APPENDIX TO THE FINANCIAL REPORT

OF "BURG MACHINERY" EOOD

I. Establishment and registration.

BURG MACHINERY is a privately- owned company with limited liability, entered into the Trade register kept by the Registry Agency of the Republic of Bulgaria with company seat and registered address Burgas, southern industrial zone "Pobeda" . A sole proprietor of the capital is VAMBA HOLDINGS LIMITED, Cyprus, foreign legal entity.

"BURG MACHINERY" EOOD is managed by the sole owner of the capital - VAMBA HOLDINGS LIMITED – and in particular by the sole director of the company Ksenia Georgiu and is represented by Igor Baranskii – the manager.

II. **Grounds for compiling the financial reports and applied substantial accounting policy**

1. Grounds for compiling

1.1. Financial reports

The company used to compile its financial reports in compliance with the requirements of the active National standards for financial reports of small and medium-size companies , accepted with a decree of the Council of Ministers № 46 dated 21.03.2005 , into force as from 01.01.2005 and the amendments and additions to them , accepted with a decree № 251 of the Council of Ministers dated 17.10.2007 into force as from 01.01.2008 but since 2009 the management has taken a decision that the financial reports of the company should be compiled according to the requirements of International accounting standards (IAS) / International financial reporting standards (IFRS), as they have been approved by the European union.

"BURG MACHINERY" EOOD has been keeping its current accounting in accordance with the requirements of the Bulgarian trading, accounting and tax legislation and internal rules, considering the specific character of the company's activities. The company has its individual accounting plan . The same has complied with International accounting standards, with the Exemplary national accounting plan approved by the National council of accounting , with the characteristic features of the company and the specific basic activities aiming at giving more detailed information and facilitating the accounting of the activities of the company.

The financial reports are compiled on the basis of an accounting convention for the historic price, modified in particular cases with the reassessment of some assets and liabilities on their fair value.

All data in the financial reports are presented in thousands of leva unless something else was specified in the particular space.

The annual financial report of the company includes:

- Report on the financial status;
- Report on the overall income;

- Report on cash flows;
- Report on the changes in the private capital;
- Accounting policy and explanatory notes.

The financial reports of "BURG MACHINERY" EOOD include information about the current and last previous period.

1.2. Comparative data

The accounting policy exposed below has been applied consecutively for all periods represented in the current financial report.

1.3. Functional currency and currency of presenting

The separate elements of the annual financial report of the company shall be evaluated in the currency of the main economic environment within which the company has been executing its activities (functional currency). The functional currency of the company is the Bulgarian lev which has had a fixed rate to the euro since 01.01.1999 in compliance with the established currency board in Bulgaria.

The deals in foreign currency are accounted in leva according to the central currency rate of the Bulgarian National Bank , valid on the day of operation. All cash assets and liabilities, denominated in foreign currency, have been recalculated by the final rate of BNB towards 31.12.2012. The most significant currency rate for the activities of the company towards 31.12.2012 is 1 EURO (fixed rate) – 1,95583 lv

The currency differences that occurred as a result of the re-calculations , refer to the report of the overall income and expenses. The non-cash assets and liabilities estimated by historic value in foreign currency , accounted by fair value, shall be re-estimated in leva by the central rate of the day on which the relevant values have been calculated. The currency of presenting in the financial reports of the company , has also been the Bulgarian lv.

1.4. Mistakes

Mistakes as per the International Accounting Standards 8 (IAS 8) can occur with regard to the recognition, assessment, presentation or announcement of components from the financial reports. The potential mistakes within the current period, ascertained within the same, shall be corrected before the approval for publishing of the financial reports. Nevertheless, sometimes mistakes can be found in a subsequent period and those mistakes from previous periods shall be corrected.

The correction of a fundamental mistake related to previous periods and amendments in the accounting policy are to be accounted by correction of the balance of the undistributed profit at the beginning of the accounting period in the first financial report approved for publishing after finding the mistakes.

1.5. Operating enterprise

The management of the company accepts that the company is active and will remain operating , has no plans and intentions of suspending its activities.

2. Applied significant accounting policies

2.1. Properties, machinery and equipment

As properties, machinery and equipment shall be accounted those assets that meet the criteria of IAS 16 and have value upon the acquiring , equal to or higher than 700 lv. The assets that have a value lower than the stated one, shall be accounted as current expenses for the period of acquiring according to the approved accounting policy. Every property, machine or equipment shall be assessed upon its acquiring by a price of acquiring determined according to the requirements of the IAS 16.

The company has accepted to account the properties, machines , facilities and equipment in accordance with the IAS 16 by a price of acquiring without all run up amortization deductions and a run up loss from depreciation.

The subsequent expenses shall be added to the balance value of the asset or shall be accounted as a separate asset only when it is expected that the company shall get future economic benefits related to the use of this asset and when their accounting value could be reliably specified. The expenses for current servicing of properties, machines , facilities and equipment shall be accounted as current for the period.

The balance value of a given property, machine , facility and equipment shall be cancelled:

-upon selling the asset;

-when no other economic benefits are expected from the use of the asset or upon discharging the asset;

The profit or loss that occurs as a result of the cancelation of a property , machine, facility or equipment shall be included into the report for the overall revenues and expenses when the asset is canceled.

The amortization of the long-term assets shall be charged in the report of the overall revenues and expenses on the basis of the linear method on the grounds of the expected term of effective life of the separate parts of properties, machines and equipment. The land and assets under construction shall not be amortized.

The expected effective life in years of use in groups of assets is as follows:

Groups of long-term assets	2012	2011
Buildings	25	25
Machinery and equipment	3 - 6	3 - 6
Construction machinery and equipment	6 - 10	6 - 10
Vehicles	4 - 10	4 - 10
Economic stock	6 - 7	6 - 7

The amortization of assets starts at the beginning of the month following the moment in which they are available in the company , at the place and in the condition required for their operation in the way foreseen by the management. The amortization of assets shall be canceled on the earlier from the two given dates:

-the date on which they have been classified as being kept for selling according to the ISFR 5;

-the date of cancelation of the assets.

The amortization shall not be canceled within periods of idle time or taking out from active use.

The company applies the so called " separate amortization of single components" which requires separate calculation of the amortization of divisible components of a particular unit , which components have different effective life or different level of use of economic benefits. Every separate component with significant value compared to the total value of the asset which it refers to, shall be amortized separately.

Depreciation of long-term material assets

Towards every date of accounting, "BURG MACHINERY" EOOD estimates whether there are indications that a given asset could be depreciated. When there is a sign for depreciation, the Company makes an official approximate assessment of the reimbursable value. When the balance value of a given asset exceeds its reimbursable value , the asset is considered depreciated and its value is decreased to its reimbursable value. The reimbursable value is higher than the fair value, decreased by the expenses for selling and a value of use of the asset or of the site , generating cash returns and shall be determined for an individual asset unless the asset generates cash returns which are to a great extent dependable on those from other assets or groups of assets.

The management didn't take any actions for bringing the balance value to their fair value towards the date of the financial report, by a single re-estimation. The decision of the management is based on the estimation that the expenses which the re-estimation shall cost , do not justify the benefit from presenting the assets by a fair value.

2.2. Claims/receivables

As claims that have occurred initially in the company , shall be classified claims having occurred upon direct provision of goods, services, money or money equivalents of debtors.

Initially these claims shall be estimated by a price of acquiring.

After the initial recognition , the claims from clients and suppliers which do not have a fixed redemption date, shall be accounted by prime cost.

The claims from clients and suppliers that are with fixed redemption date, shall be accounted by their amortized value.

An inspection for fixing a depreciation from uncollectibility shall be performed towards the date of the financial report. The fixing of the depreciation shall be performed on the basis of individual approach for each claim by the management's decision.

As short-term claims are classified the following:

-without fixed redemption date

-with fixed redemption date and a remaining term till the redemption date within one year as from the date of the financial report.

As long-term claims are classified the claims that have fixed redemption date and a remaining term till the redemption date above one year as from the date of compiling of the annual financial report.

2.3. Taxes for reimbursement

Current tax claims are the takings of the company with regard to the applying of the tax legislation. They have been presented by values in accordance with the rules of the relevant tax law for fixing the value of each type of tax.

2.4. Funds/cash

The cash includes funds in cash and in banks respectively in leva and in foreign currency.

2.5. Equity/own capital

The equity of the company consists of :

2.5.1. Fixed capital including:

Registered capital – presented by nominal value according to a court order for registration in the amount of 5 000 / five thousand/ lv formed from money deposits distributed in 500 shares with nominal value of each of them of 10 /ten/ lv. A sole proprietor of the capital is VAMBA HOLDINGS LIMITED - Cyprus , a foreign legal entity. The registered capital has been entirely deposited towards the date of the financial reports.

2.5.2. Reserves, including:

General reserves – formed by the distribution of profit according to the requirements of the Trade law of the Republic of Bulgaria and the statute of the company.

Reserves from revaluation of long-term assets – the revaluation reserves are one of the most specific forms of equity of the company, since those reserves are inextricably bound up with the assets under re-assessment. They are to be formed (created) upon an ascending assessment of assets and are to be used (reduced) during a following-up descending assessment of the same assets as well as during the cancellation of such assets from the balance of the company (if there are such left unused).

Additional reserves – formed by the decision of the General meeting of the company.

3.6.3. Common overall income:

Undistributed towards the date of the financial report accumulated profit from previous periods.

Uncovered towards the date of the financial report accumulated loss from previous periods.

Profit / loss from the period.

2.6. Trade and other liabilities and credits

They include all obligations which create contractual commitments for the company as follows:

- to hand over liquid resources or other financial assets to another company;
- to exchange financial instruments with another company under potentially unfavorable conditions.

The initial recognition of the liability shall be performed by nominal value (including the accumulated operative expenses). Therefore the liability shall be reported by amortizable value.

Liabilities towards other financial suppliers - obligations towards share-holders, financial and leasing companies, other financial loans, revenues for future periods.

Financial obligations towards related companies – financial obligations with a term of below and above 12 months as from the date of the balance as well as revenues for future periods.

Other liabilities- as credits and liabilities shall be classified the obligations that occurred from direct provision of goods, services, money or money equivalents by creditors.

Initially these liabilities and credits are to be estimated by prime cost including the fair value of the received and the expenses on the deal.

After the initial recognition , the credits and liabilities without a fixed redemption date are to be accounted by prime cost.

The credits and liabilities with a fixed redemption date are to be accounted by their amortized value.

As long-term liabilities are to be classified those liabilities with a fixed redemption date and a remaining term till the redemption date above one year as from the date of redemption.

As short-term liabilities are classified liabilities which are:

-without a fixed redemption date

-with a fixed redemption date and a remaining term till the redemption within one year as from the date of the financial report.

2.7. Tax obligations

Current tax obligations are the liabilities of the company with regard to the application of the tax legislation. They have been presented by values in accordance with the rules of the relevant tax law for estimating the value of each type of taxation. Due interests for delay towards the date of the financial report shall be charged for overdue duties on taxes.

2.8. Overall income for the period

All income and expenses articles , recognized for the period, have to be included in income or loss , unless otherwise required by a standard or an explanation of the ISFR.

2.9. Expenses

The company currently reports the expenses for the activity by economic elements and after that refers by functional designation with the purpose of estimating the amount of expenses in directions and activities. The recognition of the expenses for an expense for the current period shall be performed upon charging of their relevant revenues.

The expenses shall be accounted by the principle of the current charging. They are estimated by the fair value of the paid or of what is to be paid.

2.10. Income

The company currently reports the revenues from the usual activity by types of works.

The recognition of the revenues shall be performed by observing the accepted accounting policy for the following types of income:

-Income from sales of goods and other assets - the recognition of income shall be performed during the transfer of property and handing over of the relevant assets to the buyers.

-Upon the execution of short-term services - upon completion of the relevant service and acceptance of the work by the client.

-Upon long-term services – on the basis of a stage of a completed contract.

The stage of a completed contract shall be determined on the basis of the accumulated expenses, towards the date of the report compiling , compared to the generally foreseen expenses as per the contract.

The income from rent shall be recognized on time basis within the term of the contract.

Sales of goods

The revenues from sales of goods are recognized when the significant risks and benefits from the property over the production and goods are transferred to the buyer which usually happens at the moment of their expedition.

Provision of services

The revenues from the provision of services are to be recognized on the basis of the stage of completeness of the deal. The stage of completeness of the deal is to be determined on the basis of a bilaterally signed protocol for the executed work. When the result of the deal (contract) cannot be duly assessed , the income is to be recognized only as far as the recognized expenses are reimbursable.

Other revenues and returns

This section includes all revenues not-generated by the usual activity of the company. Returns from other services , extra returns, other unusual returns. The returns are to be estimated by the sum of the received and due revenues , net from reductions, discounts and donations.

2.11. Financial revenues / expenses

Financial revenues

The financial revenues include returns from currency exchange, both performed and charged, income from interests from bank and postal deposit accounts, interests on claims from clients, interests on overdue claims and for delay of payment, financial discounts and rebates after issuing of invoices for paying in cash to suppliers, etc.

The revenues from interests are to be recognized at the interests charging (by using the method of the effective interest percentage, i.e. the interest percentage which precisely discounts the expected future cash flows within the period of the expected life of the financial instrument or when it is appropriate for a shorter period , to a balance value of the financial asset or of the financial liability).

Financial expenses

They include losses from currency exchange , commissions, bank expenses, expenses on interests, financial discounts after issuing of invoices for immediate payment in cash on the part of clients, etc.

2.12. Taxation

According to the Bulgarian tax legislation for 2012 , the company owes a corporation tax (profit tax) in the amount of 10% on the taxable profit , as for 2011 it has been at the same level.

The current tax for the current and previous periods is to be recognized as liability to the level to which it has not been paid. If the already paid sum for current and previous period exceeds the sum due for those periods, the surplus is to be recognized as an asset.

The current tax liabilities (assets) for the current and previous periods are to be estimated by the sum which is expected to be paid to (reimbursed by) the tax authorities upon applying of tax rates (and tax laws) ,into force or expected to come into force towards the date of the balance.

The current taxes shall be recognized as income or expense and shall be included in the profit or the loss for the period, except till the level to which the tax occurs from an operation or an event which has been recognized within the same or different period directly into the equity.

2.3. Related parties and deals between them

The company observes the requirements of the IAS 24 upon specifying and announcing the related parties.

A deal/transaction between related parties is the transfer of resources , services or obligations between related parties regardless of the fact whether any price is being applied.

(In thousands of leva)

Sales to related parties		
Related person- client	**Type of deal**	**2012**
Aktor JSC BFC	sale	75
Vamba Holding Limited	interests	
Total		**75**

Sales from related parties		
Related person – supplier	**Type of deal**	**2012**
Total		**-**

Receivables from related persons		
Related person – client	**31.12.2012**	**31.12.2011**
Aktor JSC BFC	929	898
Vamba Holding Limited	-	-
	929	**898**

3.14. Events after the date of the balance

Events after the date of the balance are those events both favorable and unfavorable, which occur between the date of the balance and the date on which the financial reports have been approved for publishing.

There are two types of events:

-those that prove conditions having existed towards the date of the balance (correcting events after the date of the balance);

-those that show conditions having occurred after the date of balance (non- correcting events after the date of the balance).

The company corrects the sums recognized in the financial reports in order to report the correcting events after the date of the balance and to update the announcements.

The company does not correct the sums recognized in financial reports in order to report the non correcting events after the date of the balance .When the non -correcting events after the date of the balance are so significant that the non-announcement could affect the ability of the users of financial reports to take economic decisions , the company announces the following information for each significant category of the non-correcting event after the date of the balance:

-the nature of the event

-the assessment of its financial effect or statement that such an assessment cannot be made.

After the compiling of the Annual financial report, in the company there are no significant events requiring announcement.

III. Additional information to the articles of the financial report

1. Report on the financial status

1. 1. Properties, machinery and equipment

Towards December 31st, 2012 and 2011 the properties, machinery and equipment include:

Properties, machinery, facilities and equipment

	Land and buildings	Facilities	Machinery and equipment	Vehicles	Other assets	Capitalized expenses	Total
Accounting value							
Balance towards 01.01.2011	465		17				482
Acquired during the period							-
Transferred from a group into a group	-	-					-
Canceled for the period							
Performed re-estimation							-
Balance towards 31.12.2011	465	0	17	0	0	0	482
Acquired during the period							-
Transferred from group into group							-
Canceled for the period							-
Performed re-estimation							-
Balance towards 31.12.2012	465	-	17	-	-	-	482
Amortization							
Balance towards 01.01.2011	(211)		(17)				(228)
Amortization for the period	(19)	-	-				(19)
Amortization of the canceled							
Decrease in amortization at the expense of reserve from reassessments							-
Balance towards 31.12.2011	- 230	-	(17)	-	-	-	(247)
Amortization for the period	-18	-					(18)

Amortization of the canceled							-
Balance towards 31.12.2012	**(248)**	**-**	**(17)**	**-**	**-**	**-**	**(265)**

Balance value

Balance value towards 31.12.2011	**235**	**-**		**-**	**-**	**-**	**235**
Balance value towards 31.12.2012	**217**	**-**	**-**	**-**	**-**	**-**	**217**

1. 2. Current trade and other claims

Current claims		
Type	**31.12.2012**	**31.12.2011**
Claims from related companies incl. /net/	929	898
Claims on sales	929	898
Claims on given loans		
Other claims		
Claims from sales in /net/	6	7
Claims gross	6	7
Depreciation of trade claims		
Claims on given advance payments /net/		-
Claims on given advance payments		-
Depreciation of receivables on advance payments		
Other claims incl. /net /		-
Receivables on loans granted to third persons		
Accountable persons		
Pre-paid expenses		
Granted guarantees and deposits		
Other receivables		
Total	**935**	**905**

1.3. Taxes for reimbursement

Taxes for reimbursement		
Type	**31.12.2012**	**31.12.2011**
Tax on the revenue of physical persons		
Tax added value VAT		
Other taxes	160	161
Total	**160**	**161**

1. 4. Funds /cash

Funds		
Type	**31.12.2012**	**31.12.2011**
Funds in cash incl.	-	-
In BGN	-	-

In foreign currency	-	-
Funds in payment accounts incl.	**2**	**7**
In BGN	2	5
In foreign currency		2
Short-term deposits		
Total	**2**	**7**

1. 5. Equity

1. 5. 1. Fixed capital

Owner	31.12.2012			31.12.2011		
	Value	Paid	% Share	Value	Paid	% Share
Vamba Holdings Limited	5	5	100%	5	5	100%
Total	**5**	**5**	**100%**	**5**	**5**	**100%**

1.5.2. Reserves

Reserves

	Reserves from following-up assessments of assets	Common reserves	Other reserves	Total reserves
Reserves towards 31.12.2011	**13**	**6**	**403**	**422**
Growth from:	-	-	-	-
Distribution of profit				
Re-assessment of assets				-
Others				-
Reduction from :	-	-	-	-
Cover of losses				
Re-assessment of assets				
Others				-
Reserves towards 31.12.2012	**13**	**6**	**403**	**422**

1.5. 3 Total overall income

Financial result

Financial result	Value
Profit towards 31.12.2010	**1,449**
Changes in the accounting policy, mistakes, etc	
Growth from:	**7**
Profit for the year 2011	**7**
Changes in the accounting policy, mistakes, etc	

Reduction from :	**(1,441)**
Distribution of profit for dividend	(1,441)
Cover of loss	
Changes in the accounting policy, mistakes, etc .	
Profit towards 31.12.2011	**15**
Growth from :	**10**
Profit for the year 2012	**10**
Canceled re-estimating reserve	
Reduction from :	
Distribution of profit for dividend	-
Cover of loss	
Changes in the accounting policy, mistakes, etc.	
Profit towards 31.12.2012	**25**
Loss towards 31.12.2010	-
Growth from :	-
Loss for the year 2011	
Changes in the accounting policy, mistakes, etc.	
Reduction from :	-
Cover of losses with reserves and profits	
Canceled re-estimating reserve	-
Changes in the accounting policy, mistakes, etc.	-
Loss towards 31.12.2011	-
Growth from:	-
Loss for the year 2012	-
Changes in the accounting policy, mistakes, etc.	-
Reduction from :	-
Cover of losses with reserves and profits	
Canceled re-estimating reserve	
Changes in the accounting policy, mistakes, etc.	
Loss towards 31.12.2012	-
Financial result towards 31.12.2010	**1,449**
Financial result towards 31.12.2011	**15**
Financial result towards 31.12.2012	**25**

1. 6. Current trade and other liabilities

Current liabilities		
Type	**31.12.2012**	**31.12.2011**
Obligations to related companies	-	-
Obligations on deliveries		
Obligations on received advance payments		
Obligations on received loan		
Other obligations		
Obligations on deliveries	**8**	**5**
Obligations on received advance payments		
Other short-term obligations incl.		**3**

Obligations on guarantees and deposits		
Obligations on insurances		
Other short-term obligations		3
Total	**8**	**8**

1.7. Tax obligations

Tax obligations		
Type	**31.12.2012**	**31.12.2011**
Profit tax		-
Tax on the revenue of physical persons		-
Other taxes	2	6
Total	**2**	**6**

1. 8. Obligations for dividends

Obligations for dividends

Type	**31.12.2012**	**31.12.2011**
Vamba Holdings Limited	852	852 -
Total	**852**	**852 -**

2. Report for the overall income

2. 1. Income from sales

Income from sales		
Type of income	**2012**	**2011**
Sales of services incl.	**39**	**39**
Rent	39	39
Total	**39**	**39**

2. 3. Financial income (expenses)

Financial income (expenses)		
Type of expense	**2012**	**2011**
Financial revenues	-	**2**
Income from interests		2
Income from currency operations		-
Income from interests on given loans		
Financial expenses		**(1)**
Expenses on interests	-	-
Expenses on currency operations		
Expenses on bank commissions		(1)
Total	**-**	**1**

2.4. Prime cost of sales

Prime cost of sales		
Type of expense	**2012**	**2011**
Expenses for materials		
Expenses for external services		
Expenses on amortizations	18	19
Expenses for salaries		
Expenses for social insurances		
Expenses for taxes, duties and others.		
Other expenses		
Total	**18**	**19**

2.5. Administrative expenses for the activities

Administrative expenses		
Type of expense	**2012**	**2011**
Expenses for materials		
Expenses for external services	10	13
Total	**10**	**13**

2.6. Expenses for taxes

According to the active legislation the profits shall be taxed with corporation tax which for 2012 has kept its value from 2011, in the amount of 10%.

Type	31.12.2012	31.12.2011
Taxes on profit	1	1
Total	**1**	**1**

3. Report on the cash flow

An accepted policy of accounting and reporting the cash flows by the direct method.
The cash flows are classified as cash flows from:

- Operative activity
- Investment activity
- Financial activity

3. Report on the changes in the equity

An accounting policy has been accepted for compiling the report by including:

- Net profit and loss for the period;
- The balance of the undistributed profit as well as the movements within the period ;
- All articles about income or expenses, profit or loss, which , due to the active IAS, are directly recognized in the equity;
- Cumulative effect from the changes in the accounting policy and fundamental mistakes according to the IAS 8.

Compiled by: ....

/Elena Petkova/

Aproved by:...........................

/Igor Baranskiy/

„БУРГ МАШИНЪРИ“ БУРГАС ЕООД

Plovdiv, January 25th, 2013