

INDEPENDENT AUDITOR'S REPORT*

**To the sole owner of
State Railway Infrastructure Company
Sofia**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of State Railway Infrastructure Company (the Group), which comprise the consolidated balance sheet as of 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, a summary of the 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 the International Financial Reporting Standards (IFRS) adopted in Bulgaria. 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.

Audit opinion

1. The parent Company has made revaluation of the property, machines and equipment on 1 January, 2005. The revaluation is performed by a licensed specialist by applying different methods, generally accepted.

* Translation from Bulgarian



On 31 December, 2007 a licensed re-valuator has reviewed the balance sheet values of the revaluated assets. He has found out that the analyzed values are in compliance with the market values and because of this a new revaluation is not necessary. Due to the specific activity of the parent Company, the non-competitive environment of its operations, the lack of active market for the assets as well as their unique character, the cash flows fixed by the normative documents under infrastructural fees, we are not in a position to confirm the fair value of the property, machines and equipment, presented in the consolidated financial statements.

On 31 December, 2007 the parent Company is still in process of acquisition of the property documents for land with balance sheet value amounting to BGN 144,733 thousand as well as for buildings with balance sheet value of BGN 7,008 thousand.

We are not in a position to and do not express any assurance in respect of the validity of the management's assumptions used in determination of the balance sheet values of the property, machines and equipment as of 31st December, 2007 in accordance with the International Financial Reporting Standards as well as the assumptions concerning the Group's property ownership.

2. The receivables from "Bulgarian State Railways" EAD (BDZ EAD) as it is disclosed in Note (13) are not confirmed in the amount of BGN 7,959 thousand as a result of a reduction agreement. The receivables from BDZ EAD represent 92% of the total amount of the receivables according to the consolidated balance sheet. Due to the significant concentration of the exposure, there is a risk of bad liquidity of the Group as well as a necessity of devaluation of the receivables.

In our opinion, except for the effect of such adjustments, if any, as might have been determined with respect to the above uncertainties, as explained in the preceding Paragraph 1 and Paragraph 2, we certify that the consolidated financial statements referred to above present fairly, in all material respects, the financial position and state of affairs of the Group as of 31 December 2007, and the results of its operations, changes in shareholders equity and cash flows for the year then ended, in conformity with the International Financial Reporting Standards (IFRS), applied in Bulgaria.

Report related to other legal requirements - Consolidated annual management report prepared in accordance with Article 33 of the Accountancy Act

According to the requirements of Article 38, paragraph 4 of the Accountancy Act, we have reviewed the consolidated annual management report of the Group for 2007. The consolidated annual management report about the Group's activity is not part of the financial statements. The financial information presented in the consolidated annual management report about the Group's activity is basically in compliance with the financial information included in the consolidated financial statements as of 31 December, 2007 prepared according to the requirements of the IFRS. The preparation of this consolidated annual management report about the activity of the Group is the responsibility of the parent's Company management.

June 16, 2008 Sofia

Banishora, bl.42 A, entr.G Sofia, 1233

116 B Kn.Maria Luiza Blvd.
Sofia, 1233

40 B Simeon Radev Str. Sofia, 1618

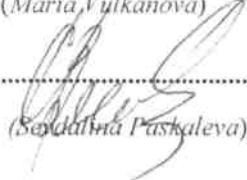
Nadejda, bl. 156, entr.G Sofia, 1220

Registered auditors:


.....
(Angelina Atanasova)


.....
(Radka Boevska)


.....
(Maria Vulkanova)


.....
(Sordalina Paskaleva)

National Railway Infrastructure Company (group)

**Consolidated Financial Statement for the year, ended
on 31st December 2007**

Consolidated Income StatementFor the year, ended on 31st December 2007

<i>In thousand BGN</i>	Note	2007	2006
Revenues from infrastructure fees	1	134,225	152,511
Revenues from funding	2	90,554	44,237
Other revenues	3	43,135	28,907
		<u>267,913</u>	<u>225,655</u>
Capitalised expenses		13,201	5,872
Changes in inventory and unfinished production		871	1,004
Expenses for materials	4	(44,411)	(30,040)
Expenses for external services	5	(34,342)	(38,884)
Expenses for depreciation	9, 9a, 10	(113,751)	(112,793)
Expenses for personnel	7	(136,599)	(101,831)
Other operating expenses	6	(19,799)	(17,212)
Loss from operating activities		<u>(66,917)</u>	<u>(68,230)</u>
Net financial (expenses) revenues	8	(4,131)	(1,766)
Profit (loss) from investments	11	11	26
Loss before taxes		<u>(71,037)</u>	<u>(69,970)</u>
Expenses for taxes	16a	5,316	10,174
Net loss for the year		<u><u>(65,721)</u></u>	<u><u>(59,796)</u></u>

The Consolidated Income Statement shall be reviewed together with the notes thereto, constituting an integral part of the Consolidated Financial Statement, presented on pages from 5 through 25.

Consolidated Balance SheetAs at 31st December 2007

In thousand BGN

	Note	2007	2006
Assets			
Property, machines, plant and equipment	9	2,119,440	2,168,465
Assets out of operation	9a	17,655	13,875
Intangible assets	10	163	130
Investments	11	2,894	2,883
Total non-current assets		<u>2,140,152</u>	<u>2,185,353</u>
Inventories	12	19,922	16,239
Trade and other receivables	13	50,533	103,136
Current financial assets, held for sale		143	
Deferred expenses		254	138
Cash and cash equivalents	14	39,244	5,502
Total current assets		<u>110,096</u>	<u>125,014</u>
Total assets		<u><u>2,250,248</u></u>	<u><u>2,310,367</u></u>
Equity			
Authorised capital	15	100,000	100,000
Reserves		385,914	385,914
Revaluation reserve		1,198,977	1,198,890
Non-covered losses		(251,550)	(190,651)
Total equity and reserves		<u>1,433,341</u>	<u>1,494,153</u>
Non-current liabilities			
Received loans	17	76,446	85,900
Retirement benefit payables	7a	2,661	2,365
Non-current tax liabilities	16a	113,765	119,081
Total non-current liabilities		<u>192,872</u>	<u>207,346</u>
Current part of loans	17	10,363	10,468
Trade and other current payables	19	59,965	103,690
Provisions for tax payables	20	255	17,803
Retirement benefit payables	7a	588	549
Deferred revenues		1,420	546
Total current liabilities		<u>72,591</u>	<u>133,056</u>
Governmental grants			
Deferred revenues, related to grants for non-current assets	18	522,331	454,032
Deferred revenues, related to grants for current assets	18	29,113	21,780
Total governmental grants		<u>551,444</u>	<u>475,812</u>
Total equity, liabilities and governmental grants		<u><u>2,250,248</u></u>	<u><u>2,310,367</u></u>

The Consolidated Balance Sheet shall be reviewed together with the notes thereto, constituting an integral part of the Consolidated Financial Statement, presented on pages from 5 through 25.

Consolidated Cash Flow StatementAs at 31st December 2007

<i>In thousand BGN</i>	2007	2006
Operating activities		
Cash flows, related to business partners	122,836	90,086
Cash flows, related to employment remunerations	(135,270)	(100,855)
Other cash flows from operating activities	11,106	16,501
Cash flows, related to exchange rate differences	(3)	(3)
Paid interests and fees, related to operating activities	(5,264)	(390)
Cash flows, related to short-term financial assets, held for sale	(153)	
Insurance indemnities	59	1,137
<i>Net cash flows from operating activities</i>	<u>(6,689)</u>	<u>6,476</u>
Investment activities		
Acquisition of property, machines, plant and equipment	(66,613)	(66,893)
Sale of property, machines, plant and equipment	18,258	3,956
Received dividends	344	675
<i>Net cash flows from investment activities</i>	<u>(48,011)</u>	<u>(62,262)</u>
Financial activities		
Received funding	102,285	75,963
Payments on loans	(10,183)	(11,866)
Paid interest on loans	(3,660)	(3,524)
<i>Net cash flows from financial activities</i>	<u>88,442</u>	<u>60,573</u>
Net increase/(decrease) of cash and cash equivalents	33,742	4,787
Cash and cash equivalents as at 1 st January	<u>5,502</u>	<u>715</u>
Cash and cash equivalents as at 31st December	14 <u>39,244</u>	<u>5,502</u>

The Consolidated Cash Flow Statement shall be reviewed together with the notes thereto, constituting an integral part of the Consolidated Financial Statement, presented on pages from 5 through 25.

Consolidated Statement of Changes in EquityAs at 31st December 2007*In thousand BGN*

	Capital	Reserves	Revaluation reserves	Losses from previous years	Total
Balance on 1st January 2006	100,000	386,092	1,136,694	(135,302)	1,487,484
Refunded deferred tax liability on revaluation reserve			66,642		66,642
Written-off assets on account of reserves		(178)			(178)
Recognised loss for the current year				(59,796)	(59,795)
Impairment of non-current assets on account of reserve					
Carried over reserve of written-off non-current assets			(4,446)	4,446	
Balance on 31st December 2006	100,000	385,914	1,198,890	(190,651)	1,494,153
Balance on 1st January 2007	100,000	385,914	1,198,890	(190,651)	1,494,153
Recognised loss for the current year				(65,721)	(65,721)
Changes in impairment of non-current assets on account of reserve			4,909		4,909
Carried over reserve of written-off non-current assets			(4,822)	4,822	
Balance on 31st December 2007	100,000	385,914	1,198,977	(251,550)	1,433,341

The Consolidated Statement of Changes in Equity shall be reviewed together with the notes thereto, constituting an integral part of the Consolidated Financial Statement, presented on pages from 5 through 25.

Appendix to the Annual Financial Statement**Legal Status**

The National Railway Infrastructure Company (group) includes the parent company – National Railway Infrastructure Company and the subsidiary “TREN” EOOD.

The National Railway Infrastructure Company (the Company or NRIC) is incorporated in Bulgaria in compliance with the Railway Transport Act, which is in effect as of 1st January 2002, and is registered by Decision No 1 of Sofia City Court, dated 15th January 2002, entered into register II, under No 948, volume 18, page 32, company file No 23/2002. The seat of the Company is: Republic of Bulgaria, city of Sofia, Serdika Municipality, 110, Maria Luisa Blvd.

The Company is established upon restructuring of National Company “BDZ” (NC “BDZ”), through demerger, effective as of 1st January 2002. The National Railway Infrastructure Company is the successor of the separated assets and liabilities of NC “BDZ” in its part, relating to the railway infrastructure, pursuant to the demerger balance sheet as at 31st December 2001. The state is the sole owner of the capital of the Company. The management bodies of the Company are: the Minister of Transport, the Management Board and the Director General.

The Management Board consists of five members, as follows: Atanas Ivanov Tonev – Chair and members: Svilen Kolev Dimitrov, Alexandar Grigorov Petrov, Dimitar Stoyanov Savov and Anton Petkov Ginev. The Company is managed and represented by the Director General Anton Petkov Ginev.

In 2007, the Company pursued its activities through 23 territorial administrative and business units: Train and Station Activity Directorates (TSAD) – 3 units, Railway Sections (RWS) – 13 units, Signalling and Telecommunication Sections (STS) – 3 units, Energy Sections – 3 units and 1 Vocational Training Centre (VTC).

The National Railway Infrastructure Company provides for the use of the railway infrastructure by licensed carriers upon equal terms and manages the train activity within the railway infrastructure upon adherence to the safety, reliability and security requirements. For this purpose, the Company is ensuring the development, the repair, the maintenance and the operation of the railway infrastructure; it accepts all carriage orders from the carriers and draws up the train schedules in coordination with the carriers, and as regards the passenger carriage – with the municipalities as well. The Company collects infrastructure fees to an amount, determined by the Council of Ministers at the proposal of the Minister of Transport.

On 1st June 2007, the subsidiary “TREN” EOOD was registered with Sofia City Court, with capital of BGN 5000 and scope of activity: trade in electric energy, after issuing of a license by the State Energy and Water Regulatory Commission. The sole owner of the capital is the National Railway Infrastructure Company.

By Decision No 1, dated 1st June 2007, of Sofia City Court and Decision No 2, dated 22nd October 2007, “TREN” EOOD was entered into the Register of Commercial Companies under No 119375, volume 1641, page 5 under company file No 8353/2007. The seat of the company is: Republic of Bulgaria, city of Sofia, Serdika Municipality, 110, Maria Luisa Blvd.

The Management Board of the parent company NRIC appoints and dismisses the Managing Director of the subsidiary. The subsidiary is managed and represented by the Managing Director Stoyan Nedelchev Stoyanov. The controller of the company is Tanya Ivanova Zhekova.

The scope of activity of “TREN” EOOD is: trade in electric energy, after issuing of a license by the SEWRC (supplemented by Decision No 2, dated 22nd October 2007) economic and financial services to third persons, marketing activity, commercial realisation of statutorily permitted goods in the country and abroad, purchase of goods and other valuables in view of their resale in the original, processed on manufactured state, entrepreneurship, engineering, commercial representation and intermediation, warehousing, lease, real estate transactions, transactions that are not prohibited by the law in the country and abroad, forwarding and carriage transactions, foreign economic and commercial activity, complying with the Bulgarian legislation and the international contractual requirements, as well as activities and services that are not prohibited by the law.

Notes to the Financial Statement**Basic indicators of the economic environment**

The basic indicators of the economic environment, affecting the activity of the parent company and of the group as a whole for the period 2005 – 2007, are presented in the table herein below:

Indicator	2007	2006	2005
GDP in million BGN	56,520	49,091	41,948
Actual growth of GDP	6.2%	6.1%	6.2%
GDP per capita in BGN	5,213*	6,376	5,420
Inflation in the end of the year	12.5%	7.4%	6.0%
Average USD exchange rate for the year	1.41982	1.55011	1.57415
USD exchange rate in the end of the year	1.33122	1.48506	1.65790
Basic interest rate in the end of the year	4.58 %	3.26%	2.05%
Unemployment (in the end of the year)	6.6%	9.00%	10.1%

Source: National Statistical Institute, Bulgarian National Bank

**the data refer to the nine months of 2007*

Significant accounting policies**(a) Compliance**

The current 2007 is the first year of drawing up of a Consolidated Financial Statement of the National Railway Infrastructure Company for the group.

The Consolidated Statement of the group is drawn up in compliance with IAS 27 „Consolidated Financial Statements and Accounting for Investments in Subsidiaries”, on grounds of the Individual Financial Statement of the parent company National Railway Infrastructure Company and the Individual Financial Statement of the subsidiary “TREN” EOOD, applying the following consolidation procedures: the items of the assets, liabilities, equity, revenues and expenses are summed up line by line. The amount of the investment of the parent company in the capital of the subsidiary is eliminated. All intra-group balances and transactions are eliminated, as well as the resulting non-realised profits and losses.

The investment of the group in an associated company is reflected in the Consolidated Statement, using the equity method in compliance with IAS 27 and IAS 28.

This Consolidated Financial Statement is drawn up in compliance with the International Accounting Standards, ratified for application in Bulgaria by Decree of the Council of Ministers No 207/7th August 2006 on the ratification of the International Financial Reporting Standards, adopted by the European Commission, as amended as at 1st January 2005, drawn up by the International Accounting Standards Board, and on the ratification of the National Accounting Standard. Pursuant to article 22a, par. 1 of the Accountancy Act, the International Accounting Standards (IAS), adopted by the European Commission, shall be valid on the territory of the Republic of Bulgaria. Note 25 to this Financial Statement contains a list of those standards.

IAS 8 “Accounting policies, changes in accounting estimates and errors” requires from the group to disclose the fact that it had not applied a new standard or interpretation, which are published, but have not entered in effect, as well as information of the potential effect of the application of the relevant standard or interpretation in the period of initial application. The Company has disclosed the effects of the application of published International Accounting Standards, which were not yet in force as at the date of the balance sheet and may be relevant to the activity of the group (see note 25).

(b) Basis for preparation

Notes to the Financial Statement

The basis for preparation is the historical cost, except for the cases, where it is modified by the revaluation of certain groups of non-current assets, financial instruments, etc. The Consolidated Financial Statement is drawn up in thousand BGN.

Upon drawing up of financial statements, IAS require from the management to make certain estimates, based on assessments and assumptions, affecting the application of the accounting policies upon presentation of the sum of the assets, liabilities, revenues and expenses. The estimates and the assumptions, related thereto, are based on the historical experience and various other factors, which we believe to be reasonable in view of the circumstances, whereon the evaluation of the balance sheet value of assets and liabilities is based, which are not evident from other sources. The actual results may differ from these estimates.

The estimates and the basic assumptions are reviewed regularly. The changes in the accounting estimates are accounted for in the period of the change or in future periods, when they are affected thereby.

The parent company and the subsidiary pursue their activities in compliance with the Bulgarian legislation and draw up their individual financial statements pursuant to IAS.

The parent company applies consistently its accounting policies, which comply with those, used in the preceding years. The subsidiary applies the accounting policies of the parent company.

(c) Comparative information

The comparative information for the preceding period, included in the Consolidated Financial Statement, contains an associated company, based on the equity method, because the subsidiary is established in 2007.

(d) Going concern

The Consolidated Financial Statement is drawn up on the basis of the assumption that the parent company and the subsidiary will continue to exist as a going concern and as a group. The validity of the assumption depends on the support of the sole owner of the Company – the Government, manifested by the support of the state in the form of subsidies and governmental guarantees for the repayment of the loans from international financial institutions.

(e) Foreign currency transactions

The transactions, realised in a foreign currency, are converted in BGN at the exchange rate of the central bank for the date of the transaction. The cash assets and liabilities, denominated in a foreign currency as at the date of the balance sheet, are recalculated in BGN at the exchange rate of the central bank at the close of business on this date. The resulting exchange rate differences are recognised in the Income Statement.

(f) Property, machines, plant and equipment**(i) Own assets**

Property, machines, plant and equipment include lands, buildings, infrastructure and facilities, needed for the current activity of the group. Property, machines, plant and equipment are those assets of the group, expected to bring about economic benefit for more than one reported period and whose acquisition cost is above BGN 500. Property, machines, plant and equipment are accounted for at their revaluation value, wherefrom the accrued depreciation is deducted, as well as the impairment loss (see accounting policy (m)).

The infrastructure and the land, whereon it is developed, represent state property. It may not be expropriated, mortgaged or otherwise granted as security.

The newly acquired property, machines, plant and equipment are valued upon their acquisition at the acquisition cost, including the purchase price and the costs, incurred for the commissioning of the asset.

Notes to the Financial Statement**(f) Property, machines, plant and equipment (continued)**

The value of the assets, developed by the group, includes the value of the materials and the direct labour. Whenever an item of property, machines, plant and equipment contains significant components, having different useful life, they are accounted for as separate non-current assets. The value of the acquisition costs of property, machines, plant and equipment includes the cost of materials, external services, direct labour and the relevant part of the general production costs.

As at 1st January 2005, a revaluation of property, machines, plant and equipment was conducted by a licensed evaluator at fair value. For each valued asset the remaining useful life, as well as the residual value, if any, was determined. The effect of the revaluation is presented as revaluation reserve. As at 31st December 2007, a licensed evaluator reviewed the balance sheet values of the revalued assets. The review established the compliance of the analysed values with the market ones, so no new revaluation is needed.

Property, machines, plant and equipment include spare parts, second-hand materials and assets that are out of operation, which upon their commissioning are expected to be used for a period of more than one reported period. The spare parts and the second-hand materials are expected to be used by the group. The assets that are out of operation are impaired to their recoverable value.

(ii) Subsequent costs

Costs, resulting from the need of replacement of a component of property, machines and plant, are capitalised, if it is likely to increase the future economic benefit of the group and if the value of the asset may be reliably measured. All other expenses are recognised in the Income Statement at the time of their occurrence.

(iii) Depreciation

The depreciation is recognised in the Income Statement pursuant to the straight-line method for the period of the useful life of property, machines, plant and equipment. The land and the property, machines, plant and equipment acquisition costs are not depreciated.

The estimated useful life is as follows:

• buildings	15 – 50 years
• plant	10 – 30 years
• machines and equipment	5 – 15 years
• vehicles	5 – 8 years
• stocks	3 – 7 years
• computer and communication hardware	3 years

The assets are depreciated as of the month, following the month of their commissioning.

Materials, spare parts and second-hand materials, expected to be used for more than one reported period, are not depreciated until commissioning.

(f) Property, machines, plant and equipment (continued)**(g) Intangible assets**

The intangible assets, acquired by the group, are presented at their purchase price, reduced by the accrued depreciation and impairment loss.

Depreciation

The depreciation is accounted for in the Income Statement pursuant to the straight-line method, as follows:

• software	2 years
• other intangible assets	7 years
• licenses	10 years

Notes to the Financial Statement**(h) Investments*****Associated companies***

The group has an interest in an associated company, wherein it has a significant influence; however, it does not control its financial and operating policy. The investments in associated companies (FAE Sofia OOD - 49% participation) are included in the Consolidated Statement pursuant to the equity method, pursuant to the requirements of IAS 27 „Consolidated Financial Statements and Accounting for Investments in Subsidiaries” and IAS 28 „Investments in Associates and Joint-Ventures”.

(i) Governmental grants

The governmental grants are not accounted for until sufficient surety is at hand that the group shall be able to comply with all requirements, related thereto. The grants, related to non-current assets, are accounted for in the balance sheet as deferred funding and are recognised in the Income Statement systematically within the useful life of the asset, that the funding is granted for.

(j) Inventories

The materials and purchased goods are valued at their acquisition cost. The unfinished production and the ready products are valued at their production cost value, which includes the direct production costs (costs for materials and labour) and the relevant part of the general production costs.

The inventories are valued at the lower of their cost value and their net realisable value. The net realisable value is the estimated sales price in the normal course of business, reduced by the estimated costs for completion of the production cycle and the cost of sale.

The inventories, upon their use, are accounted for at a specified price (for expensive spare parts and materials, acquired by means of World Bank’s funding) and pursuant to the weighted average cost method for the other materials.

(k) Trade and other receivables

Trade and other receivables are presented at their cost value, reduced by the impairment loss (see accounting policy (m)).

(l) Cash and cash equivalents

The cash includes cash at hand and balances on bank accounts.

(m) Impairment

The balance sheet value of the group’s assets (except for the investment property), inventories and deferred tax assets is reviewed as at the date of preparation of the balance sheet in view of determination whether there are indications of impairment. If there are such indications, an estimate of the recoverable value of the asset is made. The impairment loss is recognised always, when the balance sheet value of an asset or a group of assets, generating cash proceeds, exceeds its recoverable value. The impairment loss is recognised in the Income Statement.

(i) Calculation of the recoverable value

The recoverable value of the receivables of the group is calculated individually for customers with considerable obligations as at the date of the balance sheet, and for the other customers – on the basis of historic data of collectability of the receivables by distinguished groups of customers.

The recoverable value of the assets that are out of operation and second-hand materials is calculated on the basis of their value at scrap prices.

(ii) Recovery of impairment loss

Notes to the Financial Statement

As regards the receivables and other assets, it is possible to recover impairment losses in case of a change in the estimates, used for determination of the recoverable value.

The impairment loss is recovered solely to such a value of the asset, not exceeding its balance sheet value, which would be attained, reduced by the accrued depreciation, if the impairment loss has not been recognised.

(n) Equity

The group's equity as per the Consolidated Statement is equal to the authorised capital of the Parent Company, recorded at its historical cost on the day of its registration.

(o) Payables on received loans

The loans, received during previous periods, are originally reflected at their value of occurrence pursuant to the demerger record upon the establishment of the Parent Company (see Legal Status).

The newly received loans are recognised at their value of occurrence, reduced by the lump-sum costs, related to the disbursement of the loans. Upon the subsequent evaluation, after the initial recognition, these loans are accounted for at their depreciated value, and each difference between the originally recognised value and the repayment value is included in the Income Statement during the period of the loan on the basis of the effective interest rate.

(p) Provisions

Whenever the group has a legal or constructive obligation, resulting from past event, and it is likely that the obligation shall be repaid on account of the outgoing economic benefit flow, a provision is accounted for in the Consolidated Balance Sheet of the group. Then, when the effect is significant, the provisions are determined through discounting of the expected future cash flows on the basis of an interest rate, which reflects the current market value of money in time. When appropriate, other specific risks, relevant to the payable, are also taken into account.

(q) Employee retirement benefit payables***(i) Defined contributions plans***

The Government of the Republic of Bulgaria is responsible for the ensuring of the statutory minimum threshold of the pensions pursuant to defined contributions plants. The expenses of the group for transferring of funds pursuant to the defined contributions plans are recognised in the Income Statement upon their occurrence.

(ii) Annual paid leave

The group recognises as a payable the non-discounted amount of the estimated expenses for paid annual leave, expected to be paid to the employees for the past reported period.

(iii) Employee retirement benefit payables

Pursuant to the requirements of the Labour Code and the Collective Employment Contract (CEC of the Parent Company), upon termination of the employment contract, after the employee or the worker has obtained the right to a pension for insured length of service and age, the group is obliged to pay an indemnity thereto to the amount of the double sum of the gross monthly salary. If the worker or employee has worked at NRIC or within the BDZ system for the last 10 years, the amount of the indemnity comes up to the six month gross remuneration. The Collective Employment Contract provides for further compensations for certain minority groups of employees.

The Consolidated Financial Statement contains employee retirement benefit payables on the basis of carried out actuarial calculations and assumptions. Upon calculation of the current value of the payables, the credit method is used for the forecasted items.

(r) Trade and other payables

The trade and other payables are presented at their value at the moment of occurrence.

(s) Revenues

Notes to the Financial Statement

The group's operating revenues are accounted for upon their occurrence.

(ii) Deferred revenues

The current asset funding is originally accounted for in the Balance Sheet as deferred funding, whenever it is sufficiently sure that the group shall be able to comply with all requirements, related thereto. The non-current asset funding is recognised in the Income Statement regularly within the useful life of the asset.

The current operation funding revenues are recognised in the Income Statement for the period, wherein the expenses that they are intended for are accounted for.

(t) Net financial revenues/(expenses)

The net financial revenues/(expenses) include revenues and expenses from interests, other financial revenues and expenses and revenues/(expenses) from exchange rate differences.

The revenues from interests are recognised in the Income Statement at the moment of their occurrence, taking into account the effective income from the asset.

All expenses for interests and other, occurring as a result of credit contracts, are recognised during the period of occurrence as part of the net financial expenses.

(u) Income taxes

The income tax for the year includes current and deferred taxes. The income tax is recognised in the Income Statement, unless it is related to items, referred directly to the capital, whereupon the tax is also accounted for in the capital.

The current expense for taxes represents the expected tax payables on the chargeable profit for the year, calculated on grounds of the tax rates that are in effect as at the date of preparation of the individual financial statements.

The deferred tax is recognised, using the passive method, and relates to the temporary differences between the balance sheet value of the assets and the liabilities for the purposes of the financial reporting and for tax purposes. There are not recognised temporary differences, related to: positive goodwill, which is not subject to taxation; initial recognition of assets or liabilities, which do not affect the accounting or tax profit and differences, related to investments in subsidiaries, provided that they are not expected to be returned in the near future. The amount of the deferred tax is based on the expected method of realisation of the balance sheet value of assets or liabilities, applying the tax rates that are valid for the period, wherein it is expected to realise the deferred taxes.

A deferred tax liability is presented in the Consolidated Financial Statement, occurring in relation to the formed asset revaluation reserve.

The deferred tax assets and liabilities for the purposes of consolidation are not compensated.

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Notes to the Financial Statement

1. Revenues from infrastructure fees

<i>In thousand BGN</i>	2007	2006
Revenues from booking fees	22,722	25,907
Revenues from passing fees	111,503	126,604
	<u>134,225</u>	<u>152,511</u>

2. Revenues from funding

<i>In thousand BGN</i>	2007	2006
Operation funding	72,489	29,510
Non-current tangible asset funding	17,788	14,660
Funding for inventories	277	67
	<u>90,554</u>	<u>44,237</u>

3. Other revenues

<i>In thousand BGN</i>	2007	2006
Rent of buildings, machines, plant and equipment	15,392	12,940
Revenues from repair works	3,863	4,187
Surplus of non-current assets	284	1,650
Revenues from sale of non-current assets and inventories	18,310	5,591
Balance sheet value of sold assets	(2,151)	(3,031)
Other revenues	7,437	7,570
	<u>43,135</u>	<u>28,907</u>

The other revenues for 2007 include revenues from cleaning and measurement of coaches - BGN 1,015 thousand, revenues from accounted second-hand materials and materials that are not fit for second-hand use - BGN 2,397 thousand, as well as electrical facilities maintenance revenues - BGN 671 thousand.

4. Expenses for materials

<i>In thousand BGN</i>	2007	2006
Materials and spare parts	30,305	21,110
Fuels	5,485	4,664
Electric energy	8,305	3,872
Heat energy	317	394
	<u>44,411</u>	<u>30,040</u>

Notes to the Financial Statement

5. Expenses for external services

<i>In thousand BGN</i>	2007	2006
Repairs and on-going maintenance of RI	13,359	14,091
Transport services and maps	11,776	14,740
Insurances	2,104	2,170
Telephone and postal services	1,332	1,127
Building tax, waste fee, etc.	1,281	1,501
Security guard	1,055	1,598
Charges	568	224
Subscription services	435	316
Cleaning	429	533
Water	401	534
Expert valuations, cadastral plans	344	367
Employment contracts for provision of services	331	451
Training courses	101	72
Rents	6	385
Others	820	776
	<u>34,342</u>	<u>38,884</u>

6. Other operating expenses

<i>In thousand BGN</i>	2007	2006
Missions	1,477	1,215
Police and fire safety	2,463	2,360
Taxes on expenses	84	3,104
Penalties for overdue payments	6,996	5,031
Discarding of fixed assets	1,476	936
Liquidation of fixed tangible assets	4,296	3,420
Working and uniform clothes	1,859	1,642
Changes in impairment of assets out of operation	(2,005)	(2,034)
Other operating expenses	3,153	1,538
	<u>19,799</u>	<u>17,212</u>

Notes to the Financial Statement

7. Expenses for personnel

<i>In thousand BGN</i>	2007	2006
Remuneration	87,728	61,090
Social security expenses	48,691	41,274
Changes in provision for retirement benefits	181	(533)
	<u>136,599</u>	<u>101,831</u>

The expenses for remuneration and social security as at 31st December 2007, include BGN 4,653 thousand payables for unused leaves (2006: BGN 2,543 thousand)

The average number of employees for the year, ended on 31st December 2007, is 16,660.

7(a). Accrued retirement benefit payables

	2007
Discount rate	5%
Future increase in salaries and remuneration	5%
Average retirement age for men	63 years
Average retirement age for women	59 - 60 years
Personnel fluctuation	7%

The calculation of the current value of the payables takes into account the expected due benefits for the period 2008-2017. For the purposes of the discounting, an effective annual interest rate of 5% is used. This rate is based on the yield to maturity of the non-current (10-year) government securities.

Payables for defined contributions for 2007 and 2006 pursuant to age and length of service:

<i>In thousand BGN</i>	2007	2006
Current values of the payable in the beginning of the year	2,914	3,292
Expenses for interests	154	155
Expenses for current length of service	197	196
Sums for retired persons during the year	(759)	(725)
Actuarial (profits)/losses	743	(4)
Current value of the payable in the end of the year	<u>3,249</u>	<u>2,914</u>
Short-term part	588	549
Long-term part	2,661	2,365
	<u>3,249</u>	<u>2,914</u>

8. Net financial expenses

<i>In thousand BGN</i>	2007	2006
Revenues from interests	183	18
Expenses for interests	(3,839)	(3,618)
Revenues from partnerships	344	1,350
Positive exchange rate differences	5,863	897
Negative exchange rate differences	(6,464)	(5)
Other financial assets	(218)	(408)
	<u>(4,131)</u>	<u>(1,766)</u>

Notes to the Financial Statement

9. Property, machines, plant and equipment *In thousand BGN*

	Lands	Buildings and structures	Machines and equipment	Plant	Vehicles	Others	Spare parts	Expenses for acquisition of non-current assets	Total
Book value									
Balance on 1 st Jan. 2007	303,660	69,706	124,264	1,701,153	10,390	3,997	21,928	155,990	2,391,088
Adjustment of initial balance on 1 st Jan. 2007			1,322	8,820		8			10,150
Balance on 1 st Jan. 2007 after adjustment	303,660	69,706	125,586	1,709,973	10,390	4,005	21,928	155,990	2,401,238
Acquired	93	207	1,501		1,675	659		67,478	71,613
Written-off	(399)	(548)	(1,047)	(4,891)	(353)	(78)	(2,540)	(50)	(9,906)
Reclassified			(103)	104		(1)			
Transfers		1,224	1,875	50,518		13		(53,630)	
Balance on 31 st Dec. 2007	303,354	70,589	127,812	1,755,704	11,712	4,598	19,388	169,788	2,462,945
Depreciation and impairment loss									
Balance on 1 st Jan. 2007		4,741	41,269	173,564	7,750	2,927			230,251
Adjustment of initial balance on 1 st Jan. 2007			781	1,733		8			2,522
Balance on 1 st Jan. 2007 after adjustment		4,741	42,050	175,297	7,750	2,935			232,773
Depreciation for the period		2,483	19,682	89,291	884	310			112,650
Written-off in the period		(72)	(645)	(848)	(278)	(75)			(1,918)
Reclassification			(36)	36					
Balance on 31 st Dec. 2007		7,152	61,051	263,776	8,356	3,170			343,505
Balance sheet value									
Balance on 1 st Jan. 2007	303,660	64,965	82,995	1,527,589	2,640	1,070	21,928	155,990	2,160,837
Adjustment of initial balance on 1 st Jan. 2007			541	7,087					7,628
Balance on 1 st Jan. 2007 after adjustment	303,660	64,965	83,536	1,534,676	2,640	1,070	21,928	155,990	2,168,465
As at 31 st December 2007	303,354	63,437	66,761	1,491,928	3,356	1,428	19,388	169,788	2,119,440

As at 31st December 2007, the book value of 100% depreciated assets, which are still used in the operation in the group's business, comes up to BGN 19,026 thousand.

As at 31st December 2007, the group is in the process of obtaining of reliable documents for the title of ownership over land with fair value of BGN 144,733 thousand and buildings with balance sheet value of BGN 7,008 thousand.

Notes to the Financial Statement

9a. Assets out of operation

The group possesses assets out of operation, consisting of 355 thousand meters railway lines, 477 pieces railway points, contact network, etc., which as at the balance sheet date are not used. These assets are accounted at their recoverable value, which is equal to their liquidation value as at 31st December 2007.

<i>In thousand BGN</i>	2007	2006
Book value		
Balance on 1 st January	23,082	23,510
Written-off during the period	(571)	(428)
Balance on 31 st December	<u>22,511</u>	<u>23,082</u>
Depreciation and impairment losses		
Balance on 1 st January	9,207	10,504
Change in impairment for the period	(5,279)	(2,314)
Depreciation for the period	1,011	1,053
Written-off during the period	(83)	(36)
Balance on 31 st December	<u>4,856</u>	<u>9,207</u>
Balance sheet value		
As at 1 st January	13,875	13,006
Balance on 31 st December	<u>17,655</u>	<u>13,875</u>

10. Intangible assets

<i>In thousand BGN</i>	Software	Patents and licenses	Know-how	Total
Book value				
Balance on 1 st January 2007	661	4	191	856
Acquired	96	15	13	124
Written-off	(9)		(7)	(16)
Balance on 31 st December 2007	<u>748</u>	<u>19</u>	<u>197</u>	<u>964</u>
Depreciation				
Balance on 1 st January 2007	584	2	140	726
Depreciation for the period	66	2	22	90
Written-off during the period	(9)		(6)	(15)
Balance on 31 st December 2007	<u>641</u>	<u>4</u>	<u>156</u>	<u>801</u>
Balance sheet value				
As at 1 st January 2007	77	2	51	130
As at 31 st December 2007	<u>107</u>	<u>15</u>	<u>41</u>	<u>163</u>

Notes to the Financial Statement

11 Investments

<i>In thousand BGN</i>	<i>Type of activity</i>	<i>Share %</i>		
Investments in associated companies			2007	2006
“FAE Sofia” OOD	Railway points manufacturing	49%		
<i>Changes during the period</i>				
As at 1 st January			2,141	2,115
Share in the profit (loss)			11	26
As at 31 st December			<u>2,152</u>	<u>2,141</u>
Trade investments			2007	2006
ZPAD “Allianz Bulgaria”	Insurance	5.62%		
<i>Change during the period</i>				
As at 1 st January			742	67
Increase in number of shares				675
As at 31 st December			<u>742</u>	<u>742</u>
			<u>2,894</u>	<u>2,883</u>

12. Inventories

<i>In thousand BGN</i>	2007	2006
Materials and consumables	19,589	15,820
Ready production	332	419
	<u>19,922</u>	<u>16,239</u>

12(a). Materials and consumables

<i>In thousand BGN</i>	2007	2006
Basic materials	6,418	5,085
Fuels	2,930	1,530
Spare parts	1,925	1,238
Metal waste (scrap)	4,830	5,046
Others	3,487	2,921
	<u>19,589</u>	<u>15,820</u>

Notes to the Financial Statement

13. Trade and other receivables

<i>In thousand BGN</i>	2007	2006
Trade receivables	44,138	99,612
Adjudicated receivables	1,986	1,304
Taxes for refund	2,388	
Other receivables	2,021	2,220
	<u>50,533</u>	<u>103,136</u>

In 2007, the trade receivables include a receivable from “BDZ” EAD – BGN 39,527 thousand or 92% of the receivables from customers.

14. Cash and cash equivalents

<i>In thousand BGN</i>	2007	2006
Cash at hand	164	83
Cash on bank accounts	22,015	1,973
Frozen cash	17,065	3,446
	<u>39,244</u>	<u>5,502</u>

The frozen cash is the cash, received from the Ministry of Transport for the purposes of payment of indemnities for expropriation of lands in relation to the construction of site Plovdiv - Svilengrad.

15. Authorised capital

As at 31st December 2007, the authorised capital of the group is equal to the registered capital of the Parent Company – NRIC – BGN 100 million. The sole owner of the capital is the state, represented by the Minister of Transport.

Additional reserves

The additional reserves have occurred as balancing value upon the demerger of NRIC from the National Company “Bulgarian State Railways”, (Demerger record of 31st December 2001).

Revaluation reserve

The revaluation reserve is formed as the result of revaluation of non-current assets as at 1st January 2005.

16. Deferred tax assets and liabilities

16 a. Deferred tax liabilities

<i>In thousand BGN</i>	2007	2006
As at 1 January	119,081	195,897
Recognised deferred tax, accounted for in the Income Statement during the period	(5,316)	(10,174)
Recognised deferred tax, resulting from a change in the tax rate	-	(66,642)
As at 31 st December	<u>113,765</u>	<u>119,081</u>

The presented deferred tax liability is the result of revaluation of property, machines and plant as at 1st January 2005.

The effective tax rate for the purposes of the calculation of the deferred tax assets and liabilities for 2007 and 2006 is 10%.

Pursuant to the requirements of the tax legislation of the Republic of Bulgaria, the tax payables are determined on grounds of the individual financial statements of the legal persons.

16 6. Non-recognised deferred tax assets

The non-recognised deferred tax assets result from the following temporary differences.

Notes to the Financial Statement

<i>In thousand BGN</i>	31st December 2007	31st December 2006 (recalculated)
	Asset	Asset
Assets out of operation	298	990
Second-hand materials	70	218
Payables to personnel	837	546
Carried over tax losses	4,010	4,894
	<u>5,215</u>	<u>6,648</u>

17. Received loans

This note provides information of the agreed terms and conditions of the received loans. For further information of the interest and currency risk exposure of the group, see Note 21 Financial instruments.

<i>In thousand BGN</i>	2007	2006
Non-current secured bank loans	76,446	85,900
Current part of secured bank loans	<u>10,363</u>	<u>10,468</u>
	<u>86,809</u>	<u>96,368</u>

17(a). Terms and conditions and repayment plans of interest-bearing loans and credits

In thousand BGN

	Currency	Interest in %	Total	up to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years
EBRD	USD	LIBOR + 1%	4,686	1,606	1,540	1,540	-
IBRD**	USD	IBRD IR*	56,773	6,077	6,389	22,056	22,251
IBRD	EUR	IBRD IR*	25,350	2,680	2,821	9,737	10,113
			<u>86,809</u>	<u>10,363</u>	<u>10,750</u>	<u>33,333</u>	<u>32,364</u>

*The interests of the loans from IBRD are based on the quotas for six-month EUR LIBOR and USD LIBOR.

** Pursuant to the general terms and conditions of the loan, representing single currency pool loan, as at each date, the obligations of the borrower are determined in pool units and shall be recalculated, using the value of the pool unit as at this date. As at 31st December 2007, the amount of the principal in pool units comes up to 2,289.4883, whose current value in USD as at this date is US\$ 41,139 thousand. Pursuant to the terms and conditions of the loan, the loan is payable in EUR at the exchange rate of the bank. The so determined value of the payable as at 31st December 2007 comes up to EUR 28,966 thousand or BGN 56,653 thousand at the exchange rate of BNB BGN/EUR as at 31st December 2007.

The main loan agreements are entered into between "Bulgarian State Railways" (NC "BDZ"), the financial institutions and the Government of the Republic of Bulgaria during previous periods. The loan agreements are not officially divided. Pursuant to the demerger agreement between the successors, the outstanding part of the principals on the loans shall be repaid by the two successors of NC "BDZ", as follows:

Notes to the Financial Statement

17(b). Distribution of the payables as at 31st December 2007*In thousand BGN*

	Currency	Total	Share of NRIC	Share of BDZ EAD	Payables of NRIC
EBRD	USD	18,994	24.67%	75.33%	4,686
IBRD	USD	56,864	99.84%	0.16%	56,773
IBRD	EUR	33,043	76.72%	23.28%	25,350
		108,900			86,809

17(c). Guarantees

Pursuant to the loan agreements, entered into with “Bulgarian State Railways” (NC “BDZ”) in previous periods, the Government of the Republic of Bulgaria guaranteed the following amounts:

Loan	Guaranteed by:	For the amount
EBRD	State guarantee USD ‘000	45,000
IBRD	State guarantee USD ‘000	95,000

18. Governmental grants

The governmental grants represent deferred revenues, which are recognised regularly for the term of the useful life of non-current and current assets, used in the operating activities.

In thousand BGN

	2007	2006 (recalculated)
Deferred revenues, related to governmental grants for non-current assets	522,331	454,032
Deferred revenues, related to governmental grants for current assets	29,113	21,780
	551,444	475,812

*Change during the period**In thousand BGN*

	2007	2006 (recalculated)
Balance on 1 st January 2007	475,812	427,319
Received from the state budget	140,192	77,500
Received from “Public Investment Projects”		6,524
Received from Ministry of Transport	17,094	6,939
Received under PHARE Program	8,172	443
Received from Natural Calamities Fund	927	1,324
Received from other funds and projects	65	0
Implemented during the year	(90,554)	(44,237)
Refunded governmental grant	(264)	
Balance as at 31 st December 2007	551,444	475,812

Notes to the Financial Statement

19. Trade and other payables

<i>In thousand BGN</i>	2007	2006
Trade payables	32,928	41,126
Payables to associated company	95	164
Payables to personnel	10,924	11,202
Payables for social security	4,161	3,478
Payables to budget		37,412
Other payables	11,856	10,308
	<u>59,965</u>	<u>103,690</u>

20. Financial instruments

The operating activity of the group provides for credit and interest risk exposure. In spite of that the group does not use financial derivatives in view of mitigating the effect of the interest rate changes.

Currency risk

The group has obtained credits in foreign currency from financial institutions. Therefore, it is exposed to a risk, associated with potential changes in the exchange rate.

Interest risk

The interest risk is the risk that the value of the interest-bearing loans of the group might vary, resulting from changes in the market interest rates. The interest-bearing loans, as specified in note 17, include float interest rate loans and therefore the group is exposed to interest risk.

Credit risk

The group is exposed to a credit risk, since there is a considerable exposure to the most significant carrier "BDZ" EAD, which is considerably reduced as compared with the previous reported period.

21. Investment program

Pursuant to the investment program, approved by the management of the group, for the following year, there are planned the following expenses for the long-term restructuring program, funded by the state budget:

<i>In thousand BGN</i>	2008
<u>Repair of existing plant and equipment</u>	
Renovation and restructuring of railway lines under reconstruction projects	16,147
Reconstruction of key railway stations in compliance with the European requirements	8,000
Repair of the railway lines and attained speed maintenance facilities	<u>28,507</u>
	52,654
<u>Acquisition of plant and equipment</u>	
Electrification and doubling of Karnobat – Sindel segment	20,316
Electrification of Dragoman – Dimitrovgrad railway line	<u>15,030</u>
	35,346
Total amount of capital investments	<u>88,000</u>

Notes to the Financial Statement

22. Related persons

22(a). Description of related persons

The related persons of the group are the associated company FAE Sofia OOD, wherein it holds 49% share, and state enterprises, with which it is under the common governmental control.

The following transactions are performed during the reported period:

<i>In thousand BGN</i>					
<i>Related person</i>	<i>Type of relationship</i>	<i>Type of transaction</i>	<i>Total amount</i>	<i>Balance</i>	
				<i>(receivable)</i>	<i>(payable)</i>
			<i>In thousand BGN</i>	<i>In thousand BGN</i>	<i>In thousand BGN</i>
FAE Sofia OOD	Associated company	Purchase of railway points	1,247		95
"BDZ" EAD	State company	Infrastructure fees, services	140,516	39,527	
		Carriage and other services	16,995		6,916
SE "TSV"	State company	Rents, telephone services	831	274	
		Construction services	19,483		31

As regards the transactions with related persons, performed during the year, there are no unusual conditions and deviations from the market prices.

22(b). Key management personnel

The key management personnel is disclosed in item **Legal status**. The income of the key management personnel, including social securities, are:

<i>In thousand BGN</i>	2007	2006
Salaries and other short-term income	84	77
Social securities	10	10
	94	87

The remuneration of the key management personnel is paid under management and control contracts.

22(c). In 2007, the group received funding from the Government to the amount of BGN 158,213 thousand.

23. Contingent liabilities

As at 31st December 2007, judicial claims are filed against the group to the amount of about BGN 1,643 thousand. The most significant of them is the claim under the case, instituted by LVZ Ruse against NRIC and "BDZ" EAD, in their capacity of joint debtors (as successors of NC "BDZ"), to the total amount of BGN 583 thousand; a claim, filed by the State Agency „State Reserve and War-Time Stocks" for BGN 163 thousand. The management does not consider it likely that payment obligations shall occur in relation to the above claims and no provision is included in the Financial Statement.

24. Events after the balance sheet date

Receivables of dividends

As at the date of preparation of the Consolidated Financial Statement of the group, a decision of the General Meeting of the shareholders of ZPAD "Allianz Bulgaria", dated 25th February 2008, is received, determining the dividend to the amount of BGN 4.38 per share. As a shareholder in Allianz Bulgaria, the group is entitled to a dividend to the total amount of BGN 887 thousand.

By means of Record No PD-323, dated 28th December 2007, the Minister of Transport, in the capacity of the body, exercising the rights of the state, made a decision that Bulgarian Maritime Navigation Company EAD, Varna, shall deliver to the group non-current assets with balance sheet value of BGN 531 thousand, of which the expenses for acquisition of non-current assets amount to BGN 52 thousand. The reserves of the group will be increased by the balance sheet value of the received assets.

This Statement is approved for publication by the Management Board on

Notes to the Financial Statement

25. List of IFRS, applicable in Bulgaria*Interpretation of the applicable accounting framework*

The Consolidated Financial Statement for 2007 is drawn up pursuant to the requirements of the International Financial Reporting Standards (IFRS), as amended by 1st January 2005, ratified for application in Bulgaria by Decree of the Council of Ministers No 207/7th August 2006 and published in State Gazette, issue 66 of 2006. A list of the International Accounting Standards, ratified for application in Bulgaria, is presented herein below.

List of International Accounting Standards, ratified for application in Bulgaria, applied upon the preparation of the Annual Statement for 2007:

- IFRS 1 - First time Adoption of International Financial Reporting Standards
- IFRS 2 - Share-based Payment
- IFRS 3 - Business Combinations
- IFRS 4 - Insurance Contracts
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- IFRS 6 - Exploration for and Evaluation of Mineral Resources
- IFRS 7 - Financial Instruments
- IAS 1 - Presentation of Financial Statements
- IAS 2 - Inventories
- IAS 7 - Cash Flow Statements
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 - Events after the Balance Sheet Date

26. List of IFRS, applicable in Bulgaria (continued)

- IAS 11 - Construction Contracts
- IAS 12 - Income Taxes
- IAS 14 - Segment Reporting
- IAS 16 - Property, Plant and Equipment
- IAS 17 - Leases
- IAS 18 - Revenue
- IAS 19 - Employee Benefits
- IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance
- IAS 21 - Effects of Changes in Foreign Exchange Rates
- IAS 23 - Borrowing Costs
- IAS 24 - Related Party Disclosures
- IAS 26 - Accounting and Reporting By Retirement Benefit Plans
- IAS 27 - Consolidated and Individual Financial Statements
- IAS 28 - Investments in Associates
- IAS 29 - Financial Reporting in Hyperinflationary Economies
- IAS 30 - Disclosure in the Financial Statement of Banks and other Financial Institutions
- IAS 31 - Interests in Joint-Ventures
- IAS 32 - Financial Instruments: Disclosure and Presentation
- IAS 33 - Earnings per Share
- IAS 34 - Interim Financial Reporting
- IAS 36 - Impairment of Assets
- IAS 37 - Provisions, Contingent Liabilities and Contingent Assets
- IAS 38 - Intangible Assets
- IAS 39 - Financial Instruments: Recognition and Measurement
- IAS 40 - Investment Property
- IAS 41 - Agriculture

Notes to the Financial Statement

- IFRIC 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IFRIC 2 - Members' Shares in Co-operative Entities and Similar Entities
- IFRIC 4 - Determining Whether an Arrangement Contains a Lease
- IFRIC 5 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds
- IFRIC 6 – Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8 – Scope of IFRS 2
- IFRIC 9 – Reassessment of Embedded Derivatives
- IFRIC 10 – Interim Financial Reporting and Impairment
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions
- SIC 7 - Introduction of the Euro
- SIC 10 - Government Assistance – No Specific Relation to Operating Activities
- SIC 12 - Consolidation – Special Purpose Entities
- SIC 13 - Jointly Controlled Entities – Non-Monetary Contributions by Venturers
- SIC 15 - Operating Leases - Incentives
- SIC 21 - Income Taxes – Recovery of Revalued Non-Depreciable Assets
- SIC 25 - Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
- SIC 27 - Evaluating the Substance of Transactions in the Legal Form of a Lease
- SIC 29 - Disclosure – Service Concession Arrangements
- SIC 31 - Revenue – Barter Transactions Involving Advertising Services
- SIC 32 - Intangible Assets – Website Costs

Amendments of Standards and Interpretation

- IFRS 8 Operating Segments (in effect as of 1st January 2009). The standard requires the disclosure of segments on the basis of company components that the management follows for the purposes of making operating decisions. The operating segments are components, whereof individual financial information is available, which is periodically reviewed by a person with management functions upon making of operating decisions, determination of the resources distribution and evaluation of the presentation). The company considers the IFRS 8 does not refer to its operations.
- IAS 23 - Borrowing Costs (in effect as of 1st January 2009). The standard requires capitalisation of borrowing costs, related to assets. The company considers that the changes in IAS 23 shall not affect its financial statements.
- IFRIC 12 Service Concession Arrangement (in effect as of 1st January 2008). The interpretation presents a requirement to the companies of the private sector, relating to certain disclosures and issues, associated to estimates, occurring in the accounting of the public-private concession arrangements. The company considers that IFRIC 12 does not refer to its operations, since it has not entered into any concession arrangements.