guaranteed by a bank guarantee, issued by Bulbank AD amounting to USD 1 000 000, which is secured with a pledged as collateral mortgage of hangar number 3, owned by Hemus Air EAD.

21.4 Other attracted funds

	2007 BGN‘000	2006 BGN‘000
Financing from State Agricultural Fund	3 793	9 658
Other	1 462	11 614
	5 255	**21 272**

As at 31 December 2007 the other attracted funds include financing from State Agricultural Fund at the amount of BGN 3 793 thousand (including the interest) for granting loans to the agricultural sector. The credit risk for collectability of these loans shall be assumed by the Group.

22 Liabilities to secured persons

The amounts recognized in the balance sheet relate to liabilities to individuals, secured in the following pension funds:

	2007 BGN'000	2006 BGN'000
Payments by a voluntary pension fund	12 479	7 596
Payments by a professional pension fund	10 264	6 584
Payments by a universal pension fund	47 979	25 881
	70 722	**40 061**

Liabilities to secured persons arise as a result of the following change in the net assets available for pension funds income.

	2007 BGN'000	2006 BGN'000
As at 31 December 2006	**40 061**	**24 525**
Received pension contributions	22 690	11 927
Amounts received from pension funds, managed by other Pension Insurance Companies	4 590	736
Total increase of pension contributions	**26 981**	**12 663**
Other	-	(299)
Income from investment of funds	7 860	6 034
Paid pensions	(16)	(16)
Entrance fee	(20)	-
5% service fee	(1 071)	(649)
1% investment fee	(671)	(358)
Transfer fee	(78)	(62)
Withdrawal fee	(2)	(1)
One-time paid pensions to secured persons	(699)	-
Funds for disbursement of funds to heirs of secured persons	(77)	(535)
Amounts, paid to secured persons transferred to other pension funds	(1 502)	(1 023)
Amounts paid to the state budget	(343)	(218)
As at 31 December 2007	**70 722**	**40 061**

Net assets available for income are distributed as follows:

	2007 BGN'000	2006 BGN'000
Individual accounts	70 211	39 769
Reserve for minimal return	511	292
Net assets available for income	**70 722**	**40 061**

23 Other long-term liabilities

	2007 BGN'000	2006 BGN'000
Finance lease liabilities – long-term part	14 825	6 755
Pension compensations	1 152	315
RAI profitability	851	851
Other	1 281	-
	18 109	**7 921**

Pension compensations

	2007 BGN'000	2006 BGN'000
Opening balance pension compensation provisions	315	375
Accrued provisions for the period	877	-
Used provisions during the period	(40)	(60)
	1 152	**315**

24 Short-term financial liabilities

	2007 BGN'000	2006 BGN'000
Amounts owed to other depositors (refer to note 25)	416 819	665 486
Short-term loans	75 021	100 519
Liabilities under repurchase agreements	14 007	-
Insurance contract liabilities	7 845	3 035
Lease contract liabilities – short-term part	4 548	2 440
Deposit from banks	373	89
	518 613	**771 569**

24.1 Short-term loans

	2007 BGN'000	2006 BGN'000
Bank loans – short-term part	46 389	83 659
Contracts for other short-term loans	28 632	16 860
	75 021	**100 519**

24.1.1 Short-term bank loans

Short-term bank loans

	2007 BGN'000	2006 BGN'000
Unicredit Bulbank AD – credit line	17 995	-
Alfa Bank branch Bulgaria – short-term part	14 415	0
DSK Bank – revolving credit	2 920	3000
DSK Bank – investment loan, short-term part	2 265	0
BPB - revolving credit	2 500	0
VTB Bank AD – Germany	1 369	1369
Bulgarian Post Bank – investment loan / short-term part	2 411	2555
CB Alliance Bulgaria – investment loan / short-term part	641	641
Bulbank AD investment loan / short-term part	169	164
Hebros Bank AD short-term portion	295	393
Hypovereinsbank – Munich	429	428
Hypovereinsbank – trade eurocredit	490	489
Hypovereinsbank – KFW loan	490	489
Nord Bank AD – Luxemburg-Syndicated loan	-	53 978
Bulbank AD – credit line	-	12 653
DSK Bank – revolving credit	-	5 000
Postbank - short-term part	-	1 946
Hypovereinsbank – eurocredit Offenbach	-	348
Bank Gesellshaft Berlin- short-term part	-	206
	46 389	**83 659**

<u>**Unicredit Bulbank AD**</u>

Credit facility from Bulbank is in force till 20 June 2009. The carrying amount of the loan amounts to BGN 17 995 thousand and should be repaid in BGN. The loan is secured with a mortgage of real estate and inventories and receivables pledged as collateral in conformity with the Registered Pledges Act. The interest rate is equal to the base bank interest rate plus a premium of 5%.

Revolving credit line DSK BANK AD

The credit has been signed on the basis of contract 599/02.10.2006. The credit is in effect until 02.10.2008. The loan collateral is with a constituted third party mortgage of an administrative building of Niko Comers located on St. Karadja 2 Street, as well as parts of an administrative building on Al. Batenberg 1 Str. And St. Karadja 2 Street, owned by Chimimport AD. The interest rate equals to the base bank interest rate plus a premium of 0.5 %. The total amount of the revolving credit is BGN 3 000 thousand. As at the balance sheet date the disbursed amount is BGN 2 920 thousand.

VTB Bank AD - Germany

The commercial credit contract is signed on 30 June 2007 for a one year period with an interest rate of 7.922 % in the total amount of EUR 700 thousand.

Hypovereinzbank AD

Eurocredit Munich from HVB 3 is in force by 15 June 2008. The loan amounts to EUR 268 thousand and it should be repaid in EUR. The interest rate is 3.88%. There is no collateral negotiated.

Trade Eurocredit from HVB 4 is in force by 20 February 2008. The loan amounts to EUR 437 thousand and it should be repaid in EUR. Interest rate amounts to 7.55%. No collateral is negotiated.

Loan agreement with Hebros Bank AD

Under the terms of agreement signed on 19 September 2005 Chimimport AD steps into the debt of Mlechen put AD. Mlechen put AD. The debt is from Hebros bank AD, defined by a loan contract in BGN, and is payable in 35 equal monthly installments by 20 July 2008.

Investment credit from Bulgarian Post Bank AD

The investment credit from Bulgarian Post Bank AD is defined by contract 535-1464, signed on 30 September 2003, with a maturity on 30 September 2008. The annual interest rate equals to the 3-months EURIBOR plus 6%. The loan is granted in Euro, the monthly installments amount to EUR 83 thousand of principal plus interest on the remaining part of the loan. The collateral for the loan is shares of PDNG-Pleven with nominal value of BGN 542 thousand as at 31 December 2007. The loan has no specific obligatory conditions.

BNP Paribas – Revolving credit

The disbursed amount of the revolving credit should be repaid in 4 months after the financing of the transaction amounting to USD 4 322 thousand with interest rate 1 month EURIBOR plus a premium of 2.75 points in the currency of settlement of the payments – USD (united states dollars).

24.1.2 Other short-term loans

	2007 BGN'000	2006 BGN'000
Bulgarian Post Bank AD – REPO agreement	12 182	-
Bulgarian Post Bank AD – REPO agreement	7 376	-
Neftena Targovska Kompaniya EOOD	3 747	-
Government fund Agriculture	3 260	-
Bulgarian Mills EAD	-	5 000
Primachim EOOD	-	6 605
Property Rent Servicing – short-term part	-	1 408
Other	2 067	3 847
	28 632	**16 860**

Liabilities arising from repurchase agreements are specified in two contracts for reverse repurchase of securities with Bulgarian Post Bank.

- Contract on 29 June 2007 with maturity date 26 December 2007 and interest rate amounting to BGN 274 thousand.
- Contract on 12 October 2007 with maturity date 12 April 2008 and interest rate amounting to BGN 206 thousand.

24.2 Liabilities under repurchase agreements

As at 31 December 2007 the Group has redeemed repurchase agreements with local companies in the total amount of BGN 14 007 thousand, including the outstanding interest payables. The Group has secured this liability by a pledge of Bulgarian government securities. The maturity of these agreements is in January 2008.

24.3 Insurance contracts liabilities

	2007 BGN'000	2006 BGN'000
Insurance liabilities	4 533	2 376
Re-insurance liabilities	3 312	604
Co-insurance liabilities	-	55
	7 845	**3 035**

24.4 Lease contract liabilities – short-term part

	2007 BGN'000	2006 BGN'000
Interlease Auto EAD	2 215	-
ANZEV London, Australia	1 620	1 838
UniCredit Leasing	180	142
Hypo Group Alpe Adria	155	29
Raiffeisen Leasing Bulgaria	-	87
Sofia France Auto	3	91
Other	375	253
	4 548	**2 440**

(See Note 9.3)

24.5 Deposits from banks

Those payables have occurred in the course of the banking activity of the Group.

	2007 BGN'000	2006 BGN'000
Demand deposits from local banks		
-In BGN	39	26
-In foreign currency	334	63
	373	**89**

25 Liabilities to depositors

Analysis by term and type of currency:

	2007 BGN'000	2006 BGN'000
Demand deposits		
-in BGN	382 343	247 497
-in foreign currency	77 908	58 452
Term deposits		
-in BGN	333 809	263 205
-in foreign currency	420 919	304 255
Savings account		
-in BGN	23 147	18 245
-in foreign currency	26 417	20 780
Other deposits		
-in BGN	12 265	13 720
-in foreign currency	8 767	5 760
	1 285 575	**931 914**

Analysis by type of client and currency:

	2007 BGN'000	2006 BGN'000
Individual deposits		
-in BGN	304 049	210 107
-in foreign currency	378 738	254 185
Legal entities deposits		
-in BGN	435 261	318 838
-in foreign currency	146 495	129 304
Deposits of other institutions		
-in BGN	12 265	13 720
-in foreign currency	8 767	5760
	1 285 575	**931 914**

26 Trade and other payables

	2007 BGN'000	2006 BGN'000
Trade liabilities	120 049	38 427
Tax liabilities	12 157	9 883
Liabilities to employees	12 339	6 814
Interest payables	1 469	461
Other	49 044	26 050
	195 058	**81 635**

The fair values for trade and other receivables are not presented, since those receivables are current, and the management considers the carrying amounts recognized at the balance sheet to be a reasonable approximation of their fair value.

26.1 Trade payables

	2007 BGN'000	2006 BGN'000
Primachim EOOD	34 606	358
GD-GVA Sofia Airport	10 284	1 627
Golyama Dobrudzhanska Melnitza EOOD	8 322	379
IATA	3 854	301
Sofia Airport	3 793	660
Damex EOOD	3 775	9 865
Samokov Municipality	3 661	299
Eurocontrol	2 810	538
ANZ Bank, Australia – short-term part	2 473	3 839
Snekma Brussels	2 009	339
Snekma Morocco	1 735	312
Stimex EOOD	1 128	345
Neftena targovska Kompaniya EOOD	-	3 808
Other	41 599	15 757
	120 049	**38 427**

26.2 Tax liabilities

	2007 BGN'000	2006 BGN'000
Corporate income tax	5 006	5 839
Excise duty	2 879	3 174
Other tax liabilities	4 272	870
	12 157	**9 883**

26.3 Liabilities to employees

	2007 BGN'000	2006 BGN'000
Wages and salaries	9 733	5 320
Payables to social security institutions	2 606	1 494
	12 339	**6 814**

26.4 Other liabilities

	2007 BGN'000	2006 BGN'000
Tickets sold	16 314	3 230
Airport taxes	3 847	964
Agent's guarantees for the sale of airline tickets	902	323
Liabilities under concessionary remunerations	637	1 340
Liabilities under court decision MEW	456	456
Deposits	20	59
Defaults under contracts	-	232
Provisions	-	555
Liabilities under cessions	-	654
Other	26 868	18 237
	49 044	**26 050**

27 Income from non-financial activities

	2007 BGN'000	2006 BGN'000
Income from sale of plane tickets	309 243	87 758
Income from sale of trading goods	68 165	61 057
Income from services rendered	56 350	48 220
Income from sale of finished goods	50 132	37 678
Other	36 138	21 469
	520 028	**256 182**

28 Expenses on non-financial activities

	2007 BGN'000	2006 BGN'000
Cost of materials	132 360	67 507
Hired services	194 917	66 159
Depreciation and amortization	14 957	6 932
Employee expenses	43 728	16 027
Cost of finished and trading goods sold	48 596	55 550
Other	47 792	14 990
	482 350	**227 165**

29 Insurance income

	2007 BGN'000	2006 BGN'000
Insurance premiums income	84 805	55 677
Income from released insurance reserves	40 039	21 997
Regression income	3 304	1 697
Income from reinsurance operations	7 171	3 954
Other insurance income	218	2 150
	135 537	**85 475**

Insurance income has occurred in the course of the insurance activity of the Group performed by ZPAD Armeec.

29.1 Income from insurance premiums

The relative share of the main types of insurances in the insurance portfolio of the entity in order of the amount of the income premium from direct insurance for 2007 and 2006 is as follows:

	2007 Premium income BGN'000	2007 Relative share %	2006 Premium income BGN'000	2006 Relative share %
Insurance of transport vehicles	51 559	60.80	29 989	53.73
Motor third parties' liability	17 884	21.09	13 822	18.34
Fire and natural calamities	5 508	6.49	3 341	8.91
Property damages	931	1.10	612	2.77
Accident group	2 501	2.95	2 308	3.98
Loans and leases	622	0.73	566	2.53
General public liability	1 026	1.21	878	1.55
Aviation hull	1 078	1.27	438	2.41
Travel assistance	1 757	2.07	1 363	1.47
Casco of aircrafts	627	0.74	1 756	3.42
Cargo	576	0.68	338	0.64
Marine hull	32	0.04	6	0.00
Guarantees insurance	627	0.74	459	0.00
Other financial losses	41	0.05	(348)	0.00
Casco of marine vessels	36	0.04	149	0.25
	84 805	**100.00**	**55 677**	**100.00**

29.2 Income from reinsurance operations

	2007 BGN'000	2006 BGN'000
Income from received insurance compensations	1 341	926
Income from reserve participation in reinsurance companies	2	-
Income from received commissions from reinsurance companies	1 274	691
Income from reserves set aside for the reinsurer	4 444	2 337
Income from reinsurance premiums	110	-
	7 171	**3 954**

30 Insurance expenses

The insurance expenses have occurred in the process of the insurance activity of the Group, conducted through ZPAD Armeec.

	2007 BGN‘000	2006 BGN‘000
Claims paid	25 908	16 979
Expenses for participation in the insurance result	116	115
Liquidation of damages expenses	574	228
Acquisition expenses	20 348	13 609
Expenses for insurance reserves set aside	62 778	36 862
Reinsurance expenses	11 816	8 282
Other insurance expenses	2 254	1715
	123 794	**77 790**

30.1 Claims paid

The procedure for liquidation of damages and the payment of the insurance indemnity are regulated by the methods developed and adopted by the Company for each kind of insurance. Concerning the general insurance, there is a description of the relationships between the parties in the case of occurrence of the insurance event, as well as the means of payment of the insured sum. For some of the insurances there are also requirements concerning the preliminary information that the insurer has to obtain in order to assume the obligations under the insurance contract. The terms of the liquidation of damages are determined by the nature of the insurance. The liquidation is performed by the Head Office of the Company. The claims are paid by the Head Office upon the issue of a report by liquidation experts, legal experts and the approval of the Executive Director.

The liquidation of damages may also be performed by the Company’s agencies. Each agency is authorized to liquidate damages within the limits determined by the Head Office. When the amount exceeds the limit, the liquidation is performed by the Head Office.

During 2007 the following indemnities, classified by kind and group of insurances, have been paid:

	2007 Indemnities paid BGN'000	2007 Share %	2006 Indemnities paid BGN'000	2006 Share %
Casco	18 840	72.72	14 133	83.24
Motor third parties' liability	5 254	20.28	995	5.86
Fire and natural calamities	626	2.42	362	2.13
Property damage	101	0.39	797	4.69
Accident	264	1.02	224	1.32
Loans and leases	41	0.16	104	0.61
General public liability	62	0.24	57	0.34
Financial losses	1	0.00	-	-
Travel assistance	123	0.47	114	0.67
Casco of flying machines	163	0.63	161	0.95
Cargo during transportation	366	1.41	32	0.19
Casco of vessels	67	0.26	-	-
	25 908	**100.00**	**16 979**	**100.00**

30.2 Reinsurance expenses

	2007 BGN'000	2006 BGN'000
Expenses for granted premiums to reinsurers	9 400	5 792
Expenses for released reserves for reinsurers	2 416	2 490
	11 816	**8 282**

31 Interest income

Interest income by types of sources:	2007 BGN'000	2006 BGN'000
Legal entities	51 127	43 024
Individuals	24 804	14 659
Banks	11 800	4 948
Government securities	4 944	3 759
Other	947	548
	93 622	**66 938**

32 Interest expenses

Interest expenses by depositors:	2007 BGN'000	2006 BGN'000
Individuals	21 788	4 686
Legal entities	13 328	21 870
Banks	2 570	4 891
Other	3 588	1 111
	41 274	**32 558**

33 Gains from transactions with financial instruments

	2007 BGN'000	2006 BGN'000
Revaluation of financial instruments	110 083	64 497
Gains from dealing with securities	87 644	2 488
Revaluation of financial instruments	192	1 908
	197 919	**68 893**

34 Losses from transactions with financial instruments

	2007 BGN'000	2006 BGN'000
Revaluation of financial instruments	67 106	29 124
Losses from dealing with securities	1 419	2 319
Other	11	-
	68 536	**31 443**

35 Administrative expenses

	2007 BGN'000	2006 BGN'000
Cost of materials	3 840	3 101
Hired services	34 220	21 425
Depreciation and amortization	9 006	7 289
Employee expenses	28 729	22 737
Other	31 839	22 234
	107 634	**76 786**

36 Negative goodwill

In 2007 the income from excess of fair value of net assets acquired over cost occurred as a result of the following acquisitions:

	Negative goodwill 2007 BGN'000	Shares acquired 2007 %	Negative goodwill 2006 BGN'000.	Shares acquired 2006 %
Korabno Mashinostroene AD	2 648	51.81%	-	-
ZPAD Armeec	1 545	4.63%	-	-
Slanchevi lachi Commerce EOOD	197	100%	-	-
Argo EOOD	19	100%	-	-
Parahodstvo BRP AD	-	-	9 025	76.18%
Kauchuk AD	-	-	5 615	35.00%
Capital Management ADSIC	-	-	2 010	46.18%
Energoproekt AD	-	-	646	83.20%
Mayak KM AD	-	-	312	77.19%
VTC AD	-	-	178	51.00%
Other	-	-	(667)	-
Income recognized in current period profit	**4 409**	**-**	**17 119**	**-**

For further details on the acquisitions performed see Note 5.

37 Other financial income

	2007 BGN'000	2006 BGN'000
Fees and commissions income	19 268	18 360
Net result from foreign exchange differences	547	3 121
Other	1 440	2 077
	21 255	**23 558**

37.1 Fees and commissions income, net

	2007 BGN'000	2006 BGN'000
Servicing loans	2 843	5 534
Servicing commitments and contingencies	993	704
Servicing of deposit accounts	1 431	1 785
Bank transfers	10 676	8836
Other income	7625	4 201
Fees and commissions expenses	(4 300)	(2 700)
	19 268	**18 360**

38 Allocation to secured persons

As at 31 December 2007 and 31 December 2006 BGN 7 860 thousand and BGN 6 034 thousand respectively are the amounts subject to distribution to secured individuals in the course of the activity of the pension funds part of the Group.

39 Tax expense, net

The relationship between the expected tax expense based on the tax rate in 2007 at 10% (2006: 15 %) and the tax expense actually recognized in the income statement can be reconciled as follows:

	2007 BGN'000	2006 BGN'000
Result for the period before tax	141 119	66 988
Tax rate	10%	15%
Expected tax expense	**(14 112)**	**(10 048)**
Adjustment for tax exempt income	7 732	3 235
Current tax expense	**(6 380)**	**(6 813)**
Tax rate	**10%**	**10%**
Deferred tax income/(expense), resulting from:		
- origination and reversal of temporary differences and changes in tax rates	1 551	595
Actual tax expense, net	**(4 829)**	**(6 218)**

See note 13 for information on the Group's deferred tax assets and liabilities.

40 Earnings per share

The basic earnings per share have been calculated using the net results distributable to shareholders of the Company as the numerator.

The weighted average number of outstanding shares used for calculation of the basic earnings per share as well as profits attributable to shareholders is as follows:

	2007 BGN'000	2006 BGN'000
Profit, attributable to equity holders of the Company	119 109 680	53 330 000
Weighted average number of ordinary shares in issue	133 890 408	105 434 430
Basic earnings per share (BGN per share)	**0.8896**	**0.5058**

During 2007, the Company has not paid any dividends to its equity shareholders.

41 Transactions with related parties outside the Group

41.1 Long-term receivables from related parties outside the Group

	2007 BGN'000	2006 BGN'000
POK Saglasie	1 000	-
"BAYONETA" EOOD	-	94
	1 000	**94**

41.2 Short-term receivables from related parties outside the Group

	2007 BGN'000	2006 BGN'000
- owners		
Chimimport Invest AD	19 894	-
- associates		
Capital management ADSIC	13 722	3 192
Kavarna Gaz OOD	215	204
Other	1 691	2814
	35 522	**6 210**

41.3 Long-term liabilities to related parties outside the Group

	2007 BGN'000	2006 BGN'000
- owners		
Chimimport Invest AD	146 709	7 760
	146 709	**7 760**

The long-term payables to Chimimport Invest AD are related to a contract for long-term investments. Under this contract gains from investments are distributed to the investor.

41.4 Short-term liabilities to related parties outside the Group

	2007 BGN'000	2006 BGN'000
Chimimport Invest AD	584	-
Other	708	1 037
	1 292	**1 037**

There are no specific conditions relating to the above listed liabilities. No guarantees have been received or granted. No significant purchases or sales transactions with related parties have been performed during the year.

41.5 Transactions with key management personnel

During 2007 the considerations paid to the members of the Board of directors and the Managing Board of the Group amount to BGN 144 thousand (2006 – BGN 38 thousand). In 2007 no special transactions with the management of the Group have been performed.

42 Commitments and contingencies

The aggregate amount of outstanding guarantees at year-end is as follows:

	2007 BGN'000	2006 BGN'000
Bank guarantees		
-In BGN	57 050	35 945
-In foreign currency	48 875	31 255
Irrevocable commitments	88 222	20 779
Other contingent liabilities	426	572
Total	194 573	88 551

As at 31 December 2007 and 2006 in course of its banking activity the Group has signed contracts for granting of revolving and other loans to customers at the total amount of BGN 88 222 thousand and BGN 20 779 thousand respectively. The future utilization of these amounts depends on the customers' ability to meet certain criteria, including no record of overdue payments on previously granted loans, provision of collateral with suitable quality and liquidity, etc.

43 Risk management objectives and policies

The Company is exposed to market risk through its use of financial instruments and specifically to insurance, currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The Company's risk management is coordinated at its headquarters, in close co-operation with the Managing board, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to risk. Long term financial investments are managed to generate lasting returns.

The most significant financial risks to which the Company is exposed to are described below. For further information see also note 43.6 for a summary of Company's financial assets and liabilities by category.

43.1 Insurance risk

The insurance risk management policy applied by the Group is tailored to the specifics of the insurance products and the respective legal requirements. The actuaries of the Group develop a policy for management of the insurance risk and strictly monitor its development.

43.2 Foreign currency risk

Group's policy regarding other than banking activities

Most of the Group's transactions are carried out in Bulgarian leva (BGN). Exposures to currency exchange rates arise from the Group's transactions with foreign parties, which are primarily denominated in US-Dollars and other foreign currencies. The Group has long-term trade payables and long-term finance lease payables in US-Dollars, related to the purchase of aircrafts. Those payables are carried at amortized cost. The Group has short-term and long-term trade receivables in US-Dollars under the terms of loan agreements. Those receivables are classified as loans and receivables.

To mitigate the Company's exposure to foreign currency risk, non-BGN cash flows are monitored. Generally, Company's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from long-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The Company does not enter into forward exchange contracts.

Financial assets and liabilities of the Group except those related to the banking activity, that are denominated in US dollars and recalculated in Bulgarian leva as at the balance sheet date, are as follows:

	2007 BGN '000	2006 BGN '000
Financial assets	3 349	577
Financial liabilities	1 785	2 748
Short-term exposure	**5 134**	**3 325**
Financial assets	16 973	17 577
Financial liabilities	5 829	9 099
Long-term exposure	**22 802**	**26 676**

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the US Dollar - BGN exchange rate.

It assumes +5% change of the BGN/US-Dollar exchange rate for the year ended at 31 December 2007 (2006: 7%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

If the Bulgarian lev had strengthened against the US Dollar by 5% (2006: 7%) respectively then this would have had the following impact:

	2007 BGN '000	2006 BGN '000
Effect on the net result for the year	**(301)**	**(1 270)**

If the Bulgarian lev had weakened against the US Dollar by 5% (2006: 7%) respectively then this would have had the following impact:

	2007 BGN '000	2006 BGN '000
Effect on the net result for the year	**301**	**1 270**

Exposures to foreign exchange rates vary during the year depending on the volume of transactions in foreign currency. The lower sensitivity of the Net result for the year from the currency exchange rate in 2007 compared to 2006 is due to the due to the change in the ratio between debt and receivables. This, on the other hand, is a result of decrease of financial leasing liabilities. This leads to mutual compensation of cash inflows and cash outflows in foreign currency.

Group's policy regarding banking activities

Financial assets and liabilities related to the banking activity and their carrying amounts denominated in US dollars as at 31 December 2007 are as follows:

31 December 2007	USD	Other foreign currencies	Total
	BGN '000	BGN '000	BGN '000
Financial assets			
Placements with, and advances to, banks	59 804	3 652	63 456
Trading securities	525	578	1 103
Loans and advances to customers, net	22 935	1	22 936
Available-for-sale financial assets	42	-	42
Total assets	**83 306**	**4 231**	**87 537**
Financial liabilities			
Amounts owed to other depositors	85 698	3 040	88 738
Other attracted funds	-	15	15
Total liabilities	**85 698**	**3 055**	**88 753**
NET POSITION	**(2 392)**	**1 176**	**(1 216)**

Financial assets and liabilities related to the banking activity and their carrying amounts denominated in US dollars as at 31 December 2007 are as follows:

31 December 2006	USD	Other foreign currencies	Total
	BGN '000	BGN '000	BGN '000
Financial assets			
Cash and cash equivalents	3 569	1 599	5 168
Placements with, and advances to, banks	66 213	662	66 875
Loans and advances to customers, net	32 151	-	32 151
Other assets and assets for resale	2 220	220	2 440
Available-for-sale financial assets	47	-	47
Total assets	**104 200**	**2 481**	**106 681**
Financial liabilities			
Amounts owed to other depositors	99 457	2 280	101 737
Other attracted funds	-	35	35
Other liabilities	1 041	503	1 544
Total liabilities	**100 498**	**2 818**	**103 316**
NET POSITION	**3 702**	**(337)**	**3 365**

43.3 Interest rate sensitivity

Company's policy is to minimize interest rate cash flow risk exposures on long-term financing.

Group's policy regarding other than banking activities

Longer-term borrowings are therefore usually at fixed rates. As at 31 December 2007, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates. As in the previous year, all other financial assets and liabilities have fixed rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates – LIBOR in Euro and the base interest rate with **+/-8.30%** and **+/–8.32%** respectively (2006: +/-8.75% и +/- 10.66%). These changes are considered to be reasonably possible based on observation of current market conditions. All other variables are held constant.

	2007 BGN '000		2006 BGN '000	
	Increase of the interest rate	**Decrease of the interest rate**	**Increase of the interest rate**	**Decrease of the interest rate**
Effect on the net result for the year	(234)	234	(28)	28

Group's policy regarding banking activities

For measurement and evaluation the interest rate risk the Bank applies the method of the GAP analysis. (gap analysis / disbalance). The gap of the Bank between the interest-bearing assets and liabilities as of December 31, 2007 is negative amounting to BGN 135,672 thousand. GAP coefficient, as a sign of this disbalance, compared to the total earning assets of the Bank (interest-bearing assets and equity instruments) is -11.34%.

	Up to 1 month BGN '000	From 1 to 3 months BGN '000	From 3 months to 1 year BGN '000	From 1 year to 5 years BGN '000	Over 5 years BGN '000	Total BGN '000
Assets						
Placements with, and advances to, banks	352 315	28 360	4 890	-	-	385 565
Trade securities	810	496	-	4 892	343	6 541
Receivables under repurchase agreements	10 532	6 252	-	-	-	16 784
Loans and advances to customers, net	25 401	36 793	127 446	334 521	131 869	656 030
Available-for-sale financial assets	-	16 213	5 703	33 470	8 236	63 622
Held-to-maturity financial assets	668	-	-	38 862	44 928	84 458
Total assets	389 726	88 114	138 039	411 745	185 376	1 213 000
Liabilities						
Deposits from depositors	373	-	-	-	-	373
Amount owed to other depositors	517 905	130 832	236 746	441 737	19	1 327 239
Other attracted funds	406	244	2 636	3 767	-	7 053
Liabilities under repurchase agreements	14 007	-	-	-	-	14 007
Total liabilities	532 691	131 076	239 382	445 504	19	1 348 672
Net interest bearing assets and liabilities gap	**(142 965)**	**(42 962)**	**(101 343)**	**(33 759)**	**185 357**	**(135 672)**

The Group is exposed to price risk related to share prices, as it holds shares classified in the financial statements as financial instruments at fair value through profit or loss. The price risk, arising from investments in securities, is managed through diversification of the securities' portfolio within the limits set by the Group.

The table below summarizes the influence of the decrease/increase in the stock exchange prices of publicly traded shares over the net financial result for the year after taxes and other owner's equity components. The analysis relies on the assumption that prices will increase/decrease with 1 %. It is also assumed that all other factors are kept constant and all financial instruments of the Group vary within their historical index correlation.

	2007 BGN '000	2006 BGN '000
Net financial result for the year after taxes	**2 074**	**300**

The net financial result for the year after taxes will increase/decrease depending on the profit/loss from investments in publicly traded shares, classified as financial assets at fair value through profit or loss.

43.4 Credit risk analysis

Group's exposure to credit risk is limited to the carrying amount of financial assets recognized as at the balance sheet date, as summarized below:

	2007 BGN '000	2006 BGN '000
Long-term financial assets	674 587	479 185
Long-term receivables from related parties out of the Group	1 000	94
Short-term financial assets	438 884	358 961
Short-term receivables from related parties out of the Group	35 522	6 210
Trade receivables	126 977	74 032
Other receivables	107 619	62 210
Cash and cash equivalents	748 869	366 548
	2 133 458	**1 347 240**

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

Company's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered as negligible, since the counterparties are reputable banks with high quality external credit ratings.

43.5 Liquidity risk analysis

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-days and a 360-days lookout period are identified monthly.

The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at 31 December 2007, Group's liabilities have contractual maturities which are summarized below:

31 December 2007	Current Within 1 year BGN '000	Non-current 1 to 5 years BGN '000
Financial liabilities at amortized cost	519 905	1 062 573

As at 31 December 2006, Group's liabilities have contractual maturities which are summarized below:

31 December 2007	Current Within 1 year BGN '000	Non-current 1 to 5 years BGN '000
Financial liabilities at amortized cost	772 606	338 672

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

43.6 Summary of financial assets and liabilities by category

The carrying amounts of Group's financial assets and liabilities may also be categorized as follows:

	2007 BGN '000	2006 BGN '000
Non-current assets		
Held-to-maturity financial assets	83 790	16 142
Financial assets classified as fair value through profit or loss	64 571	42 526
Available-for-sale financial assets	53 930	110 078
Loans and receivables	473 296	310 533
	675 587	**479 279**
Current assets		
Loans and receivables	455 679	343 283
Financial assets classified as fair value through profit or loss	29 610	36 443
Held-to-maturity financial assets	7 004	36 042
Available-for-sale financial assets	109 090	23 435
	601 383	**439 203**
Non-current liabilities		
Financial liabilities measured at amortized cost	1 062 573	338 672
Current liabilities		
Financial liabilities measured at amortized cost	519 905	772 606

44 Capital management policies and procedures

Group's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders

The Group monitors capital on the basis of the correlation between capital and net debt.

The Group determines the capital based on the carrying amount of equity.

Net debt is calculated as general debt less the carrying amount of cash and cash equivalents.

Group's goal is to maintain a capital-to-net debt ratio in a reasonable range, which would ensure relevant and conservative ratio of financing.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amount of the correlation for the presented accounting periods is summarized as follows:

	2007 BGN '000	2006 BGN '000
Equity	809 595	351 104
Capital	**809 595**	**351 104**
Debt	1 877 641	1 242 244
- Cash and cash equivalents	(748 869)	(366 548)
Net debt	**1 128 772**	**875 696**
Capital to net debt	**1 : 1.39**	**1 : 2.49**

The increase of the correlation between capital to net debt in 2007 compared to 2006 is a result of the higher increase of the equity due to share issue and increase of debt.

45 Post balance sheet events

For the period after the balance sheet date until the date of the preparation of the financial statements, 29 April 2008, no significant or material non-adjusting events took place.

For the period from 1 January 2008 and 29 April 2008 the following significant events has taken place:

The acquisition of 718 236 shares with a nominal value of 10 rubles, representing 6,93% from the share capital of Tatininvest – Kazan, Republic of Tatarstan, was concluded successfully on 7 February 2008.

- On 7 March 2008 with the authorization of the Commission for Protection of Competition. Chimimport AD acquired all of the voting shares of the share capital of Molet AD;

- For the period 26 - 28 March 2008 a working group, led by the executive director Mr. Ivo Kamenov visited Tatarstan by the invitation of the President of Republic of Tatarstan – Mr. Mintimer Shaymiev and the Government of the Republic. During the visit the parties came to the agreement to establishing a mixed company on a parity basis. The Group will complete the reconstruction and expansion of the airport in Kazan and will take over the management of the national carrier of the republic.

- After the preparation of the annual financial statements for 2007, CCB AD acquires 136 658 shares of the share capital of Silex bank, Skopije, Republic of Macedonia, representing 62,57% of the voting shares . As a result of this acquisition the bank owes 171 658 shares of the share capital of Silex bank AD, representing 78,60% of the voting shares. The amount of the investment amounts to BGN 26 499 thousand.

After the balance sheet date, the Bank transfers through a cession agreement to Finance Consulting EAD, against consideration and without the right of regression , own cash receivables with reporting value of BGN 21,429 thousand and net book value BGN 11,331 thousand. The cession is with total amount of BGN 20,000 thousand.

- On 11 September 2007, the Bank and Eurostandard Bank AD, Skopije signed an agreement for sale of 25 660 ordinary, voting right shares from the equity of Post Bank AD, Skopije, Republic of Macedonia. The contract comes into force after the corresponding permits are obtained. The acquisition is allowed by BNB on 31 October 2007 and by the National Bank of the Republic of Macedonia on 6 December 2007. The deal will raise legal action after the Bank receives permit by the Government of the Republic of Macedonia.

- During the period between preparation of the individual financial statements of Zarneni Hrani Bulgaria AD and the consolidated financial statements of the Group an agreement for sale of bonds with nominal value amounting to BGN 10 268 thousand was signed. In the consolidated balance sheet these bonds are reclassified from liabilities to other related parties to long-term loans amounting to BGN 8 801 thousand and short-term loans amounting to BGN 1 467 thousand.