

M+S Hydraulic PLC

**FINANCIAL
STATEMENT**

2006

Date of issue: 16.03.2007

Translation from Bulgarian

Alpha Audit Group
Specialized Auditor's Enterprise

AUDITOR'S REPORT

TO
The Shareholders of
M+S HYDRAULIC JSC
Town of KAZANLUK

We performed an audit of the attached hereto balance sheet of **M+S HYDRAULIC JSC (the Company)** as of **31 December 2006** and the related to it profit and loss statement and a cash flow report for the year ending on this date. The responsibility for the preparation of these reports shall be borne by the management of the Company. Our responsibility shall be reduced to the expression of an opinion based solely to the audit performed by us.

We performed the audit in compliance with the requirements of the International Auditors' Standards. These standards impose the audit to be planned and performed in such a manner, which shall provide us with confidence that the above mentioned herein reports do not contain any essential errors and omissions. We consider that the audit performed by us provides us with sufficient grounds to state an opinion.

In our opinion, the financial statement authentically presents in all the essential aspects the property and financial status of the company as of **31 December 2006** and of the outcomes of its activity as well as the cash flows for the year ended on the above mentioned date in compliance with the **International Financial Reporting Standards**.

16.03.2007

ALPHA AUDIT GROUP LTD /Sgd. Ill./ SEAL of Alpha Audit Group Ltd.
Stoian Donev
Registered auditor /Sgd. Ill./ SEAL of Stoian Donev , Registered Auditor 0509

ЗАВЕРША БЕЗ РЕЗЕРВИ
16.03.2007



Translation from Bulgarian

M+S HYDRAULIC JSC, Town of Kazanluk

BALANCE SHEET

As of 31 December 2006

	Note	The year ending on 31 December 2005	The year ending on 31 December 2006
		Thousand EUR	Thousand EUR
Fixed tangible and non-tangible assets	1	11611	13139
Long term investments		6	8
Current assets			
Inventory	2	6720	7636
Receivables	3	3554	4761
Monetary funds	4	729	205
		11003	12602
Short-term liabilities (current)			
Current liabilities	5	3777	4707
Short-term loans	6	1705	2234
		5482	6941
Net circulating capital (net current assets)		5521	5661
Long-term liabilities for loans	6	2632	3114
Governmental donations			
		2632	3114
Tax assets	20	29	18
Tax liabilities	20	137	635
Net assets		14399	15077
Equity			
Fixed capital	8	133	6656
Reserves	9	12580	6713
Profit from current year	20	1686	1708
Total		14399	15077

The attached notes constitute an integral part of the financial report.

This financial report was approved by the Board of Directors on 16.03.2007

Procurator:

Изпълнителен директор

(подпис: _____)

16.03.2007 г.

ЗАВЕРИЛ БЕЗ РЕЗЕРВИ
16.03.2007

Translation from Bulgarian

M+S HYDRAULIC JSC, Town of Kazanluk

**PROFIT AND LOSS STATEMENT
For the year ending on 31 December 2006**

	Note	The year ending on 31 December 2005	The year ending on 31 December 2006
		Thousand EUR	Thousand EUR
Income from sales	10	27335	29448
Cost price of the sales	11	-19827	-21356
Gross profit		7508	8092
Other income (expenditures)	16	-286	-82
Income from governmental donations			
Administrative expenditures	12	-3911	-4203
Expenditures for sales	13	-977	-1352
Profit from the activities		2335	2455
Income from interest rates		1	1
Expenditures for interest rates	14	-230	-324
Value adjustment resulting from exchange rate fluctuations (net)	15	-63	-17
Other financial expenditures / income (net)	17	-96	-90
Profit (prior to taxation)		1946	2025
Expenditures/income for taxes	20	-297	-315
Expenditures for taxes (acknowledged deferred taxes)		37	-1
Net profit	20	1686	1709

The attached notes constitute an integral part of the financial report.

ЗАВЕРИЛ БЕЗ РЕЗЕРВИ
16.03.2007

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Translation from Bulgarian

M+S HYDRAULIC JSC Town of Kazanluk

CASH FLOW REPORT

For the year ending on 31 December 2006

CASH FLOWS	The year ending on 31 December 2005	The year ending on 31 December 2006
	Thousand EUR	Thousand EUR
A		
<i>A. Cash flows from operating activity</i>		
Proceeds from clients and other debtors	28634	32648
Refunded taxes, insurances and others	-261	
Payments of suppliers and other creditors	-19643	-22393
Personnel related payments	-5972	-6232
Taxes paid	-717	-446
Interest rates received	1	1
Other proceeds / payments from operating activity	-291	-576
Net cash flow from operating activity (A):	1751	3002
<i>B. Cash flows from investment activity</i>		
Purchase of fixed assets	-1395	-3337
Proceeds from sale of fixed assets	7	
Net flow from investment activity: (B)	-1388	-3337
<i>C. Cash flows from financial activity</i>		
Proceeds from loans	1500	1393
Loans paid	-1256	-668
Lizing contracts obligations paid	-66	-216
Paid interest rates, fees, commissions under loans with investment designation	-16	-129
Dividends paid	-517	-530
Other proceeds / payments from financial activity	-2	
Net cash flow from financial activity (C):	-358	-150
<i>D. Changes of the cash during the time period (A+B+C):</i>	4	-485
<i>E. Cash at the beginning of the time period</i>	725	729
Unrealized exchange differences at the end of the time period		-39
<i>F. Cash at the end of the time period</i>	729	205

ЗАВЕРИЛ БЕЗ РЕЗЕРВИ
16.03.2007



EQUITY CHANGES REPORT
For the year ending on 31 December 2006

(Thousand EUR)

	Fixed capital	Reserves from subsequent revaluations	Legal reserves	Supplementary reserves	Undistributed profit from past years	Current result	Total
Balance on 01 January 2006	133	6703	25	625	5228	1686	14400
Appropriation of the profit:	6523		-9	-625	-4652	-1686	-449
Dividends							
Financial result 2006						1708	1708
Subsequent revaluation of fixed assets							0
Revaluation of the written-off fixed assets		-83					-83
Deferred taxes		-498					-498
Donations							0
Other							0
Balance on 31 December 2006	6656	6122	15	0	576	1708	15078

ЗАВЕРИЛ БЕЗ РЕЗЕРВИ
 16.03.2007

0500
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