

**M+S Hydraulic PLC**

**FINANCIAL  
STATEMENT**

**2007**

Translation from Bulgarian  
**AUDITOR'S REPORT**

**TO**  
**The Procurator of**  
**M+S HYDRAULIC PLC**  
**Town of KAZANLUK**

We performed an audit of the attached hereto balance sheet of M+S HYDRAULIC PLC (the Company) as of 31 December 2007 and the related to it profit and loss statement and a cash flow report for the year ending on this date as well as summarized publishing of the essential accounting policy and other explanation attachments prepared with the compliance with International Financial Reporting Standards (IFRS), adopted by the International Accounting Standards Board (IASB).

**Financial Statement and Management Responsibility**

The responsibility for the preparation of these reports and the compliance with (IFRS) shall be borne by the management of the Company. This responsibility includes introduction, development, adoption and maintenance of internal control system, relevant to the preparation and presentation of an Annual Report: a report which gives a true and fair view without significant misstatement, regardless whether the misstatement is due to fraud or errors; and the choice and use of appropriate accounting policies and the practice of accounting estimates which are reasonable under the circumstances.

**Auditor's Responsibility**

It is our responsibility to express a conclusion on the Annual Report on the basis of our audit. We have conducted our audit in accordance with International Auditing Standards. These standards require that we comply with ethical demands and plan and perform the audit to obtain a high degree of assurance that the Annual Report does not include material misstatement. An audit involves activities to obtain an audit proof of the figures and information stated in the Annual Report. The chosen activities depend on the assessment of the auditor, including the assessment of the risk of material misstatement in the Annual Report, irrespective of whether the misstatement is due to fraud or errors. In connection with the risk assessment, the auditor takes into account the internal control which are relevant to the company's preparation and presentation of an Annual Report, which gives a true and fair view, in order to conduct audit activities which are suitable under the circumstances.

However, the purpose is not to express any conclusion about the efficiency of the company's internal control. An audit should also decide upon the appropriateness of the accounting policies used by the management, upon the fairness of the accounting estimates performed by the management and it should include an assessment of the overall presentation of the Annual Report. We consider that the audit proof obtained is sufficient and qualifies as the basis for our opinion expressed below.

**Opinion**

Following the above we certify that the M+S Hydraulic PLC Annual Report gives a true and fair view of the Company's financial position at December 31, 2007, as well as of its financial results from the Company activity and cash flow for the year ending December 31, 2007 in accordance with the International Financial Reporting Standards.

**Report related with other legal and supervision requirements**

According to the Accounting Law requirements, article 38, paragraph 4, we inspect the attached Annual Report for Company's activity presented by the management. The Company's activity Annual Report is not a part of the financial statement. The responsibility for preparation of the Company's activity Annual Report shall be born by the management. The historical financial information presented in Company's activity Annual Report in its essential aspects complies with the information contained in the Company's Financial Statement as per December 31<sup>st</sup>, 2007 prepared in the compliance with Accounting Law and International Financial Reporting Standards.

March 2008  
Stoian Donev  
Registered auditor /Sgd. III./ SEAL of Stoian Donev , Registered Auditor 0509

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**M+S HYDRAULIC PLC, Town of Kazanluk**

**BALANCE SHEET**

**For year ending 31 December 2007**

	Note	The year ending 31 December 2007	The year ending 31 December 2006
		Thousand EUR	Thousand EUR
<b>Fixed tangible and non-tangible assets</b>	1	<b>14253</b>	<b>13139</b>
<b>Long term investments</b>		<b>8</b>	<b>8</b>
<b>Current assets</b>			
Inventory	2	6518	7636
Receivables	3	5127	4761
Monetary funds	4	1095	205
Other current assets		5	
		<b>12745</b>	<b>12602</b>
<b>Short-term liabilities (current)</b>			
Current liabilities	5	4921	4707
Short-term loans	6	2366	2234
		<b>7287</b>	<b>6941</b>
<b>Net circulating capital (net current assets)</b>		<b>5458</b>	<b>5661</b>
Long-term liabilities for loans	6	2525	3114
Short-term liabilities for loans			
Tax assets	20	28	18
Tax liabilities	20	353	635
<b>Net assets</b>		<b>16868</b>	<b>15078</b>
<b>Equity</b>			
Fixed capital	8	6656	6656
Reserves	9	8096	6713
Profit from current year	20	2117	1708
<b>Total</b>		<b>16868</b>	<b>15078</b>

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

Translation from Bulgarian

**M+S HYDRAULIC PLC, Town of Kazanluk**

**PROFIT AND LOSS STATEMENT  
For the year ending 31 December 2007**

	Note	The year ending on 31 December 2007	The year ending on 31 December 2006
		Thousand EUR	Thousand EUR
Income from sales	10	36980	29448
Cost price of the sales	11	-28235	-21356
<b>Gross profit</b>		<b>8746</b>	<b>8092</b>
Other income (expenditures)	16	126	-82
Administrative expenditures	12	-4744	-4203
Expenditures for sales	13	-1278	-1352
<b>Profit from the activities</b>		<b>2849</b>	<b>2455</b>
Income from interest rates		2	1
Expenditures for interest rates	14	-387	-324
Value adjustment resulting from exchange rate fluctuations (net)	15	-26	-17
Other financial expenditures / income (net)	17	-66	-90
<b>Profit (prior to taxation)</b>		<b>2372</b>	<b>2025</b>
Expenditures/income for taxes	20	-300	-315
Expenditures for taxes (acknowledged deferred taxes)		44	-2
<b>Net profit</b>	<b>20</b>	<b>2117</b>	<b>1708</b>

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

Translation from Bulgarian

**M+S HYDRAULIC PLC Town of Kazanluk**

**CASH FLOW REPORT**

**For the year ending 31 December 2007**

CASH FLOWS	The year ending 31 December 2007	The year ending 31 December 2006
	Thousand EUR	Thousand EUR
A		
<i>A. Cash flows from operating activity</i>		
Proceeds from clients and other debtors	42343	32648
Refunded taxes, insurances and others	-231	
Payments of suppliers and other creditors	-28805	-22393
Personnel related payments	-7361	-6232
Taxes paid	-305	-446
Interest rates received	2	1
Other proceeds / payments from operating activity	-495	-576
<b>Net cash flow from operating activity (A):</b>	<b>5148</b>	<b>3002</b>
<i>B. Cash flows from investment activity</i>		
Purchase of fixed assets	-2999	-3337
Proceeds from sale of fixed assets	9	
<b>Net flow from investment activity: (B)</b>	<b>-2990</b>	<b>-3337</b>
<i>C. Cash flows from financial activity</i>		
Proceeds from loans	1211	1393
Loans paid	-1426	-668
Leasing contracts obligations paid	-277	-216
Paid interest rates, fees, commissions under loans with investment designation	-203	-129
Dividends paid	-573	-530
Other proceeds / payments from financial activity		
<b>Net cash flow from financial activity (C):</b>	<b>-1268</b>	<b>-150</b>
<i>D. Changes of the cash during the time period (A+B+C):</i>	890	-485
<i>E. Cash at the beginning of the time period</i>	<b>205</b>	<b>729</b>
Unrealized exchange differences at the end of the time period		-39
<i>F. Cash at the end of the time period</i>	1095	205

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**M+S HYDRAULIC PLC Town of Kazanluk**

**EQUITY CHANGES REPORT**  
**For the year ending 31 December 2007**

(Thousand EUR)

	Fixed capital	Reserves from subsequent revaluations	Legal reserves	Supplementary reserves	Undistributed profit from past years	Current result	Total
<b>Balance on 01 January 2007</b>	<b>6656</b>	<b>6122</b>	<b>15.34</b>	<b>0</b>	<b>2284</b>		<b>15077</b>
Appropriation of the profit:							0
Dividends					-572		-572
Financial result 2007						2117	2117
Subsequent revaluation of fixed assets					-991		-991
Revaluation of the written-off fixed assets							0
Deferred taxes		180			65.96		246
Donations							0
Other							0
<b>Balance on 31 December 2007</b>	<b>6656</b>	<b>6302</b>	<b>15.34</b>	<b>0</b>	<b>1778</b>	<b>2117</b>	<b>16868</b>