SPARKY AD

REGISTRATION DOCUMENT

PROSPECTUS FOR ADMISSION TO TRADING ON A REGULATED MARKET OF SHARES IN SPARKY AD

The registration document contains the complete information about SPARKY AD, which, in accordance with the specifics of the issuer and the securities which are admitted to trading on a regulated market, is necessary for the investors so that they can make a precise evaluation of the economic and financial status of the issuer and of the rights related to the securities. It is to the interest of the investors to become acquainted with the Registration Document and the Securities Note before making a decision to invest.

THE PRESENT PROSPECTUS FOR ADMISSION TO TRADING ON A REGULATED MARKET OF SHARES IN SPARKY AD HAS BEEN APPROVED BY THE FINANCIAL SUPERVISION COMMISSION BY DECISION NO. 119-ПД OF JAN. 23, 2008 WHICH DOES NOT MEAN THAT THE COMMISSION APPROVES OR DISAPPROVES OF INVESTING IN THE SECURITIES OFFERED, NEITHER DOES IT MEAN THAT IT BEARS RESPONSIBILITY FOR THE TRUTHFULNESS OF THE INFORMATION PRESENTED IN THE DOCUMENT.

The members of the Management Board of SPARKY AD and its procurator are liable jointly for any damage caused by false, misleading or incomplete data in the Registration Document for shares, respectively for part of the information within it. The authors of the issuer's financial reports and the persons mentioned in the previous sentence are liable jointly for any damage caused by false, misleading or incomplete data in the financial reports and the registered auditor of the Company is liable for any damage caused by the financial reports it has audited.

2 November 2007

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The Prospectus for admission to trading on a regulated market of shares in SPARKY AD consists in a Registration Document, a Securities Document and a Summary.

The investors interested in the shares offered can get a free copy of the Registration Document, as well as additional information, personally or at an electronic address given by them in the offices of:

ISSUER:

SPARKY AD
Address: 1 Rozova Dolina Str., 7000 Rousse
Tel.: 082/885 300
Fax: 082/822 472
E-mail: sparkytruck.r.bg@sparkygroup.com
Contact person: Victoria Nedyalkova
Every business day from 8:30 a.m. to 4:00 p.m.

INVESTMENT INTERMEDIARIES:

SOFIA INTERNATIONAL SECURITIES AD
Address: 39 Vitosha Blvd., 1st floor, Sofia
Tel.: +359 (02) 988 63 40;
Fax: +359 (02) 937 98 77;
E-mail: nikova@sis.bg;
Contact person: Emilia Nikova;
Every business day from 9:00 a.m. to 5:00 p.m.;

DSK BANK EAD
Address: 19 Moskovska Str., 1036 Sofia;
Tel.: +359 2 93 91 363;
Fax: +359 2 980 24 22;
E-mail: marian.predov@dskbank.bg;
Contact person: Marian Predov;
Every business day from 9:00 a.m. to 5:00 p.m.;

The Prospectus can also be obtained from "Bulgarian Stock Exchange - Sofia" AD from the date of the admission to trading of the Company's shares on the stock exchange, as well as from the Financial Supervision Commission from the date of the approval of the Prospectus for admission to trading of the shares of the Company on a regulated market.

1. RESPONSIBLE PERSONS

1.1. Persons responsible for the information given in the Registration Document

The persons responsible for the preparation of and the information contained in the Registration Document are:

- **Svetoslav Nikolov Tasev -** Investment Advisor at "Sofia International Securities" AD;
- **Chavdar Mitev Plaharov** - Executive Director of SPARKY AD;
- **Mariyan Ivanov Predov -** Director of the "Treasury and Capital Markets" Directorate of DSK Bank EAD;

1.2. Declaration by the persons responsible for the Registration Document

The above-mentioned persons, by putting their signatures on the last page of the present document, declare that after having made all the reasonable efforts to ensure that this is the case and that the information contained in the prospectus, as far as they are acquainted, corresponds to the facts and does not contain an act of omission likely to affect its meaning.

2. LEGALLY APPOINTED AUDITORS

2.1. Information about the auditors

The annual financial reports of SPARKY AD for 2004, 2005 and 2006 have been signed off by the audit company Grant Thornton OOD, registered with the Sofia City Court under company case No. 9558/1995, BULSTAT IO831716285, business address: Sofia, 54 William Gladstone Str., registration No 032 in the list of the registered audit companies of the Bulgarian Institute of Certified Public Accountants.

2.2. If the auditors have resigned, have been removed from office or have not been appointed again during the period encompassed by the historical financial information

No auditors have resigned, have been removed from office or have not been appointed again during the period encompassed by the historical financial information.

3. SELECTED HISTORICAL FINANCIAL INFORMATION

The financial indicators presented in the following tables are based on the data from the audited annual financial statements of SPARKY AD for the last 3 years, on a consolidated as well as individual basis[1].

Table No. 1: Systematized financial information on an individual basis for the period 2004 – 30 September 2007

BASIC FINANCIAL INDICATORS	2004	2005	2006	30.09.2006	30.09.2007
(BGN in thousands)					
AUTHORIZED SHARE CAPITAL	215	215	1,000	1,000	3,000
NUMBER OF SHARES	214,880	214,880	1,000,000	1,000,000	3,000,000
TOTAL ASSETS	34,517	30,914	46,584	46,584	61,763
NET ASSET VALUE	16,323	16,456	19,029	19,029	39,884
OPERATING INCOME	18,270	20,499	31,365	22,987	39,035
OPERATING PROFIT	460	750	2,791	2,366	6,361
NET PROFIT	(12)	209	1,796	1,964	8,322
NET PROFIT PER 1 SHARE	0	0.97	1.80	1.96	2.77
DIVIDEND PER 1 SHARE	0	0	0	0	0
INCOME PER 1 DILUTED SHARE	0	0.97	3.96	7.36	4.76

Source: *The individual audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and individual unaudited financial statement as of 30 September 2007.*

Table No. 2: Systematized financial information on a consolidated basis for the period 2004 – 30 September 2007

BASIC FINANCIAL INDICATORS	2004[2]	2005	2006	30.09.2006	30.09.2007
(BGN in thousands)					
AUTHORIZED SHARE CAPITAL	215	215	1,000	1,000	3,000
NUMBER OF SHARES	214,880	214,880	1,000,000	1,000,000	3,000,000
TOTAL ASSETS	34,517	30,904	46,565	46,584	61,743

[1] SPARKY AD has prepared its accounting statements on a consolidated basis since 2005 because before 1 January 2005 it had no subsidiaries.

[2] The data about 2004 are on an individual basis. They have been added to the table presenting consolidated information from an analytical point of view to allow comparison between the years.

NET ASSET VALUE	16,323	16,442	19,010	19,029	39,863
OPERATING INCOME	18,504	20,505	31,374	22,993	39,041
OPERATING PROFIT	679	736	3,786	2,365	6,360
NET PROFIT	(12)	195	1,791	1,963	8,321
NET PROFIT PER 1 SHARE	0	0.91	1.79	1.96	2.77
DIVIDEND PER 1 SHARE	0	0	0	0	0
INCOME PER 1 DILUTED SHARE	0	0.91	3.96	7.36	4.75

Source: *The consolidated audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and consolidated unaudited financial statement as of 30 September 2007.*

For the past three years SPARKY AD has not distributed any part of the profit in the form of dividends for its shareholders.

4. RISK FACTORS

Investment in the shares of SPARKY AD, which are subject to admission to trading on a regulated market, involves a high risk level. The potential investors have to read carefully the information presented in the Prospectus on the risk factors characteristic of the Company's shares, as well as the whole document before making an investment decision. We warn the potential investors that the future results of the activity of SPARKY AD can differ from the forecast results stipulated in the Prospectus due to some of the mentioned risk factors. This may lead to a decrease of the market price of the Company's shares and the investors may partly or completely lose their investments. There are also other risks and uncertain events which are not known or are considered inessential at present and which may have a considerable unfavourable effect on the activity of SPARKY AD, the results of the operations or its financial condition.

The risk factors have been listed in order of their importance to the activity of the Company.

The risks to which the Company is exposed, can be divided into non-systematic - characteristic of the Company and the sector in which it operates and systematic - resulting from the macroeconomic business environment.

A) RISKS SPECIFIC FOR THE COMPANY

Dependence on key staff

The production of SPARKY AD is specific and therefore demands knowledge and skills from the staff, which take some time to acquire. The risk related to the dependence of the staff is caused by the shortage on the labour market of certain qualified production workers – operators of lathes, gas-cutting machines, mills, vertical knee-type milling machines, CNC-managed machines, welders. In order for an influx of such staff to be provided and for the risk of dependence on the staff to be minimized, a Centre for Vocational Training has been established with SPARKY AD, and this Centre is certified to train professional workers with profiles applicable to the Company's activity.

As regards the necessity for attracting highly qualified engineers, SPARKY AD cooperates intensively with the University of Rousse, which has developed traditions in technical training and preparation..

Dependence on a key client

The production of SPARKY AD is specific and it is designed for a particular group of clients. To the present moment a given client of the company may be defined as a key one because its share in the overall sales is 60%. There is no guarantee that this particular client or other clients which have so far contributed considerable incomes will continue to contribute the same or higher incomes in the future. The risk in this case is caused to a great extent by the end product market development of this client and not by the possibility of terminating the business relations with it. This conclusion is prompted by the circumstance that the building of relationships as sub-contractor is related to a long engineering and technical integration and cooperation, which increases the degree of commitment and dependence on the production of the Company. To neutralise the risk of dependence on a single client, the management of SPARKY AD aims to increase the client basis all the time, but the achievement of a maximum volume of orders from a given client takes place gradually as the cooperation between the parties becomes stronger. SPARKY AD is expected to increase the number of its clients in the next couple of years and respectively to decrease its dependence on its largest clients.

Management policies of the company

The future development of the Company depends on the strategy chosen by the management team of the Company and its subsidiaries. The choice of an inappropriate market strategy can lead to losses or missed profits. The Company aims at managing the strategic risk by constantly observing the application of its strategy and results, including procedures and communication among the management and operation departments of the company, so that it can react as quickly as possible if some changes in the management policy are needed.

Potential ecological risk

This type of risk is related to the pollution of the environment. The environmental legislation of the Republic of Bulgaria demands from the companies to take a set of measures concerning the prevention, control and reduction of the different kinds of pollution of the environment. The policy of the Company involves the strict following of all legal obligations and restrictions related to the protection of the environment, which requires constant costs, including costs on planning, monitoring and accountability, making the equipment compliant with and maintaining it according to the required standards and norms. Regardless of the actions taken, if the Company is declared responsible for causing ecological damage, it shall pay indemnities and fines, which can seriously affect its financial condition and operation results.

Liquidity risk

The liquidity risk, as it concerns the activities of the Company, is related to the danger of not having sufficient funds to cover the current obligations of the Company. This may be due to bad financial management of the Company’s cash flows or significant delay in payments of sums owed to

SPARKY AD by clients. With a view to minimizing the liquidity risk, the management bodies must analyze the liquidity of the Company regularly and they must have a plan ready to meet a possible liquidity crisis. The liquidity indicators are described and analyzed in detail in item 10.2. of this Registration Document which shows that the Company meets its current obligations regularly.

RISKS FOR THE SHAREHOLDERS

The risk involved in the investment in shares is related to the uncertainty and impossibility of accurate forecasting of the return on the investment made. This risk is described in detail in item 2 of the Securities Document and can be divided into the following sub-risks:

Price risk

Risks related to the Bulgarian Securities Market

Liquidity risk

Lack of guarantee for payment of dividends

The additional financing through shares may have a "diluting" effect for the shareholders of the Company

Considerable transactions with shares of the Company can affect their market price

B) RISKS SPECIFIC FOR THE SECTOR

The business risk, also known as sector risk, is related to the condition and tendencies in the development of the sector. The business risk is defined by the specific features of the sector raw materials, competition, availability and price of the professionals, technologies and by the profitability of the sector.

Risk of increase in the prices of ferrous metals

Ferrous metals are the only raw materials that are of an essential importance to the production and prices of the products of SPARKY AD. For the last year and a half there has been a steady trend towards an increase in the prices of metals and particularly in the price of steel sheet and steel round profiles.

Another major problem is the external price pressure in metal raw materials trading. All industrial companies worldwide are strongly dependent for their raw materials on the large raw material producers for the production of ferrous and non-ferrous metals and mostly on the large mine companies BHP Billiton and Rio Tinto and CVRD. This is a factor that directly affects the market costs of steels and, consequently, the end product prices.

Another basic factor is the Chinese market which has recorded a greater iron and coke ore consumption than the forecast quantities for the last 2 years by an average of 36% per year. As a result, the price of steel has undergone a serious change in recent years and the growth rate is 9.5% per year. The present price of cold rolled steels is EUR 742 per ton against EUR 677 per ton in October 2006.

The forecasts of independent world agencies such as Bloomberg show that this tendency is likely to continue for the next couple of years as a consequence of China's and India's economic boom and the huge demand for those raw materials on their markets.

The forecasts for 2008 vary within the range of 5% to 10% price increase, while for the first three months the cold rolled steel price will keep its present levels.

The price of the raw material is essential because it forms about 60% of the cost of the products manufactured by SPARKY AD. In order for the risk of raw material price increase to be nautralised, the production sale contracts of the Company have been concluded with a change clause for the sale price in the case of certain alterations in the price of the raw material used. In this way, when certain limits in the price of ferrous metals are crossed, an automatic correction in the price of the products of SPARKY AD occurs.

Separately, the results of the Company's activity depend on the prices of other raw materials and overheads such as electricity, fuels, etc., which have displayed a tendency towards increasing in recent years.

Regularity of orders

For each production company, the regularity of orders is important and in the case of SPARKY AD this is significant because the production process is complex and long. The Company is secured with a relatively stable level of orders and no short-term fluctuations are expected. This is ensured to a great extent by signing long-term contracts with clients, which allow a better forecasting of the level of the orders made. Generally the volume and regularity of the orders depend on the condition of the markets of the production of the Company's clients. A worsening of the market conditions of the clients leads to a change in the orders for SPARKY AD but the effect for the company appears later than it does to its clients, which allows the Company to react adequately and opportunely to the changes.

Force majeure events such as terrorist acts, acts of God and failures may cause essential damage to the Company's business

Acts of God, sudden climate changes, terrorist acts and military actions in certain geographical regions which are important markets for the Company, may have a negative effect on construction rates which may affect the sale of the Company's production.

C) SYSTEMATIC RISKS

Systematic risks are related to the market and the macro-environment in which the Company functions and therefore they cannot be managed and controlled by the Company's management team. The following risks are systematic: the political risk, the macroeconomic risk, the country's credit risk, the inflation risk, the currency risk, the interest risk, the tax risk.

Political risk

This is the risk caused by the country's political processes at work - risk of political destabilisation, changes in the management principles, in the legislation, the economic policy and the tax system. The political risk is directly dependent on the probability of changes in an unfavourable direction of the government's long-term policy; as a result, there appears a danger of negative changes in the business climate.

The political climate in Bulgaria is stable and does not presuppose risks for the future economic policy of the country. Despite the different programmes of the major political parties of the governing coalition, the way and the main priorities of the future economic policy are consistent and depend to a large extent on the advice of the European Commission and the International Monetary Fund. The responsibilities taken and the requirements related to the country's membership of the EU since 1 January, 2007 and its forthcoming joining of the EMU (European Monetary Union) presuppose an improvement of the country's business climate and facilitation of business and enterprise. These are the main reasons for not expecting future concussions or considerable changes in the policy conducted.

Macroeconomic risk

This is the risk of macroeconomic concussions which are measured according to the achieved economic growth, the increase/decrease of the productivity and the income of the population, etc. The positive/negative tendencies in the macroeconomic situation affect the performance on the market and the final results of the activity of all economic sectors.

Table No. 3: Main macroeconomic indicators for the period 2006 – 2009

INDICATOR	2006	2007(П)*	2008(П)*	2009(П)*
Gross Domestic Product (million leva)	39 972	6,30%	6,00%	6,00%
GDP (annual real rate, %)	6,10	6,00%	6,20	6,00
Export of goods and services (million leva)	23 436	21,50%	20,00%	25,00%
Import of goods and services (million leva)	33 978	20,00%	20,00%	20,00%
Trade balance (million leva)	-8 494	16,27%	20,00%	7,00%
Inflation (%)	7,30	10,00%	5,00	4,00
Unemployment (%)	9,10	8,90%	7,70	7,00
Average monthly salary (leva)	349	19,00%	20,00%	20,00%
GDP per capita (leva)	5 420	11,74%	10,59%	0,80%
Cash deficit (-) / surplus (+)	3,00*	2,00%	1,50	1,50
Direct investments in Bulgaria (million leva)	8 028	-10,15%	10,00%	-2,00%
Direct investments in Bulgaria (% of GDP)	16,40	8,30%	8,61	7,96
Lev exchange rate for 1 US dollar	1,49	1,47	1,47	1,47
Lev exchange rate for 1 euro	Monetary Board: Fixed rate at BGN 1.95583 for for EUR 1			
Base interest rate	2,69	3,90	4,25	4,25

** Forecast data*

Source: *BNB, NSI, MF, IMF*

For six consecutive years, Bulgaria has achieved a stable economic growth and since 2000 it has constantly been exceeding the level of 4%. The economic policy conducted by the Bulgarian governments has strengthened the macroeconomic stability achieved. This, along with the fact that Bulgaria is a member of the EU, has increased the trust by foreign investors.

The expectations for the period 2007-2008 include continued positive economic development of Bulgaria, as has been the case for the last several years. The forecast real growth of the GDP for the period is about 6-6,5% per year, with a decreasing unemployment and controlled inflation.

Inflation risk

This is the risk of a decrease in the purchasing power and a depreciation of the local currency. The risk of increasing inflation leads respectively to depreciation of the investments made or of the value of the savings in time.

The inflation in the country in 2006 was 7,3 %. In the context of the development of the prices of petrol and other energy products for the past year and impossibility for the demand for petrol and natural gas to decrease significantly in the next years, the high prices are expected to affect the inflation expectations in the country. Considering the commitments and the country's desire to become a member of the EMU and the respective requirements as to the inflation, BNB and the government may be expected to take measures for keeping the inflation within the fixed limits (the Maastricht criteria for EU membership).

Currency risk

This risk is related to the possibility of depreciation of the local currency. For Bulgaria in particular, this is the risk of a premature withdrawal from the conditions of a monetary board at a fixed rate of the national currency BGN 1.95583 for EUR 1. Considering the policy adopted by the government and the Central Bank, the expectations are for the monetary board to be maintained until the country's accession to the EMU.

Interest risk

The interest risk is related to the possibility for the interest levels at which the issuer funds its activity to increase and, as a result of this, for the net income of the company to decrease. Although the interest risk is part of the risk related to the macro-environment, the company may take measures for alleviating the effect of a probable increase in the interest levels. SPARKY AD manages the interest risk by means of a balanced use of different financing sources.

Tax risk

The taxes paid by Bulgarian companies include withholding taxes, local (municipal) taxes and fees, tax on corporate profit, value added tax, excise duties, export and import customs duties and property taxes. The Bulgarian taxation system is still developing, as a result of which there may arise contradictory tax practices at a state as well as at a local level.

The investors must also take into account the fact that the value of an investment in the Shares may be unfavourably affected by changes in the operating tax legislation, including changes in its interpretation and application.

5. INFORMATION ABOUT THE ISSUER

5.1. History and development of the issuer

SPARKY AD was founded in 1907 as a German "Machine Factory Evgeni Muelhaup & Co." for agricultural machines, mill equipment and turbines.

For the period 1947-1980, the company specialised in the field of agricultural machine building and in the period 1980-1990 - in the field of transport and construction machine building.

In 1989, the company changed its name to "AGROMASHINA" - Rousse.

In 1997, SPARKY GmbH, Berlin, bought 70% of the capital of the Company from the Privatization Agency and from that moment on the Company was renamed from AGROMASHINA EAD to SPARKY AD.

After the purchase, the Company established itself as a producer having a permanent position on the Bulgarian and international markets with clearly defined goals:

- Manufacturing of high quality production.
- Significant increase of productivity.
- Maintenance of the machine park at a highest technological level by constant investments in the production and construction of new aggregate machines with computer numerical control (CNC).
- Providing and maintaining a safe and healthy working environment.
- Constant improvement of the processes conducted in the Company.

Pre-privatisation period - 1990 - 1997

As a result of the completely changed internal and external conditions and the country's worsened economic situation, the production in the factory was decreased, the product range was decreased, the agricultural inventory was reduced to limited amounts, the number of the working staff was reduced from 5,000 people in 1990 to 380 people immediately before the privatisation. Sales fell to BGN 120,000 per year, the buildings were strongly depreciated and destroyed and 60% of the machine and technological equipment was depreciated and out of order.

Post-privatisation period - 1997 - 2007

SPARKY AD has been certified by ISO 9001 and it has obtained a German TÜV Certificate for welding under EN 729 - 3 and it has been registered with SLV under the following norms:

EN 18800 - 7, EN15018, EN 18809 and EN 67000-2 with a protected level C2 for the production of welded constructions. The certificates obtained have an extension for automatic welding using the methods 121, 135, 136 and for welding of ultra-strong steels of the type S960QL.

There has been major renovation of production corpora. With the aim of improving the logistics during the production process and reducing the internal company production costs, some separate technological lines have been introduced, the tools production department has been moved near the main departments. With the aim of removing non-effective production capacities, the old compressors have been removed and substituted by such ones that have better technical indicators and lowered exploitation costs.

On the basis of a programme of public-private partnership (PPP) with the German Investment Bank DEG, a Centre for Vocational Training has been established, giving opportunities for training and increasing of the workers' and specialists' qualification which has a positive effect on the quality of the manufactured products.

During this period of the Company's development, the following results have been achieved:

- ☐ A new department with separate technological welding lines has been built.
- ☐ A new department with separate technological dyeing lines has been built.
- ☐ A technological line for cleaning details and assemblies.
- ☐ Seven CNC-managed machines have been developed, constructed and introduced and they have increased the productivity of labour up to three times.
- ☐ A new production area for mechanical processing of large-sized details weighing over 5 tons, equipped with new CNC, is being built.
- ☐ Machines for gas and mechanical cutting, curving and straightening have been bought and put into operation.
- ☐ Overhaul and modernisation have been applied to 90% of the mechanical processing machines.
- ☐ A unified system for the management, planning and organisation of the Company's activities (ERP) - Technoclass, has been introduced.
- ☐ New software products are used in the engineering developments: SolidWorks, Vintech, etc.
- ☐ Two international engineers have been trained in welding to supervise the Company's welding operations.

The number of the employed staff is 818 people. The manufactured production is worth BGN 4,000,000 per month and 2000 tons/month, with a tendency of reaching 5000 tons/month in 2010.

5.1.1. Legal and trade name of the issuer

The name of the Company is SPARKY AD, Rousse. The Company has been established in the Republic of Bulgaria.

State Company "AGROMASHINA" - Rousse was established by Decision No. 50 of 30 March 1989 of the Council of Ministers on the grounds of Art. 11, Para. 3, item 1 b "a" of Decree No 56. By Order No RD-17-85/28.06.91г. of the Ministry of Industry, Trade and Services, on the basis of Art. 5 of Government Decree 2/89 and Government Decree 54/CM/91, a State Property Company "AGROMASHINA" - Rousse, was established and the Company "AGROMASHINA", established by Decision of the Council of Ministers No 50/89 was wound up. By a Decision of 30 September 1991, the Rousse District Court registered a state proerty sole proprietor limited liability company named "AGROMASHINA" sole-proprietor OOD as a successor of the rights of the wound-up State Company "AGROMASHINA" - Rousse. By a Decision of the Rousse District Court on 28 February 1996, "AGROMASHINA" sole-proprietor OOD was transformed into "AGROMASHINA" EAD, and on 10 November 1997, "AGROMASHINA" EAD was transformed into SPARKY AD - Rousse.

5.1.2. Place of registration of the issuer and its number of registration

The Company has been registered in the Republic of Bulgaria. The Company was entered in the company register by Decision No 4187/30 September 1991 under company case No. 3673/1991 under the docket of the Rousse District Court, lot number 1970, volume 31, p. 67, with registered office and business address at: 1 Rozova Dolina Str., Rousse, BULSTAT: 117010838, tax number 1181015817.

5.1.3. The date of establishing and the period of the issuer's activity

The Company was established on 30 March 1989. The life of the Company is not limited to a specified period or by any other terminating conditions.

5.1.4. Registered office and legal form of the issuer, the legislation according to which the issuer performs its activity, country of registration, address and phone number of its registered office

The Company has been established and registered as a joint-stock Company according to the legislation of the Republic of Bulgaria. The Company's registered office and business address is: 1 Rozova Dolina Str., Sofia, Bulgaria, phone: + 359 82 885 300, fax: + 359 82 822 472, e-mail: sparkytruck.r.bg@sparkygroup.com

5.1.5. Important events in the development of the economic activity of the issuer

- No transformation of SPARKY AD has taken place;
- During the period reviewed, no transfer or pledge of the commercial enterprise of SPARKY AD has taken place;
- No claims have been brought against SPARKY AD or any of its subsidiaries for the initiation of bankruptcy proceedings;
- SPARKY AD has not been the object of a tender offer for buying shares and it has not made tender offers for buying shares of other companies during the period reviewed;
- In 2007, SPARKY AD established Prista Park EOOD and Sigma Plus EOOD.
- By a Decision by the Rousse District Court of 12 September 2006 an increase in the capital of SPARKY AD by BGN 1,000,000 was registered, which was divided into 1,000,000 shares, each having a par value of BGN 1. The increase was performed by an in-kind contribution which SPARKY BULGARIA AD (the old name of SPARKY GROUP AD) was owed by SPARKY AD under the terms of a loan agreement of 12 December 2005;
- By a Decision by the Rousse District Court of 20 June 2007 an increase in the capital of SPARKY AD to BGN 3,000,000 was registered, which was divided into 3,000,000 shares, each having a par value of BGN 1. The increase was performed by an in-kind contribution which SPARKY BULGARIA AD (the old name of SPARKY GROUP AD) was owed by SPARKY AD under the terms of a loan agreement of 12 December 2005;
- By a Decision by the Rousse District Court of 19.09.2007 a change in the type of the shares of SPARKY AD - from materialized registered shares to dematerialized registered shares;
- On 11 June 2007, SPARKY AD sold to PRAKTIKER GRUNDSTUECKBETEILIGUNGSGESELLSCHAFT mbH Germany, the 242,865 shares owned by the Company, each of them worth BGN 10, from the capital of "Praktiker Real Estate" OOD, registered under company case 396/2007 under the inventory of the Rousse District Court, which represent 99% of the capital of "Praktiker Real Estate" OOD;
- The Company has been certified according to the quality management standard ISO 9001. SPARKY AD owns a German TÜV Certificate for welding by EN 18800 - 7, EN15018, EN 18809 and EN 67000-2 with a protected level C2 for the production of welded constructions. The certificates obtained have an extension for automatic welding using the methods 121, 135, 136 and for welding of ultra-strong steels of the type S960QL;

5.2. Investments

5.2.1. Description of the main investments of the issuer

EQUITY STOCKS:

In 2004 SPARKY AD did not acquire any equity stocks in other companies.

In 2005 SPARKY AD established CPO Sparky EOOD.

SPARKY AD is a sole proprietor and owns 500 shares, each of them worth BGN 10a from the capital of CPO EOOD, registered under company case No 167/2005 under the docket of the Rousse District Court with registered office and business address at: 1 Rozova Dolina Str., Rousse; scope of activity:

training of welders according to the European requirements. The share held by SPARKY AD amounts to BGN 5,000.

In 2006, SPARKY AD did not acquire any equity stocks in other companies.

In 2007, SPARKY AD established Prista Park EOOD and Sigma Plus EOOD.

SPARKY AD is the sole shareholder and owns 195,950 shares, each worth BGN 100 from the capital of Prista Park EOOD, registered in the Republic of Bulgaria under company case No 632/2007, under the docket of the Rousse District Court based and with registered office and business address: 1 Rozova Dolina Str., Rousse; with scope activity: real estate transactions, real estate construction, reconstruction and modernization; intermediacy and agency of local and foreign persons. The share held by SPARKY AD amounts to BGN 19,595,000.

SPARKY AD is the sole shareholder and owns 14,700 shares, each worth BGN 100 from the capital of Sigma Plus EOOD, registered under company case No 631/2007, under the docket of the Rousse District Court, with registered office and business address: 1 Rozova Dolina Str., Rousse; its activity includes: purchase, sale and management of real estate; intermediacy and agency for local and foreign persons. The share held by SPARKY AD amounts to BGN 1,470,000.

To the present moment, there have been no other investments for obtaining shares in companies, neither have there been any firm commitments on behalf of the management bodies of SPARKY AD for the carrying out such investments.

NON-CURRENT TANGIBLE ASSETS

The following two tables represent the dynamics of the non-current tangible assets of SPARKY AD for the period reviewed on an individual basis as well as on a consolidated basis:

Table No. 4: Non-current assets on an individual basis for the period 2004 – 30 September 2007

NON-CURRENT ASSETS	2004	2005	2006	30.09.2007
BGN in thousands				
Land (terrains)	13,838	11,481	11,888	835
Buildings and constructions	2,453	2,365	2,230	1,772
Machines and equipment	3,064	2,712	3,104	2,835
Vehicles	185	198	328	684
Fixtures and fittings	53	58	68	70
Cost of acquisition and disposal of self-constructed assets	965	1,742	4,016	6,346
Software products	2	4	86	40
Other non-current intangible assets	11	15	19	16
Financial assets	1	6	6	21,071
Deferred tax assets	25	37	31	31
TOTAL NON-CURRENT ASSETS	**20,597**	**18,618**	**21,776**	**33,700**

Source: *The individual audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and individual unaudited financial statement as of 30 September 2007.*

Table No. 5: Non-current assets on a consolidated basis for the period 2004 – 30 September 2007

NON-CURRENT ASSETS	2004[3]	2005	2006	30.09.2007
BGN in thousands				
Land (terrains)	13,838	11,481	11,888	18,746
Buildings and constructions	2,453	2,365	2,230	4,926
Machines and equipment	3,064	2,712	3,104	2,835
Vehicles	185	198	328	684
Fixtures and fittings	53	58	68	70
Cost of acquisition and disposal of self-constructed assets	965	1,742	4,016	6,346
Software products	2	4	86	40
Other non-current intangible assets	11	15	19	16
Financial assets	1	1	1	1
Deferred tax assets	25	37	31	31
TOTAL NON-CURRENT ASSETS	**20,597**	**18,613**	**21,771**	**33,695**

Source: *The consolidated audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and consolidated unaudited financial statement as of 30.09. 2007.*

INVESTMENTS OF SPARKY AD IN NON-CURRENT TANGIBLE ASSETS

Table No. 6: Investments on an individual basis of SPARKY AD for the period 2004 – 30 September 2007

INVESTMENTS	2004	2005	2006	30.09.2007
BGN in thousands				
PROPERTY, PLANT AND EQUIPMENT	**1,247**	**2,104**	**5,263**	**6,744**
Land	-	38	-	3,169
Buildings	423	342	1,227	638
Machines and equipment	773	1,639	3,811	2,505

[3] The data about 2004 are on an individual basis. They has been added to the table presenting consolidated information from an analytical point of view, in order to allow comparison between the years;

Vehicles	9	66	200	413
Fixtures and fittings	42	19	25	19
Acquisition of self-constructed assets	-	0	-	-
NON-CURRENT INTANGIBLE ASSETS	**5**	**12**	**134**	**2**
Software products	-	7	127	2
Other intangible assets*	5	5	7	-
TOTAL NON-CURRENT ASSETS	**1,252**	**2,116**	**5,397**	**6,746**

** In other intangible assets, the costs for the obtaining of different certificates (e.g DIN, EN.) are capitalised.*

Source: *SPARKY AD*

The real estates that the Company owns to the present moment are listed in point 8.1. of the Registration Document.

5.2.2. Description of the major investments of the issuer which are being performed

There are no major investments of SPARKY AD which are being performed.

5.2.3. Commitments for large future investments of the issuer

As of the present moment there are no future investments for which firm commitments have been made on behalf of the management bodies of SPARKY AD.

6. BUSINESS REVIEW

6.1. Main Activities

6.1.1. Description of the operations and main activities of the issuer and key factors influencing them

SPARKY AD, with a registered office in Rousse, has a scope of activities covering areas of operation such as manufacturing and trading with agricultural, hauling, road-building, and other machinery and equipment; lease activities; and renting out.

The Company is one of the leaders in its segment in Bulgaria, being well situated in the world markets as well – around 98-99% of the production is exported, mainly to European Union countries and the USA. SPARKY AD is the only welded metal structures manufacturer of such importance in Eastern Europe. A marked trend of development of the company can be observed over the last few years – both in terms of operation and financial results.

Considering the activities of the Company, the constantly changing market situation, the introduction of new markets, and the growing competition, SPARKY AD is looking for continuous development, both with regard to new products of which there is demand and with regard to investment in new and advanced capacities and machines, improvement of staff qualifications, and overall good governance.

The Company manufactures machined and welded metal structures for lifting and road-building equipment, agricultural machines, and fork lift trucks; the main products can be divided into groups as follows:

- Plinths
- Chassis
- Booms
- Hinges
- Masts
- Buckets
- Agricultural Machines
- Others (Fork lift trucks, castings, etc.)

DESCRIPTION OF THE PRODUCT GROUPS:

Plinths

The plinths manufactured are designed for rotation of the booms of lifting platforms; they are of the type “Universally-jointed articulated arm” and “Telescopic”. They are manufactured as welded sheet structures allowing fitting to the frame of the platform by means of a bearing with a crown. The plinths are rotated around their vertical axis by means of a small drive wheel attached through a fixed bearing on the frame.

Chassis

The chassis manufactured are designed for lifting platforms of the type “Scissor”, “Articulated”, and “Telescopic”. They are the main supporting metal structure of the machines, providing enough operational strength, stiffness, and safety. They are manufactured as welded sheet structures allowing for the fitting of the platform drive and control. All rotating working mechanisms and systems are fitted on a bearing flange.

Booms

The booms manufactured are designed for lifting platforms of the type "Articulated" and "Telescopic". They are manufactured as welded structures of electrically welded pipes and sheet. Constructionally, the use of joints is envisaged to allow articulating them to obtain rotating multi-section mechanisms. Load lifting is carried out by means of adjusting the inclination and length of the sections. They are fitted on the rotating pillar.

Hinges

They are designed for the attachment of removable working elements (baskets, buckets, hammers etc.) to the booms of excavators. They are manufactured as welded metal structures out of thick-sheet high-tensile steel, with axes and latch for the attachment of the working elements by means of joints.

Buckets

This element is a basket fitted with a blade to cut into the material. The basket is attached by a joint to a supporting frame and turns up and down by means of double-action hydraulic cylinders. The blade is made out of wear-resistant steel.

Agricultural Machines

Side Mounted Mower – designed for mowing natural and sown grasses both on level and sloping up to 14% (8°) terrains, which makes it well-suited for farms with changing profile of cultivated land. It can be mounted to all tractors of pull class 0.6 to 1.4, equipped with back mounting system (T25A, T40AN, UMZ-5L, etc.) On the basis of mower KNS – 1.8M2, SPARKY AD Rousse produces a family of side mounted mowers with working width 1.2 and 1.5 m.

Mounted Cutters FN-0.9/1.2/ and FNM-1.25 – designed for mechanized pre-sowing soil tilling and inter-row tilling of fruit-tree gardens and vineyards.

Universal Mounted Cultivators KUN with working width 1.4, 2.8 and 4.2 m are designed for pre-sowing cultivation of winter wheat or inter-row hoeing. At the customer's request, SPARKY AD offers versions KUNT 2.8 and 4.2 outfitted with fertilizer-spreading sections capable of regulating the fertilizing rate, as well as a version additionally outfitted with hillers.

The Winnower V3-700 – designed for separating grain from chaff; to be used for wheat, barley, sunflower, beans, lentils, soybeans, etc. at small individual and cooperative farms. It is outfitted with five removable sieves. The drive can be carried out both by means of an electric motor or manually, which makes it easy to operate. The winnower's weight allows for it to be easily and quickly moved over short distances.

Motor Cutter FEMA – designed for pre-sowing cultivation of small garden strips and hoeing of vegetable patches, vineyard inter-rows, greenhouse plots, and other types of soil cultivation of small areas, at output up to 0.15 hectares per hour.

Trucks

Series of **engine-driven high-lift trucks**, both with diesel and with LPG/petrol engine. Designed for the hauling of loads, having loading capacity of 1,600 to 3,000 kg. Hoist type: simplex, duplex, and triplex.

Series of **electric high-lift trucks**, three- and four-wheeled, having loading capacity of 1,500 to 1,800 kg. Hoist type: simplex, duplex, and triplex.

Engine-driven off-road industrial trucks with diesel engines – with carrying capacity of 3 to 4 tons. Suitable for all-year-round agricultural work; wood industry and wood-processing; hard-terrain construction. These can be outfitted with various attachments: hoist; front end loader; timber grab; crane boom; mandrel; fork extension; snowplow; straw fork; round bale loader; grain basket and an excavator.

Hoists

The hoist is the main working system of high-lift trucks. It provides for the handy and firm gripping and hoisting of the load. It consists of a plunger hydraulic cylinder, fixed mast, adjustable mast (one or more), chain polyspast, and a lift trolley, to which the load-gripping device is mounted. Depending on the number of adjustable masts, the type and method of suspension of the hydraulic cylinder, and the type of the polyspast, the following variants are produced:

- simplex;
- duplex;
- triplex.

Castings

Moulds are made and products are cast for general machine-building industry, as well as agricultural machinery, out of grey cast iron, carbon and alloy steels, with weight up 1,500 kg.

The table below contains information on the products manufactured and sold by SPARKY AD by year. The data for the whole period under consideration is the same on an individual and consolidated basis:

Table No. 7: Value of finished goods sold by SPARKY AD by product group for 2004 – 30 September 2007

PRODUCT (BGN IN THOUSANDS)	**2004**	**2005**	**2006**	**30.09.2006**	**30.09.2007**
Plinths	2,609	5,752	9,509	6,896	9,641
Chassis	3,683	5,783	8,905	6,576	8,448
Booms	2,489	4,579	7,585	5,718	7,635
Hinges	1,043	743	1,129	776	518
Masts	305	94	54	45	46
Buckets	398	4	0	0	0
Agricultural Machines	137	194	147	119	186
Others	2,214	1,928	1,791	1,179	2,433
TOTAL	**12,876**	**19,077**	**29,119**	**21,309**	**28,907**

Source: *SPARKY AD Analytical accounting information on an individual and consolidated basis*

Significant growth in the production and sales of the finished goods of SPARKY AD can be observed over the period under consideration. By individual product group, the growth is most considerable as regards the pillars, frames and booms produced.

The overall growth of production income is evident – in 2004 the value of finished goods sold was to the amount of BGN 12,876,000; in 2005 to the amount is BGN 19,077,000; and in 2006 it was BGN 29,119,000. As a percentage on an annual basis, the growth was, respectively, 48.2% in 2005 compared to 2004, and 52.6% in 2006 compared to the previous year.

The table below contains information on the share of each product manufactured by SPARKY AD of the total revenue of the Company over the period under consideration.

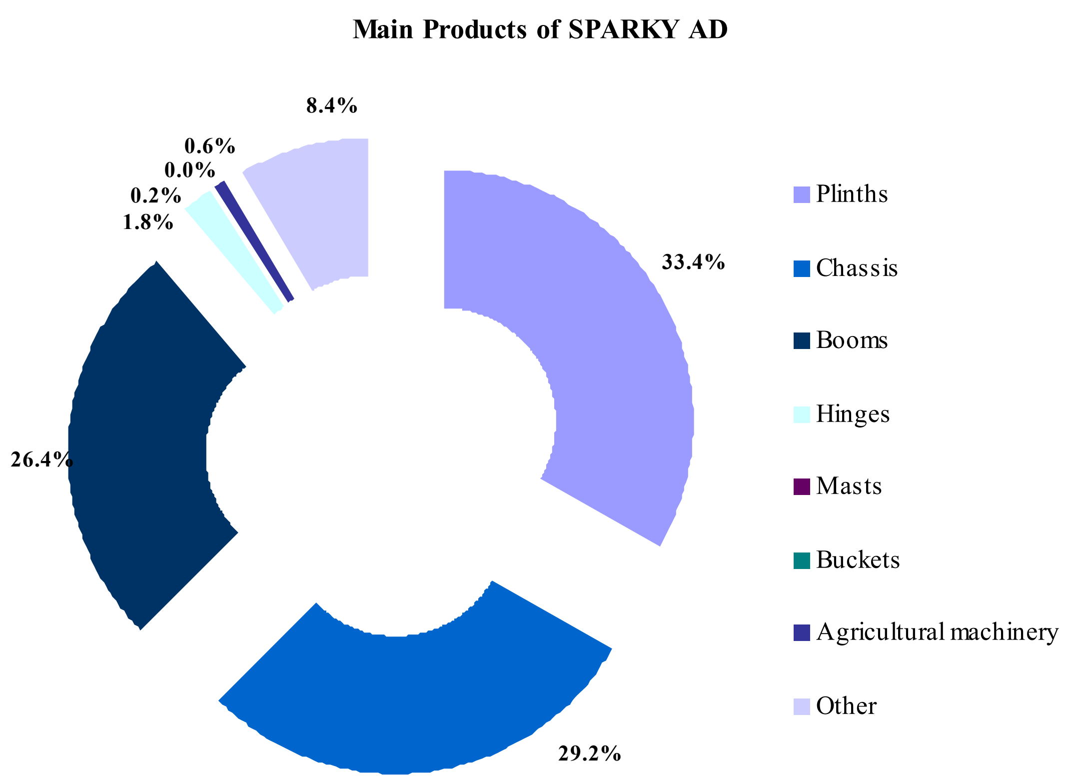
Table No. 8: Revenue share by product for 2004 – 30 September 2007

PRODUCT (% of revenue)	**2004**	**2005**	**2006**	**30.09.2006**	**30.09.2007**
Plinths	20.3%	30.2%	32.7%	32.4%	33.4%
Chassis	28.6%	30.3%	30.6%	30.9%	29.2%
Booms	19.3%	24.0%	26.0%	26.8%	26.4%
Hinges	8.1%	3.9%	3.9%	3.6%	1.8%
Masts	2.4%	0.5%	0.2%	0.2%	0.2%
Buckets	3.1%	0.02%	0.0%	0.0%	0.0%
Agricultural Machines	1.1%	1.0%	0.6%	0.6%	0.6%
Others	17.2%	10.1%	6.1%	5.5%	8.4%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: *SPARKY AD Analytical accounting information on an individual and consolidated basis*

Pillars (33.4% with reference to 30 September 2007), frames (29.2%), and booms (26.4%) represent a major share of the finished goods sold. The rest of the product groups have an aggregate share of a little over 10% of the total amount of finished goods sold by the Company. A trend that can be observed is the steady share of the first three product groups, which has even grown slightly over the period considered, whereas the joints sales share has decreased.

Graph No. 1: Revenue share by product with reference to 30 September 2007



Source: *SPARKY AD Analytical accounting information on an individual basis*

Description of raw and prime materials of significance for the activities

The basic material used by SPARKY AD for its production, and being of great significance for the finished goods' price, is ferrous metals. The company uses ferrous metals, in particular sheet metal, which is cut, bent, welded, and painted to obtain the respective product. The value of the ferrous metals forms approximately 70% of the cost of the products manufactured by SPARKY AD.

As the value of SPARKY AD's cost of sales is to a large extent formed by the price of sheet metal, the Company has taken measures to bind the prices of the finished goods with the changes in the price of sheet metal. Most of the contracts that SPARKY AD has entered into with its clients are long-term and provide for prices of the products in case of certain changes in the price of sheet metal. The underlying idea is to fix prices of the goods manufactured which will be valid in case of variation of prices of metals within certain limits. In case the price of the raw material goes out of those limits, the price of the goods manufactured by the company is adjusted, in conformity with the arrangements, to be fixed at a next level corresponding to other fluctuations in the price of the raw material used.

A major problem is also the external price pressure exerted on the metal raw materials trade. All industrial companies on a global scale are to a large extent dependent in terms of raw materials on large raw materials producers and in particular the large mining companies BHP Billiton and Rio Tinto and CVRD. This is a factor that directly influences market prices of steels, hence prices of end products.

Another major factor is the Chinese market – higher iron ore and coke consumption than the forecast amounts for the last 2 years of an annual average of 36%.

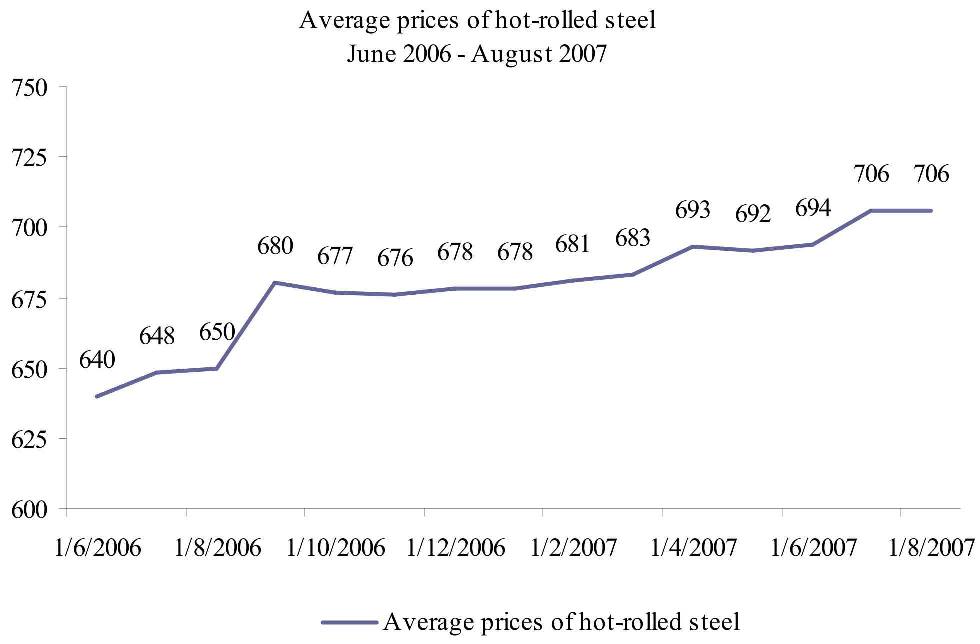
As a result of these preconditions, the price of steel underwent serious change over the last few years and the rate of growth is 9.5% on an annual basis. The price of hot-rolled steels with reference to September 2007 is EUR 742/ton compared to EUR 680/ton in September 2006.

Table No. 9: Dynamics of prices of raw materials for June 2006 – August 2007

MONTH	EUR/TON
2006	
June	640
July	648
August	650
September	680
October	677
November	676
December	678
2007	
January	678
February	681
March	683
April	693
May	692
June	694
July	706
August	706

Source: *MEPS, http://www.meps.co.uk/*

Graph No. 2: Dynamics of prices of raw materials for June 2006 – August 2007



Source: *MEPS, http://www.meps.co.uk/*

The expectations for 2008 vary within the range 5% to 10% rise in price, where for the first quarter the price of hot-rolled steel is expected to retain its current rates.

Table No. 10: SPARKY AD's major raw materials suppliers

MARKET	SUPPLIER	GOODS/SERVICES DELIVERED
INTERNAL	THYSSENKRUPP JUPITER STOMANA LTD.	Sheet steel
	SCORPION SHIPPING LTD, SOFIA	Shipping services
	STOMANA INDUSTRY AD	Sheet steel
	PIRIMPEKS AD	Sheet steel
	MAYAK-M OOD	Sheet steel
	INTERCOM GROUP	Shaped steel pipes
	E.ON BULGARIA SALES AD	Electric power
	KAMMARTON BULGARIA EOOD	Main production accessory materials
	KOSEV EOOD	Production services
	ENA METAL OOD	Sheet steel
	TOPLOFIKATSIYA ROUSSE EAD	Heat power
EXTERNAL	LORRAINE TUBES	Shaped steel pipes
	MARCEGAGLIA S.P.A	Sheet steel
	SCHMOLZ+BICKENBACH	Round steel pipes and sheet
	KLF ZVL spol. s r.o.	Steel forgings

UnionOcel	Sheet steel
SICAM SPA	Round and shaped steel pipes
CROMADEX	Main production accessory materials
V TREND S.R.O.	Round and shaped steel pipes
UNIVERSAL EISEN UND STAHL GMBH	Sheet steel
INTERFER STAHL GMBH	Sheet steel
BUHLMANN GMBH	Round and shaped steel pipes

Source: *SPARKY AD*

6.1.2. Significant new products and/or services

The nature of SPARKY AD's production activities is such that they do not involve the development and launch of new end products or services. The production process of the Company is characterized by receipt of orders and acquisition of certain goods for each particular client. Since the aforementioned goods are not end products but intermediate products, the intellectual property rights on them belong to the clients, who provide the industrial design on the basis of which SPARKY AD's technical team acquires the product. Thus, the Company manufactures goods that are new for it, but does not develop them; it executes its clients' specific orders.

With reference to the date of elaboration of this Prospectus, in connection with the development of a new client, who is a world leader on the road-building machinery market, the company is acquiring new welded structures constituting parts of those machines.

Bases and casings

Welded structure designed for road-building machines operation, as an element of the working part of the respective machine.

Scissor mechanisms

Welded structure designed for demolition equipment.

The Company is in the process of continuous development of its markets in its capacity as being subcontractor to manufacturers of lifting and road-building equipment, in which it specializes. From the technical perspective, the products on this market fall generally into the following classic product groups: pillars, chassis; frames, booms, joints, buckets, masts. What is specific about this is that the goods are unique for each client in terms of their technical realization, which provides the company with unlimited market opportunities, working on the same product group for different clients.

Over the past year, in consequence of a framework contract entered into with Praktiker EOOD (Praktiker), described in item 22 of this Registration Document, consisting of a preliminary sales contract for the sale of shares and a construction contract, SPARKY AD has commenced construction activities, under the obligation to build, in its capacity as general contractor, a Praktiker store for constructional materials "Do It Yourself," along with the associated free areas, garden centre, external facilities, delivery sites, and other functional sites. SPARKY AD delivered the respective Praktiker store completed to the key with a licence to use No. ST-12-820 of 19 September 2007.

6.2. Main markets

The markets where SPARKY AD realizes it finished goods can be divided into an internal and external market.

A small portion of the finished goods is realized on the internal market (under 1% with reference to 30 September 2007) whereas the main portion is meant for export – the Company exports its goods to more than 10 countries, the most important markets where the Company successfully stands its ground being the European Union, and the USA markets. By country, the most important destinations for the finished goods are France, Ireland, Germany, the USA, and the UK, which means that the strong positions on the existing markets are retained and that new markets are entered; a tendency particularly pronounced over the past years.

The table below contains information on the value of the goods finished and realized by SPARKY AD by country.

Table No. 11: Realization of SPARKY AD's finished goods by country for 2004 – 30 September 2007

COUNTRY (BGN IN THOUSANDS)	2004	2005	2006	30.09.2006	30.09.2007
France	7,552	13,543	22,062	16,481	21,990
Germany	945	2,405	3,043	2,177	3,501
USA	963	715	1,362	805	1,558
Ireland	1,966	1,626	2,179	1,430	1,235
Bulgaria	321	493	307	253	235
UK	444	0	0	0	0
Denmark	36	147	157	158	0
Others	648	149	8	4	389
TOTAL	**12,876**	**19,077**	**29,119**	**21,309**	**28,907**

Source: *SPARKY AD Analytical accounting information on an individual basis*

The tables show that the Company is strongly export-oriented – it exports approximately 99% of the finished goods with reference to 30 September 2007, mainly to customers from the European Union and the USA. Over the period under consideration, the production volumes sold on external markets have increased, due to active company policy aimed at finding new clients from various countries, establishing long-term business relations with them, and expanding the company's product range.

The Company continuously augments the volume of finished goods sold on the markets where it is already present. At the same time, part of SPARKY AD's strategy is entering new markets. A decrease over the period under consideration can only be observed on the internal market, where, however, under the influence of increased investment in all economic sectors in Bulgaria on the whole, and especially in infrastructure, we expect growth in sales in the coming several years.

The table below shows distribution of SPARKY AD's sales revenue by country over the period under consideration.

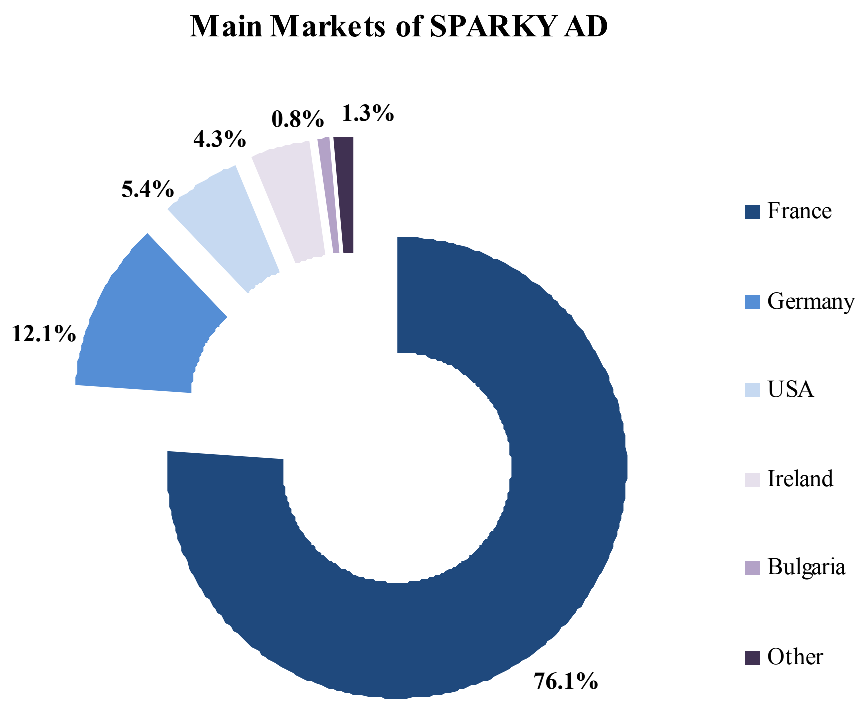
Table No. 11: Share of revenue by country for 2004 – 30 September 2007

COUNTRY (% of total revenue)	**2004**	**2005**	**2006**	**30.09.2006**	**30.09.2007**
France	58.7%	71.0%	75.8%	77.3%	76.1%
Germany	7.3%	12.6%	10.5%	10.2%	12.1%
USA	7.5%	3.7%	4.7%	3.8%	5.4%
Ireland	15.3%	8.5%	7.5%	6.7%	4.3%
Bulgaria	2.5%	2.6%	1.1%	1.2%	0.8%
UK	3.4%	0.0%	0.0%	0.0%	0.0%
Denmark	0.3%	0.8%	0.5%	0.7%	0.0%
Others	5.0%	0.8%	0.0%	0.0%	1.3%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: *SPARKY AD Analytical accounting information on an individual basis*

In the future, it will be the Company's priority to retain the already established contacts with international and Bulgarian clients and partners; enter new markets; increase the number of contractors using SPARKY AD's goods by means of optimizing the cost of sales, hence maintaining competitive prices both on the internal and external market; strengthen and improve the quality indicators of the goods; develop new products.

Graph No. 3: Breakdown of the markets of SPARKY AD as of 30 September 2007



Source: *SPARKY AD Analytical accounting information on an individual basis*

6.3. Influence of extraordinary factors on the activities and markets of the Company

SPARKY AD's operating income is formed from the sales of finished goods. For the period under consideration – the last three fiscal years and up to the date of this document – the Company's sales revenue is stable and has been growing steadily. This increase is not due to extraordinary factors as no such factors have been influencing the operation. The increase in sales is due mostly to the attraction of new clients with regard to goods' export, the increase in the number of existing clients' orders, and improvement of SPARKY AD's market positions.

With respect to markets, a positive factor is Bulgaria's accession to the European Union as of 1 January 2007. The positive outcome is not so much entering new markets, as SPARKY AD was present and realizing a considerable portion of its goods on those markets even before the accession. The positive effects are due to relieved foreign trade conditions resulting from EU membership.

6.4. Information concerning dependence on patents or licences, industrial, commercial or financial contracts, or new production processes

The Company does not possess and does not depend on the acquisition of any specific patents or licences. All intellectual property rights needed for its activities belong to the Company's contractors and are used by the Company on the basis of the contracts entered into.

6.5. Competitive position of the Company

SPARKY AD is the only welded metal structures manufacturer of such scale in Eastern Europe. As it is highly labour-consuming, this type of production is being moved from Western Europe to other countries, including China.

SPARKY AD's advantage over its Chinese competitors is that, at comparable prices, the Company commits to much shorter terms of delivery to European clients. While it takes approximately 45 days to transport goods from China, SPARKY AD delivers the manufactured items by means of a truck within a week. Short terms of delivery allow clients to reduce considerably the amount of goods in stock, thus reducing the need of working capital.

SWOT ANALYSIS OF SPARKY AD'S COMPETITIVE ADVANTAGES:

Table No. 12: Analysis of the strengths, weaknesses, opportunities, and threats involved in SPARKY AD's development

STRENGTHS	**WEAKNESSES**
☐ Big market share, excellent market reputation, loyal customers, and traditions in machinery manufacturing; ☐ Good production facilities; ☐ Long-term contracts with suppliers; ☐ High quality of goods manufactured; ☐ Diversification of production and new markets entering policy; ☐ Weak competition on the part of local competitors;	☐ Considerable share of the sales structure goes to several clients; ☐ Sector specific time margin between raw material acquisition costs and income resulting from the fulfilment of a contract; ☐ Dependence on raw materials price; ☐ Considerable increase in prices of key metal raw materials on world markets;
OPPORTUNITIES	**THREATS**
☐ Diversification of the company's activities, which will reduce specific business risk and will lead to	☐ Increase in prices of main raw materials (metals) on Bulgarian and world markets;

increase in rate of return;
- Opportunity for generating free cash flows;
- Optimization of administration structures and company management;
- Improvement of the competitiveness of the goods and services;
- Expanding the company's innovation activities;
- Internal company training – Vocational Training Centre – VTC

- Competition on the part of manufacturers from countries where costs are lower;
- Stronger competition on EU internal market;
- Shortage of qualified labour in the region;

Strengths

Over the last three years, SPARKY AD's sales revenue has increased. This is due to a large extent to stable market positions on the local market, as well as the company's leading position in its sector compared to other local manufacturers.

The quality of the end products is indisputable, in view of the fact that their main markets are the USA and Western European countries such as France and Germany, where key factors having effect on demand are above all the price/quality ratio, as well as provision of well-organized maintenance and manufacturer's guarantee for the quality of the goods manufactured.

The geographical region where SPARKY AD is based is also favorable. The Company is located in a region of excellent logistic position – delivery to any point in Europe takes 4 days.

Current company policy involves expansion towards new key markets; the target group includes mostly the rest of the EU countries, as well as other countries, access to which is now considerably easier after Bulgaria's full membership into the EU.

The Company has availability of and access to highly-educated and highly-qualified staff with experience in industrial production; it has an established and functioning Vocational Training Centre (VTC). Lower labour cost compared to European competitors is one of the Issuer's main advantages, this not being at the expense of quality.

Weaknesses

What is identified as a main weakness to potential investors and external auditors is the large share of manufactured goods sold to several key clients. Nevertheless, a growth can be observed in the increase in both the production and the sales of SPARKY AD over the last few years. In 2005 the growth observed in goods sold by the Company amounts to 48.2% and in 2006 the growth is 52.6% on an annual basis.

SPARKY AD works with several suppliers in order to minimize the risk of losing a supplier, which might significantly influence the production process. In addition to that, the suppliers with whom the Company has entered into delivery contracts are not only Bulgarian but also foreign companies, which further reduces the risk of breach of delivery due to company- or country-specific risk as regards suppliers.

A main problem is also the external price pressure with regard to metal raw materials trade. All industrial companies on a global scale are highly dependent for raw materials on large ferrous and non-ferrous metals manufacturers and above all on large mining companies such as BHP Billiton and Rio Tinto. This is a factor that directly influences end products' market price.

Another key factor is the Chinese market where larger consumption of iron ore and coke than the forecast amounts is observed: an annual average of 36% for the last 2 years.

As a result of these preconditions, the price of steel underwent serious change over the last few years and the rate of growth is 9.5% on an annual basis. The price of hot-rolled steels with reference to September 2007 is EUR 742/ton compared to EUR 680/ton in September 2006.

The forecasts given by independent world agencies such as Bloomberg indicate that this trend will probably continue over the coming few years as a result of the economic boom in China and India.

Opportunities

In addition to traditional markets, on account of its current approved innovation program, SPARKY AD is seeking to develop its potential and as a result of increased sales to generate new incoming cash flows. Those will be used both for development and for implementation of new product lines, which will result in even greater diversification of the product range, optimization of the production process and generation of new cash resources.

The Company envisages additional investment in staff training and improvement of the employees' qualification and professional skills.

The Company's strategy also provides for continuous development of production capacity, as well as for investments in new technologies.

Threats

The main threats considered by SPARKY AD's management are related chiefly with the increasing price of metals, the lack of sufficiently qualified labour in the region, and the strong competition on the EU market. With its investment program SPARKY AD intends to minimize potential loss of clients due to maintaining low amounts of inventory as a result of high prices of raw materials. The Company intends to develop and implement reliable schemes to maintain optimum inventory in stock and thus achieve continuity in its production cycle.

7. ORGANIZATIONAL STRUCTURE

7.1. Description of the group and the Issuer's position within the group

SPARKY AD, Rousse, is part of SPARKY GROUP AD's economic group and is a subsidiary of SPARKY GROUP AD.

Related parties to SPARKY AD, Rousse, are all companies controlled by SPARKY GROUP AD and its related parties.

With reference to the date of preparation of this document, there are no transactions of unusual type or at unusual conditions that have been executed with related parties to the Issuer.

SPARKY AD is part of the group of companies owned by Stanislav Petkov and Peter Babourkov, members of SPARKY AD's Supervisory Board.

Stanislav Petkov and Peter Babourkov each have a 50 % stake in the majority shareholder of SPARKY AD– SPARKY GROUP AD, Sofia (former name SPARKY BULGARIA AD), as well as in SPARKY GmbH, Berlin, Germany.

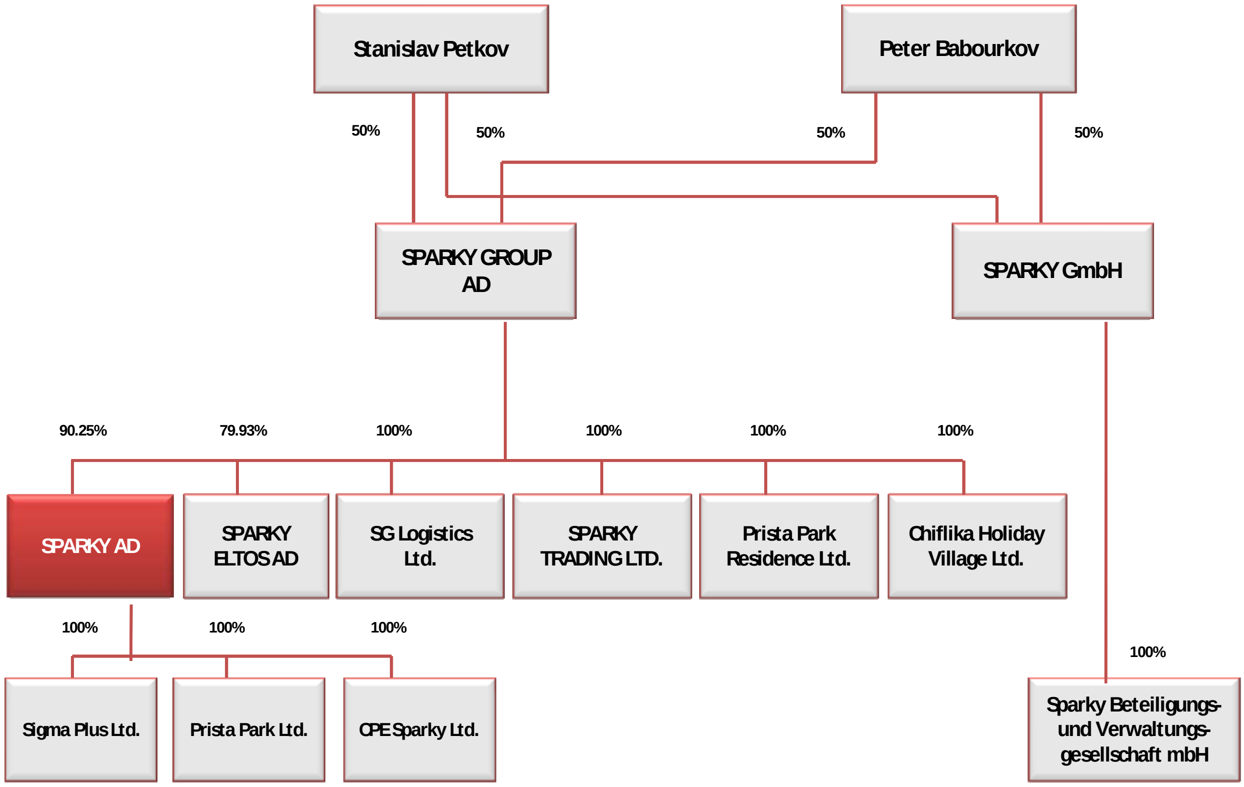
Subsidiaries of SPARKY GROUP AD that currently operate are:

- SPARKY AD, Rousse (90.25%);
- SPARKY ELTOS AD (79.93%);
- SPARKY TRADING EOOD, Sofia (100%);
- SG Logistics Limited, Limassol, Cyprus (100%);
- Prista Park Residence EOOD;
- Chiflika Holiday Village EOOD.

SPARKY AD's subsidiaries are:

- Prista Park EOOD (100%)
- Sigma Plus EOOD (100%)
- CPO Sparky EOOD (100%)

Below is a diagram of the operational companies in the Group



Source: *SPARKY AD*

7.2. List of the Issuer's subsidiaries

SPARKY AD is the sole holder holding 195,950 shares of value of BGN 100 each of the capital of Prista Park EOOD, registered in the Republic of Bulgaria under company case No. 632/2007, under the docket of Rousse District Court, with a registered office and business address 1 Rozova Dolina Str., Rousse, with a scope of activity: real estates transactions; construction, reconstruction and modernization of real estates; intermediation and agency activities for local and foreign persons and entities. SPARKY AD's share participation amounts to BGN 19,595,000.

SPARKY AD is the sole holder holding 14,700 shares of value of BGN 100 each of the capital of Sigma Plus EOOD, registered under company case No. 631/2007, under the docket of Rousse District Court, with a registered office and business address 1 Rozova Dolina Str., Rousse, with a scope of activity: real estates purchase, sale, and management; intermediation and agency activities for local and foreign persons and entities. SPARKY AD's share participation amounts to BGN 1,470,000.

SPARKY AD is the sole holder holding 500 shares of value of BGN 10 each of the capital of TsPO SPARKY EOOD, registered under company case No. 167/2005, under the docket of Rousse District Court, with a registered office and business address 1 Rozova Dolina Str., Rousse, with a scope of activity: training of welders, in conformity with European requirements. SPARKY AD's share participation amounts to BGN 5,000.

8. REAL ESTATE, PLANTS, AND EQUIPMENT

8.1. Existing or envisaged non-current tangible assets

PRODUCTION FACILITIES

SPARKY AD's activities are carried out at production facilities in the centre of Rousse taking up an area of 105,000 sq.m., of which 43% built-up area. The production facilities mainly comprise of the workshops listed below:

Forge-press workshop

The forge-press workshop, equipped with eccentric presses, friction presses, screw presses, double-acting presses, guillotines, shafts, vibrating scissors, creasing machine, CNC gas cutting machines and plasma cutting machines.

Welding workshop

The welding workshop is equipped with welding machines MIG/MAG of ESAB with shielding gas, flux welding mount, robotic welding machine.

Machine workshop

A machine workshop equipped with metal-cutting machines, CNC and general-purpose machines, machining centres capable of machining of prismatic parts, boring machines, planing machines, and specialized aggregate machines.

Painting workshop

A painting workshop equipped with two painting lines: one for small-size parts, consisting of electrostatic painting chamber, and a drying chamber; and one for large-size parts, consisting of preparatory, painting, and drying chambers.

Foundry workshop

A foundry workshop equipped for steel and cast iron founding, with equipment capacity of 60 tons per month, technological conveyer for preparation and foundry by means of vibration, allowing for high productivity and high-quality surfaces of the casting.

Repair/Assembly workshop

The repair/assembly workshop is responsible for repairing construction and specialized machines, spare parts, industrial truck and agricultural machinery assembling.

Production capacity

At present, the workload on SPARKY AD's production capacities is such that approximately 30% of the Company's capacity remains free and allows undertaking new contracts. As the Company has been actively looking for new clients, new production capacities (machines, buildings) have been purchased over the last years, with the objective of maintaining the abovementioned reserve.

Finding new clients and hence entering into contracts for the delivery of goods is associated with investment aimed at expansion of production capacities, which takes place step by step and results from the gradual increase in orders from clients. The overall expansion of SPARKY AD's production capacity over the last few years is the result of investment made into the construction of new workshops – welding, painting. The Company is capable of attracting more new clients who are leaders in road building and lifting machinery manufacturing. Those clients will benefit from broad production capacities, flexible delivery options, good quality of the services offered, and comparatively low delivery prices.

Real estates

Real estates owned by the Company are listed in the table below:

Table No. 13: Real estates owned by SPARKY AD with reference to 30 September 2007

Location	Function	Area
1. Rousse, district 430, downtown area of the plan of the city of Rousse	Cultural facility – two-storey solid building	(670 sq. m.)
2. Rousse, district 430, downtown area of the plan of the city of Rousse	Metal shed – single-storey structure	(360 sq. m.)
3. Rousse, district 430, downtown area of the plan of the city of Rousse	Cooperated production offices– single-storey solid building	(56 sq. m.)
4. Rousse, district 430, downtown area of the plan of the city of Rousse	Shop No. 2 (two) – single-storey solid building	(160 sq. m.)
5. Rousse, district 430, downtown area of the plan of the city of Rousse	Production facilities No. 3 (three) (foundry workshop), single-storey solid building with sanitation facilities and adjoining two-storey administrative building	(6,750 sq. m.)
6. Rousse, district 430, downtown area of the plan of the city of Rousse	Gymnasium – two-storey solid building	(102 sq. m.)
7. Rousse, district 430, downtown area of the plan of the city of Rousse	Production facilities – mechanical – assembly workshop – single-storey production passages	(17,680 sq. m.)
8. Rousse, district 430, downtown area of the plan of the city of Rousse	Warehouse No. 3 (three) (materials) и Warehouse finished goods – single-story solid building	(960 sq. m.)
9. Rousse, district 430, downtown area of the plan of the city of Rousse	Press-cutting out workshop, production facilities No. 2 (two), single-storey industrial passages with sanitation facilities and a two-storey administrative building with reinforced concrete structure	(16,680 sq. m.)
10. Rousse, district 430, downtown area of the plan of the city of Rousse	Experiment facilities – two-storey solid building with reinforced concrete structure	(408 sq. m.)
11. Rousse, district 430, downtown area of the plan of the city of Rousse	Central power supply station – single-storey solid building with reinforced concrete	(180 sq. m.)

12. Rousse, district 430, downtown area of the plan of the city of Rousse	structure Thermal workshop – production facilities (single-storey solid building)	(864 sq. m.)
13. Lesopark Lipnik area, village of Nikolovo, district of Rousse.	Short-term recreation facilities	(770 sq. m.)
14. Regulated land property IV-2004 in district 430, downtown area of the plan of the city of Rousse.	Solid two-storey building – indoor swimming pool, changing rooms, showers, and other service rooms	1,959 sq. m. (905 sq. m.)
15. Regulated land property XII-2004 in district 430 of the plan of the city of Rousse	Undeveloped plot	1,467 sq. m.
16. Regulated land property XI-2004 in district 430 of the plan of the city of Rousse	Undeveloped plot	650 sq. m.
17. Regulated land property XI-2004 in district 430 of the plan of the city of Rousse	Two-storey solid building – indoor swimming pool, changing rooms, showers, service rooms	905 sq. m.
18. Rousse, secondary street, cadastre no. 63427.24843	For traffic and transportation	1,763 sq. m.
19. Rousse, secondary street, cadastre no. 63427.24844	For traffic and transportation	1,378 sq. m.
20. Rousse, Slatina area	Regulated land property – undeveloped plot	28,960 sq. m.
21. Rousse, housing estate Druzhba 3, bl. 10, en. 6, fl. 6	Tenement – Apartment 50	30.11 sq. m.
22. Rousse, housing group Malyovitsa 2, housing association Zheleznichar, en. 1, fl. 3	Tenement – Apartment 6	110.57 sq. m.
23. Rousse 5 Midiya Enos Str., bl. Chaya, fl. 9	Tenement – Apartment E	59.60 sq. m.
24. Rousse, housing estate Vazrazhdane-yug, bl. Mara	Tenement – Apartment 4	38.77 sq. m.
25. Rousse, 37 Studen Kladenets Str., bl. Ledeno ezero A, en. 3, fl. 6	Tenement – Apartment 7	60.90 sq. m.
26. Rousse, 37 Studen Kladenets Str., bl. Ledeno ezero A, en. 3, fl. 1	Tenement – Apartment 7	57.85 sq. m.
27. Rousse, 120 Borisova Str., en. A, fl. 5	Tenement – Apartment 3	103.03 sq. m.
28. Rousse, housing group Malyovitsa 2, housing association Zheleznichar, en. 1	Garage 4	29.11 sq. m.

***The built-up area is given in brackets;**

Source: *SPARKY AD*

INVESTMENT PROGRAM

The Company plans to invest in non-current tangible assets, both as a result of the expanding of the production and hence of the Company, and with the aim to buy new, modern machinery and equipment which will improve productivity and productive process efficiency, reduce product unit cost, and improve the overall competitiveness of the company.

As part of this strategy, SPARKY AD plans the following investments for the coming three years:

Table No. 14: SPARKY AD's Investment program for 2008 – 2010

INDEX	2008	2009	2010
(BGN in thousands)			
NON-CURRENT ASSETS	**4,890**	**5,476**	**6,161**
Property, plant and equipment	**4,771**	**5,344**	**6,012**
Land	0	0	0
Buildings	341	382	430
Machinery and equipment	4,141	4,638	5,218
Vehicles	171	191	215
Fixtures and fittings	36	40	45
Computer equipment	82	92	104
NON-CURRENT INTANGIBLE ASSETS	**118**	**132**	**149**
Software	110	123	139
Other intangible assets	8	9	10

Source: *SPARKY AD*

LEASE CONTRACTS

The table below shows SPARKY AD's lease contracts for the period under consideration:

Table No. 15: SPARKY AD's lease contracts for 2004 – 30 September 2007

CONTRACT	CONTRACTOR	SUBJECT	PRICE	CURRENCY
		2007		
Procurement contract	Sofia Leasing EAD	Vehicle Peugeot Partner XT	15,373	EUR
Procurement contract	Sofia Leasing EAD	Vehicle Peugeot Partner XT	15,373	EUR
Procurement contract	Sofia Leasing EAD	Vehicle Peugeot Boxer FT	23,721	EUR
Financial lease contract	Raiffeisen Leasing OOD	Equipment – Hydraulic hammer F 19	20,500	EUR
Financial lease contract	Raiffeisen Leasing OOD	Wheeled excavator HYUNDAI ROBRX	118,700	EUR

Financial lease contract	DSK Leasing AD	Gas filtration system	178,100	EUR
Financial lease contract	DSK Leasing AD	Equipment	71,800	EUR
		2006		
Financial lease contract	DSK Leasing AD	Equipment – electric hoist and crane metal structure	83,745	EUR
Financial lease contract	DSK Leasing AD	Equipment – standing crane with electric hoist	8,528	EUR
Financial lease contract	DSK Leasing AD	Equipment - 2 standing cranes with electric hoists	18,713	EUR
Financial lease contract	DSK Leasing AD	Equipment - electric hoist and crane metal structure	64,341	EUR
Financial lease contract	DSK Leasing AD	Equipment - standing crane with electric hoist	9,684	EUR
Financial lease contract	DSK Leasing AD	Equipment - standing crane with electric hoist	8,764	EUR
Financial lease contract	DSK Leasing AD	Equipment - standing crane with electric hoist	8,288	EUR
Financial lease contract	DSK Leasing AD	Equipment – workshop gas-ceramic heating with radiators of the French company SBM	80,235	EUR
Financial lease contract	DSK Leasing AD	Equipment - 2 machining centres IS 800	27,900	EUR
Financial lease contract	DSK Leasing AD	Equipment - Band-cutting KASTO	50,000	EUR
Financial lease contract	DSK Leasing AD	Equipment – Welding devices and welding accessories	16,080	EUR
Financial lease contract	DSK Leasing AD	Equipment – robotic welding system FANUC	83,730	EUR
Financial lease contract	DSK Leasing AD	Equipment - 2 machining centres IS 800	27,900	EUR
Financial lease contract	DSK Leasing AD	Equipment - Sinumerik 840 DI and aggregate machine AM7	49,601	EUR
Financial lease contract	DSK Leasing AD	Equipment - Shot-blasting machine Roesler RRB 22/5	176,908	EUR
		2005		
Financial lease contract	UniCredit Leasing Bulgaria EAD	Equipment – Plasma cutting machine	81,170	EUR
Financial lease contract	HVB AUTO LEASING	Automobile Toyota Avensis	25,758	EUR
		2004		
		No lease contracts entered into		

Source: *SPARKY AD*

DESCRIPTION OF SECURITY PROVIDED IN CONNECTION WITH FUNDING RECEIVED BY THE COMPANY

1. In connection with Loan Agreement No. 166/04 November 2005 entered into with DSK BANK EAD for the refunding of loan remainder payable to BULBANK AD as regards loan to the amount of EUR 3,050,000, subsequently increased, by means of an Annex, to the amount of EUR 6,050,000.

- Mortgage, Title Act No. 076, Volume VII, Reg. No. 6601, Case 909 of 2005, entered in the Registry Agency under Act No. 145, item IX/05, on regulated land property IX-2004 in district 430, Rousse, with an area of 105,388 sq.m., including the buildings on the property (at present in-kind contribution to PRISTA PARK EOOD) to the benefit of DSK BANK EAD, to the amount of EUR 3,050,000.
- Mortgage, Title Act No. 041, Volume VII, Reg. No 8611, Case No. 879 of 24 November 2006, entered in the Registry Agency under Act No. 189, item XI/06 on regulated land property IX-2004 in district 430 with an area of 105,388 sq.m., Rousse (at present in-kind contribution to PRISTA PARK EOOD) to the benefit of DSK BANK EAD, to the amount of EUR 6,050,000.
- Special Pledge Contract of 21 November 2006 on non-current tangible assets: machines, installations, and equipment, property of SPARKY AD, to the amount of BGN 2,526,000.
- Special Pledge Contract of 21 November 2006 on all current and future receivables on bank accounts opened by SPARKY AD with the creditor.

2. In connection with Revolving Bank Loan Agreement for payments to suppliers of goods and services, entered into with BULBANK AD, No.1293/19 December 2005 of 19 December 2005, to the amount of EUR 250,000 and Annex to the Agreement of 18 December 2006, changing the amount of the loan to EUR 450,000, with an option for increase to EUR 750,000 upon repayment of working capital loan with DSK AD

- Special Pledge Contract on tangible valuables of 18 December 2006: in-stock materials – metals stored in the Company’s warehouses, with obligatory minimum at any point of EUR 900,000 to the benefit of DSK AD
- Special Pledge Contract on tangible valuables of 26 January 2007: in-stock materials – metals stored in the Company’s warehouses, with obligatory minimum at any point of EUR 600,000."

3. In connection with Loan Agreement No. 390/26 March 2007 for working capital, entered into by and between DSK BANK EAD as creditor, being one party to the Agreement, and SPARKY TRADING OOD as borrower and SPARKY AD as co-debtor, being the other party to the Agreement, to the amount of EUR 2,000,000.

- Mortgage, Title Act No. 091, Volume II, Reg. No. 2279, Case No. 203 of 2007 on regulated land property IX-2004 in district 430, Rousse, including the buildings on the property, with an area of 105,388 sq.m. (at present in-kind contribution to PRISTA PARK EOOD)

- Special Pledge Contract 26 March 2007 on non-current tangible assets: machinery, installations, and equipment, property of SPARKY AD, to the amount of BGN 2,526,000, to the benefit of DSK BANK EAD

- Special Pledge Contract on amounts receivable in cash as regards current and future receivables as opened by SPARKY AD with the creditor, up to the amount of the loan."

4. In connection with Contract No. 389/26 March 2007 for the issuance of a number of bank guarantees to the amount of EUR 1,000,000 to the benefit of third parties, entered into with DSK BANK EAD to secure SPARKY AD's obligations with respect to advance payment with the objective of completion of Praktiker Rousse store.

- Mortgage, Title Act No. 081, Volume II, Reg. No. 2279, Case 203 of 2007, entered in the Registry Agency under Act No. 160, Volume III/07 on regulated land property IX-2004 in district 430, Rousse, with an area of 105,388 sq.m., including the buildings on the property (at present in-kind contribution to PRISTA PARK EOOD) to the benefit of DSK BANK EAD, to the amount of EUR 1,000,000.

- Special Pledge Contract of 26 March 2007 on non-current tangible assets: machinery, installations, and equipment, to the total amount of BGN 2,526,000.

5. In connection with Loan Agreement of 20 December 2001, entered into with DEG – A German investment and development limited liability company, to the amount of EUR 720,000, for the construction of additional production capacities.

- Mortgage, Title Act No. 170, Volume VII, Reg. No. 9300, Case No. 986 of 2006, entered in the Registry Agency under Act No. 199 Volume XIII/06 on regulated land property IV-2004 with an area of 1,959 sq.m., including the solid two-storey building on it with an area of 905 sq.m., regulated land property XI-2004 with an area of 650 sq.m., and regulated land property XII-2004 with an area of 1,467 sq.m., to the benefit of DEG - Deutsche Investitions- und Entwicklungs- GmbH, Germany, to the amount of EUR 720,000.

- Pledge on new equipment to be purchased, to the amount of EUR 720,000.

6. In connection with Loan Agreement of 20 December 2001, entered into with Dietrich Westfall, to the amount of EUR 96,000, for the construction of additional production capacities.

- Mortgage, Title Act No. 174, Volume VII, Reg. No. 9314, Case No. 988 of 2006, entered in the Registry Agency under Act No. 6, Volume XIII/06 on regulated land property IV-2004 with an area of 1,959 sq.m., including the solid two-storey building on it with an area of 905 sq.m., regulated land property XI-2004 with an area of 650 sq.m., and regulated land property XII-2004 with an area of 1,467 sq.m., to the benefit of Dietrich H. Westfall, to the amount of EUR 192,000.

- Pledge on new equipment to be purchased, to the amount of EUR 192,000.

8.2. Environmental issues

SPARKY AD observes all requirements and provisions of environmental legislation and there are currently no environmental issues having effect on the use of assets.

The Company has elaborated its own internal rules as regards establishment of lasting practice of work with its business partners aimed at observing and complying with normative requirements and standards regarding maximum levels of concentration of hazardous substances as regards sale of goods on the Bulgarian and European market.

The Company has an ISO 9001 certification – Quality Management System (QMS). An Environmental Management System (EMS) has also been established under ISO 14001. Currently, an Occupational Health and Management System (OHSMS) is being developed under ISO 18001.

The three systems are to be integrated and certified.

The Company observes the environmental rules and regulations pertaining to its operation: Waste Management Act, Environmental Protection Act, Clean Air Act, Water Act, as well as a number of acts of secondary legislation pertaining to their implementation.

SPARKY AD is equipped with a laboratory for study and analysis of metals, where it carries out incoming control of basic materials needed for the production of goods.

Environmental problems at the Company are mainly related to waste and air.

The production cycle generates different types of waste which are treated in compliance with the provisions of the Waste Management Act and the acts of secondary legislation pertaining to its implementation. A Waste Management Program has been approved. The Company has a Permit for Waste Treatment Related Activities issued by the Regional Inspection for Environment and Water, Rousse.

The Company has implemented a separate waste collection system which provides for nearly full separation of household waste from industrial waste, and of industrial waste by type. A considerable portion of the necessary pallets, containers, and barrels for collection and temporary storage is already available. Mixing of hazardous and non-hazardous waste is not admissible. The implementation of this principle is supervised by workshop managers, by the waste manager, and the hazardous waste managers. The separate waste collection is carried out by means of labels designating the type of waste and its code, pursuant to the provisions of Decree of the Council of Ministers No 53 from 1999 providing for the requirements for the treatment and transportation of industrial and hazardous waste.

The Company does not process or recycle waste.

Contracts with licensed companies have been entered into for the purchase of metal and household waste, and for the packaging waste a contract has been entered into with ECOBULPACK for the recovery of packaging waste.

In order to comply with emission limit values as regards environmental component ambient air, the Company has elaborated and approved its Own Monitoring Plan. The required measurement is carried out twice a year. To reduce fugitive emissions resulting from painting activities, i.e., reduction of volatile organic substances pursuant to Ordinance No. 7 of 21.10.2003 for Emission Limit Values of Volatile Organic Compounds (VOC) Emitted into the Air due to the Use of Solvents in Certain Installations, the Company is about to launch catalytic burners in the new painting sector. SPARKY AD prepares annually Solvent Management Plan, which is coordinated by the Regional Inspection for Environment and Water, Rousse.

On the whole, the Company's production activities do not have a negative impact on environmental components and factors. A strategic goal is prevention of environmental pollution and when possible, minimum harmful environmental impact resulting from storage of materials, manufacturing of goods, and management of generated waste.

No sanctions have been imposed on the Company by the competent authorities pertaining to failure to comply with existing environmental protection regulations and standards. The Company operates in accordance with the legal requirements on environmental protection. No legal proceedings have been instituted against the Company, and no complaints have been lodged, in connection to environmental issues.

9. OPERATING AND FINANCIAL REVIEW

9.1. Financial Position

The following tables show the formation of income, expenses and the financial result of the Company for the last three financial years and to the date of the Registration Document, on consolidated and individual basis.

Table No. 16: Income Statement of SPARKY AD for the period 2004 – 30 September 2007 on an individual basis

INDICATOR	2004	2005	2006	9/30/2006	9/30/2007
BGN in thousands					
Operating income	18,270	20,499	31,365	22,987	39,035
Cost of materials	(9,145)	(12,893)	(18,023)	(13,013)	(18,974)
External services	(2,689)	(2,853)	(5,145)	(3,030)	(11,072)
Depreciation costs	(1,431)	(1,661)	(1,984)	(1,442)	(1,515)
Wages and salaries	(2,878)	(3,549)	(4,764)	(3,276)	(4,334)
Other expenses	(533)	(416)	(858)	(501)	(530)
Adjustments	(1,134)	1,623	2,200	641	3,751

Operating profit	**460**	**750**	**2,791**	**2,366**	**6,361**
Sale of non-current tangible assets	219	525	130	109	2,856
Financial expenses (net)	(592)	(537)	(680)	(460)	(816)
Foreign exchange gains/losses	31	(8)	(33)	(16)	(7)
Other financial expenses	(100)	(79)	(70)	(35)	(72)
Profit before tax	**18**	**651**	**2,138**	**1,964**	**8,322**
Tax (net)	(30)	(442)	(342)	-	-
Profit after tax	**(12)**	**209**	**1,796**	**1,964**	**8,322**

Source: *The individual audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and individual unaudited financial statements as of 30 September 2006 and 2007*

Table No. 17: Income Statement of SPARKY AD for the period 2004 – 30 September 2007 on a consolidated basis

INDICATOR	**2004**[4]	**2005**	**2006**	**9/30/2006**	**9/30/2007**
BGN in thousands					
Operating income	18,504	20,505	31,374	22,993	39,041
Cost of materials	(9,145)	(12,900)	(18,028)	(13,013)	(18,974)
External services	(2,689)	(2,860)	(5,147)	(3,031)	(11,074)
Depreciation costs	(1,431)	(1,661)	(1,984)	(1,448)	(1,515)
Wages and salaries	(2,878)	(3,555)	(4,770)	(3,276)	(4,339)
Other expenses	(533)	(416)	(859)	(501)	(530)
Adjustments	(1,149)	1,623	2,200	641	3,751
Operating profit	679	736	2,786	2,365	6,360
Sale of non-current tangible assets		525	130	109	2,856
Financial expenses (net)	(592)	(537)	(680)	(460)	(816)
Foreign exchange gains/losses	31	(8)	(33)	(16)	(7)
Other financial expenses	(100)	(79)	(70)	(35)	(72)

[4] The data about 2004 are on an individual basis. They has been added to the table presenting consolidated information from an analytical point of view, in order to allow comparison between the years;

Profit before tax	18	637	2,133	1,963	8,321
Tax (net)	(30)	(442)	(342)		
Profit after tax	(12)	195	1,791	1,963	8,321

Source: *The consolidated audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and consolidated unaudited financial statements as of 30 September 2006 and 2007.*

9.2. Operating results

9.2.1. Material factors, including unusual or rare events and new developments, that have a significant effect on the operating income of the issuer

The operating income of SPARKY AD results from sale of manufactured goods. For the period reviewed – the last three financial years and to the date of the Registration Document, the sales of the Company have been stable and steadily increasing. This increase is not due to unusual and rare events, since no such events have affected the operations. The increase in sales is due mainly to the attraction of new customers in the export of productions, increase of orders from existing customers, an improvement of the market positions of SPARKY AD, factors which are part of the normal operations of the company.

As a result of the sale of shares in a joint venture in 2007, an additional financial result is reported, and it is separated in the financial statements from the operating results.

In 2007 the company began construction operations, and they are recorded in the income tables below. A detailed description of the construction operations agreement is provided in item 22 of the present Registration Document.

9.2.2. Dynamics of net sales.

Operating income

Table No. 18: Dynamics of the income of SPARKY AD on an individual basis for the period 2004 – 30 September 2007

INCOME	2004	GROWTH	2005	GROWTH	2006	30.9.2006	GROWTH	30.9.2007
	BGN in thousands	*%*	*BGN in thousands.*	*%*	*BGN in thousands*	*BGN in thousands*	*%*	*BGN in thousands*
1. Production	12,876	*48.2%*	19,077	*52.6%*	29,119	21,309	*35.7%*	28,907
2. Goods	174	*-2.4%*	170	*25.7%*	213	151	*41.3%*	213

3. Services	163	*226.3%*	531	*-16.9%*	441	365	*-21.1%*	288
4. Others	5,057	*-85.7%*	722	*120.6%*	1,591	1,163	*728.0%*	9,628
TOTAL	**18,270**	***12.2%***	**20,499**	***53.0%***	**31,365**	**22,987**	***69.8%***	**39,035**

Source: *The individual audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and individual unaudited financial statements as of 30 September 2006 and 2007.*

Table No. 19: Dynamics of the income of SPARKY AD on a consolidated basis for the period 2004 – 30 September 2007

INCOME	**2004**[5]	**GROWTH**	**2005**	**GROWTH**	**2006**	**30.9.2006**	**GROWTH**	**30.9.2007**
	BGN in thousands	*%*	*BGN in thousands.*	*%*	*BGN in thousands.*	*BGN in thousands*	*%*	*BGN in thousands*
1. Production	12,876	*48.2%*	19,077	*52.6%*	29,119	21,309	*35.7%*	28,907
2. Goods	174	*-2.4%*	170	*25.7%*	213	151	*41.3%*	213
3. Services	163	*230.0%*	537	*-16.2%*	450	371	*-20.8%*	294
4. Others	5,057	*-85.7%*	722	*120.6%*	1,591	1,163	*728.0%*	9,628
TOTAL	**18,270**	***12.2%***	**20,505**	***53.0%***	**31,374**	**22,993**	***69.8%***	**39,041**

Source: *The consolidated audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and consolidated unaudited financial statements as of 30 September 2006 and 2007.*

Net sales during the period reviewed grew at an increasing rate, both on an individual and on a consolidated basis. If on an individual basis in 2004 there were annual sales of production (the main income item) to the amount of BGN 12,876,000, in 2005 there was growth by 48.2%, in 2006 against 2005 there was growth of 52.6%.

The same can be noticed with regard to total income, where growth rates are slower, mainly due to the decrease in the "Others" item, which was higher in preceding years. This is due on the one hand to individual divestments of assets, and on the other to the income from construction activities. In 2007 SPARKY AD sold shares in a joint venture and entered into a construction agreement under which SPARKY AD must build, in its capacity as main contractors, a fully completed construction materials store Praktiker, which is the source of the income from construction activities.

[5] The data about 2004 are on an individual basis. They have been added to the table presenting consolidated information from an analytical point of view to allow comparison between the years.

Total income, which is approximately identical on an individual and consolidated basis, registered a growth rate of 12.2% in 2005 against 2004 and growth of 53.0% in 2006 against 2005.

The significant growth is due mainly to the good governance by the management, the implementation of the strategy for development by means of an increase of the range of machines and other products, attraction of new customers, both on the domestic and the foreign market. To a certain degree a reason for the growth of income is the increase in prices of raw materials – ferrous metals and metal products – which entails an increase in the end selling price of the production of SPARKY AD, and respectively to a higher absolute value of income from production.

Table No. 20: Structure of the income of SPARKY AD on an individual basis for the period 2004 – 30 September 2007

INCOME	2004	SHARE	2005	SHARE	2006	SHARE	30.9.07	SHARE
	BGN in thousands	*%*	*BGN in thousands.*	*%*	*BGN in thousands.*	*%*	*BGN in thousands*	*%*
1. Production	12,876	*70.5%*	19,077	*93.1%*	29,119	*92.8%*	28,907	*74.1%*
2. Goods	174	*1.0%*	170	*0.8%*	213	*0.7%*	213	*0.5%*
3. Services	163	*0.9%*	531	*2.6%*	441	*1.4%*	288	*0.7%*
4. Others	5,057	*27.7%*	722	*3.5%*	1,591	*5.1%*	9,628	*24.7%*
Total	**18,270**	***100.0%***	**20,499**	***100.0%***	**31,365**	***100.0%***	**39,035**	***100.0%***

Source: *The individual audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and individual unaudited financial statement as of 30 September 2007.*

Table No. 21: Structure of the income of SPARKY AD on a consolidated basis for the period 2004 – 30 September 2007

INCOME	2004[6]	SHARE	2005	SHARE	2006	SHARE	30.9.07	SHARE
	BGN in thousands	*%*	*BGN in thousands*	*%*	*BGN in thousands*	*%*	*BGN in thousands*	*%*
1. Production	12,876	*70.5%*	19,077	*93.0%*	29,119	*92.8%*	28,907	*74.0%*
2. Goods	174	*1.0%*	170	*0.8%*	213	*0.7%*	213	*0.5%*
3. Services	163	*0.9%*	537	*2.6%*	450	*1.4%*	294	*0.8%*
4. Others	5,057	*27.7%*	722	*3.5%*	1,591	*5.1%*	9,628	*24.7%*

[6] The data about 2004 are on an individual basis. They has been added to the table presenting consolidated information from an analytical point of view, in order to allow comparison between the years;

Total	**18,270**	***100.0%***	**20,505**	***100.0%***	**31,374**	***100.0%***	**39,041**	***100.0%***

Source: *The consolidated audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and consolidated unaudited financial statement as of 30 September 2007.*

The structure of income is almost identical on an individual basis and on a consolidated basis during the period reviewed, and there is difference only in the income from services.

Income from production on an individual and consolidated basis for 2006 was BGN 31,365,000, and comprised mainly sales of agricultural machines, electric trucks, road construction excavators, and welding constructions. The share of production increased on an individual basis from 70.5% in 2004 to 92.8% in 2006. This is due both to the strong traditions in the main business, the investments in manufacturing capacities and the increased demand of these products as a whole, and to the decrase of the share of the „Others" item, which includes individual dispositions of assets and income from construction activities.

As a whole there is a well-expressed and stable structure of income, and the dynamics shows a sustained tendency for increase of the Company's income.

Operating expenses

Table No. 22: Dynamics of the expenses of SPARKY AD on an individual basis for the period 2004 – 30 September 2007

EXPENSES	**2004**	**GROWTH**	**2005**	**GROWTH**	**2006**	**30.9.06**	**GROWTH**	**30.9.07**
	BGN in thousands	*%*	*BGN in thousands*	*%*	*BGN in thousands.*	*BGN in thousands*	*%*	*BGN in thousands*
Materials	(9,145)	*41.0%*	(12,893)	*39.8%*	(18,023)	(13,013)	*45.8%*	(18,974)
External services	(2,689)	*6.1%*	(2,853)	*80.3%*	(5,145)	(3,030)	*265.4%*	(11,072)
Depreciation	(1,431)	*16.1%*	(1,661)	*19.4%*	(1,984)	(1,442)	*5.1%*	(1,515)
Salaries and wages	(2,878)	*23.3%*	(3,549)	*34.2%*	(4,764)	(3,276)	*32.3%*	(4,334)
Other expenses	(533)	*-22.0%*	(416)	*106.3%*	(858)	(501)	*5.8%*	(530)
Adjustments	(1,134)	*-243.1%*	1,623	*35.6%*	2,200	641	*485.2%*	3,751
TOTAL	**(17,810)**	***10.9%***	**(19,749)**	***44.7%***	**(28,574)**	**(20,621)**	***58.5%***	**(32,674)**

Source: *The individual audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and individual unaudited financial statements as of 30 September 2006 and 2007.*

Table No. 23: Dynamics of the expenses of SPARKY AD on a consolidated basis for the period 2004 – 30 September 2007

EXPENSES	2004[7]	GROWTH	2005	GROWTH	2006	30.9.06	GROWTH	30.9.07
	BGN in thousands	*%*	*BGN in thousands*	*%*	*BGN in thousands*	*BGN in thousands*	*%*	*BGN in thousands*
Materials	(9,145)	*41.1%*	(12,900)	*39.8%*	(18,028)	(13,013)	*45.8%*	(18,974)
External services	(2,689)	*6.4%*	(2,860)	*80.0%*	(5,147)	(3,031)	*265.4%*	(11,074)
Depreciation	(1,431)	*16.1%*	(1,661)	*19.4%*	(1,984)	(1,448)	*4.6%*	(1,515)
Salaries and wages	(2,878)	*23.5%*	(3,555)	*34.2%*	(4,770)	(3,276)	*32.4%*	(4,339)
Other expenses	(533)	*-22.0%*	(416)	*106.5%*	(859)	(501)	*5.8%*	(530)
Adjustments	(1,149)	*-243.3%*	1,623	*35.6%*	2,200	641	*485.2%*	3,751
TOTAL	**(17,825)**	***10.9%***	**(19,769)**	***44.6%***	**(28,588)**	**(20,628)**	***58.4%***	**(32,681)**

Source: *The consolidated audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and consolidated unaudited financial statements as of 30 September 2006 and 2007.*

Again, expenses on an individual and consolidated basis do not differ significantly. On an individual basis operating expenses move in parallel with the rates of income. In 2005 there was growth by 10.9% of total expenses against 2004, while in 2006 they reached 28,574, or up 44.7% against 2005.

SPARKY AD sold shares in a joint venture and entered into a construction agreement under which SPARKY AD must build, in its capacity as main contractor, a fully completed construction materials store Praktiker, which respectively incurs expenses for the implementation of the project.

The growth of expenses is slightly slower than the growth of income, which determines, besides the sustained growth of income, an increase in the margin of the operating profit.

Table No. 24: Structure of the expenses of SPARKY AD on an individual basis for the period 2004 – 30 September 2007

EXPENSES	2004	SHARE	2005	SHARE	2006	SHARE	9/30/2007	SHARE
	BGN in thousands	*%*	*BGN in thousands*	*%*	*BGN in thousands*	*%*	*BGN in thousands*	*%*
Materials	(9,145)	*51.3%*	(12,893)	*65.3%*	(18,023)	*63.1%*	(18,974)	*58.1%*

[7] The data about 2004 are on an individual basis. They have been added to the table presenting consolidated information from an analytical point of view to allow comparison between the years;

External services	(2,689)	*15.1%*	(2,853)	*14.4%*	(5,145)	*18.0%*	(11,072)	*33.9%*
Depreciation	(1,431)	*8.0%*	(1,661)	*8.4%*	(1,984)	*6.9%*	(1,515)	*4.6%*
Salaries and wages	(2,878)	*16.2%*	(3,549)	*18.0%*	(4,764)	*16.7%*	(4,334)	*13.3%*
Other expenses	(533)	*3.0%*	(416)	*2.1%*	(858)	*3.0%*	(530)	*1.6%*
Adjustments	(1,134)	*6.4%*	1,623	*-8.2%*	2,200	*-7.7%*	3,751	*-11.5%*
TOTAL	**(17,810)**	***100.0%***	**(19,749)**	***100.0%***	**(28,574)**	***100.0%***	**(32,674)**	***100.0%***

Source: *The individual audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and individual unaudited financial statement as of 30 September 2007.*

Table No. 25: Structure of the expenses of SPARKY AD on a consolidated basis for the period 2004 – 30 September 2007

EXPENSES	**2004**[8]	**SHARE**	**2005**	**SHARE**	**2006**	**SHARE**	**9/30/2007**	**SHARE**
	BGN in thousands	*%*	*BGN in thousands*	*%*	*BGN in thousands*	*%*	*BGN in thousands*	*%*
Materials	(9,145)	*51.3%*	(12,900)	*65.3%*	(18,028)	*63.1%*	(18,974)	*58.1%*
External services	(2,689)	*15.1%*	(2,860)	*14.5%*	(5,147)	*18.0%*	(11,074)	*33.9%*
Depreciation	(1,431)	*8.0%*	(1,661)	*8.4%*	(1,984)	*6.9%*	(1,515)	*4.6%*
Salaries and wages	(2,878)	*16.1%*	(3,555)	*18.0%*	(4,770)	*16.7%*	(4,339)	*13.3%*
Other expenses	(533)	*3.0%*	(416)	*2.1%*	(858)	*3.0%*	(530)	*1.6%*
Adjustments	(1,149)	*6.4%*	1,623	*-8.2%*	2,200	*-7.7%*	3,751	*-11.5%*
TOTAL	**(17,825)**	***100.0%***	**(19,769)**	***100.0%***	**(28,588)**	***100.0%***	**(32,681)**	***100.0%***

Source: *The consolidated audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and consolidated unaudited financial statement as of 30 September 2007.*

Materials stand out in the structure of expenses on an individual basis of SPARKY AD, and with their 63.1% in 2006 represent the main operating expense. They include basic production materials such as metals and metal products, overhead expenses on electricity, fuels and lubricants, etc. During the period reviewed the share of these expenses increased from 51.3% in 2004 to 63.1% in 2006.

In the second place are external services, which had a share of 18.0% of total operating expenses in 2006. These are expenses such as collaterals, renovation and maintenance of assets by an outside

8 The data about 2004 are on an individual basis. They has been added to the table presenting consolidated information from an analytical point of view, in order to allow comparison between the years;

company, consulting, government and municipal fees, general administrative and sales expenses, insurance costs, etc.

Costs of services see a significant increase in 2007 as a result of the construction activities, where external services are the main expense.

SPARKY AD sold shares in a joint venture and entered into a construction agreement under which SPARKY AD must build, in its capacity as main contractor, a fully completed construction materials store Praktiker, which respectively incurs expenses for the implementation of the project.

Salaries and wages, as well as social insurance expenses, are expenses on salaries and social insurance of the employees and management bodies of SPARKY AD. In the period reviewed these expenses remain constant in comparison to the total operating expenses, and the ratio of salaries to social insurance expenses is in the range of 3-4:1.

As income has been growing at a faster rate than operating expenses, the operating profit of the Company has been increasing significantly on an individual basis, from BGN 460,000 in 2004 to BGN 2,791,000 in 2006, or more than 6 times.

The financial expenses of the Company, consisting of income from/expenses on interest rates, foreign exchange gains and losses and income from/expenses on financial operations, remained at stable levels from BGN -661,000 in 2004 to BGN -783,000 in 2006 on an individual basis. The growth in financial expenses is related to the increased sales of the Company and its foreign trade operations.

Thus, for the period reviewed, the net profit of SPARKY AD increased from BGN -12,000 in 2004 to BGN 209,000 in 2005 and BGN 1,796,000 in 2006, again on an individual basis. On a consolidated basis the results were almost identical – the net profit reached from BGN -12,000 in 2004 to BGN 1,791,000 in 2006.

For the first nine months of 2007 the results are even better. On an individual basis operating income is BGN 39,035,000 (growth by 69.8% against the same period in 2006), operating income is BGN 6,361,000 (growth by 168.9% against the first nine months of 2006), and net profit reaches BGN 8,322,000, or growth by 323.7% against the first nine months of 2006.

9.2.3. Government, economic, fiscal, monetary policy or a political course or factors, that have had our could have a material effect, directly or indirectly, on the operations of the issuer

The activities of SPARKY AD are subject to the existing government, economic, tax, monetary and political factors that influence all business entities in Bulgaria, and inasmuch as the Company has export operations, it is also influenced by the same factors for the countries where it exports production. The operations of the Issuer have been positively influenced by the reduction of the corporate tax rate, which as of the beginning of 2007 is 10%.

In the event of successful completion of the present public offering, subject to this Registration Document, the Company will become public and will operate in accordance with POSA and the acts of secondary legislation pertaining to its implementation. The development of the capital market in Bulgaria and the legal regulation pertaining to it will influence the overall operations of the Issuer.

10. CAPITAL RESOURCES

10.1. Capital resources of the issuer

The capital sources and structure, as well as the liquidity of SPARKY AD, can be discerned form the capital structure and liquidity ratios of the Company:

Table No. 26: Capital structure of SPARKY AD on an individual basis for the period 2004 – 30 September 2007

CAPITAL STRUCTURE	2004	2005	2006	30.9.2007
BGN in thousands				
1. Current assets	13,920	12,296	24,808	28,063
2. Current liabilities	11,781	5,201	11,871	6,772
3. Net working capital: 1-2	2,139	7,095	12,937	21,291
4. Total assets	34,517	30,914	46,584	61,763
5. Equity	16,323	16,456	19,029	39,884
6. Loans and borrowings	18,194	14,458	27,555	21,879
7. Non-current liabilities	6,413	9,257	15,684	15,107
8. Equity to total assets ratio: 5/4	0.47	0.53	0.41	0.65
9. Borrowings to total assets ratio: 6/4	0.53	0.47	0.59	0.35
10. Non-current liabilities to equity ratio: 7/5	0.39	0.56	0.82	0.38
11. Equity to borrowings ratio: 5/6	0.90	1.14	0.69	1.82
12. Capital structure: 6/5	1.11	0.88	1.45	0.55
13. Current assets to equity ratio: 1/5	0.85	0.75	1.30	0.70
14. Borrowings to current assets ratio: 6/1	1.31	1.18	1.11	0.78

Source: *The individual audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and individual unaudited financial statement as of 30 September 2007.*

Table No. 27: Capital structure of SPARKY AD on a consolidated basis for the period 2004 – 30 September 2007

CAPITAL STRUCTURE	2004[9]	2005	2006	30.9.2007
BGN in thousands				
1. Current assets	13,920	12,291	24,794	28,048
2. Current liabilities	11,781	5,206	11,871	6,773
3. Net working capital: 1-2	2,139	7,085	12,923	21,275
4. Total assets	34,517	30,904	46,565	61,743
5. Equity	16,323	16,442	19,010	39,863
6. Loans and borrowings	18,194	14,463	27,555	21,880
7. Non-current liabilities	6,413	9,257	15,684	15,107
8. Equity to total assets ratio: 5/4	0.47	0.53	0.41	0.65
9. Borrowings to total assets ratio: 6/4	0.53	0.47	0.59	0.35
10. Non-current liabilities to equity ratio: 7/5	0.39	0.56	0.83	0.38
11. Equity to borrowings ratio: 5/6	0.90	1.14	0.69	1.82
12. Capital structure: 6/5	1.11	0.88	1.45	0.55
13. Current assets to equity ratio: 1/5	0.85	0.75	1.30	0.70
14. Borrowings to current assets ratio: 6/1	1.31	1.18	1.11	0.78

Source: *The consolidated audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and consolidated unaudited financial statement as of 30 September 2007.*

The capital structure tables, on an individual as well as on a consolidated bases, show stable levels, and specifically the non-current liabilities to equity ratio shows very good levels from 0.39 to 0.83 during the period reviewed, i.e. the Company's equity has consistently exceeded the non-current borrowings, which, given the improving capital structure and the generated positive cash flows, leaves the option for obtaining additional loans available.

10.2. Sources and Amount of Cash Flows

Sources of liquidity are defined as the funds that the company has available at a specific time to meet the expenses related to its ordinary activities.

The sources of liquidity may be divided into **INTERNAL** and **EXTERNAL**.

[9] The data about 2004 are on an individual basis. They have been added to the table presenting consolidated information from an analytical point of view, in order to allow comparison between the years.

<u>INTERNAL SOURCES</u> are those that do not depend on approval by third parties, and are entirely the result of the decisions of the management.

Used and potential internal sources of liquidity for SPARKY AD are retained earnings, as well as the reduction of inventory and current receivables, and increase of current liabilities.

<u>Retained earnings</u>

This is the main internal source of financing for any company. It is set up from the profit that was not distributed to the shareholders in the form of dividend, and instead remained within the Company.

In the last three financial years SPARKY AD has not distributed profits in the form of dividends, and thus retained earnings for the period reviewed equal net profit.

<u>Reduction of inventory</u>

When the company maintains or increases its inventory, it invests funds that it cannot use for other purposes. Thus, when inventory is decreased, the liquidity of SPARKY AD increases, since the funds invested in it are released.

<u>Increased control on receivables</u>

Any delays in the payment by Company's debtors, such as clients, suppliers, payments under extended loans, lead to a decrease in the liquidity of SPARKY AD. Hence measures for stricter control lead to an increase of the funds available to the Company.

<u>Increase of repayment period</u>

An increase in the period of repayment of the current liabilities of the Company in practice allows the company to use the funds needed for the payments for other purposes, i.e. it increases the liquidity of the Company.

<u>EXTERNAL SOURCES</u> are those that depend on approval by third parties outside the management.

The used and potential external sources of liquidity for SPARKY AD may be divided into short-term and long-term. Long-term sources are ordinary and preferred shares, corporate bonds, bank loans, financial lease, securitization of assets and "sale-reverse lease" operations. The short-term external sources of liquidity include bank overdrafts, instruments such as promissory notes, factoring, etc.

Ordinary shares

Issuing new shares is one of the main sources of liquidity for any company. Over the last three years SPARKY AD has increased its registered capital twice by issuing new shares – 785,200 shares were issued in September 2006, which increase the share capital from 214,880 to 1,000,000; and a further 2,000,000 new shares were issued June 2007, bringing the capital to 3,000,000.

Bank loans

Bank loans are one of the main sources of liquidity for the Company. They are debt capital extended by banks for a specified period, during which interest is accrued. They may be secured by an asset of the Company, and mortgage loans are a typical example. The bank loans of SPARKY AD are described in item 10.3.

Financial lease

This is a form of external financing similar to bank loans, and it is used for the purchase of certain assets (a building, machine, vehicle, etc.), whereby the asset is purchased by a bank or lease institution and is leased back to the Company that needs it. The lease contracts entered into by SPARKY AD over the last three years are described in detail in Section 8.1.

So far SPARKY AD has not used corporate bond issues, asset securitization and "sale-reverse lease" operations as external sources of financing, and these options remain open to the Company in the future, if further sources of liquidity for the financing of the investment plans are needed.

The short-term sources of liquidity include:

Bank overdraft

Bank overdraft is one of the main and most convenient sources of external liquidity, and essentially it allows the Company to maintain a negative balance on its bank account, which can be increased or decreased depending on the financial needs of the business.

Factoring

This is essentially sale of the receivables of the Company to a financial institution, which takes over the risk for their collection, and pays the Company usually between 80-90% of the receivables in advance.

SPARKY AD has not used so far as external sources of financing instruments such as factoring, and these options remain open to the Company in the future, if further sources of liquidity for the financing of the investment plans are needed.

During the three-year period reviewed the issuer has not had any liquidity problems, The cash flows generated from the aforementioned sources are entirely sufficient for financing the operations and development of the Company.

Table No. 28: Cash flows of SPARKY AD on an individual basis for the period 2004 – 30 September 2007

INDICATORS	2004	2005	2006	30.9.06	30.9.07
BGN in thousands					
CASH FLOWS					
4. Cash flows from operating activities	1,186	(2,819)	(703)	1,716	(1,977)
5. Cash flows form investing activities	(859)	1,052	(3,621)	(2,224)	812
6. Cash flows from financing activities	(115)	1,978	6,221	565	578
Changes in cash flows during the period	212	211	1,897	57	(587)
Cash flows at beginning of period	159	371	582	582	2,479
Cash flows at end of period	371	582	2,479	639	1,892

Source: *The individual audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and individual unaudited financial statements as of 30 September 2006 and 2007.*

Table No. 29: Cash flows of SPARKY AD on a consolidated basis for the period 2004 – 30 September 2007

INDICATORS	2004[10]	2005	2006	30.9.06	30.9.07
BGN in thousands					
CASH FLOWS					
4. Cash flows from operating activities	1,186	(2,816)	(705)	1,714	(1,977)
5. Cash flows form investing activities	(859)	1,052	(3,621)	(2,224)	812
6. Cash flows from financing activities	(115)	1,978	6,221	565	578
Changes in cash flows during the period	212	214	1,895	57	(587)
Cash flows at beginning of period	159	371	585	585	2,480
Cash flows at end of period	371	585	2,480	640	1,893

[10] The data about 2004 are on an individual basis. They has been added to the table presenting consolidated information from an analytical point of view, in order to allow comparison between the years;

Source: *The individual audited annual financial statements of SPARKY AD for 2004, 2005 and 2006 and consolidated unaudited financial statements as of 30 September 2006 and 2007.*

The following two tables present the liquidity and financial autonomy ratios of the Company, on an individual as well as on a consolidated basis:

Table No. 30: Dynamics of the liquidity and financial autonomy ratios of SPARKY AD on an individual basis for the period 2004 – 30 September 2007

INDICATORS	2004	2005	2006	30.9.2007
BGN in thousands				
1. Financial result	(12)	209	1,796	8,322
2. Net sales	18,270	20,499	31,365	39,035
3. Equity	16,323	16,456	19,029	39,884
4. Total liabilities (non-current and current)	18,194	14,458	27,555	21,879
5. Total assets	34,517	30,914	46,584	61,763
6. Income	18,270	20,499	31,365	39,035
7. Expenses	17,810	19,749	28,574	32,674
8. Current assets	13,920	12,296	24,808	28,063
9. Current liabilities	11,781	5,201	11,871	6,772
10. Current receivables	8,229	3,939	7,083	10,636
11. Short-term investments	-	-	-	-
12. Cash	371	582	2,479	1,892
PROFITABILITY INDICATORS				
13. Net profit margin: 1/2	-0.07%	1.02%	5.73%	21.32%
14. Return on equity: 1/3	-0.07%	1.27%	9.44%	20.87%
15. Return on liabilities: 1/4	-0.07%	1.45%	6.52%	38.04%
16. Return on assets: 1/5	-0.03%	0.68%	3.86%	13.47%
EFFICIENCY INDICATORS				
17. Efficiency of expenses ratio: 6/7	1.03	1.04	1.10	1.19
18. Efficiency of income ratio: 7/6	0.97	0.96	0.91	0.84
LIQUIDITY INDICATORS				
19. Current ratio: 8/9	1.18	2.36	2.09	4.14
20. Quick ratio: (10+11+12)/9	0.73	0.87	0.81	1.85
21. Acid test ratio: (11+12)9	0.03	0.11	0.21	0.28
22. Cash ratio: 12/9	0.03	0.11	0.21	0.28
FINANCIAL AUTONOMY				
23. Financial autonomy ratio: 3/4	0.90	1.14	0.69	1.82

24. Debt to equity ratio: 4/3	1.11	0.88	1.45	0.55
25. Ability to cover interest	0.78	1.40	4.10	7.80

Source: *The individual audited annual financial statements of SPARKY AD for 2004, 2005 and 2006*

Table No. 31: Dynamics of the liquidity and indebtedness ratios of SPARKY AD on a consolidated basis for the period 2004 – 30 September 2007

FINANCIAL RATIOS	**2004**[11]	**2005**	**2006**	**30.9.2007**
BGN in thousands				
1. Financial result	(12)	195	1,791	8,321
2. Net sales	18,504	20,505	31,365	39,041
3. Equity	16,323	16,442	19,010	39,863
4. Total liabilities (non-current and current)	18,194	14,463	27,555	21,880
5. Total assets	34,517	30,904	46,565	61,743
6. Income	18,504	20,505	31,374	39,041
7. Expenses	17,825	19,749	28,588	32,681
8. Current assets	13,920	12,291	24,794	28,048
9. Current liabilities	11,781	5,206	11,871	6,773
10. Current receivables	8,229	3,931	7,068	10,620
11. Short-term investments	-	-	-	-
12. Cash	371	585	2,480	1,893
PROFITABILITY RATIOS				
13. Net profit margin: 1/2	-0.06%	0.95%	5.71%	21.31%
14. Return on equity: 1/3	-0.07%	1.19%	9.42%	20.87%
15. Return on liabilities: 1/4	-0.07%	1.35%	6.50%	38.03%
16. Return on assets: 1/5	-0.03%	0.63%	3.85%	13.48%
EFFICIENCY RATIOS				
17. Efficiency of expenses ratio: 6/7	1.04	1.04	1.10	1.19
18. Efficiency of income ratio: 7/6	0.96	0.96	0.91	0.84
LIQUIDITY RATIOS				
19. Current ratio: 8/9	1.18	2.36	2.09	4.14
20. Quick ratio: (10+11+12)/9	0.73	0.87	0.80	1.85
21. Acid test ratio: (11+12)9	0.03	0.11	0.21	0.28
22. Cash ratio: 12/9	0.03	0.11	0.21	0.28
DEBT				

[11] The data about 2004 are on an individual basis. They has been added to the table presenting consolidated information from an analytical point of view, in order to allow comparison between the years;

23. Financial autonomy ratio: 3/4	0.90	1.14	0.69	1.82
24. Debt to equity ratio: 4/3	1.11	0.88	1.45	0.55
25. Interest cover	1.15	1.37	4.10	7.79

Source: *The consolidated audited annual financial statements of SPARKY AD for 2004, 2005 and 2006.*

The indebtedness and liquidity ratios of the Company for the period reviewed are excellent. Attention should be paid to the ability to cover interest ratio, which reflects the ability of SPARKY AD to cover its current liabilities. The Company registers a significant growth in this ratio both non an individual and on consolidated basis. On an individual basis this ratio reached from 0.78 in 2004 to 7.80 in 2006, i.e. the operating profit generated by the business of SPARKY AD may cover more than 8 times more payments of interest on debts.

The profitability ratios of the Company are important too. In 2004 due to the negative financial results they were negative, but they register a significant growth during the period reviewed and reach on an individual basis respectively 20.87% for return on equity (ROE) and 13.47% for return on assets (ROA).

10.3. Loans and Financing of the Issuer

The loans of SPARKY AD as of 30 September 2007 are as follows:

Table No. 32: Loans of SPARKY AD as of 30 September 2007

BANK	TYPE OF LOAN	DATE OF RECEIPT	INTEREST RATE	AMOUNT EXTENDED	OUTSTANDING AMOUNT AS OF 30.09.07	MATURITY
Banka DSK EAD	Working capital loan, revolving	4 Nov 2005	3-month EURIBOR + 2.20%	EUR 6,050,000	EUR 6,050,000	2008
UniCredit Bulbank AD	Working capital loan, revolving	19 Dec 2005	3-month EURIBOR + 3.00%	EUR 750,000	EUR 750,000	2008
DEG	Investment loan	20 Dec 2001	6-month EURIBOR + 3.50%	EUR 720,000	EUR 257,125	2009
Private investors	Investment loan	20 Dec 2001	6-month EURIBOR + 3.50%	EUR 192,000	EUR 68,569	2009
Sparky GmbH	Investment loan	20 Dec 2001	6-month EURIBOR + 3.50%	EUR 366,000	EUR 130,713	2009

Source: *SPARKY AD*

Table No. 33: Lease obligations of SPARKY AD as of 30 September 2007

AGREEMENT	CONTRACTING PARTY	SUBJECT	VALUE	OUTSTANDING AMOUNT AS OF 30.09.07	CURRENCY
Procurement contract	Sofia Leasing EAD	Vehicle Peugeot Partner XT	15,373	10,472	EUR
Procurement contract	Sofia Leasing EAD	Vehicle Peugeot Partner XT	15,373	10,472	EUR
Procurement contract	Sofia Leasing EAD	Vehicle Peugeot Boxer FT	23,721	15,711	EUR
Financial lease contract	Raiffeisen Leasing Bulgaria Bulgaria OOD	Equipment – Hydraulic hammer F 19	20,500	15,571	EUR
Financial lease contract	Raiffeisen Leasing Bulgaria Bulgaria OOD	Wheeled excavator HYUNDAI ROBRX	118,700	90,158	EUR
Financial lease contract	DSK Leasing AD	Gas filtration system	178,100	116,119	EUR
Financial lease contract	DSK Leasing AD	Equipment	71,800	62,130	EUR
Financial lease contract	DSK Leasing AD	Equipment – electric hoist and crane metal structure	83,745	70,345	EUR
Financial lease contract	DSK Leasing AD	Equipment – standing crane with electric hoist	8,528	7,164	EUR
Financial lease contract	DSK Leasing AD	Equipment - 2 standing cranes with electric hoists	18,713	15,719	EUR
Financial lease contract	DSK Leasing AD	Equipment - electric hoist and crane metal structure	64,341	54,046	EUR
Financial lease contract	DSK Leasing AD	Equipment - standing crane with electric hoist	9,684	8,134	EUR
Financial lease contract	DSK Leasing AD	Equipment - standing crane with electric hoist	8,764	7,361	EUR
Financial lease contract	DSK Leasing AD	Equipment - standing crane with electric hoist	8,288	6,962	EUR
Financial lease contract	DSK Leasing AD	Equipment – workshop gas-ceramic heating with radiators of the French company SBM	80,235	43,403	EUR
Financial lease contract	DSK Leasing AD	Equipment - 2 machining centres IS 800	27,900	24,150	EUR
Financial lease contract	DSK Leasing AD	Equipment - Band-cutting KASTO	50,000	37,530	EUR
Financial lease contract	DSK Leasing AD	Equipment – Welding devices and welding accessories	16,080	0	EUR

Financial lease contract	DSK Leasing AD	Equipment – robotic welding system FANUC	83,730	62,814	EUR
Financial lease contract	DSK Leasing AD	Equipment - 2 machining centres IS 800	27,900	20,923	EUR
Financial lease contract	DSK Leasing AD	Equipment - Sinumerik 840 DI and aggregate machine AM7	49,601	38,501	EUR
Financial lease contract	DSK Leasing AD	Equipment - Shot-blasting machine Roesler RRB 22/5	176,908	139,328	EUR
Financial lease contract	UniCredit Leasing Bulgaria EAD	Equipment – Plasma cutting machine	81,170	25,224	EUR
Financial lease contract	HVB AUTO LEASING	Automobile Toyota Avensis	25,758	8,752	EUR

Source: *SPARKY AD*

10.4. Information on Any Restrictions on the Use of Capital Resources

There is no information on restrictions on the use of capital resources that have had or could have, directly or indirectly, significant effect on the activities of SPARKY AD.

10.5. Information Pertaining to Expected Sources of Funding Needed to Perform the Commitments Specified in Sections 5.2.3. and 8.1.

The Issuer has not undertaken to incur any specific capital expenditure that requires funding, as specified in Section 5.2.3. of the present Registration Document.

The investment program specified in Section 8.1. pertains to investments that are part of the ordinary operating cycle of the Company and are needed to maintain the production capacity of the Company. These investment expenses will be covered by the generated cash flows of SPARKY AD.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

With regards to the development of a new customer who is a world leader on the market of road construction solutions, SPARKY AD is currently implementing new welded constructions, which are part of the following machines:

- *Bedding and boxes* – Welded construction intended for road-construction machines as part of the operating part of the respective machine;
- *Scissors mechanisms* – Welded construction intended for destructive machinery.

The Company is continually expanding its markets as a sub-contractor of lifting and road-construction equipment manufacturers. In technical terms the products on this market fall basically in the following classic categories: plinths, chassis, booms, hinges, buckets, masts. The specifics are in that the company offers bespoke solutions to its customers, which opens up numerous market opportunities for SPARKY AD by making the same series of products for various customers.

Alongside, the Company is constantly developing new technologies for the development of the aforementioned products in accordance with the specifications of the individual customer. For that purpose SPARKY AD maintains a team of engineers who have specialized in that field and have enormous experience in developing various technologies in the manufacture of these products. The Company has established R&D practices which are required for the timely and quality execution of each order.

In theory the process of implementing the manufacture of a new product can be considered in two stages:

Technical preparation of the manufacture when implementing new products from the main production using documentation from third-party developers.

<u>*1) Technical expert opinion*</u> – a third-party expert opinion on the construction documentation for completeness and thoroughness of information; technological and metrological expert opinions.

<u>*2) Technological expert opinion*</u> on the construction documentation by third-party developers- checking the compliance of the technical solutions and the technological parameters for implementing the most rational means of manufacturing, commissioning into operation and maintenance of the introduced product.

<u>*3) Metrological expert opinion*</u> – analysis and evaluation of metrological decisions in the construction documentation for the accurate use of the metrical units and physical terms, for the selection of measuring parameters, the set standards on accuracy and the provision of methods and means of measuring.

Implementing products from the main production using third-party developers' documentation including the following stages:

<u>*1) Planning of the design and development of the product*</u>

After the customer has confirmed the offer and a contract for manufacturing the products has been concluded, a co-ordination request is made in terms of the necessity to renegotiate the product price with the customer in the event of significant changes in the technical documentation, in the degrees and terms for the technical preparation of the manufacturing. A team of employees takes decisions about: the necessary and possible technological route and time for manufacturing the products; studying the information provided by the Assignor regarding the technological expertise, the tools and technological equipment for manufacturing the products, technological coordination of the construction documentation, the need of adapting the construction documentation, the type and form of the technological documentation, the necessary tools and measuring equipment, the documentation for the tools and the ready-made equipment.

2) Developing a prototype

The R&D experts provide the technical preparation for developing the prototype. The manufacturing of the prototype itself is carried out in a Prototype Centre created specifically for this purpose. The manufacturing of the tools and equipment is carried out in an Equipment Production Plant.

The technological preparation comprises: (a) developing versions of the design of technological routes and tools and equipment (b) evaluation of the efficiency of the developed designs of versions for technological routes and equipment according to the required series by the customer and (c) establishing a Technical Committee for the technological route and tools and equipment.

3) Trial series

The production of a trial series consists of developing versions and designs for technological routes for preparing a series depending on the customer's proposed product series. An efficiency evaluation of the developed projects for versions on technological routes and equipment is prepared and thereafter confirmed by the Technical Committee. The production of such a series includes implementing the technological route into the manufacturing process, timing the operations and updating the remuneration.

4) First Production Series

The first production series means the ultimate actual commissioning into regular production of the new product.

12.INFORMATION ON THE TRENDS

12.1. Significant trends from the end of the last financial year to the date of the Registration Document.

From the end of the last financial year to the moment of submitting the Registration Document two new workshops have been commissioned into operation, hence increasing the production capacity of the Company:

1) Welding workshop operating with the ESAB welding machines MIG/MAC and gas-cutting machines with CNC control system;

2) Painting workshop with two painting lines – one for small-sized parts consisting of an electrostatic painting chamber and a drier, and one for big-sized parts consisting of a preparatory chamber, a painting chamber and a drier;

Furthermore, it is part of the managerial strategy of SPARKY AD to constantly purchase more efficient equipment for the two new plants as well as in the other stages of the production cycle with a view to improving further the production capacity of the Company.

SPARKY AD received revenue from the sale of shares in its subsidiary Praktiker Real Estate OOD and revenue from performing a construction contract, described in Section 22 of this Registration Document, pursuant to which SPARKY AD is obligated to build, being the Chief Assignee, a PRAKTIKER store for construction materials completed to the key. The construction contract was performed and SPARKY AD handed over a Praktiker store by utilization permit No. CT – 12 – 820 of 19 September 2007.

12.2. Trends, insecurities, requirements, commitments or circumstances that might have a significant impact on the Issuer's perspectives for the current financial year

There are no known trends, insecurities, requirements, commitments or circumstances which are expected to have a significant impact on the perspectives of the Issuer at least for the current financial year.

13. FORECAST OR APPROXIMATE PROFIT

13.1. Main assumptions and factors on which the forecast is based

<u>Factors which the Managing Bodies could influence:</u>

- The structure of revenue formed on the basis of historical data about the revenue is preserved. Income from construction activities is part of the company's core activity. A very low rate of growth is forecast for it taking into consideration that the Company does not plan to expand this line of business but maintain a certain amount of income from construction activities;
- In terms of the expenses, the cost of materials will represent the main item followed by external services and remuneration expenses and the structure is formed on the basis of historical data from the past years;

- Sustaining stable levels of operating profit is planned and the profit will slightly increase due to investments in new machines and improvement of the overall production capacity of the Company.
- Maintaining good commercial relationships with suppliers and selection of other suppliers, which will secure the company's needs of high quality raw materials and inventories;
- The remuneration expenses increase due to an expected increase of the average salary for the country;
- Almost the same levels of short-term and long-term liabilities to banks are forecast for the next three years;
- According the Company's production strategy, a slight decrease in the percentage of inventories to sale revenue is forecast, which is part of the Company's strategy for inventory optimization;
- The Company does not plan significant sales of fixed assets during the forecast period;
- The Company does not plan to increase its equity and reserves and the equity of the Company will grow by the amount of the retained earnings through the years;
- SPARKY AD does not plan any changes in its current accounting policy;
- The Company plans to continue the dividend policy and dividends will be reinvested in the Company.

Factors which the Managing Bodies cannot influence:

- Change in the political and economic environment in Bulgaria as well as in the countries where the Company sells its production;
- Change in the legislation for the sector in Bulgaria as well as on the foreign markets;
- Radical change in the prices of raw materials;
- Stability of the currency board in Bulgaria and maintaining a fixed exchange rate the Bulgarian lev to the euro;
- The interest rates at which the Issuer can secure external financing etc;
- A 10% corporate income tax is assumed;

13.2. A report by independent accountants or auditors stating that the forecast has been correctly calculated on the specified basis and that the accounting basis used for the forecast is in compliance with the accounting policies of the issuer.

According to the Report dated 9 November 2007 of the specialized auditing company GRANT THORNTON OOD the forecast in this Registration Document is correctly calculated on the specified basis and the accounting basis used for the forecast is in compliance with the accounting policies of SPARKY AD.

13.3. Forecast Financial Information

a) Balance Sheet

Table No. 34: Forecast Balance Sheet of SPARKY AD for the period 2007 – 2010

	2006	30.9.2007	2007	2008	2009	2010
	BGN in thousands	BGN in thousands	BGN in thousands	BGN in thousands	BGN in thousands	BGN in thousands
ASSETS						
NON-CURRENT ASSETS						
Property, Plant & Equipment	21,634	12,542	12,034	14,307	16,559	18,810
Intangible non-current assets	105	56	48	109	171	234
Investments in subsidiaries and other companies	6	21,071	21,071	21,071	21,071	21,071
Deferred tax assets	31	31	31	31	31	31
TOTAL NON-CURRENT ASSETS	**21,776**	**33,700**	**33,184**	**35,517**	**37,832**	**40,146**
CURRENT ASSETS						
Inventory	15,246	15,535	17,303	17,122	21,026	25,744
Receivables from affiliated companies	16	2,017	1,540	1,485	951	1,188
Borrowings and advances	7,067	8,619	8,917	6,752	8,407	10,295
Cash	2,479	1,892	3,699	15,914	23,569	33,215
TOTAL CURRENT ASSETS	**24,808**	**28,063**	**31,458**	**41,275**	**53,953**	**70,442**
TOTAL ASSETS	**46,584**	**61,763**	**64,642**	**76,792**	**91,784**	**110,588**

The increase in fixed assets corresponds to the management plans for investments in fixed assets specified in item 8.1. They depend on the growth in production and the Company respectively and they are also with a view to purchasing new modern machines and equipment which will improve the productivity and effectiveness of the production process, reduce the cost of unit produce and improve the competitiveness of the Company as a whole.

No new long-term investments in subsidiary companies are planned.

As part of the production policy, certain inventories are maintained in view of the conditions on the market and the sales of the Company. The expected continued trend of growth in the sale revenue influences the level of inventories and receivables and advances of the Company which also increase.

	2006	30.9.2007	2007	2008	2009	2010
	BGN in thousands	BGN in thousands	BGN in thousands	BGN in thousands	BGN in thousands	BGN in thousands
EQUITY AND LIABILITIES						
EQUITY						
Share capital	1,000	3,000	3,000	3,000	3,000	3,000
Revaluation reserve	10,589	768	768	768	768	768
Other provisions	4,408	4,608	4,608	4,608	4,608	4,608
Financial result	3,032	31,508	31,935	41,008	52,656	67,349
TOTAL EQUITY	**19,029**	**39,884**	**40,311**	**49,384**	**61,032**	**75,725**
NON-CURRENT LIABILITIES						
Loans from affiliates	1,532	153	104	-	-	-
Other non-current liabilities	14,152	14,954	14,708	14,708	15,025	15,459
TOTAL NON-CURRENT LIABILITIES	**15,684**	**15,107**	**14,813**	**14,708**	**15,025**	**15,459**
CURRENT LIABILITIES						
Payables and advances	10,543	5,622	8,451	11,583	14,462	17,955
Liabilities to affiliates	615	423	312	295	366	452
Short-term borrowings	713	727	755	821	900	998
TOTAL CURRENT LIABILITIES	**11,871**	**6,772**	**9,519**	**12,699**	**15,727**	**19,404**
TOTAL EQUITY AND LIABILITIES	**46,584**	**61,763**	**64,642**	**76,792**	**91,784**	**110,588**

Source: *Forecast financial information of SPARKY AD*

No increase in equity is expected until the shares in the Company are admitted to trading on a regulated market. As of the time of drawin gup of this Registration Document, the Company does not plan any increases in equity and it is expected that the same levels of revaluation and other reserves will be maintained.

There are plans for full repayment of the long-term loans to related parties and relatively constant levels of long-term obligations which will lead to an improvement in the long-term debt/equity ratio.

b) Income Statement

Table No. 35: Forecast Income Statement of SPARKY AD for the period 2007 – 2010

	2006	30.9.2007	2007	2008	2009	2010
	BGN in thousands	BGN in thousands	BGN in thousands	BGN in thousands	BGN in thousands	BGN in thousands
Operating income	**31,365**	**39,035**	**49,373**	**62,312**	**77,583**	**95,007**
Production	29,119	28,907	38,686	49,769	63,704	79,630
Goods	213	213	284	365	467	583
Services	441	288	384	754	965	1,207
Construction	-	8,451	8,451	8,705	8,966	9,235
Others	1,592	1,176	1,568	2,720	3,481	4,352
Operating expenses	**(28,574)**	**(32,674)**	**(41,310)**	**(50,802)**	**(62,863)**	**(76,503)**
Materials	(18,023)	(18,974)	(24,500)	(30,471)	(37,706)	(46,653)
External services	(5,145)	(11,072)	(11,789)	(14,220)	(16,339)	(18,355)
Depreciation expenses	(1,984)	(1,515)	(2,054)	(2,556)	(3,162)	(3,847)
Remuneration expenses	(4,764)	(4,334)	(5,635)	(6,094)	(7,541)	(9,178)
Other expenses	(858)	(530)	(650)	(1,016)	(1,257)	(1,530)
Adjustments	2,200	3,751	3,318	3,555	3,142	3,059
Operating profit	**2,791**	**6,361**	**8,063**	**11,511**	**14,721**	**18,504**
Financial result from sale of non-current tangible assets	130	2,856	2,856	-	-	-
Financial expenses (net)	(680)	(816)	(1,095)	(1,303)	(1,622)	(1,986)
Foreign exchange gains/losses	(33)	(7)	(7)	(11)	(14)	(17)
Other financial expenses	(70)	(72)	(96)	(115)	(143)	(175)
Profit before tax	**2,138**	**8,322**	**9,721**	**10,082**	**12,942**	**16,325**
Tax (net)	(342)	-	(972)	(1,008)	(1,294)	(1,633)
Profit after tax	**1,796**	**8,322**	**8,749**	**9,074**	**11,648**	**14,693**

Source: *Forecast financial information from SPARKY AD*

The income and expenses for the activities of SPARKY AD for 2007 are formed on the basis of the interim financial statements as of 30 September 2007 and the trial balances as of the time of submission of this Prospectus.

The planned growth in sale income until 2010 is formed on the basis of the expectations for preservation of the trend from the past years and there are also plans for a growth in general income which is lower than the one in 2006 (53%) and the one for the nine months of 2007 in comparison to the nine months of 2008 (69.8%). During the period under review, the plans are for the growth to decrease with every year.

The operating expenses take into account the historic structure and dependence in their formation.

Both the income and expenses take into account the planned capital investments which will improve the productivity anf effectiveness of the production process and reduce the cost of unit produce.

The indicated one-time net effect of sale in shares in a subsidiary company will lead to an increase in the net profit in 2007.

c) Cash Flow Statement

Table No. 36: Forecast Cash Flow Statement of SPARKY AD for the period 2007 – 2010

	2007	2008	2009	2010
	BGN in thousands	BGN in thousands	BGN in thousands	BGN in thousands
Cash flow from operating activity				
Net Income	8,749	9,074	11,648	14,693
Corrections:				
Depreciation expenses	2,054	2,556	3,162	3,847
(Gain)/Loss from sale and write-off of assets	(4,492)	-	-	-
(Gain)/Loss from in-kind contribution in a subsidiary	1,636	0	0	0
Change in inventory	(2,057)	181	(3,904)	(4,717)
Change in trade and other receivables	(3,374)	2,219	(1,120)	(2,126)
Change in trade and other payables	(2,394)	3,115	2,950	3,579
TOTAL	**122**	**17,144**	**12,735**	**15,275**
Cash flow from investing activities				
Acquisition of non-current tangible assets	(6,165)	(4,890)	(5,476)	(6,161)
Income from sale of non-current tangible assets	6,954	-	-	-
TOTAL	**789**	**(4,890)**	**(5,476)**	**(6,161)**
Cash flow from financing activities				
Long-term loans (net)	276	(104)	317	434
Short-term loans (net)	42	66	79	98
TOTAL	**309**	**(39)**	**395**	**532**
Change in cash for the period	1,220	12,216	7,654	9,646

Cash at beginning of period	2,479	3,699	15,914	23,569
Cash at end of period	3,699	15,914	23,569	33,215

Source: *Forecast financial information from SPARKY AD*

The cash flows forecast are formed on the basis of the forecast balance sheet and income statement and also on the basis of the interim financial statements as of 30 September 2007 and the trial balances as of the date of drawing up of this Prospectus.

14. ADMINISTRATIVE, MANAGING AND SUPERVISORY BOARDS AND SENIOR MANAGEMENT

14.1. Members of the Supervisory Board and the Management Board

SPARKY AD has a two-tier management system – Supervisory Board consisting of 3 physical persons and a Management Board consisting of 8 physical persons.

14.1.1.Members of Supervisory Board

Mr. STANISLAV CHAVDAROV PETKOV – Chairman of the Supervisory Board

Education:

Mr. Stanislav Chavdarov Petkov is a mechanical engineer M.Sc.Eng, a graduate of the Technical University in Sofia as well as of the Foreign Trade Academy in Moscow, specializing MBA.

Experience:

He commenced his career as a technologist in the Institute for Heavy Machinery Construction in Radomir (1981 – 1982). From 1982 until 1984 he represented Elprom Borken GmbH in Bulgaria. From 1987 until 1989 he worked as a specialist at Elektroimpex, Sofia. He was Manager of FRED SPARKY OOD, Sofia (1989 – 1998) and Chairman of the Management Board of SPARKY ELTOS (1996 –1999). Mr. Petkov is an associate and Manager of SPARKY GmbH Germany, a shareholder and Chairman of the Supervisory Board of SPARKY GROUP AD Sofia and Chairman of the Supervisory Board of SPARKY ELTOS AD.

Business address:

Sofia, Serdica Region, 18 Purva Bulgarska Armia Str.

Work performed outside SPARKY AD:

PERIOD	POSITION
Since 1991	Manager and associate in SPARKY GmbH, Berlin, Germany
Since 1999	Chairman of SB in SPARKY ELTOS AD
Since 2002	Chairman of SB and a shareholder in SPARKY GROUP AD

For the past five years Mr Stanislav Chavdarov Petkov has not been:

a) Convicted of fraud;

b) related to bankruptcy, management by a receiver or liquidation in his capacity of a founder or a member of administrative, managing and supervisory boards in other companies;

c) officially and publicly incriminated and no sanctions have been imposed on him by statutory or regulatory bodies (including certain professional bodies);

d) deprived by court of being a member of the administrative, managing and supervisory boards of an issuing company nor of holding management positions or executing the activity of the issuing company;

e) imposed coercive administrative measures or administrative penalties.

Family relationships:

Mr. Stanislav Chavdarov Petkov is not a spouse or a relation up to 3rd degree including under direct line of descent or the lateral branch with another member of the Supervisory Board or the Management Board of SPARKY AD.

Mr. PETER IVANOV BABOURKOV – Member of the Supervisory Board

Education:

Mr. Peter Ivanov Babourkov has acquired a degree in International Economic Relations at Moscow State Institute for International Relations;

Experience:

He commenced his career at VTO Elektroimpex Sofia as a specialist and later as a chief specialist (1982 – 1989). From 1989 till 1998 he was Manager of FRED SPARKY OOD Sofia. In 1993 he was elected Chairman of the Management Board of SPARKY ELTOS and held that position until 1999.

Business address:

Sofia, Serdica Region, 18 Purva Bulgarska Armia Str.

Work performed outside SPARKY AD:

PERIOD	POSITION
Since 1991	General Manager and associate in SPARKY GmbH, Berlin, Germany
Since 1999	Chairman of the Management Board in SPARKY ELTOS AD
Since 2002	Chairman of SB and a shareholder in SPARKY GROUP

AD

For the past five years Mr. Peter Ivanov Babourkov has not been:

a) convicted of fraud;

b) related to bankruptcy, management by a receiver or liquidation in his capacity of a founder or a member of administrative, managing and supervisory bodies in other companies;

c) officially and publicly incriminated and no sanctions have been imposed on him by statutory or regulatory bodies (including certain professional bodies);

d) deprived by court of being a member of the administrative, managing and supervisory boards of an issuing company nor of holding management positions or executing the activity of the issuing company;

e) imposed coercive administrative measures or administrative penalties.

Family relationships:

Mr. Peter Ivanov Babourkov is not a spouse or a relation up to 3rd degree including under direct line of descent or the lateral branch, with another member of the Supervisory Board or the Management Board of SPARKY AD.

Mr. IVAN PETROV ENICHEROV – Member of the Supervisory Board

Education:

Mr. Ivan Petrov Enicherov has acquired a degree from the Faculty of Law at Sofia University St. Kliment Ohridski.

Experience:

He commenced his career at the Ministry of Culture as a legal adviser and later he was appointed Head of the Legal Department in the Committee on Property of the Totalitarian Parties and Organizations at the Ministry of Finance; he also held many other legal positions in the administration. In the period (2002 – 2006) he was a part-time lecturer at Sofia University St. Kliment Ohridski.

Business address:

Rousse, 1 Rozova Dolina Str.

Work performed outside SPARKY AD:

PERIOD	POSITION
1996 - to date	Member of the Committee on Distribution and Exploitation of the Public Property at the Council of Ministers
2001 - 2005	Counsellor in the Committee on Culture at XXXIX National Assembly
2001- to date	Member of the Interdepartmental Committee for State Property Outside the Country at the Council of Ministers
2001 - to date	Member of the Committee on Agriculture Lands at the Ministry of Agriculture and Forestry.
2003 - to date	Member of the State Committee on Gambling
2005 - to date	Member of the Central Committee for Political and Civil Rehabilitation
2002 – 2006	A part-time lecturer at Sofia University 'St. Kliment Ohridski'
1999 - to date	Chairman of the Management Board of Tekstil Lazur AD Varna;
2004 - to date	Member of the Management Board of Transit Trading Zone AD Varna;
2005 - to date	Representative of the country in the General Assembly of Shareholders in Banking Consolidation Company AD and in Encouragement Bank AD;

For the past five years Mr. Ivan Petrov Enicherov has not been:

a) convicted of fraud;

b) related to bankruptcy, management by a receiver or liquidation in his capacity of a founder or a member of administrative, managing and supervisory bodies in other companies;

c) officially and publicly incriminated and no sanctions have been imposed on him by statutory or regulatory bodies (including certain professional bodies);

d) deprived by court of being a member of the administrative, managing and supervisory bodies of an issuing company nor of holding management positions or executing the activity of the issuing company;

e) imposed coercive administrative measures or administrative penalties.

Family relationships:

Mr. Ivan Petrov Enicherov is not a spouse or a relation up to 3rd degree including under direct line of descent or the lateral branch with another member of the Supervisory or Management Boards of SPARKY AD.

14.1.2.Members of the Management Board

Mr. CHAVDAR MITEV PLAHAROV – Member of the Management Board and Executive Director of the Company

Education:

Mr. Chavdar Mitev Plaharov is a graduate of the Higher Institute of Economics in Prague, the Czech Republic;

Experience:

He commenced his career at Elektroimpex Sofia as a merchandiser. For the period 1989 – 2004 he was Manager of Capricorn Communication, the Czech Republic. In 2004 he was a Commercial Manager at SPARKY AD.

Business address:

Rousse, 1 Rozova Dolina Str.

Work performed outside SPARKY AD:

PERIOD	POSITION
1989 – 2004	Manager of Capricorn Communication, the Czech Republic
2000 - to date	Manager of Simon OOD, the Czech Republic

In the last five years Mr. Chavdar Mitev Plaharov is not:

a) convicted of fraud;

b) related to bankruptcy, management by a receiver or liquidation in his capacity of a founder or a member of administrative, managing and supervisory bodies in other companies;

c) officially and publicly incriminated and no sanctions have been imposed on him by statutory or regulatory bodies (including certain professional bodies);

d) deprived by court of being a member of the administrative, managing and supervisory bodies of an issuing company nor of holding management positions or executing the activity of the issuing company;

e) imposed coercive administrative measures or administrative penalties.

Family relationships:

Mr. Chavdar Mitev Plaharov is not a spouse or a relation up to 3rd degree including under direct line of descent or the lateral branch with another member of the supervisory or management boards of SPARKY AD.

Mr. ROSEN BORISOV MILKOV – Member of the Management Board and Procurator of the Company

Education:

Mr. Rosen Borisov Milkov is a graduate of the Transport University Angel Kanchev, Rousse;

Experience:

He commenced his career at Rousse Port PRM. For the period 1992 – 1999 he was a technologist in ZDM - Zvezda Lukovit. During 1999 – 2003 he was Technical Manager at SPARKY AD and until 2004 - Executive Director of the Company.

Business address:

Rousse, 1 Rozova Dolina Str.

Work performed outside SPARKY AD:

Mr. Rosen Borisov Milkov does not work outside SPARKY AD.

For the past five years Mr. Rosen Borisov Milkov has not been:

a) convicted of fraud;

b) related to bankruptcy, management by a receiver or liquidation in his capacity of a founder or a member of administrative, managing and supervisory bodies in other companies;

c) officially and publicly incriminated and no sanctions have been imposed on him by statutory or regulatory bodies (including certain professional bodies);

d) deprived by court of being a member of the administrative, managing and supervisory bodies of an issuing company nor of holding management positions or executing the activity of the issuing company;

e) imposed coercive administrative measures or administrative penalties.

Family relationships:

Mr. Rosen Borisov Milkov is not a spouse or a relation up to 3rd degree including under direct line of descent or the lateral branch with another member of the supervisory or management boards of SPARKY AD.

Ms. RALITZA RACHEVA MARINOVA - Member of the Management Board

Education:

Ms. Ralitza Racheva Marinova is a graduate of Transport University Angel Kanchev, Rousse.

Experience:

She commenced her career as a technician in Zaharen Kombinat, Rousse. For the period 1990 – 1996 she was a constructor in MZ Georgi Dimitrov, and until 1999 - Team Leader at the same company. Since 1999 she has been Plant Manager at SPARKY AD.

Business address:

Rousse, 1 Rozova Dolina Str.

Work performed outside SPARKY AD:

Mrs. Ralitza Racheva Marinova does not work outside SPARKY AD.

For the past five years Mrs. Ralitza Racheva Marinova has not been:

a) convicted of fraud;

b) related to bankruptcy, management by a receiver or liquidation in her capacity of a founder or a member of administrative, managing and supervisory bodies in other companies;

c) officially and publicly incriminated and no sanctions have been imposed on her by statutory or regulatory bodies (including certain professional bodies);

d) deprived by court of being a member of the administrative, managing and supervisory bodies of an issuing company nor of holding management positions or executing the activity of the issuing company;

e) imposed coercive administrative measures or administrative penalties.

Family relationships:

Mrs. Ralitza Racheva Marinova is not a spouse or a relation up to 3rd degree including under direct line of descent or the lateral branch with another member of the supervisory or management boards of SPARKY AD.

Ms. TEODORA DRUMEVA TODOROVA – Member of the Management Board

Education:

Ms. Teodora Drumeva Todorova is a graduate of D.A.Tsenov Academy of Economics - Svishtov, specializing in Accounting and Control.

Experience:

She commenced her career as an accountant at JITI EAD, Rousse. For the period 2003 – 2004 she was deputy Chief Accountant at SPARKY AD, and since 2004 - Chief Accountant at SPARKY AD.

Business address:

Rousse, 1 Rozova Dolina Str.

Work performed outside SPARKY AD:

Ms. Teodora Drumeva Todorova does not work outside SPARKY AD.

For the past five years Ms. Teodora Drumeva Todorova has not been:

a) convicted of fraud;

b) related to bankruptcy, management by a receiver or liquidation in her capacity of a founder or a member of administrative, managing and supervisory bodies in other companies;

c) officially and publicly incriminated and no sanctions have been imposed on her by statutory or regulatory bodies (including certain professional bodies);

d) deprived by court of being a member of the administrative, managing and supervisory bodies of an issuing company nor of holding management positions or executing the activity of the issuing company;

e) imposed coercive administrative measures or administrative penalties.

Family relationships:

Ms. Teodora Drumeva Todorova is not a spouse or a relation up to 3rd degree including under direct line of descent or the lateral branch with another member of the supervisory or management boards of SPARKY AD.

Mr. IVAYLO IVANOV GEORGIEV – Member of the Management Board

Education:

Mr. Ivaylo Ivanov Georgiev is a graduate of Rousse University Angel Kanchev, majoring in Engineering Technologies and Management.

Experience:

He commenced his career as a constructor at SPARKY AD. For the period 2000 – 2003 he worked as technologist at SPARKY AD, and subsequently he was Head of Production Department and then Production Manager at SPARKY AD.

Business address:

Rousse, 1 Rozova Dolina Str.

Work performed outside SPARKY AD:

Mr. Ivaylo Ivanov Georgiev does not work outside SPARKY AD.

For the past five years Mr. Ivaylo Ivanov Georgiev has not been:

a) convicted of fraud;

b) related to bankruptcy, management by a receiver or liquidation in his capacity of a founder or a member of administrative, managing and supervisory bodies in other companies;

c) officially and publicly incriminated and no sanctions have been imposed on him by statutory or regulatory bodies (including certain professional bodies);

d) deprived by court of being a member of the administrative, managing and supervisory bodies of an issuing company nor of holding management positions or executing the activity of the issuing company;

e) imposed coercive administrative measures or administrative penalties.

Family relationships:

Mr. Ivaylo Ivanov Georgiev is not a spouse or a relation up to 3rd degree including under direct line of descent or the lateral branch with another member of the supervisory or management boards of SPARKY AD.

Ms. ALBENA EMILOVA STAMBOLOVA – Member of the Management Board

Education:

Ms. Albena Emilova Stambolova is a graduate of Sofia University St. Kliment Ohridski majoring in French and Bulgarian Philology.

Ms. Albena Emilova Stambolova holds a Master Degree in Clinical Psychology from Conservatoire National des Arts et Métiers, Paris, and a Doctor Degree in Psychoanalysis from Universite Paris 7 Jussieu, Sorbonne, Paris.

Experience:

She commenced her career as translator and editor of the French section at Narodna Kultura Publishing House. Between 1991 and 1999 she worked in France as a psychologist in adaptation centers and specialized organizational sciences at Universite Pars 9 Dauphine, Paris. For the period 1997 – 1999 she was a Professor in Social Psychology at University of Paris III Sencier, Paris. Since 2001 she has been a part-time lecturer at the Theory of Literature Department at Sofia University St. Kliment Ohridski. Since 2000 she has been Manager at Aconsult, an advisory center on labour organization and human resources.

Business address:

Rousse, 1 Rozova Dolina Str.

Work performed outside SPARKY AD:

Ms. Albena Emilova Stambolova does not work outside SPARKY AD.

For the past five years Ms. Albena Emilova Stambolova has not been:

a) convicted of fraud;

b) related to bankruptcy, management by a receiver or liquidation in her capacity of a founder or a member of administrative, managing and supervisory bodies in other companies;

c) officially and publicly incriminated and no sanctions have been imposed on her by statutory or regulatory bodies (including certain professional bodies);

d) deprived by court of being a member of the administrative, managing and supervisory bodies of an issuing company nor of holding management positions or executing the activity of the issuing company;

e) imposed coercive administrative measures or administrative penalties.

Family relationships:

Ms. Albena Emilova Stambolova is not a spouse or a relation up to 3rd degree including under direct line of descent or the lateral branch with another member of the supervisory or management boards of SPARKY AD.

Mr. VALENTIN MILANOV RADANOV – Member of the Management Board

Education:

Mr. Valentin Milanov Radanov is a graduate of the Transport University 'A. Kanchev', majoring in Agricultural Equipment;

Experience:

He commenced his career as a technologist and Plant Manager at MZ Pearl, Nova Zagora. Since 2000 he has been Head of Planning and Production Management at SPARKY AD.

Business address:

Rousse, 1 Rozova Dolina Str.

Work performed outside SPARKY AD:

Mr. Valentin Milanov Radanov does not work outside SPARKY AD.

For the past five years Mr. Valentin Milanov Radanov has not been:

a) Convicted of fraud;

b) related to bankruptcy, management by a receiver or liquidation in his capacity of a founder or a member of administrative, managing and supervisory bodies in other companies;

c) officially and publicly incriminated and no sanctions have been imposed on him by statutory or regulatory bodies (including certain professional bodies);

d) deprived by court of being a member of the administrative, managing and supervisory bodies of an issuing company nor of holding management positions or executing the activity of the issuing company;

e) imposed coercive administrative measures or administrative penalties.

Family relationships:

Mr. Valentin Milanov Radanov is not a spouse or a relation up to 3rd degree including under direct line of descent or the lateral branch with another member of the supervisory or management boards of SPARKY AD.

<u>Mr. STANISLAV KALCHEV KALCHEV – Member of the Management Board</u>

Education:

Mr. Stanislav Kalchev Kalchev is a graduate of Transport University ‘A. Kanchev’, majoring in Engineering Technologies and Management. In 1998 he acquired a post-graduate qualification on Financial Management at D.A. Tsenov Academy of Economics, Svishtov.

Experience:

He commenced his career as Manager at ET ViV – Y. Ivanov. Since 2000 he has been subsequently Procurement Specialist and Head of Procurement department at SPARKY AD.

Business address:

Rousse, 1 Rozova Dolina Str.

Work performed outside SPARKY AD:

Mr. Stanislav Kalchev Kalchev does not work outside SPARKY AD.

For the past five years Mr. Stanislav Kalchev Kalchev has not been:

a) convicted of fraud;

b) related to bankruptcy, management by a receiver or liquidation in his capacity of a founder or a member of administrative, managing and supervisory bodies in other companies;

c) officially and publicly incriminated and no sanctions have been imposed on him by statutory or regulatory bodies (including certain professional bodies);

d) deprived by court of being a member of the administrative, managing and supervisory bodies of an issuing company nor of holding management positions or executing the activity of the issuing company;

e) imposed coercive administrative measures or administrative penalties.

Family relationships:

Mr. Stanislav Kalchev Kalchev is not a spouse or a relation up to 3rd degree including under direct line of descent or the lateral branch with another member of the supervisory or management boards of SPARKY AD.

There are no persons in the top management of SPARKY AD except for the members of the Supervisory Board and the members of the Management Board on whose work SPARKY AD depends. There are no employees of the Company on whose work SPARKY AD depends.

14.2. Conflict of interests

There is no potential conflict of interests between the obligations of the members of the Supervisory and Management Boards towards the issuer and their private interests and/or other obligations known to SPARKY AD.

SPARKY AD is not aware of any arrangements or agreements between the major shareholders, customers, suppliers and the like according to which any person mentioned in Section 14.1 is elected member of administrative, managing and supervisory bodies or member of the senior management.

In principle there are no provisions for restrictions on the members of the Supervisory and Management Boards of SPARKY AD to dispose of the Company shares they possess.

There is a restriction on trading with securities to persons who are included in the list of insiders under the Market Abuses in Financial Instruments Act in case these persons are in possession of inside information which is not publicly disclosed.

15.REMUNERATION AND COMPENSATIONS

15.1. The amount of the disbursed remuneration to members of MB and SB

Table No. 37: Remuneration and social security payments disbursed to members of MB in 2006

NAME	GROUNDS FOR RECEIVING	REMUNERATION	SOCIAL SECURITY PAYMENTS
MB			*BGN*
1. Chavdar Plaharov - chairman of MB and Executive Director	Management contract	19,063	3,980
2. Rosen Milkov - member of MB and Head of IR	Labour contract	16,972	4,060
3. Ivaylo Georgiev - member of MB and Production Manager	Labour contract	16,248	3,825
4. Ralitza Marinova - member of MB and Forge-Pressing Plant Manager	Labour contract	12,913	3,170
5. Teodora Todorova - member of MB and Manager Accounting dept	Labour contract	12,205	2,987
6. Stanislav Kalchev - member of MB and Procurement Manager.	Labour contract	13,751	3,283

7. Valentin Radanov - member of MB and Head of Planning and Production Management	Labour contract	11,039	2,711
8. Albena Stambolova - member of MB	***She has not received remuneration under labour contract***		
TOTAL		**102,192**	**24,017**

Source: *SPARKY AD*

The members of the Management Board of SPARKY AD were not paid remuneration by subsidiary companies of SPARKY AD for 2006.

Table No. 38: Remuneration and social security payments disbursed to members of SB in 2006

SB	
Stanislav Petkov - Chairman of SB Peter Babourkov - member of SB Ivan Enicharov - member of SB	***The SB Members did not receive remuneration in 2006 in this capacity***

Source: *SPARKY AD*

The members of the Supervisory Board of SPARKY AD were not paid remuneration by subsidiary companies of SPARKY AD for 2006.

15.2. Total amounts allocated or accrued for pensions, other retirement compensations or for other similar compensations

Through a pension fund SPARKY AD provides part of its employees with supplementary voluntary pension insurance paid by the employer in compliance with the Social Security Code and all statutory requirements that regulate the supplementary voluntary pension insurance. The pension insurance protection covers the insurance risks of old age, disability and death. The total annual amount for the additional insurance is approximately BGN 10,000.

16. PRACTICES OF THE GOVERNING BODIES

16.1. Term of office and date of expiration of the current term of office

The Supervisory Board of the Company consists of 3 physical persons:

Table No. 39: Structure of the Supervisory Board of SPARKY AD

PERSON	POSITION OCCUPIED	TERM OF OFFICE
Stanislav Chavdarov Petkov	Chairman of Supervisory Board	From September 1997 until July 2012
Peter Ivanov Babourkov	Member of Supervisory Board	From September 1997 until July 2012
Ivan Petrov Enicherov	Member of Supervisory Board	From September 1997 until July 2012

Source: *SPARKY AD*

Ivan Petrov Enicherov is an independent member of the Supervisory Board within the meaning of Art. 116a, para. 2 of the Public Offering of Securities Act.

The Management Board of the Company consists of 8 physical persons:

Table No. 40: Structure of the Management Board of SPARKY AD

PERSON	POSITION OCCUPIED	TERM OF OFFICE
Chavdar Mitev Plaharov	Executive Director	From September 2004 until July 2012
Rosen Borisov Milkov	Member of the Management Board and Executive Director of the Company	From April 2003 until July 2012
Ralitza Racheva Marinova	Member of the Management Board	From September 2004 until July 2012
Teodora Drumeva Todorova	Member of the Management Board	From October 2005 until July 2012
Ivaylo Ivanov Georgiev	Member of the Management Board	From October 2005 until July 2012
Albena Emilova Stambolova	Member of the Management Board	From September 2007 until July 2012
Valentin Milanov Radanov	Member of the Management Board	From September 2007 until July 2012
Stanislav Kalchev Kalchev	Member of the Management Board	From September 2007 until July

Source: *SPARKY AD*

16.2. Contracts of MB and SB members with the Issuer or with any of its subsidiaries providing compensations at termination of employment

There are no provisions for compensations after terminating the contracts of members of the Management and Supervisory Boards of SPARKY AD.

There are no provisions for compensations after terminating the contracts of Managers of the subsidiaries PRISTA PARK EOOD and SIGMA PLUS EOOD.

There are provisions for compensation for the Manager of CPO SPARKY EOOD amounting to one monthly salary in the event of terminating the contract upon winding-up of the Company or at the request of the manager with prior notification.

16.3. Information on the Audit Committee of the Issuer or the Remuneration Committee

To the date of preparation of the Prospectus the Company does not have any Audit Committee or Remuneration Committee established as auxiliary bodies to the SB. After the Company adopts the National Corporate Governance Code, it will create and adopt internal acts which will regulate the establishment and functions of such committees.

16.4. Corporate Governance

To the present moment SPARKY AD Rousse is not a public company and its activities and corporate governance conform to the requirements of the Bulgarian legislation, and in particular to the requirements of the Commercial Act. Following the Decision for registering the capital share issue of SPARKY AD Rousse for the purpose of trading on a regulated market and acquiring a public status respectively, the higher and special requirements of POSA will apply; A Programme will be developed for applying the internationally recognised standards for good corporate governance and all necessary internal acts regulating in detail the management strategy regarding the corporate governance of SPARKY AD in all possible aspects. Once the National Corporate Governance Code comes into force, the Company will strive to apply its higher standards for its corporate policy.

17. EMPLOYEES

17.1. Number of employees and main job categories

The table below shows the average annual number of employees at different levels and positions in SPARKY AD.

Table No. 41: Average annual number of employees in SPARKY AD for the period 2004 – 30 September 2007

PERSONNEL CATEGORY	2004	2005	2006	30.09.2007
Managers	38	40	41	40
Analytical specialists	42	44	47	50
Technicians and others	42	44	49	52
Administrative staff	14	16	16	20
Personnel and others	5	4	5	11
Qualified workers	179	220	274	306
Machine Operators	152	179	202	222
Non-qualified professions	59	79	100	117
TOTAL PERSONNEL	**531**	**626**	**734**	**818**

Source: *SPARKY AD*

All listed employers are employed under permanent labour contracts since there is no practice at SPARKY AD to hire employees on temporary a basis.

There is a trend for the number of employees to increase, which is indicative of the Company expansion as a whole. The constantly increasing revenues generated per employee could be viewed as an effectiveness indicator for the considered period:

Table No. 42: The effectiveness of SPARKY AD for the period 2004 – 30 September 2007

INDICATOR	2004	2005	2006	30.9.2007
Revenues (BGN in thousands)	18,270	23,499	31,365	39,035
Total average annual number of employees	531	626	734	818
Annual revenues per employee (BGN in thousands)	34.4	32.7	42.7	47.7

Source: *SPARKY AD*

The effectiveness as of 30 September 2007 should not be compared to the effectiveness from the annual data as the reporting year is not over, and the data (revenues and revenues per employee) are decreased compared to those from the other periods in the table. Yet, there is the trend for the effectiveness to increase during the first nine months of 2007 and to surpass the results from the reporting 2006, having still one more quarter of 2007 to go, during which additional revenues will be generated.

17.2. Shares Owned and Stock Options

The information on shares in the capital of SPARKY AD owned by members of the Supervisory and Management Boards to the date of the Registration Document is provided in the table below:

Table No. 43: Shares owned by members of the Supervisory Board

MEMBER OF SUPERVISORY BOARD	SHARES OWNED	PERCENTAGE OF THE COMPANY'S CAPITAL
Peter Babourkov	60,000	2.00 %
Stanislav Petkov	60,000	2.00 %
Ivan Enicherov	1,000	0,03 %
TOTAL	**121,000**	**4.03 %**

Source: *SPARKY AD*

Table No. 44: Shares owned by members of the Management Board

MEMBER OF MANAGEMENT BOARD	SHARES OWNED	PERCENTAGE OF THE COMPANY'S EQUITY
Chavdar Plaharov	20,000	0,67 %
Rosen Milkov	2,000	0,07 %
Teodora Todorova	2,000	0,07 %
Ivaylo Georgiev	2,000	0,07 %
Albena Stambolova	500	0,02 %
Valentin Radanov	2,000	0,07 %
Stanislav Kalchev	2,000	0,07 %
Ralitza Marinova	2,049	0,07 %
TOTAL	**32,549**	**1.08 %**

Source: *SPARKY AD*

SPARKY AD has not provided options on its securities to the members of the Supervisory and Management Boards.

17.3. Description of any agreements on the interest of employees in the share of the Issuer

There are no agreements on employees' interest in the capital of SPARKY AD, including through issuing shares, options or other securities of the Company.

18. MAJORITY SHAREHOLDERS

18.1. Information about the Shareholders Holding More than 5 Percent of the Voting Shares

SPARKY GROUP AD, registered under company case 5523/2002 under the docket of Sofia City Court, holds 2,707,428 ordinary dematerialized shares of the capital of SPARKY AD, each with part value of BGN 1, representing 90.25 % of the capital of the Company.

There are no other shareholders of SPARKY AD, whether physical or legal entities, that hold directly or via related parties more than 5 percent of its capital.

18.2. Different Voting Rights of the Main Shareholders of the Issuer

The main shareholder in the Company SPARKY GROUP AD, which holds 90.25 % of the capital of the Company, has identical voting rights to all other shareholders.

18.3. Persons Exercising Control over the Issuer

Within the meaning of § 1, item 13 of the Public Offering of Securities Act, "Control" exists where a person: (a) holds, including through a subsidiary or by virtue of an agreement with a third party, more than 50 percent of the votes in the General Meeting of a company or other legal entity; or (b) may select, directly or indirectly, more than half of the members of the management or supervisory body of a legal entity; or (c) may by other means exercise decisive influence on the decision-making process in connection with the operations of a legal entity.

Physical persons

The physical persons who exercise via related parties control over the issuer are STANISALAV CHAVDAROV PETKOV and PETAR INVANOV BARBUKOV.

Legal persons

SPARKY GROUP AD, which holds 90.25 % of the capital of the Company, exercises control over SPARKY AD within the meaning of 1, item 13 of the Public Offering of Securities Act.

18.4. Agreements for Change in the Control of the Issuer

SPARKY AD is not aware of any agreements, which may at a later date lead to a change of the control of the Company.

19. RELATED PARTY TRANSACTIONS

In accordance with International Accounting Standard 24 *Related Party Disclosures*, transactions between related parties exist where one party to the transaction controls the other party to the transaction or may exercise significant influence over the other party in taking financial and operating decisions.

In the ordinary course of its operations SPARKY AD has entered into and continues to enter into transactions with related parties. These transactions are determined by the development of the Group as a whole and the specialization of the individual companies within it.

As seen from the table below, SPARKY AD sells to SPARKY GmbH, Germany (**SPARKY GmbH**) production intended for clients in Germany, and SPARKY GmbH supplies SPARKY AD with materials from German manufacturers, which it obtains at more favourable conditions in its capacity as a German company. SPARKY AD sells to SPARKY ELTOS AD components that are part of certain power tools, and SPARKY ELTOS AD sells to SPARKY AD power tools used in the manufacturing process of the latter company. SPARKY AD sells to SPARKY CPO EOOD material needed for the training activities at the CPO. SPARKY GROUP AD performs certain services for SPARKY AD, including preparation of reports under IAS, preparation and implementation of internal control procedures, training of employees of the Company in finance and accounting. For the services rendered SPARKY GROUP AD receives monthly remuneration to the amount of BGN 10,000.

Agreements with related parties

On 12.12.2005 SPARKY AD entered into a working capital loan agreement with SPARKY GROUP AD (then SPARKY BULGARIA AD). The amount of the loan is EUR 1,080,000, at an interest rate of one-month EURIBOR+2.5%. The loan was partially repaid with EUR 401,425.48 to EUR 678,574.52, and an increase of the capital of SPARKY AD to BGN 1,000,000 distributed in 1,000,000 shares with par value of BGN 1 each by means of an in-kind contribution of a receivable, which SPARKY GROUP

AD (then SPARKY BULGARIA AD) is owed by SPARKY AD under the same loan agreement, was entered with decision of the Rousse District Court of 12 September 2006. The amount of the loan is increased by EUR 344,009.26 to EUR 1,022,583.78 or BGN 2,000,000.00 on 1 June 2007. The full amount of the loan is repaid when an increase of the capital of SPARKY AD from BGN 1,000,000 to BGN 3,000,000, distributed in 3,000,000 shares with par value of BGN 1 each, is entered with decision of the Rousse District Court of 20.06.2007. The capital increase was executed by means of an in-kind contribution of a receivable, which SPARKY GROUP AD is owed by SPARKY AD under the same loan agreement.

On 20 December 2001 an agreement was entered into between SPARKY GmbH, Germany (at that time majority shareholder in SPARKY AD) as creditor and SPARKY AD as debtor, of the amount of EUR 366,000 and at an interest rate of six-month EURIBOR + 3.5%. The loan was extended for partial funding of an expansion of production capacities in keeping with environmental requirements. The full amount of the loan has been utilized. The maturity of the obligation is 15 November 2009. The loan is not secured and is subordinated to the loan by DEG and private investors extended for the same purpose.

The Company believes that the transactions with related parties are concluded under market conditions. As of the date of preparation of the present prospectus SPARKY AD has not entered into any related party transactions that are unusual in terms of type and conditions.

The table below lists related party transactions which the issuer entered into in the period 1 January 2004 – 30 September 2007.

		30/09/2007	**31/12/2006**	**31/12/2005**	**31/12/2004**
		BGN in thousands	*BGN in thousands*	*BGN in thousands*	*BGN in thousands*
SALES TO RELATED PARTEIS	TYPE OF RELATION				
SPARKY ELTOS AD	Common control	49	160	298	184
SPARKY CPO EOOD	Subsidiary	-	4	7	-
SPARKY GmbH	Common control	3,499	3,005	2,558	1,268
SPARKY TRADING EOOD	Common control	14	-	-	-
SG LOGISTICS LTD	Common control	-	-	-	2,640
TOTAL		**3,562**	**3,169**	**2,863**	**4,092**
EXPENSES ON INTEREST TO RELATED PARTIES					
SPARKY GROUP AD	Majority shareholder	41	100	6	-
SPARKY GmbH	Common control	8	24	27	29
SPARKY BuV	Common control	-	-	53	114
TOTAL		**49**	**124**	**86**	**143**
PURCHASES FROM RELATED PARTIES					
SPARKY ELTOS AD	Common control	259	339	837	372
SPARKY GmbH	Common control	1,119	3,205	1,548	1,326
SPARKY GROUP AD	Common control	40	60	29	29
SPARKY TRADING EOOD	Common control	15	-	-	-

TOTAL	**1,433**	**3,604**	**2,414**	**1,727**

Source: *SPARKY AD*

20. FINANCIAL INFORMATION PERTAINING TO THE ASSETS AND LIABILITIES OF THE ISSUER

20.1. Historical financial information

The audited financial statements of SPARKY AD for the last 3 financial years have been audited and the auditor's reports of the Company for each year were prepared by Grant Thornton OOD, in compliance with the International Financial Reporting Standards, developed and published by the International Accountings Standards Board (IASB) and the European Commission.

The audited annual financial statements for 2004, 2005 and 2006 on an individual basis, as well as the audited annual financial statements for 2006 and 2005 are provided in Appendix No. 3 of this Registration Document.

Each financial report listed in Appendix No. 3 of this Registration Document contains the following reports:

a) management report;
b) balance sheet;
c) income statement;
d) record of all changes in equity other than changes arising from capital transactions with owners or distributions to owners;
e) cash flow statement;
f) accounting policies and explanatory notes.

20.2. Pro-forma financial information

The admission of the shares of SPARKY AD to trading on a regulated market is not a material general change and could not affect the assets and liabilities and profits of the issuer. In view of this pro-forma financial information has not been included.

20.3. Financial reports

The issuer prepares its financial reports both on an individual and on a consolidated basis. The reports have been attached as specified in Section 20.1 of the present Registration Document.

20.4. Audited historical annual financial information

20.4.1. Statement that the historical financial information has been audited. If the auditor's reports on historical financial information have been rejected by the auditors determined by law, or if they contain qualifications or disclaimers, such disclaimers or qualifications must be reprinted in full and the reasons thereof be specified

The historical financial information of SPARKY AD for the last 3 financial years has been audited, and the auditor's reports for each year were prepared by the auditors of Grant Thornton OOD in compliance with the International Financial Reporting Standards, developed and published by the International Accountings Standards Board (IASB) and the European Commission.

The audited annual financial statements for 2004, 2005 and 2006 on an individual basis, as well as the audited annual financial statements for 2006 and 2005 are provided in Appendix No. 3 to this Registration Document.

20.4.2. Indication of other information in the Registration Document that was audited by the auditors

Besides the financial reports and the accompanying auditor's report for each year, the auditors of SPARKY AD have signed a Report that the forecast was correctly calculated on the specified basis, and the accounting basis used in the forecast complies with the accounting policies of the issuer. This report is specified in item 13.2. of the present Registration Document.

20.5. Date of the last financial information

The last audited financial information is as of 31 December 2006. Interim unaudited individual and consolidated financial statements as of 30 September 2007 have also been attached.

20.6. Interim and other financial information

Appendix No. 3 of the Registration Document shows the unaudited interim financial statements on a consolidated and individual basis as of 30 September 2007, which include comparative reports for the same period in the preceding financial years, with the exception of the fact that the comparative balance sheet information is as of the end of 2006.

20.7. Dividend policy

Over the last three financial years the General Meeting of Shareholders of SPARKY AD has not taken a resolution to distribute part of the profit in the form of dividends for the shareholders, and it has been reinvested in the Company. No change in the company policy with regard to the distribution of dividends is expected. There are no restrictions on the distribution of dividends.

20.8. Legal and arbitrage proceedings

As of the date of preparation of the Registration Document no legal, administrative or arbitrage proceedings, resolutions or claims for winding-up or bankruptcy, of significance to the financial position, profitability, liquidity or operations have been initiated against SPARKY AD.

As of the date of preparation of the Registration Document the pending legal proceedings that SPARKY AD is a party to are under labour disputes with former employees under Art. 344 and Art. 200 of the Labour Code.

20.9. Material change in the financial or commercial position of the issuer

No material change in the financial or commercial position of the issuer has occurred after the last published audited financial report.

21. ADDITIONAL INFORMATION

21.1. Share capital

21.1.1. Amount of the issued capital

As of the date of this document, the share capital of SPARKY AD is BGN 3,000,000, comprising 3,000,000 ordinary, dematerialised, registered shares with a par value of BGN 1. All shares are paid in full.

Capital of SPARKY AD	As of 1 January 2006	As of 31 December 2006	As of 1 January 2007	As of the date of the Registration Document
Amount of the capital	BGN 214,880	BGN 1,000,000	BGN 1,000,000	BGN 3,000,000
Par value	BGN 1	BGN 1	BGN 1	BGN 1
Number of shares	214,880	1,000,000	1,000,000	3,000,000

The capital increase of SPARKY AD from BGN 214,880 to BGN 1,000,000 was accomplished by means of an in-kind contribution of a receivable, which SPARKY BULGARIA AD (the former name of SPARKY GROUP AD) was owed by SPARKY AD by virtue of a loan agreement of 12 December 2005.

The capital increase of SPARKY AD from BGN 1,000,000 to BGN 3,000, was accomplished by means of an in-kind contribution of a receivable, which SPARKY BULGARIA AD (the former name of SPARKY GROUP AD) was owed by SPARKY AD by virtue of a loan agreement of 12 December 2005.

SPARKY AD has not issued shares that do not represent capital.

There are no shares of SPARKY AD, which are held by or on behalf of the Company itself or any of its subsidiaries.

SPARKY AD has not issued convertible or exchangeable securities or securities with warrants.

The Company has no information about any rights of acquisition and/or obligations for registered, but unissued capital, or about any undertaking to increase the capital.

The Company has no information about the capital of any member of the Group subject to an option or provisional or unprovisional agreements that have been concluded to put it under option or about the details of such options, including the persons such options to.

21.1.2. History of the share capital

A transformation of Agromashina EOOD into Agromashina EAD with capital of BGN 270,900,000, comprising 270,900 shares with a par value of BGL 1,000, was registered with decision of Rousse District Court of 28 February 1996.

The capital of SPARKY AD was denominated to BGN 270,900, comprising 270,900 shares with a par value of BGN 1, with Decision of Rousse District Court of 11 October 1999.

A reduction of the capital of SPARKY AD to BGN 214,880, comprising 2,148,800 shares with a par value of BGN 0.10, was registered with decision of Rousse District Court of 13 December 1999.

A change of the par value of the shares of SPARKY AD with capital of BGN 214,880, comprising 214,880 shares with new a par value of BGN 1, was registered with decision of Rousse District Court of 12 March 2001.

An increase of the capital of SPARKY AD to BGN 1,000,000, comprising 1,000,000 shares with a par value of BGN 1, was registered with decision of Rousse District Court of 12 September 2006. The capital increase was accomplished by means of an in-kind contribution of a receivable, which SPARKY BULGARIA AD (the former name of SPARKY GROUP AD) was owed by SPARKY AD by virtue of a loan agreement of 12 December 2005.

An increase of the capital of SPARKY AD to BGN 3,000,000, comprising 3,000,000 shares with a par value of BGN 1, was registered with decision of Rousse District Court from 20 June 2007. The capital increase was accomplished by means of an in-kind contribution of a receivable, which SPARKY BULGARIA AD (the former name of SPARKY GROUP AD) was owed by SPARKY AD by virtue of a loan agreement of 12 December 2005.

A change in the type of shares of SPARKY AD from materialized registered shares to dematerialised registered shares was registered with Decision of Rousse District Court of 19 September 2007.

21.2. Articles of Association of the Issuer

21.2.1. Scope of activities and objects of the Issuer

The scope of activities of the Company, pursuant to Art. 5 of the Articles of Association, is: production of and trading in agricultural, transport, road-construction and other machines and equipment, lease activities, rental activities, design, construction and reconstruction of real estates and any other activities which aim at achieving the objects of the Company and which are permitted by law.

The objects of the Company are connected with its scope of activities, defined in Art. 5 of the Articles of Association, and are achieved through its implementation. The objects of the Company are not described separately in the Articles of Association.

21.2.2. Provisions of the Articles of Association regarding the members of the management and supervisory bodies

The managing bodies of the Company are: (a) General Meeting; (b) Supervisory Board; (c) Management Board;

General Meeting

The General Meeting /GM/ includes all shareholders with voting rights. They participate in the GM in person or through a proxy, authorised by an explicit written Power of Attorney, in compliance with POSA and the acts pertaining to its implementation. The members of the Supervisory Board and the Management Board can participate in the GM without voting rights, unless they are shareholders.

The General Meeting has the following competencies: 1. To amend and supplement the Articles of Association of the Company; 2. To increase and reduce the capital; 3. To transform and wind-up the Company; 4. To appoint and dismiss the members of the Supervisory Board; 5. To appoint and dismiss registered auditors; 6. To approve the annual financial report after a sign-off by the appointed registered auditor; 7. To decide on the issuance of shares; 8. To appoint liquidators for winding-up the Company, except when declared bankrupt; 9. To relieve of responsibility the members of the Management and Supervisory Boards; 10. To determine the remunerations and bonuses of the members of the Management and Supervisory Boards and the extent of the term for which they are due. 11. To decide on any other matter subjected to its competency by law and by the Articles of Association.

The General Meeting is held at least once a year at the Company's registered office. The regular General Meeting is held within six months of the end of the fiscal year. In the event that the losses exceed one half of the capital, a General Meeting is held within three months after establishing the losses.

The General Meeting of shareholders can be convened at any time by the Management Board, with the approval of the Supervisory Board, or by the Supervisory Board. The convening is executed by giving requisite notice announced in the Company Register (until the Company Register under the Company Register Act begins to functions, the convening is executed by a notice published in the State Gazette) and published in one national daily newspaper.

The General Meeting may pass resolutions if the shareholders with voting rights, present or represented, represent at least one half of the voting shares. In the event that a quorum is not present, a new meeting is scheduled not earlier than 14 days from the date of the first meeting and it may pass resolutions irrespective of the number of voting Shares represent.

The resolutions of the GM may be passed by a simple majority of the voting Shares, except the resolutions under items 1-3 /only for winding-up/ of Art. 22 of the Articles of Association, which may be passed by a majority of two-thirds of the voting Shares present at the meeting. A majority of three-quarters of the represented capital is required for the General Meeting of the Company to pass a resolution under Art. 114, para. 1 of POSA in cases of acquisition of or disposal with non-current.

The General Meeting cannot pass resolutions concerning issues that have not been announced in compliance with the provisions of Art. 223 and Art. 223a of the Company Act, unless all shareholders are present or represented at the meeting and there are no objections to the discussion of the raised issues.

Management Board

The Management Board consists of three to nine members. Any physical person or legal entity (through an appointed proxy – a physical person) can be member of the Management Board. The members of the Management Board are elected by the Supervisory Board for a term of 5 /five/ years and may be re-elected without limitations. The Management Board holds its meetings at least once a month or in compliance with the provisions of the Rules on the Work of the Management Board, approved by the Supervisory Board. The Management Board manages and represents the Company under the supervision of the Supervisory Board.

The Management Board has the following competencies: 1. To prepare and adopt the organisational and management structure of the Company; 2. To develop a business programme for the activities of the Company, to ensure its implementation and to report to the Supervisory Board; 3. To prepare the annual financial report, Management's Discussion and Analysis and the proposal for distribution of the profit of the Company, as well as the interim financial and operational report of the Company; 4. To prepare and adopt a Corporate programme, Code of Ethics and other internal acts of the Company; 5. To assist the Investor Relations Director in performing his/her duties and supervise the performance of his/her functions;

The Management Board may pass resolutions with the approval of the Supervisory Board for: A/ Closing or transfer of enterprises or significant parts thereof, as well as acquiring interests in other companies, except where the explicit approval of the GM is required. B/ Significant organisational changes; C/ Long-term collaboration of a significant importance for the Company or termination of such collaboration; D/ The acquisition and disposal with title to real estate, as well as mortgaging of immovable property of the Company or using it as other type of security, except in cases under Art.. 114, para. 1 and para. 2 of POSA. E/ Opening of branches and representative offices in Bulgaria and other countries; F/ Material change in the activities of the Company;

The Management Board passes its resolutions if at least half plus one of the members are present at the meeting in person or represented by another member of the board. No attending member may represent more than one absent member. Resolutions may also be passed without attending, provided that all the members have given their approval for the resolution in writing /including by fax, telex or e-mail/. A majority of at least 1/2 /one half/ of the Management Board members is required to pass its resolutions. Resolutions of the Management Board regarding a change in the capital of the Company are subject to further approval by the Supervisory Board.

The Management Board elects from among its members one or more Management Board executive members, who represent the Company in its relationships with third parties. The executive members are approved by the Supervisory Board and entered into the company register, for which they present signatures certified by a notary public. The members of the Management Board have rights and obligations provided by law or by the Articles of Association.

Supervisory Board

The Supervisory Board cannot take part in the management of the Company. It represents the Company only in its relations with the Management Board. The Supervisory Board is elected by the General Meeting of shareholders for a term of 5 /five/ years. Any physical person or legal entity (through an appointed proxy – a physical person) can be member of the Supervisory Board.

The Supervisory Board consists of three to seven members and passes its resolutions in compliance with the Rules, adopted by it, pursuant to Art. 242, para. 3 of the Company Act, and elects a chairperson/chairpersons and vice chairman from among its members. At least one third of the members of the Supervisory Board must be independent persons.

The Supervisory Board convenes for its regular meetings at least once every 3 months and passes its resolutions with a majority of at least 1/2 /one half/ of its members, and the resolutions may also be passed without attending, provided that all the members have given their approval for the resolution in writing /including by fax, telex or e-mail/.

21.2.3. Rights, preferences and limitations regarding each class of existing shares

The Company has issued only one class of shares – ordinary, dematerialised shares with a par value of BGN 1, entered into the registers of Central Depository AD.

Each ordinary share gives the right to one vote in the General Meeting of shareholders, right to dividend and a liquidation share, proportional to its a par value.

Voting rights

The right to vote at the General Meeting of shareholders is exercised by the persons entered into the registers of Central Depository AD as shareholders 14 days before the date of the General Meeting.

Right to dividend

The Company distributes dividends under resolution of the General Meeting according to the terms and procedures provided by POSA, the Company Act and the Articles of Association. Advance distribution of dividends is not allowed. The right to dividend applies to the persons entered into the register of Central Depository AD as shareholders on the 14^{th} day after the date of the General Meeting which adopted the annual financial report and passed a resolution for distribution of profit.

Right to liquidation share

All shares have rights to liquidation share in proportion to their par value.

Additional rights of the shareholders

a) to receive written materials in connection with the agenda of the General Meeting;

b) to request and to receive information at the General Meeting regarding the economic and financial standing of the Company, regardless of whether this is on the agenda or not;

c) to grant written Power of Attorney to another person to represent them at the General Meeting;

d) upon capital increase of the Company, to acquire shares in proportion to their interest in the capital before the increase;

e) to require convening of the General Meeting; to require the addition of items to the agenda of the General Meeting after the publishing of the requisite notice – according to the terms and procedures of Art. 223a of the Company Act; to be empowered by the competent District Court to call General Meeting under certain circumstances – if they own at least 5% of the capital of the Company for at least a three month period;

f) to familiarise themselves with the contents of the minutes books and to receive copies or extracts of the minutes;

g) to acquire new shares with preference upon increase of the capital with shares of the same class;

21.2.4. Action necessary for a change of the rights of shareholders

The Company may issue two classes of shares: ordinary shares and preferred shares, giving rights pursuant to Art. 13 of the Articles of Association. Limitation of the rights of individual shareholders from one class is not allowed. The Company ensures equality of the shareholders with the same status. The Company provides all necessary conditions and information to enable shareholders to exercise their rights and guarantees the completeness of such information.

21.2.5. Conditions governing the way in which annual general meetings and extraordinary general meetings of shareholders are convened

The General Meeting /GM/ includes all shareholders with voting rights. They participate in the GM in person or through a proxy, authorised by an explicit written Power of Attorney, in compliance with POSA and the Acts for its implementation. The members of the Supervisory Board and the Management Board can participate in the GM without voting rights, unless they are shareholders.

The General Meeting is held at least once a year at the Company's registered office. The regular General Meeting is held within six months of the end of the fiscal year. In the event that the losses exceed one half of the capital, a General Meeting is held within three months of establishing the losses. The General Meeting is chaired by the Chairman of the Supervisory Board or a person authorised thereby.

The General Meeting of shareholders may be convened at any time by the Management Board, with the approval of the Supervisory Board, or by the Supervisory Board. Shareholders who own, separately or jointly, at least 5% of the capital of the Company for at least a three month period may request from the District Court to call or to empower a representative of the shareholders to call the General Meeting with an agenda determined by them.

The convening is done by giving requisite notice, entered into the Commercial Register and published in one national daily newspaper. The Company is required, pursuant to Art. 223, para. 4 of the Company Act, to announce the requisite notice in the Company Register and to publish it in one national daily newspaper at least 30 days before the opening of the General Meeting.

The shareholders and proxies of shareholders verify their presence with signature. Each shareholder has the right to authorise in writing a person to represent them in the GM. Proxies of shareholders identify themselves with a written Power of Attorney, which must be valid for the specific General Meeting, explicit, certified by a notary public and contain the minimum content, in compliance with Regulation on the Minimum Content of Power of Attorney for Representation of Shareholder at a General Meeting of Company, the Shares of Which were Subject to Public Offering.

21.2.6. Provisions of the Articles of Association that could lead to delay, postponement or prevention of a change in the control of the issuer

There are no provisions of the Articles of Association that could lead to delay, postponement or prevention of a change in the control of the Company.

21.2.7. Disclosure of shareholding ownership limits

The Articles of Association and the internal acts of SPARKY AD, Rousse, have no provisions setting a limit of ownership above which the share held must be disclosed.

This obligation stems from the provisions of Art. 145 of POSA and will be applicable for the Company from the moment it acquires the status of a Public Company.

21.2.8. Provisions of the Articles of Association regarding changes in the capital, which are stricter than the ones provided by law

There are no stricter conditions in the Articles of Association regarding changes in the capital of the Company than the ones provided by law.

22. MAJOR AGREEMENTS

On 1 December 2006 SPARKY AD signed a framework agreement with Praktiker EOOD (Praktiker), consisting of a preliminary agreement for sale of shares and a construction agreement.

By virtue of this agreement, SPARKY AD agrees to establish together with Praktiker EOOD or a third party designated thereby a new limited liability company named Praktiker Real Estate, whereby SPARKY AD shall subscribe 99% of the shares of the company's capital through a non–cash contribution of regulated land property and Praktiker, or a designated third party thereby, shall have 1% of the shares of the company through a cash contribution. After the registration of Praktiker Real Estate OOD in the Company Register of the Rousse District Court, SPARKY AD agrees to transfer 100% of its shares in the company to Praktiker EOOD or a third party designated thereby. On 11 June 2007 SPARKY AD sold to PRAKTIKER GRUNDSTOCKS BETEILIGUNG GESELLSCHAFT mbH, Germany, the 242,865 shares, each of them at a value of BGN 10, of the capital of Praktiker Real Estate OOD, registered under company case 396/2007 with Rousse District Court, owned by the Company and representing 99% of the capital of Praktiker Real Estate OOD.

By virtue of the construction agreement SPARKY AD agrees to build in its capacity as chief contractor, within the terms specified in the agreement, a completed, ready to operate, functioning and without any defects Praktiker store for DIY construction materials, together with the attached free premises, garden centre, outdoor facilities, delivery premises and other functional premises, in compliance with the agreed technical and working projects, on the land property subject to the non-cash contribution in the capital of Praktiker Real Estate OOD. In compliance with the undertaken agreements SPARKY AD delivered the Praktiker store together with a permit for use No.ST-12-820 from 19 September 2007.

23. THIRD PARTY INFORMATION, EXPERTS STATEMENT AND STATEMENT OF GENERAL INTEREST

23.1. Expert record or report

This Registration Document makes no use of a record or report which is accepted as written by any person it their capacity as an expert, except the registered auditor's Report, described in Item 13.2. of this Registration Document.

23.2. Confirmation of the information received by third party

SPARKY AD confirms that the information received by third parties is faithfully reproduced and that to the best of the Issuer's knowledge and ability to verify the information published by such third parties, no facts have been omitted that would make the reproduced information incomplete or misleading.

24. PUBLISHED DOCUMENTS

The following documents can be reviewed during the term of validity of this Registration Document:

- The Articles of Association of SPARKY AD;
- The audited individual annual financial reports of SPARKY AD for 2004, 2005 and 2006;
- The audited consolidated annual financial report of SPARKY AD for 2006, including comparative financial report for the same period of the preceding 2005 fiscal year.
- The registered auditor's report for forward-looking financial information of SPARKY AD, described in Item 13.2. of this Registration Document;
- Interim unaudited individual financial report of SPARKY AD as of 30 September 2007;
- Interim unaudited consolidated financial report of SPARKY AD as of 30 September 2007;

The above documents can be reviewed on paper in the offices of SPARKY AD and SOFIA INTERNATIONAL SECURITIES AD:

ISSUER:

SPARKY AD
Address: 1 Rozova Dolina Str., 7000 Rousse
Tel.: 082/885 300
Fax: 082/822 472
E-mail: sparkytruck.r.bg@sparkygroup.com
Contact person: Victoria Nedyalkova
Every business day from 8:30 a.m. to 4:00 p.m.

INVESTMENT INTERMEDIARIES:
SOFIA INTERNATIONAL SECURITIES AD
Address: 39 Vitosha Blvd., 1st floor, Sofia
Tel.: +359 (02) 988 63 40;
Fax: +359 (02) 937 98 77;
E-mail: nikova@sis.bg;
Contact person: Emilia Nikova;
Every business day from 9:00 a.m. to 5:00 p.m.;

DSK BANK EAD

Address: 19 Moskovska Str., 1036 Sofia;
Tel.: +359 2 93 91 363;
Fax: +359 2 980 24 22;
E-mail: marian.predov@dskbank.bg;
Contact person: Marian Predov;
Every business day from 9:00 a.m. to 5:00 p.m.;

The above documents can be reviewed online at:

The website of SPARKY AD: - http://bg.sparkygroup.com/factories_sparky.html,

and the website of SOFIA INTERNATIONAL SECURITIES AD – www.sis.bg

25. INFORMATION ON INTERESTS

The companies in which SPARKY AD owns part or the entire capital are stated in item 7.2 of this Registration Document.

APPENDIX No. 1

AUTHORS OF THE REGISTRATION DOCUMENT:

Svetoslav Nikolov Tasev, Investment Advisor SOFIA INTERNATIONAL SECURITIES AD	**Chavdar Mitev Plaharov** Executive Director SPARKY AD	**Marian Ivanov Predov** Head of Directorate Treasury and Capital Markets DSK BANK EAD

DECLARATION

The undersigned:

Chavdar Mitev Plaharov, in his capacity of Executive Director and representative of SPARKY AD,

Ivo Petrov Petrushev – in his capacity of Executive Director and representative of Investmetn Intermediary SOFIA INTERNATIONAL SECURITIES AD,

Alexandar Miroslavov Stoyanov – in his capacity of Executive Director and representative of Investment Intermediary SOFIA INTERNATIONAL SECURITIES AD,

Hereby declare that the Registration Document meets the requirements of the law.

For SPARKY AD:

Chavdar Mitev Plaharov,
Executive Director
SPARKY AD

For SOFIA INTERNATIONAL SECURITIES AD:

Ivo Petrov Petrushev, Executive Director SOFIA INTERNATIONAL SECURITIES AD	**Alexandar Miroslavov Stoyanov,** Executive Director SOFIA INTERNATIONAL SECURITIES AD

APPENDIX No. 2

Declaration
under Art. 81, para. 5 of POSA

The undersigned:

1. **Chavdar Mitev Plaharov** – Executive director of SPARKY AD;
2. **Rosen Borisov Milkov** – Member of the Management Board and Procurator of SPARKY AD;
3. **Ralitsa Racheva Marinova** - Member of the Management Board of SPARKY AD;
4. **Ivailo Ivanov Georgiev** - Member of the Management Board of SPARKY AD;
5. **Albena Emilova Stambolova** - Member of the Management Board of SPARKY AD;
6. **Valentin Milanov Radanov** - Member of the Management Board of SPARKY AD;
7. **Stanislav Kalchev Kalchev** - Member of the Management Board of SPARKY AD;
8. **Teodora Drumeva Todorova** - Member of the Management Board of SPARKY AD and prepared the financial reports of SPARKY AD;
9. **Marii Georgiev Apostolov –** registered auditor

Hereby declare that to the extent of our knowledge the information contained in the Registration Document is complete and accurate.

Chavdar Mitev Plaharov

Rosen Borisov Milkov

Ralitsa Racheva Marinova

Ivailo Ivanov Georgiev

Albena Emilova Stambolova

Valentin Milanov Radanov

Stanislav Kalchev Kalchev

Teodora Drumeva Todorova

Marii Georgiev Apostolov

APPENDIX No. 3

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Interim unaudited individual financial statements as of 30 September 2007

- balance sheet;
- income statement;
- cash flow statement;
- statement of changes in equity;
- notes to the financial statements.

Interim unaudited consolidated financial statements as of 30 September 2007

- balance sheet;
- income statement;
- cash flow statement;
- statement of changes in equity;
- notes to the financial statements.

Annual audited individual financial statements as of 2006

- directors' report;
- auditor's report;
- balance sheet;
- income statement;
- cash flow statement;
- statement of changes in equity;
- notes to the financial statements.

Annual audited consolidated financial statements as of 2006

- directors'report;
- auditor's report;
- balance sheet;
- income statement;
- cash flow statement;
- statement of changes in equity;
- notes to the financial statements.

Annual audited individual financial statements as of 2005

- directors'report;
- auditor's report;
- balance sheet;
- income statement;
- cash flow statement;
- statement of changes in equity;
- notes to the financial statements;

Annual audited individual financial statements as of 2004

- directors'report;
- auditor's report;
- balance sheet;
- income statement;
- cash flow statement;
- statement of changes in equity;
- notes to the financial statements.

SPARKY AD

INTERIM UNAUDITED INDIVIDUAL FINANCIAL STATEMENTS AS OF 30.09.2007

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SPARKY AD
Balance Sheet as of 30.09.2007

	TBGN	TBGN
ASSETS	**30.09.2007**	**31.12.2006**
Non-current assets		
Property, plant and equipment	12,542	21,634
Intangible assets	56	105
Investments in subsidiaries	21,071	6
Deferred tax assets	31	31
	33,700	**21,776**
Current assets		
Inventory	15,535	15,246
Related party receivables	2,023	16
Accounts receivable and prepayments	8,613	7,067
Cash and cash equivalents	1,892	2,479
	28.063	**24,808**
TOTAL ASSETS	**61,763**	**46,584**
Shareholders' equity		
Ordinary shares	3,000	1,000
Revaluation reserve	768	10,589
Other reserves	4,608	4,408
Financial result	31,508	3,032
	39,884	**19,029**
Long-term liabilities		
Loans from related parties	153	1,532
Other long-term payables	14,954	14,152
	15,107	**15,684**
Current liabilities		
Accounts payable and accrued charges	5,622	10,543
Related party payables	423	615
Other short-term payables	727	713
	6,772	**11,871**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**61,763**	**46,584**

Prepared by:
T. Todorova

Executive Director:
Ch. Placharov

Date: 31.10.2007

SPARKY AD
Income Statement
For the period between 01.01.2007 – 30.09.2007

	TBGN 30.09.2007	TBGN 30.09.2006
Sales	**39,035**	**22,987**
Cost of materials	(18,974)	(13,013)
Costs for hired services	(11,072)	(3,030)
Amortization costs	(1,515)	(1,442)
Employee benefit expenses	(4,334)	(3,276)
Other expenses	(530)	(501)
Other adjusting payables	3,751	641
Profit before interest and tax	**6,361**	**2,366**
Income from sale of non-current assets	**2,856**	**109**
Interest expense (net)	(816)	(460)
Foreign exchange gains/(losses) (net)	(7)	(16)
Other financial expenses	(72)	(35)
Profit / Loss before tax	**8,322**	**1,964**
Income taxes	-	-
Profit / (Loss) after tax	**8,322**	**1,964**

Prepared by:
T. Todorova

Executive Director:
Ch. Placharov

Date: 31.10.2007

SPARKY AD
Cash Flow Statement
For the period between 01.01.2007 – 30.09.2007

	TBGN	TBGN
	30.09.2007	**30.09.2006**
Operating activities		
Net cash inflow from operating activity before interest and tax	9,142	2,424
Amortization costs	1,515	1,442
Profit/Loss from sale or write off of assets	(4,493)	(107)
Profit/Loss from a capital contribution into a subsidiary	1,636	-
Change in inventory	(288)	(2,047)
Change in account receivables	(3,554)	(3,033)
Change in account payables to clients and suppliers	(4,646)	3,908
Total operating activities cash flow before interest and taxes	**(688)**	**2,587**
Interest paid	(830)	(378)
Tax paid	(459)	(493)
	(1,977)	**1,716**
Investment activities		
Property, Plant and Equipment acquisition	(6,142)	(2,346)
Proceeds from sale of fixed assets	6,954	122
	812	**(2,224)**
Financial activities		
Loans received	1,354	859
Loans repaid	(374)	(178)
Payments under a financial lease	(402)	(108)
Other payments linked to financial activities	-	(8)
	578	**565**
Movement in cash or cash equivalents	(587)	57
Cash or cash equivalents at the beginning of the period	2,479	582
Cash and cash equivalents at the end of the period	**1,892**	**639**

Prepared by: T. Todorova

Executive Director: Ch. Placharov

Date: 31.10.2007

SPARKY AD
EQUITY STATEMENT
For the period between 01.01.2007 – 30.09.2007
In TBGN

	Shared capital	Revaluation reserves	Other reserves	Profit/Loss	Total
Balance as of 01.01.2006	**215**	**10,589**	**4,204**	**1,448**	**16,456**
Share capital increase	785				785
Net profit for the current period	-	-	-	1,796	1,796
Profit distribution	-	-	209	(209)	-
Other movements in shared capital	-	-	(5)	(3)	(8)
Balance as of 01.01 of the current year	**1,000**	**10,589**	**4,408**	**3,032**	**19,029**
Share capital increase	2,000	-	-	-	2,000
Net profit for the current period	-	-	-	8,322	8,322
Revaluation of tangible fixed assets	-	(9,821)	-	9,821	-
Profit from a capital contribution into a subsidiary				10,534	10,534
Other movements in shared capital	-	-	200	(200)	-
Balance as of 30.09 of the current year	**3,000**	**768**	**4,608**	**31,508**	**39,884**

Prepared by: T. Todorova

Executive Director: Ch. Placharov

Date: 31.10.2007

ACCOUNTING POLICIES

(i) Principal activities

SPARKY AD is a joint-stock company, incorporated and domiciled in Bulgaria, town of Rousse, 1, Rozova Dolina Str. The principle activities of the company are the following: manufacturing of welded parts, forklift trucks and agricultural machines.

The share capital of the company amounts to 3,000 thousand leva divided into 1 000 000 shares with nominal value 1 lev. The main shareholder is SPARKY GROUP AD with 90.25% of the shares and 9.75% owned by individuals.

As of 30 September 2007 the company has 818 employees.

SPARKY AD has a two-tier management- Supervisory Board and Management Board.

Members of Supervisory Board:

Stanislav Petkov
Ivan Enicherov
Petar Babourkov

Members of the Management:

Chavdar Plaharov
Rossen Milkov
Ralitsa Marinova
Ivaylo Georgiev
Teodora Todorova
Stanislav Kalchev
Albena Stambolova
Valentin Radanov

(ii) Basis of preparation

The accompanying financial statements were prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board and the European Union Commission.

(iii) Overall considerations

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

The financial statements have been prepared on the historical cost basis for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies below.

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

(iv) Foreign currency translations

Although Bulgarian Leva (BGN) is the functional currency of the Company, the financial statements of the entity are presented in Euro (EUR) for the purposes of the English version form for the following reasons:

The Company is part of an international group;
Significant purchases are priced for in EUR. Most sales are billed in EUR.
The Company has significant loans denominated in EUR.

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

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

(v) Income and expense recognition

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

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

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

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

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

(vi) Investments in subsidiaries

Subsidiaries are firms under the control of the Company. Control of a subsidiary is the right to manage financial and operating policies of an entity in order to obtain benefits from its activities. In the financial statements of the Company investment in subsidiaries is accounted for at cost of investment.

(vii) Borrowing costs

All borrowing costs are expensed as incurred. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

(viii) Property, plant and equipment

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

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

The benchmark treatment is used for the land recognition as well. The land value is carried at its cost less and any accumulated impairment losses according to benchmark treatment. Impairment tests are carried out in 5-year period.

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

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

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

Assets	Useful life (in years)
Buildings	25
Machines and equipment	3
All vehicles excluding cars	10
Computer equipment	2
Cars	4

Other	7

(ix) Long-term Intangible assets

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

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Amortization is calculated using the straight-line method as follows:

Assets	Useful life (in years)
Software	2
Other intangible assets	7

(x) Leases

In accordance with IAS 17 (rev 2005), the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

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

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

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

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

(xi) Inventories

Inventories comprise raw materials, work in progress, finished goods, and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, then a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost, according to the benchmark treatment.

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

(xii) Impairment testing of goodwill, other intangible assets and property, plant and equipment

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

(xiii) Financial assets

Company's financial assets include cash and financial instruments other than hedging instruments. They can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognized on their transaction date.

All financial assets are initially recognized at fair value. Transaction costs which are directly attributable to the acquisition or issue of the financial asset of financial liability, except for financial assets or liabilities at fair value through profit or loss.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in the Income statement when received, regardless of how the related carrying amount of financial assets is measured.

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

Financial assets at fair value through profit or loss include financial assets that are accounted or incurred particularly for the purpose of selling or repurchasing in the near term. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Subsequent to initial recognition, the financial instruments included in this category are measured at fair value, except those which have no market value at active markets and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they don't have fixed date of payment.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the Income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the carrying amount of the asset and the present value of estimated future cash flows.

Available-for-sale financial assets include those assets which do not qualify for inclusion in any of the other categories of financial assets: loan and receivables held – to – maturity investments and financial assets at fair value through profit or loss. All financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they don't have fixed date of payment.

(xiv) Cash or cash equivalent

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, short term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

(xv) Equity

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

The revaluation reserve comprises gains and losses due to the revaluation of property, plant and equipment.

Retained earnings include all current and prior period results as determined in the income statement.

(xvi) Pension obligations and short term employee benefits

The Company has not elaborated and does not apply plans for employee benefits after leaving, nor other long term income and plans for income after leave or ones in the form compensations with shares of the share capital or interest.

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

(xvii) Financial liabilities

The Company's financial liabilities include bank loans and overdrafts, trade and other payables and finance leasing liabilities.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in "finance cost" in the income statement.

Bank loans are raised for support of long-term funding of the Company's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

(xviii) Other provisions, contingent liabilities and contingent assets

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

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Company takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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

Property, Plant and Equipment

	Cost of purchase				Accumulated amortization				Net book value	
	01.01.2007	Additions	Disposals	30.09.2007	01.01.2007	Charge	Disposals	30.09.2007	30.09.2007	31.12.2006
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Land	11 888	3 169	14 221	836	-	-	-	-	836	11 888
Buildings	3 510	12	586	2 936	1 280	96	211	1 165	1 771	2 230
Plant and machinery	9 473	1 053	95	10 431	6 369	1 293	66	7 596	2 835	3 104
Vehicles	713	418	42	1 089	385	62	42	405	684	328
Furniture and fittings	137	19	4	152	69	13	-	82	70	68
Expenses for acquisition and liquidation of tangible fixed assets	4 016	2 330	-	6 346	-	-	-	-	6 346	4 016
Total:	**29 737**	**7 001**	**14 948**	**21 790**	**8 103**	**1 464**	**319**	**9 248**	**12 542**	**21 634**

	Cost of purchase				Accumulated amortization				Net book value	
	01.01.2007	Additions	Disposals	30.09.2007	01.01.2007	Charge	Disposals	30.09.2007	30.09.2007	31.12.2006
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Land	11 481	407	-	11 888	-	-	-	-	11 888	11 481
Buildings	3 507	3	-	3 510	1 142	138	-	1 280	2 230	2 365
Plant and machinery	7 427	2 355	309	9 473	4 715	1 713	59	6 369	3 104	2 712
Vehicles	514	200	1	713	316	69	-	385	328	198
Furniture and fittings	112	25	0	137	54	15	-	69	68	58
Expenses for acquisition and liquidation of tangible fixed assets	1 742	2 274	-	4 016	-	-	-	-	4 016	1 742
Total:	**24 783**	**5 264**	**310**	**29 737**	**6 227**	**1 935**	**59**	**8 103**	**21 634**	**18 556**

Long-term intangible assets

	Cost of purchase				Accumulated amortization				Net book value	
	01.01.2007	Additions	Disposals	30.09.2007	01.01.2007	Charge	Disposals	30.09.2007	30.09.2007	31.12.2006
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Software	174	2	-	176	88	48	-	136	40	86
Other intangible fixed assets	25	-	-	25	6	3	-	9	16	19
TOTAL:	**199**	**2**	-	**201**	**94**	**51**	-	**145**	**56**	**105**

	Cost of purchase				Accumulated amortization				Net book value	
	01.01.2007	Additions	Disposals	30.09.2007	01.01.2007	Charge	Disposals	30.09.2007	30.09.2007	31.12.2006
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Software	48	127	1	174	44	46	2	88	86	4
Other intangible fixed assets	18	7	-	25	3	3	-	6	19	15
TOTAL:	**66**	**134**	**1**	**199**	**47**	**49**	**2**	**94**	**105**	**19**

Investments in subsidiaries

	30.09.2007 TBGN	31.12.2006 TBGN
SPARKY CPO	5	5
Prista Park EOOD	19 595	-
Sigma Plus EOOD	1 470	-
Others	1	1
	21 071	**6**

The SPARKY Center for Professional Education, Prista Park EOOD and Signa Plus EOOD are registered in Bulgaria with a sole owner SPARKY AD Rousse. The investment is carried at cost. SPARKY AD's share in these companies are not listed and a fair value could not be estimated and assigned.

Inventories

	30.09.2007 TBGN	31.12.2006 TBGN
Raw materials and consumables	10 886	12 436
Work in progress	4 363	2 482
Finished goods	160	192
Impairment	126	136
	15 535	**15 246**

Raw materials valued at TBGN 2 934 are pledged in favour of UniCredit Bulbank as collateral to loan 1293 dated 19.12.2005 to the amount of TEUR 750 (TBGN 1 467).

Related parties receivables

	30.09.2007 TBGN	31.12.2006 TBGN
SPARKY CPO	16	16
SPARKY GmbH	2 007	-
	2 023	**16**

Account receivables and prepayments

	30.09.2007 TBGN	31.12.2006 TBGN
Trade receivables	4 682	2 124
Prepayments	3 149	3 627
VAT and other taxes recoverable	735	1 226
Receivables from National Social Security	-	30
Other receivables	108	125

Prepaid expenses	16	12
Provision for bad and doubtful debts	(77)	(77)
	8 613	**7 067**

Cash and cash equivalents

	30.09.2007	**31.12.2006**
	TBGN	**TBGN**
Cash in hand in Leva	170	161
Cash at bank in Leva	1 702	2 318
Other cash or cash equivalent	20	-
	1 892	**2 479**

Ordinary shares

	30.09.2007		**31.12.2006**	
	Number	**TBGN**	**Number**	**TBGN**
Ordinary shares (authorised and issued)	3 000 000	3 000	1 000 000	1 000

All SPARKY AD's shares are ordinary, nominal, with a voting right to the holder and are fully paid by the shareholders. In 2007 the Company issued 2 000 000 shares at a 1.00 BGN nominal value each with a decision of the Rousse District Court as of June 20, 2007. The increase of the company's share capital increase was made through an in-kind contribution to capital, based on receivables of SPARKY GROUP AD from the Company under a contract dated December 12, 2005.

Revaluation reserve

The revaluation reserve as of 30.09.2007 amounts to 768 TBGN and refers to:

	30.09.2007	**31.12.2006**
	TBGN	**TBGN**
Property, plant and equipment:		
Revaluation, done according to the accounting policies as of 31 Dec 2001	122	645
Revaluation of land	646	9 944
	768	**10 589**

Revaluation reserve amounts to 122 TBGN are formed on the basis of published statistical coefficients according to the accounting policies as of 31.12.2001. The land was revaluated by a licensed appraiser in 2003.

Long-term payables

Fair values of long-term financial liabilities have been determined by calculating their present values at the balance sheet date, using fixed effective market interest rates available to the Company. No fair value changes have been included in profit or loss for the period as financial liabilities are carried at amortized cost in the balance sheet.
Long-term payables consist mainly of bank loans, loans from related parties and financial lease liabilities.

Loans from related parties

	30.09.2007	31.12.2006
	TBGN	**TBGN**
Long-term loans to related parties		
▪ SPARKY GmbH	153	205
▪ SPARKY GROUP AD	-	1 327
	153	**1 532**

Other long-term loans

	30.09.2007	31.12.2006
	TBGN	**TBGN**
Long-term loans to other companies:		
▪ UniCredit Bulbank AD	1 467	786
▪ DSK Bank	11 833	11 833
▪ DEG	302	402
▪ Private investors	80	107
Long-term portion of financial lease liability	1 272	1 019
Long-term portion of ZUNK liability	-	5
	14 954	**14 152**

The revolving overdraft facility from DSK Bank amounts to 6,050 TEUR. The loan is repayable in four equal monthly instalments the last due on 04.05.2008. After an annual review of the financial status of the Company, the loan could be extended by further 18 months.

The base interest rate is the 3-month EURIBOR plus 2.20% p.a. and is accrued on a monthly basis. The loan is secured by a mortgage on the land and buildings owned by Prista Park EOOD and all current and future cash or cash equivalent receivables of SPARKY AD through all it's current and future bank accounts, opened at DSK Bank, as well as pledge over machinery and equipment owned by the company.

DEG, private investors, Mr. D. H. Westphal, SPARKY GmbH

In order to expand its operations by establishing additional manufacturing facilities, on 20 December 2001, SPARKY AD signed the following long-term loan contracts:

Lender	Principal (TEUR)
DEG	720
Private investors	192
SPARKY GmbH	366
	1 278

The interest rate is the six-month EURIBOR rate plus 3.5% p.a. and is payable in arrears semi-annually by 15 November 2009.
The loans from DEG and Mr. D. H. Westphal are secured by a mortgage in favour of DEG on all land including all buildings and construction. The loan from SPARKY GmbH is not secured.

The loan from SPARKY GROUP AD is for 679 TEUR to finance the company's working capital. The principal is due on four equal installments starting from 15.09.2009 г. The interest is one-month EURIBOR+2.5% and it is due monthly.

The loan was repaid in full. As of a decision of the Rousse District Court from June 20, 2007 SPARKY AD's share capital was increased from 1 000 000 to 3 000 000 BGN. The increase of the company's share capital increase was made through an in-kind contribution to capital, based on receivables of SPARKY GROUP AD from the Company under a contract dated December 12, 2005.

Accounts payable and accrued charges

	30.09.2007	31.12.2006
	TBGN	TBGN
Trade payables	3 806	4 669
Advances from customers	12	4 896
Payables to employees	334	323
Unutilised employee vacations	32	187
Social security payables	160	179
Payables to the budget including income tax	50	269
Interest payable	105	7
Other payables	1 123	13
	5 622	**10 543**

Related party payables

	30.09.2007	31.12.2006
	TBGN	TBGN
SPARKY GmbH	-	403
SPARKY ELTOS AD	258	5
SPARKY TRADING EOOD	16	-
SPARKY GROUP AD	47	105
	321	**513**
Current portion of the loans from related parties		
▪ SPARKY GmbH	102	102
	102	**102**
	423	**615**

Other short-term loans

	30.09.2007	31.12.2006
	TBGN	TBGN
Short-term bank loans:		
▪ DEG	201	201
▪ DSK Bank - overdraft	-	196
▪ Private investors	54	54
Short-term portion of financial lease liability	472	262
	727	**713**

Sales

	30.09.2007	30.09.2006
	TBGN	TBGN
Production	28 907	21 309
Finished goods	213	151
Services	288	365
Other sales	9 627	1 162
	39 035	**22 987**

Income from sale of non-current assets

	30.09.2007	30.09.2006
	TBGN	TBGN
Sales of property, plant and equipment	6 954	122
Net book value of assets sold	(4 098)	(13)
	2 856	**109**

General and administrative expenses

	30.09.2007	30.09.2006
	TBGN	TBGN
Transportation services	(1 540)	(1 230)
Hired services	(1 293)	(867)
Industrial services	(853)	(637)
Construction services	(6 139)	
Other services	(1 247)	(296)
	(11 072)	**(3 030)**

Remuneration expenses

	30.09.2007	30.09.2006
	TBGN	TBGN
Wages and salaries	(3 429)	(2 626)
Social security expenses	(905)	(650)
	(4 334)	**(3 276)**

Adjustments

	30.09.2007	30.09.2006
	TBGN	TBGN
Book value of assets sold	(385)	(552)
Expenses for acquisition and liquidation of tangible fixed assets	2 287	1 295
Movement in inventory and work in progress	1 849	(105)
Other	-	3
	3 751	641

Interest expenses (net)

	30.09.2007	30.09.2006
	TBGN	TBGN
Interest expenses	(820)	(460)
Interest gains	4	-
	(816)	**(460)**

Foreign exchange gains/losses (net)

	30.09.2007	30.09.2006
	TBGN	TBGN
Foreign exchange gains	35	8
Foreign exchange losses	(42)	(24)
	(7)	**(16)**

Earnings per share

Basic earnings per share have been calculated using the net results attributable to shareholders of the Company as numerator.

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

	30.09.2007	2006

Profit attributable to equity holders of the Company (EUR)	8 322 045	1 796 172
Weighted average number of ordinary shares in issue	1 747 253	453 643
Basic earnings per share (EUR per share)	4.76	3.96

Related party transactions

	30.09.2007 TBGN	31.12.2006 TBGN
Related party sales		
SPARKY ELTOS AD	49	160
SPARKY CPO Ltd.	-	4
SPARKY TRADING EOOD	14	
SPARKY GmbH	3 499	3 005
	3 562	**3 169**
Related party interest expenses		
SPARKY GROUP AD	41	100
SPARKY GmbH	8	24
	49	**124**
Related party purchases		
SPARKY ELTOS AD	259	339
SPARKY GmbH	1 119	3 205
SPARKY TRADING EOOD	15	
SPARKY GROUP AD	40	60
	1 433	**3 604**

Contingent assets and liabilities

The Company has issued promissory notes in favor of DSK Bank for the amount of TEUR 6,474 as a security with regard to the TEUR 6,050 loan received and the annual interests thereto.

It is the management's opinion, that the contingent liabilities will not be realized as the financial situation of the company ensures the service of the loan.

Financial risk management

The Company's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates and interest rates. The management monitors the overall risk and seeks to minimize potential adverse effects on the financial performance of the Company.

Interest rate risk

The Company borrows at floating rates and the exposures involved are monitored regularly.

Credit risk

The Company has significant concentrations of credit risk to debtors of proven credit history. The Company has policy in place to ensure that sales are made to customers with an appropriate credit history.

Liquidity risk

The Company has managed to maintain flexibility by keeping committed credit lines available.

Post-balance sheet events

The management of the Company confirms that no significant events, the non-disclosure of which would affect the true and fair presentation of the financial statements, have occurred between the balance sheet date and the date of preparation of the financial statements.

SPARKY AD

INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30.09.2007

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SPARKY AD
Consolidated Balance Sheet as of 30.09.2007

	TBGN	TBGN
ASSETS	**30.09.2007**	**31.12.2006**
Non-current assets		
Property, plant and equipment	33,607	21,634
Intangible assets	56	105
Investments in subsidiaries	1	1
Deferred tax assets	31	31
	33,695	**21,771**
Current assets		
Inventory	15,535	15,246
Related party receivables	2,007	-
Accounts receivable and prepayments	8,613	7,068
Cash and cash equivalents	1,893	2,480
	28.048	**24,794**
TOTAL ASSETS	**61,743**	**46,565**
Shareholders' equity		
Ordinary shares	3,000	1,000
Revaluation reserve	11,302	10,589
Other reserves	4,608	4,408
Financial result	20,953	3,013
	39,863	**19,010**
Long-term liabilities		
Loans from related parties	153	1,532
Other long-term payables	14,954	14,152
	15,107	**15,684**
Current liabilities		
Accounts payable and accrued charges	5,623	10,543
Related party payables	423	615
Other short-term payables	727	713
	6,773	**11,871**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**61,743**	**46,565**

Prepared by:
T. Todorova

Executive Director:
Ch. Placharov

Date: 31.10.2007

SPARKY AD
Consolidated Income Statement
For the period between 01.01.2007 – 30.09.2007

	TBGN 30.09.2007	TBGN 30.09.2006
Sales	**39,041**	**22,993**
Cost of materials	(18,974)	(13,013)
Costs for hired services	(11,074)	(3,031)
Amortization costs	(1,515)	(1,442)
Employee benefit expenses	(4,339)	(3,282)
Other expenses	(530)	(501)
Other adjusting payables	3,751	641
Profit before interest and tax	**6,360**	**2,365**
Income from sale of non-current assets	**2,856**	**109**
Interest expense (net)	(816)	(460)
Foreign exchange gains/(losses) (net)	(7)	(16)
Other financial expenses	(72)	(35)
Profit / Loss before tax	**8,321**	**1,963**
Income taxes	-	-
Profit / (Loss) after tax	**8,321**	**1,963**

Prepared by: T. Todorova

Executive Director: Ch. Placharov

Date: 31.10.2007

SPARKY AD
Consolidated Cash Flow Statement
For the period between 01.01.2007 – 30.09.2007

	TBGN 30.09.2007	TBGN 30.09.2006
Operating activities		
Net cash inflow from operating activity before interest and tax	9,141	2,423
Amortization costs	1,515	1,442
Profit/Loss from sale or write off of assets	(4,493)	(107)
Profit/Loss from a capital contribution into a subsidiary	1,636	-
Change in inventory	(288)	(2,047)
Change in account receivables	(3,554)	(3,033)
Change in account payables to clients and suppliers	(4,645)	3,907
Total operating activities cash flow before interest and taxes	**(688)**	**2,585**
Interest paid	(830)	(378)
Tax paid	(459)	(493)
	(1,977)	**1,714**
Investment activities		
Property, Plant and Equipment acquisition	(6,142)	(2,346)
Proceeds from sale of fixed assets	6,954	122
	812	**(2,224)**
Financial activities		
Loans received	1,354	859
Loans repaid	(374)	(178)
Payments under a financial lease	(402)	(108)
Other payments linked to financial activities	-	(8)
	578	**565**
Movement in cash or cash equivalents	(587)	55
Cash or cash equivalents at the beginning of the period	2,480	585
Cash or cash equivalents at the end of the period	**1,893**	**640**

Prepared by:
T. Todorova

Executive Director:
Ch. Placharov

Date: 31.10.2007

SPARKY AD
CONSOLIDATED EQUITY STATEMENT
For the period between 01.01.2007 – 30.09.2007
In TBGN

	Shared capital	Revaluation reserves	Other reserves	Profit/Loss	Total
Balance as of 01.01.2006	**215**	**10,589**	**4,204**	**1,434**	**16,442**
Share capital increase	785				785
Net profit for the current period	-	-	-	1,791	1,791
Profit distribution	-	-	209	(209)	-
Other movements in shared capital	-	-	(5)	(3)	(8)
Balance as of 01.01 of the current year	**1,000**	**10,589**	**4,408**	**3,013**	**19.010**
Share capital increase	2,000	-	-	-	2,000
Net profit for the current period	-	-	-	8,321	8,321
Revaluation of tangible fixed assets	-	(9,821)	-	9,821	-
Profit from a capital contribution into a subsidiary		10,534		-	10,534
Other movements in shared capital	-	-	200	(200)	-
Balance as of 30.09 of the current year	**3,000**	**11,302**	**4,608**	**20,953**	**39,863**

Prepared by:
T. Todorova

Executive Director:
Ch. Placharov

Date: 31.10.2007

ACCOUNTING POLICIES

(i) Principal activities

SPARKY AD is a joint-stock company, incorporated and domiciled in Bulgaria, town of Rousse, 1, Rozova Dolina Str. The principle activities of the company are the following: manufacturing of welded parts, forklift trucks and agricultural machines.

The share capital of the company amounts to 3,000 thousand leva divided into 1 000 000 shares with nominal value 1 lev. The main shareholder is SPARKY GROUP AD with 90.25% of the shares and 9.75% owned by individuals.

As of 30 September 2007 the company has 819 employees.

SPARKY AD has a two-tier management- Supervisory Board and Management Board.

Members of Supervisory Board:

Stanislav Petkov
Ivan Enicherov
Petar Babourkov

Members of the Management:

Chavdar Plaharov
Rossen Milkov
Ralitsa Marinova
Ivaylo Georgiev
Teodora Todorova
Stanislav Kalchev
Albena Stambolova
Valentin Radanov

(ii) Basis of preparation

The accompanying financial statements were prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board and the European Union Commission.

This interim financial report is consolidated and is prepared by SPARKY AD, as of September 30, 2007. The Company has also prepared a non-consolidated interim report.

(iii) Overall considerations

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

The financial statements have been prepared on the historical cost basis for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies below.

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

(iv) Consolidation and investments in related parties

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. SPARKY AD is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.
Subsidiary undertakings are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations.

(v) Foreign currency translations

Although Bulgarian Leva (BGN) is the functional currency of the Group, the financial statements of the entity are presented in Euro (EUR) for the purposes of the English version form for the following reasons:

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

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

(vi) Income and expense recognition

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

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

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

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

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

(vii) Investments in subsidiaries

Subsidiaries are firms under the control of the Company. Control of a subsidiary is the right to manage financial and operating policies of an entity in order to obtain benefits from its activities. In the financial statements of the Company investment in subsidiaries is accounted for at cost of investment.

(viii) Goodwill

Goodwill shows up on a company's books when it acquires another company, and naturally has to pay more for it than the listed book value of its assets. The excess paid is categorized as Goodwill, added to the acquiring company's balance sheet as an asset, and then depreciated over a period of years.

In correspondence to IFRS 3 Business combinations, the excess of the fair value of the acquired assets or liabilities over the value paid, at the time of the exchange operation, is credited to the income statement.

(ix) Borrowing costs

All borrowing costs are expensed as incurred. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

(x) Property, plant and equipment

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

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

The benchmark treatment is used for the land recognition as well. The land value is carried at its cost less and any accumulated impairment losses according to benchmark treatment. Impairment tests are carried out in 5-year period.

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

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

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

Assets	Useful life (in years)
Buildings	25
Machines and equipment	3
All vehicles excluding cars	10
Computer equipment	2
Cars	4
Other	7

(xi) Long-term Intangible assets

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

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Amortization is calculated using the straight-line method as follows:

Assets	Useful life (in years)
Software	2
Other intangible assets	7

(xii) Leases

In accordance with IAS 17 (rev 2005), the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

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

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

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

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

(xiii) Inventories

Inventories comprise raw materials, work in progress, finished goods, and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, then a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost, according to the benchmark treatment.

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

(xiv) Impairment testing of goodwill, other intangible assets and property, plant and equipment of the Group

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

Individual assets or cash-generating units and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset’s or cash-generating unit’s carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

(xv) Financial assets

Group's financial assets include cash and financial instruments other than hedging instruments. They can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognized on their transaction date.

All financial assets are initially recognized at fair value. Transaction costs which are directly attributable to the acquisition or issue of the financial asset of financial liability, except for financial assets or liabilities at fair value through profit or loss.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in the Income statement when received, regardless of how the related carrying amount of financial assets is measured.

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

Financial assets at fair value through profit or loss include financial assets that are accounted or incurred particularly for the purpose of selling or repurchasing in the near term. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Subsequent to initial recognition, the financial instruments included in this category are measured at fair value, except those which have no market value at active markets and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they don't have fixed date of payment.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the Income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the carrying amount of the asset and the present value of estimated future cash flows.

Available-for-sale financial assets include those assets which do not qualify for inclusion in any of the other categories of financial assets: loan and receivables held – to – maturity investments and financial assets at fair value through profit or loss. All financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they don't have fixed date of payment.

(xvi) Income taxes

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

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Company can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets. Deferred tax asset in relation to carried forward losses is recognized to the extent that the realization of the related tax benefits through the future taxable profits is probable.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the balance sheet date.

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

(xvii) Cash or cash equivalent

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, short term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

(xviii) Equity

Group's share capital is determined using the nominal value shares that have been issued.

The revaluation reserve comprises gains and losses due to the revaluation of property, plant and equipment.

Retained earnings include all current and prior period results as determined in the income statement

(xix) Pension obligations and short term employee benefits

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

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

(xx) Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, trade and other payables and finance leasing liabilities.

Financial liabilities are recognized when all group members becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in "finance cost" in the income statement.

Bank loans are raised for support of long-term funding of the Company's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

(xxi) Other provisions, contingent liabilities and contingent assets

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

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Group takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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

(xxii) Consolidation base

SPARKY AD has three subsidiaries that are all registered as sole proprietor limited liability companies within 2005 – 2007 period. No goodwill has been reported over that period.

Company	Country	Activities	Capital	2007	2006
				%	%
SPARKY CPO	Bulgaria	Training	5 000	100.00%	100.00%
PRISTA PARK EOOD	Bulgaria	Consruction	19 595 000	100.00%	
SIGMA PLUS EOOD	Bulgaria	Construction	1 470 000	100.00%	

Property, Plant and Equipment

	Cost of purchase				Accumulated amortization				Net book value	
	01.01.2007	Additions	Disposals	01.01.2007	Additions	Disposals	01.01.2007	Additions	30.09.2007	31.12.2006
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Land	11 888	6 858	-	18 746	-	-	-	-	18 746	11 888
Buildings	3 510	2791	-	6 301	1 280	95	-	1 375	4 926	2 230
Plant and machinery	9 473	1 053	95	10 431	6 369	1 293	66	7 596	2 835	3 104
Vehicles	713	418	42	1 089	385	62	42	405	684	328
Furniture and fittings	137	19	4	152	69	13	-	82	70	68
Expenses for acquisition and liquidation of tangible fixed assets	4 016	2 330	-	6 346	-	-	-	-	6 346	4 016
Total:	**29 737**	**13 469**	**141**	**43 065**	**8 103**	**1 463**	**108**	**9 458**	**33 607**	**21 634**

	Cost of purchase				Accumulated amortization				Net book value	
	01.01.2007	Additions	Disposals	01.01.2007	Additions	Disposals	01.01.2007	Additions	Disposals	01.01.2007
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Land	11 481	407	-	11 888	-	-	-	-	11 888	11 481
Buildings	3 507	3	-	3 510	1 142	138	-	1 280	2 230	2 365
Plant and machinery	7 427	2 355	309	9 473	4 715	1 713	59	6 369	3 104	2 712
Vehicles	514	200	1	713	316	69	-	385	328	198
Furniture and fittings	112	25	0	137	54	15	-	69	68	58
Expenses for acquisition and liquidation of tangible fixed assets	1 742	2 274	-	4 016	-	-	-	-	4 016	1 742
Total:	**24 783**	**5 264**	**310**	**29 737**	**6 227**	**1 935**	**59**	**8 103**	**21 634**	**18 556**

Long-term intangible assets

	Cost of purchase				Accumulated amortization				Net book value	
	01.01.2007	Additions	Disposals	01.01.2007	Additions	Disposals	01.01.2007	Additions	Disposals	01.01.2007
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Software	174	2	-	176	88	48	-	136	40	86
Other intangible fixed assets	25	-	-	25	6	3	-	9	16	19
TOTAL:	**199**	**2**	**-**	**201**	**94**	**51**	**-**	**145**	**56**	**105**

	Cost of purchase				Accumulated amortization				Net book value	
	01.01.2007	Additions	Disposals	01.01.2007	Additions	Disposals	01.01.2007	Additions	Disposals	01.01.2007
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Software	48	127	1	174	44	46	2	88	86	4
Other intangible fixed assets	18	7	-	25	3	3	-	6	19	15
TOTAL:	**66**	**134**	**1**	**199**	**47**	**49**	**2**	**94**	**105**	**19**

Inventories

	30.09.2007 TBGN	31.12.2006 TBGN
Raw materials and consumables	10 886	12 436
Work in progress	4 363	2 482
Finished goods	160	192
Impairment	126	136
	15 535	**15 246**

Raw materials valued at TBGN 2 934 are pledged in favour of UniCredit Bulbank as collateral to loan 1293 dated 19.12.2005 to the amount of TEUR 750 (TBGN 1 467).

Related parties receivables

	30.09.2007 TBGN	31.12.2006 TBGN
SPARKY GmbH	2 007	-
	2 007	-

Account receivables and prepayments

	30.09.2007 TBGN	31.12.2006 TBGN
Trade receivables	4 682	2 125
Prepayments	3 149	3 627
VAT and other taxes recoverable	735	1 226
Receivables from National Social Security	-	30
Other receivables	108	125
Prepaid expenses	16	12
Provision for bad and doubtful debts	(77)	(77)
	8 613	**7 068**

Cash and cash equivalent

	30.09.2007 TBGN	31.12.2006 TBGN
Cash in hand in Leva	170	162
Cash at bank in Leva	1 703	2 318
Other cash or cash equivalent	20	-
	1 893	**2 480**

Ordinary shares

	30.09.2007		31.12.2006	
	Number	**TBGN**	**Number**	**TBGN**
Ordinary shares (authorised and issued)	3 000 000	3 000	1 000 000	1 000

All SPARKY AD's shares are ordinary, nominal, with a voting right to the holder and are fully paid by the shareholders. In 2007 the Company issued 2 000 000 shares at a 1.00 BGN nominal value each with a decision of the Rousse District Court as of June 20, 2007. The increase of the company's share capital increase was made through an in-kind contribution to capital, based on receivables of SPARKY GROUP AD from the Company under a contract dated December 12, 2005.

Revaluation reserve

The revaluation reserve as of 30.09.2007 amounts to 768 TBGN and refers to:

	30.09.2007	31.12.2006
	TBGN	**TBGN**
Property, plant and equipment:		
Revaluation, done according to the accounting policies as of 31 Dec 2001	122	645
Revaluation of land	11 180	9 944
	11 302	**10 589**

Revaluation reserve amounts to 122 TBGN are formed on the basis of published statistical coefficients according to the accounting policies as of 31.12.2001. The land was revaluated by a licensed appraiser in 2003 and 2007.

Long-term payables

Fair values of long-term financial liabilities have been determined by calculating their present values at the balance sheet date, using fixed effective market interest rates available to the Group. No fair value changes have been included in profit or loss for the period as financial liabilities are carried at amortized cost in the balance sheet.
Long-term payables consist mainly of bank loans, loans from related parties and financial lease liabilities.

	30.09.2007	31.12.2006
	TBGN	**TBGN**
Long-term loans to related parties		
▪ SPARKY GmbH	153	205
▪ SPARKY GROUP AD	-	1 327
	153	**1 532**

Other long-term loans

	30.09.2007	31.12.2006
	TBGN	TBGN
Long-term loans to other companies:		
▪ UniCredit Bulbank AD	1 467	786
▪ DSK Bank	11 833	11 833
▪ DEG	302	402
▪ Private investors	80	107
Long-term portion of financial lease liability	1 272	1 019
Long-term portion of ZUNK liability	-	5
	14 954	**14 152**

The revolving overdraft facility from DSK Bank amounts to 6,050 TEUR. The loan is repayable in four equal monthly instalments the last due on 04.05.2008. After an annual review of the financial status of the Company, the loan could be extended by further 18 months.

The base interest rate is the 3-month EURIBOR plus 2.20% p.a. and is accrued on a monthly basis. The loan is secured by a mortgage on the land and buildings owned by Prista Park EOOD and all current and future cash or cash equivalent receivables of SPARKY AD through all it's current and future bank accounts, opened at DSK Bank, as well as pledge over machinery and equipment owned by the company.

DEG, private investors, Mr. D. H. Westphal, SPARKY GmbH

In order to expand its operations by establishing additional manufacturing facilities, on 20 December 2001, SPARKY AD signed the following long-term loan contracts:

Lender	Principal (TEUR)
DEG	720
Private investors	192
SPARKY GmbH	366
	1 278

The interest rate is the six-month EURIBOR rate plus 3.5% p.a. and is payable in arrears semi-annually by 15 November 2009.
The loans from DEG and Mr. D. H. Westphal are secured by a mortgage in favour of DEG on all land including all buildings and construction. The loan from SPARKY GmbH is not secured.

The loan from SPARKY GROUP AD is for 679 TEUR to finance the company's working capital. The principal is due on four equal installments starting from 15.09.2009 г. The interest is one-month EURIBOR+2.5% and it is due monthly.

The whole sum is currently paying off. As of a decision of the Rousse District Court from June 20, 2007 SPARKY AD's share capital was increased from 1 000 000 to 3 000 000 BGN. The increase of the company's share capital increase was made through an in-kind contribution to capital, based on receivables of SPARKY GROUP AD from the Company under a contract dated December 12, 2005.

Accounts payable and accrued charges

	30.09.2007	31.12.2006
	TBGN	TBGN
Trade payables	3 806	4 672
Advances from customers	12	4 896
Payables to employees	335	323
Unutilised employee vacations	32	187
Social security payables	160	179
Payables to the budget including income tax	50	269
Interest payable	105	7
Other payables	1 123	10
	5 623	**10 543**

Related party payables

	30.09.2007	31.12.2006
	TBGN	TBGN
SPARKY GmbH	-	403
SPARKY ELTOS AD	258	5
SPARKY TRADING EOOD	16	-
SPARKY GROUP AD	47	105
	321	**513**
Current portion of the loans from related parties		
▪ SPARKY GmbH	102	102
	102	**102**
	423	**615**

Other short-term loans

	30.09.2007	31.12.2006
	TBGN	TBGN
Short-term bank loans:		
▪ DEG	201	201
▪ DSK Bank - overdraft	-	196
▪ Private investors	54	54
Short-term portion of financial lease liability	472	262
	727	**713**

Sales

	30.09.2007	30.09.2006
	TBGN	TBGN
Production	28 907	21 309
Finished goods	213	151
Services	294	371
Other sales	9 627	1 162
	39 041	**22 993**

Income from sale of non-current assets

	30.09.2007	30.09.2006
	TBGN	TBGN
Sales of property, plant and equipment	6 954	122
Net book value of assets sold	(4 098)	(13)
	2 856	**109**

General and administrative expenses

	30.09.2007	30.09.2006
	TBGN	TBGN
Transportation services	(1 540)	(1 230)
Hired services	(1 293)	(867)
Industrial services	(853)	(637)
Construction services	(6 139)	
Other services	(1 249)	(297)
	(11 074)	**(3 031)**

Remuneration expenses

	30.09.2007	30.09.2006
	TBGN	TBGN
Wages and salaries	(3 433)	(2 631)
Social security expenses	(906)	(651)
	(4 339)	**(3 282)**

Adjustments

	30.09.2007	30.09.2006
	TBGN	TBGN
Book value of assets sold	(385)	(552)
Expenses for acquisition and liquidation of tangible fixed assets	2 287	1 295
Movement in inventory and work in progress	1 849	(105)
Other	-	3
	3 751	641

Interest expenses (net)

	30.09.2007	30.09.2006
	TBGN	TBGN
Interest expenses	(820)	(460)
Interest gains	4	-
	(816)	**(460)**

Foreign exchange gains/losses (net)

	30.09.2007	30.09.2006
	TBGN	TBGN
Foreign exchange gains	35	8
Foreign exchange losses	(42)	(24)
	(7)	**(16)**

Earnings per share

Basic earnings per share have been calculated using the net results attributable to shareholders of the Company as numerator.

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

	30.09.2007	2006
Profit attributable to equity holders of the Company (EUR)	8 320 680	1 790 750
Weighted average number of ordinary shares in issue	1 747 253	453 643
Basic earnings per share (EUR per share)	4.76	3.95

Related party transactions

	30.09.2007 TBGN	31.12.2006 TBGN
Related party sales		
SPARKY ELTOS AD	49	160
SPARKY TRADING EOOD	14	
SPARKY GmbH	3 499	3 005
	3 562	**3 165**
Related party interest expenses		
SPARKY GROUP AD	41	100
SPARKY GmbH	8	24
	49	**124**
Related party purchases		
SPARKY ELTOS AD	259	339
SPARKY GmbH	1 119	3 205
SPARKY TRADING EOOD	15	
SPARKY GROUP AD	40	60
	1 433	**3 604**

Contingent assets and liabilities

The Group has issued promissory notes in favor of DSK Bank for the amount of TEUR 6,474 as a security with regard to the TEUR 6,050 loan received and the annual interests thereto.

It is the management's opinion, that the contingent liabilities will not be realized as the financial situation of the company ensures the service of the loan.

Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates and interest rates. The management monitors the overall risk and seeks to minimize potential adverse effects on the financial performance of the Group.

Interest rate risk

The Group borrows at floating rates and the exposures involved are monitored regularly.

Credit risk

The Group has significant concentrations of credit risk to debtors of proven credit history. The Group has policy in place to ensure that sales are made to customers with an appropriate credit history.

Liquidity risk

The Group has managed to maintain flexibility by keeping committed credit lines available.

Post-balance sheet events

The management of the Group confirms that no significant events, the non-disclosure of which would affect the true and fair presentation of the financial statements, have occurred between the balance sheet date and the date of preparation of the financial statements.

SPARKY AD

AUDITED INDIVIDUAL FINANCIAL STATEMENTS

AS OF 2006

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SPARKY AD Rousse

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2006

The Directors present the report and the financial statements prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2006. These financial statements have been audited by Grant Thornton Ltd.

BUSINESS DESCRIPTION

SPARKY AD is incorporated in Bulgaria. The principal activity of the Company is manufacturing and distribution of welded parts, forklift trucks and agricultural machines. Currently the Company employs 797 people. The head office and production facilities are located in Rousse, Bulgaria.

OBJECTIVES FOR 2007

The Directors have set the following primary objectives for 2007:

- expansion of the customer base
- reduced volumes of low margin production
- further capacity increase through reorganization of the production process

OPERATING REVIEW

There is a 53% increase in net sales compared to 2005. This is a result of the customers' response to the continuing efforts of the management to increase capacity and improve quality of production.

CORPORATE GOVERNANCE ISSUES

Directors

Executive director of the Company as at 31 December 2006 is Chavdar Placharov.

The Company has a two-tier management structure consisting of a supervisory board and a board of directors.

Directors' responsibilities

The Directors are required by law to prepare financial statements each financial year that give a true and fair view of the state of affairs of the Company as at the financial year end and of the profits or losses for the year.

The Directors confirm that suitable accounting policies are being used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2006. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2006

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' interests

There are no interests of the Directors in the shares of the Company for the year ended 31 December 2006.

Substantial shareholding

The shareholders at 31 December 2006 are as follows:

Shareholder	% of share capital
SPARKY BULGARIA AD	97.49
Individuals	2.51
	100.00

By order of the Board

Chavdar Placharov

Executive Director

Rousse, 27 January 2007

SPARKY AD
Balance Sheet at 31 December 2006

	31 December 2006 TBGN	31 December 2005 TBGN
ASSETS		
Non-current assets		
Property, plant and equipment	21 634	18 556
Intangible assets	105	19
Investments in subsidiaries	6	6
Deferred tax assets	31	37
	21 776	**18 618**
Current assets		
Inventories	15 246	7 775
Related party receivables	16	63
Accounts receivable and prepayments	7 067	3 876
Cash and cash equivalents	2 479	582
	24 808	12 296
TOTAL ASSETS	**46 584**	**30 914**
Shareholders' equity		
Ordinary shares	1 000	215
Revaluation reserve	10 589	10 589
Other reserves	4 408	4 204
Financial result	3 032	1 448
	19 029	**16 456**
Long-term liabilities		
Loans from related parties	1 532	2 419
Other long-term payables	14 152	6 838
	15 684	**9 257**
Current liabilities		
Accounts payable and accrued charges	10 543	2 987
Related party payables	615	1 915
Other short-term payables	713	299
	11 871	**5 201**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**46 584**	**30 914**

Prepared by: T. Todorova

Executive Director: Ch. Placharov

SPARKY AD Rousse
Income Statement
For the Year Ended 31 December 2006

	31 December 2006 TBGN	31 December 2005 TBGN
Revenues	**31 365**	**20 499**
Expenses		
Materials	(18 023)	(12 893)
Hired services	(5 145)	(2 853)
Depreciation	(1 984)	(1 661)
Payroll expenses	(4 764)	(3 549)
Other	(858)	(416)
Inventory adjustments	2 200	1 623
Operating profit	**2 791**	**750**
Profit from sale of assets	**130**	**525**
Financial expenses, net	(680)	(537)
Exchange rate gains/losses	(33)	(8)
Other financial expenses	(70)	(79)
Profit / (Loss) before tax	**2 138**	**651**
Income taxes	(342)	(442)
Profit / (Loss) after tax	**1 796**	**209**
Earnings per share	**3.96**	**0.97**

Prepared by:
T. Todorova

Executive Director:
Ch. Placharov

SPARKY AD Rousse
Cash Flow Statement
For the Year Ended 31 December 2006

	31 December 2006 TBGN	31 December 2005 TBGN
Operating activities		
Net cash inflow from operating activity before interest and tax	403	(2 231)
Interest paid	(581)	(562)
Tax paid	(525)	(26)
Net cash from operating activities	**(703)**	**(2 819)**
Investing activities		
Capital expenditure	(4 001)	(2 009)
Proceeds from sale of fixed assets	380	3 061
Net cash used in investing activities	**(3 621)**	**1 052**
Net cash from financing activities		
Loans repaid	6 850	8 077
Loans received	(359)	(5 944)
Payments under finance lease	(262)	(79)
Other payments	(8)	(76)
Net cash used in financing activities	**6 221**	**1 978**
Increase / (Decrease) in cash and cash equivalents	**969**	**109**
Movement in cash and cash equivalents		
At start of period	582	371
Increase/(Decrease)	1 897	211
At end of period	**2 479**	**582**

Prepared by: T. Todorova

Executive Director: Ch. Placharov

SPARKY AD Rousse
Statement of changes in shareholders' equity
For the Year Ended 31 December 2006

	Share Capital	Revaluation reserves	Other reserve	Profit / Loss	Total
	TBGN	TBGN	TBGN	TBGN	TBGN
At 1 January 2005	**215**	**12 815**	**4 108**	**(815)**	**16 323**
Revalution reserve of fixed assets disposed	-	-	-	209	209
Other movements in reserves	-	(2 226)	-	2 226	-
Profit distribution	-	-	171	(171)	-
Net profit for the year	-	-	(75)	(1)	(76)
At 1 January 2006	**215**	**10 589**	**4 204**	**1 448**	**16 456**
Share capital increase	785	-	-	-	785
Other movements in reserves	-	-	-	1 796	1 796
Profit distribution	-	-	209	(209)	-
Net profit for the year	-	-	(5)	(3)	(8)
At 31 December 2006	**1000**	**10 589**	**4 408**	**3 032**	**19 029**

Prepared by: T. Todorova

Executive Director: Ch. Placharov

ACCOUNTING POLICIES

(i) Principal activities

SPARKY AD is a joint-stock company, incorporated and domiciled in Bulgaria, town of Rousse, 1, Rozova Dolina Str. The principle activities of the company are the following: manufacturing of welded parts, forklift trucks and agricultural machines.

The share capital of the company amounts to 1,000 thousand leva divided into 1 000 000 shares with nominal value 1 lev. The main shareholder is SPARKY BULGARIA AD with 97.49% of the shares and 2.51% belong to individuals.

As of 31 Dececmber 2006 the company has 797 employees. SPARKY AD has a two-tier management- Supervisory Board and Management Board.

The financial statements of the company were approved on 02.02.2007 by the Management Board of the company.

Members of Supervisory Board:
Stanislav Petkov
Ivan Enicherov
Petar Babourkov
Nikolay Kalbov
Stoyan Tsokov

Members of the Management:
Chavdar Plaharov
Rossen Milkov
Ivan Aleksiev
Ralitsa Marinova
Ivaylo Georgiev
Teodora Todorova

(ii) Basis of preparation

The accompanying financial statements were prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board and the European Union Commission.

(iii) Changes in Accounting Policy

Amendments to published standards effective in 2006

IAS 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after 1 January 2006. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

Standards early adopted by the Company

IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, were early adopted in 2006. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

IAS 21 (Amendment), Net Investment in a Foreign Operation;

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

IAS 39 (Amendment), The Fair Value Option;

IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;

IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;

IFRS 6, Exploration for and Evaluation of Mineral Resources;

IFRIC 4, Determining whether an Arrangement contains a Lease; and

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

Accounting standards moved the general practice into common reporting and omissions ways, except for the cases when some specific cases occur and alternative methods and reporting are required.

(iv) Overall considerations

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

The financial statements have been prepared on the historical cost basis for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies below.

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

(v) Foreign currency translations

The financial statements of the Company are presented in Bulgarian Leva (BGN), which is also is the functional currency of the Company.

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

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

(vi) Income and expense recognition

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

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

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the value of the revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the enterprise;
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

(vii) Investments in subsidiaries

Subsidiaries are firms under the control of the Company. Control of a subsidiary is the right to manage financial and operating policies of an entity in order to obtain benefits from its activities. In the financial statements of the Company investment in subsidiaries is accounted for at cost of investment.

(viii) Borrowing costs

All borrowing costs are expensed as incurred. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

(ix) Property, plant and equipment

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

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

The benchmark treatment is used for the land recognition as well. The land value is carried at its cost less and any accumulated impairment losses according to benchmark treatment. Impairment tests are carried out in 5-year period.

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

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

In compliance with IAS 36 the Company examined all its significant items of property, plant and equipment to ensure that they are carried at no more than their recoverable amount.

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

Description	Useful life (in years)
Buildings	25
Machines and equipment	3
All vehicles excluding cars	10
Computer equipment	2
Cars	4
Other	7

(x) Intangible assets

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

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Amortization is calculated using the straight-line method as follows:

Description	Useful life (in years)
Software	2
Other intangible assets	7

(xi) Lease

Finance lease

In accordance with IAS 17 (rev 2005), the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

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

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

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

Operating lease

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

(xii) Inventories

Inventories comprise raw materials, work in progress, finished goods, and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, then a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost, according to the benchmark treatment.

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

(xiii) Impairment testing of goodwill, other intangible assets and property, plant and equipment

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

(xiv) Financial assets

Company's financial assets include cash and financial instruments other than hedging instruments. They can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognized on their transaction date.

All financial assets are initially recognized at fair value. Transaction costs which are directly attributable to the acquisition or issue of the financial asset of financial liability, except for financial assets or liabilities at fair value through profit or loss.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in the Income statement when received, regardless of how the related carrying amount of financial assets is measured.

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

Financial assets at fair value through profit or loss include financial assets that are accounted or incurred particularly for the purpose of selling or repurchasing in the near term. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Subsequent to initial recognition, the financial instruments included in this category are measured at fair value, except those which have no market value at active markets and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they don't have fixed date of payment.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the Income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the carrying amount of the asset and the present value of estimated future cash flows.

Available-for-sale financial assets include those assets which do not qualify for inclusion in any of the other categories of financial assets: loan and receivables held – to – maturity investments and financial assets at fair value through profit or loss. All financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they don't have fixed date of payment.

(xv) Accounting for income taxes

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

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Company can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets. Deferred tax asset in relation to carried forward losses is recognized to the extent that the realization of the related tax benefits through the future taxable profits is probable.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be offset against future taxable income.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to equity (such as the re-evaluation of land are charged or credited directly to equity.

(xvi) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, short term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

(xvii) Equity

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

The revaluation reserve comprises gains and losses due to the revaluation of property, plant and equipment.

Retained earnings include all current and prior period results as determined in the income statement.

(xviii) Pension obligations and short term employee benefits

The Company has not elaborated and does not apply plans for employee benefits after leaving, nor other long term income and plans for income after leave or ones in the form compensations with shares of the share capital or interest.

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

(xix) Financial liabilities

The Company's financial liabilities include bank loans and overdrafts, trade and other payables and finance leasing liabilities.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in "finance cost" in the income statement.

Bank loans are raised for support of long-term funding of the Company's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

(xx) Other provisions, contingent liabilities and contingent assets

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

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Company takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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

Property, Plant and Equipment

	Cost 1 January 2006	Additions	Disposals	31 December 2006	Accumulated Depreciation 1 January 2006	Charge	On Disposals	Accumulated Depreciation 31 December 2006	Net Book Value 2006	Net Book Value 2005
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Land	11 481	407	-	11 888	-	-	-	-	11 888	11 481
Buildings	3 507	3	-	3 510	1 142	138	-	1 280	2 230	2 365
Plant and machinery	7 427	2 355	309	9 473	4 715	1 713	59	6 369	3 104	2 712
Vehicles	514	200	1	713	316	69	-	385	328	198
Other	112	25	0	137	54	15	-	69	68	58
Fixed assets under construction	1 742	2 274	-	4 016	-	-	-	-	4 016	1 742
Total:	24 783	5 264	310	29 737	6 227	1 935	59	8 103	21 634	18 556

	Cost 1 January 2005	Additions	Disposals	31 December 2005	Accumulated Depreciation 1 January 2005	Charge	On Disposals	Accumulated Depreciation 31 December 2005	Net Book Value 2005	Net Book Value 2004
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Land	13 838	38	2 395	11 481	-	-	-	-	11 481	13 838
Buildings	3 761	68	322	3 507	1 308	151	317	1 142	2 365	2 453
Plant and machinery	6 440	1 220	233	7 427	3 376	1 438	99	4 715	2 712	3 064
Vehicles	448	66	0	514	263	53	0	316	198	185
Other	95	19	2	112	42	12	0	54	58	53
Fixed assets under construction	965	1,362	585	1,742	-	-	-	-	1,742	965
Total:	25 547	2 773	3 537	24 783	4 989	1 654	416	6 227	18 556	20 558

	Net Book Value			
	Property, plant and equipment valued by the alternative approach		Property, plant and equipment according to the benchmark approach	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	TBGN	TBGN	TBGN	TBGN
Land	11 888	11 481	1 445	1 039
Buildings	2 230	2 365	2 084	2 222
Plant and machinery	3 104	2 712	3 104	2 709
Vehicles	328	198	328	197
Other	68	58	68	58
Fixed assets under construction	4 016	1 742	4 016	1 742
Total:	**21 634**	**18 556**	**11 045**	**6 225**

Land valued at TBGN 10,353 and buildings valued at 2,230 are pledged as collateral in favour of DSK Bank under loan agreement 166, dated 04.11.2005. The loan amount is TBGN 11,833.

Machines valued at TBGN 1,464 are pledged as collateral in favour of DSK Bank under the same loan agreement.

Intangible assets

	Cost 1 January 2006	Additions	Disposals	31 December 2006	Accumulated Depreciation 1 January 2006	Charge	On Disposals	Accumulated Depreciation 31 December 2006	Net Book Value 2006	Net Book Value 2005
Software	48	127	1	174	44	46	2	88	86	4
Other intangible fixed assets	18	7	-	25	3	3	-	6	19	15
Total:	**66**	**134**	**1**	**199**	**47**	**49**	**2**	**94**	**105**	**19**

	Cost 1 January 2005	Additions	Disposals	31 December 2005	Accumulated Depreciation 1 January 2005	Charge	On Disposals	Accumulated Depreciation 31 December 2005	Net Book Value 2005	Net Book Value 2004
Software	43	5	-	48	41	3	-	44	4	2
Other intangible fixed assets	11	7	-	18	-	3	-	3	15	11
Total:	**54**	**12**	**-**	**66**	**41**	**6**	**-**	**47**	**19**	**13**

Investments in subsidiaries

	31 December 2006	31 December 2005
	TBGN	TBGN
SPARKY CPO	5	5
Others	1	1
	6	6

The SPARKY Center for Professional Education is registered in Bulgaria with a sole owner SPARKY AD Rousse. The investment is carried at cost. The shares of CPO SPARKY are not listed and a fair value could not be estimated and assigned.

Inventories

	31 December 2006	31 December 2005
	TBGN	TBGN
Raw materials and consumables	12,436	5,356
Work in progress	2,482	2,121
Finished goods	192	261
Goods for sale	136	37
	15,246	**7,775**

Raw materials valued at TBGN 600 are pledged in favour of DSK Bank as collateral to loan 209 dated 10.03.2006 to the amount of TBGN 587.

Raw materials valued at TBGN 2,934 are pledged in favour of BULBANK as collateral to lan 1293 dated 19.12.2005 to the amount of TBGN 1,467.

Related party receivables

	31 December 2006	31 December 2005
	TBGN	TBGN
SPARKY CPO	16	9
SPARKY ELTOS AD	-	54
	16	**63**

Accounts receivable and prepayments

	31 December 2006 TBGN	31 December 2005 TBGN
Trade receivables	2 124	2,253
Prepayments	3 627	1,384
VAT and other taxes recoverable	1 226	312
Receivables from National Social Security	30	-
Other receivables	125	31
Prepaid expenses	12	16
Provision for bad and doubtful debts	(77)	(120)
	7,067	**3,876**

Cash and cash equivalents

	31 December 2006 TBGN	31 December 2005 TBGN
Cash in hand in Leva	161	63
Cash at bank in Leva	2 318	519
	2 479	**582**

Ordinary shares

	31 December 2006		31 December 2005	
	Number	**TBGN**	**Number**	**TBGN**
Ordinary shares (authorised and issued)	1 000 000	1 000	214 880	215

All SPARKY AD's shares are ordinary, nominal, with a voting right to the holder and are fully paid by the shareholders. In accordance with decision of Regional Court of Rousse, dated 12 September 2006, the company has issued 785 120 ordinary shares with par value of 1.00 BGN each.

Revaluation reserve
The revaluation reserve as of 31.12.2006 amounts to 10 589 TBGN and refers to:

	31 December 2006 TBGN	31 December 2005 TBGN
Property, plant and equipment:		
Revaluation, done according to the accounting policies as of 31 Dec 2001	645	645
Revaluation of land	9 944	9 944
	10 589	**10 589**

Revaluation reserve amounts to 645 TBGN are formed on the basis of published statistical coefficients according to the accounting policies as of 31.12.2001. The land was revaluated by a licensed appraiser in 2003.

Long-term payables

Fair values of long-term financial liabilities have been determined by calculating their present values at the balance sheet date, using fixed effective market interest rates available to the Company. No fair value changes have been included in profit or loss for the period as financial liabilities are carried at amortized cost in the balance sheet.

Long-term payables consist mainly of bank loans, loans from related parties and financial lease liabilities.

Loans from related parties

	31 December 2006 TBGN	31 December 2005 TBGN
Long-term portion of SPARKY GmbH loan	205	307
Long-term loan from SPARKY BULGARIA	1 327	2 112
	1 532	2 419

	31 December 2006 TBGN	31 December 2005 TBGN
Long-term loan from DSK	11 833	5 965
Long-term loan from BULBANK	786	-
Long-term portion of DEG loan	402	604
Long-term portion of Private investors loan	107	162
Long-term portion of financial lease liability	1 019	102
Other long-term liabilities	5	5
	14 152	6 838

The revolving overdraft facility from DSK Bank amounts to 6,050 TBGN. The loan is repayable in four equal monthly instalments the last due on 04.05.2008. After an annual review of the financial status of the Company, the loan could be extended by further 18 months.

The interest rate is the monthly EURIBOR plus 3.00% p.a. and is accrued on a monthly basis. The loan is secured by a mortgage on the real property and pledges over machines and equipment.

DEG, private investors, Mr. D. H. Westphal, SPARKY GmbH

In order to expand its operations by establishing additional manufacturing facilities, on 20 December 2001, SPARKY AD signed the following long-term loan contracts:

Lender	Principal EUR
DEG	720,000
Private investors	192,000
SPARKY GmbH	366,000
	1,278,000

The interest rate is the six-month EURIBOR rate plus 3.5% p.a. and is payable in arrears semi-annually by 15 November 2009.

The loans from DEG and Mr. D. H. Westphal are secured by a mortgage in favour of DEG on all land including all buildings and construction. The loan from SPARKY GmbH is not secured.

The loan from SPARKY BULGARIA AD is for 679 TBGN to finance the company's working capital. The principal is due on four equal installments starting from 15.09.2009 г. The interest is one-month EURIBOR+2.5% and it is due monthly.

Leasing

As of 31 December 2006 the company has fifteen contracts for financial leasing. The net carrying amount of the assets acquired under the financial leases amounts to TBGN 1 397 (2005: TBGN 197).

The future minimal leasing payments as of 31.12.2006 are as follows:

	Up to 1 year	**1-5 years**	**More than 5 years**	**Total**
	TBGN	**TBGN**	**TBGN**	**TBGN**
Lease payments	332	1 184	-	1 516
Discounting	70	165	-	235
Net present value	**262**	**1 019**	**-**	**1 281**

Minimal leasing payments as of 31.12.2005 are as follows:

	Up to 1 year	**1-5 years**	**More than 5 years**	**Total**
	TBGN	**TBGN**	**TBGN**	**TBGN**

Lease payments	53	110	-	163
Discounting	9	8	-	17
Net present value	**44**	**102**	**-**	**146**

The company has lease contracts with Unicredit Leasing for the lease of machines and equipment and with HVB Leasing for the lease of a vehicle.

The lease contracts include fixed leasing payments and an option for complete buyout of the asset at the end of the payment schedule. The lease contract could not be made void but has no other restrictions.

Accounts payable and accrued charges

	31 December 2006 TBGN	31 December 2005 TBGN
Trade payables	4 669	2 085
Advances from customers	4 896	4
Payables to employees	323	193
Unutilised employee vacations	187	103
Social security payables	179	114
Payables to the budget including income tax	269	457
Interest payable	7	17
Other payables	13	14
	10 543	**2 987**

Related party payables

	31 December 2006 TBGN	31 December 2005 TBGN
SPARKY GmbH	403	1 782
SPARKY ELTOS AD	5	28
SPARKY BULGARIA AD	105	3
	513	**1 813**

Current portion of the loans from related parties

SPARKY GmbH	102	102
	102	102

	615	**1 915**

Short-term loans

Other short-term loans

	31 December 2006 TBGN	31 December 2005 TBGN
Short-term portion of DEG loan	201	201
Short-term loan from DSK Bank	196	-
Short-term portion of private investors loan	54	54
Short-term portion of financial lease liability	262	44
	713	**299**

Sales

	31 December 2006 TBGN	31 December 2005 TBGN
Finished goods	29 119	19 077
Goods for sale	213	170
Services	441	531
Other sales	1 592	721
	31 365	**20 499**

Income from sale of non-current assets

	31 December 2006 TBGN	31 December 2005 TBGN
Sales of property, plant and equipment	380	3 061
Net book value of assets sold	(250)	(2 536)
Gains on disposal of fixed assets	130	525

General and administrative expenses

	31 December 2006	31 December 2005

	TBGN	TBGN
Transportation services	(1 733)	(1 135)
Hired services	(1 865)	(584)
Industrial services	(1 042)	(406)
Other services	(505)	(728)
	(5 145)	**(2 853)**

Remuneration expenses

	31 December 2006 TBGN	31 December 2005 TBGN
Wages and salaries	(3 811)	(2 713)
Social security expenses	(953)	(836)
	(4 764)	**(3 549)**

Adjustments

	31 December 2006 TBGN	31 December 2005 TBGN
Book value of assets sold	(678)	(212)
Expenses for acquisition and liquidation of tangible fixed assets	2 585	1 297
Movement in inventory and work in progress	290	517
Others	3	21
	2 200	**1 623**

Interest expenses (net)

	31 December 2006 TBGN	31 December 2005 TBGN
Interest income	1	1
Interest expense	(681)	(538)
	(680)	**(537)**

Foreign exchange gains / (losses) (net)

	31 December 2006 TBGN	31 December 2005 TBGN
Foreign exchange gains	50	201
Foreign exchange losses	(83)	(209)
	(33)	**(8)**

Income taxes

The relationship between the expected tax expense based on the effective tax rate of The Company at 15.0 % (2005: 15.0 %) and the tax expense actually recognised in the income statement can be reconciled as follows:

		2006 TBGN		2005 TBGN
Result for the year before tax		2 138		651
Tax rate		15.00%		15.00%
Expected tax expense		(321)		(98)
	Base amount	**Tax effect**	**Base amount**	**Tax effect**
Adjustment for tax exempt income	(2,376)	357	(1 748)	262
Adjustment for non-deductible expenses	2,480	(372)	4 014	(602)
Tax expense	2,245	(336)	2 917	(438)
Actual tax expense, net		(342)		(442)
Comprised of:				
Tax expense	2,245	(336)	2 917	(438)
Deferred tax income / (expense)		20		27
Origination and reversal of temporary differences		(21)		27
Effect of change in tax rate		(5)	94	(18)
Total tax		**(342)**		**(442)**

The decrease of deferred tax asset from TBGN 37 to TBGN 31 is due to TBGN 20 increase in recoverable temporary differences, TBGN 21 reversal of temporary differences and TBGN 5 result of change in expected tax rate to 10% for 2007 (2006:15%)

Earnings per share and dividends

Basic earnings per share have been calculated using the net results attributable to shareholders of the Company as numerator.

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

	31 December 2006	31 December 2005
Profit attributable to equity holders of the Company (BGN)	1 796 172	209 136
Weighted average number of ordinary shares in issue	453 643	214 880
Basic earnings per share (BGN per share)	3.96	0.97

Net cash inflow from operating activities before interest and tax

	31 December 2006	31 December 2005
	TBGN	**TBGN**
Profit/(Loss) before interest and tax	2 818	1 189
Depreciation and amortization	1 984	1 661
(Profit)/Loss on disposal of fixed assets	(130)	(525)
(Increase)/Decrease in inventories	(7 471)	(2 455)
(Increase)/Decrease in receivables	(3 138)	4 278
Increase/(Decrease) in payables	6 340	(6 379)
Net cash (outflow)/inflow from operating activities before interest and tax	**403**	**(2 231)**

Related party transactions

	31 December 2006	31 December 2005
Related party sales	**TBGN**	**TBGN**
SPARKY ELTOS AD	160	298
SPARKY CPO Ltd.	4	7
SPARKY GmbH	3 005	2 558
	3 169	**2 863**
Related party interest expense		
SPARKY BULGARIA AD	-	6
SPARKY GmbH	24	27

SPARKY BuV	-	53
	24	**86**

Related party purchases

SPARKY ELTOS AD	339	837
SPARKY GmbH	3 205	1 548
SPARKY BULGARIA AD	60	29
	3 604	**2 414**

Contingent assets and liabilities

The Company has issued promissory notes in favor of DSK Bank for the amount of TEUR 6,474 as a security with regard to the TEUR 6,050 loan received and the annual interests thereto.

It is the management's opinion, that the contingent liabilities will not be realized as the financial situation of the company ensures the service of the loan.

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates and interest rates. The management monitors the overall risk and seeks to minimize potential adverse effects on the financial performance of the Company.

<u>Interest rate risk</u>

The Company borrows at floating rates and the exposures involved are monitored regularly.

<u>Credit risk</u>

The Company has significant concentrations of credit risk to debtors of proven credit history. The Company has policy in place to ensure that sales are made to customers with an appropriate credit history.

<u>Liquidity risk</u>

The Company has managed to maintain flexibility by keeping committed credit lines available.

Post-balance sheet events

The management of the Company confirms that no significant events, the non-disclosure of which would affect the true and fair presentation of the financial statements, have occurred between the balance sheet date and the date of preparation of the financial statements.

SPARKY AD

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 2006

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SPARKY AD Rousse

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2006

The Directors present the report and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2006. These consolidated financial statements have been audited by Grant Thornton Ltd.

BUSINESS DESCRIPTION

SPARKY AD is incorporated in Bulgaria. The principal activity of the Group is manufacturing and distribution of welded parts, forklift trucks and agricultural machines. SPARKY AD owns one subsidiary, that was established in 2005 and registered as a sole proprietor limited liability company. Currently the Group employs 798 people. The head office and production facilities are located in Rousse, Bulgaria.

OBJECTIVES FOR 2007

The Directors have set the following primary objectives for 2007:

- expansion of the customer base
- reduced volumes of low margin production
- further capacity increase through reorganization of the production process

OPERATING REVIEW

There is a 53% increase in net sales compared to 2005. This is a result of the customers' response to the continuing efforts of the management to increase capacity and improve quality of production.

CORPORATE GOVERNANCE ISSUES

Directors

Executive director of the Group as at 31 December 2006 is Chavdar Placharov.

The Group has a two-tier management structure consisting of a supervisory board and a board of directors.

Directors' responsibilities

The Directors are required by law to prepare consolidated financial statements each financial year that give a true and fair view of the state of affairs of the Group as at the financial year end and of the profits or losses for the year.

The Directors confirm that suitable accounting policies are being used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the consolidated financial statements for the year ended 31 December 2006. The Directors also confirm that applicable accounting standards have been followed and that the consolidated financial statements have been prepared on a going concern basis.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2006

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' interests

There are no interests of the Directors in the shares of the Group for the year ended 31 December 2006.

Substantial shareholding

The shareholders at 31 December 2006 are as follows:

Shareholder	% of share capital
SPARKY BULGARIA AD	97.49
Individuals	2.51
	100.00

By order of the Board

Chavdar Placharov

Executive Director

Rousse, 31 Octomber 2007

SPARKY AD Rousse

Consolidated Balance Sheet

	31 December 2006	31 December 2005
	TBGN	TBGN
ASSETS		
Non-current assets		
Property, plant and equipment	21 634	18 556
Intangible assets	105	19
Investments in subsidiaries	1	1
Deferred tax assets	31	37
	21 771	18 613
Current assets		
Inventories	15 246	7 775
Related party receivables outside the Group	-	55
Accounts receivable and prepayments	7 068	3 877
Cash and cash equivalents	2 480	585
	24 794	12 292
TOTAL ASSETS	**46 565**	**30 905**
Liabilities and shareholders' equity		
Shareholders' equity		
Ordinary shares	1 000	215
Revaluation reserve	10 589	10 589
Other reserves	4 408	4 204
Retained earnings	3 013	1 434
	19 010	**16 442**
Long-term liabilities		
Loans from related parties outside the Group	1 532	2 419
Other long-term payables	14 152	6 838
	15 684	**9 257**
Current liabilities		
Accounts payable and accrued charges	10 543	2 992
Related party payables outside the Group	615	1 915
Other short-term payables	713	299
	11 871	**5 206**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**46 565**	**30 905**

Prepared by: T. Todorova

Executive Director: Ch. Placharov

SPARKY AD Rousse
Consolidated Income Statement
For the Year Ended 31 December 2006

	31 December 2006 TBGN	31 December 2005 TBGN
Revenues	**31 374**	**20 505**
Expenses		
Materials	(18 028)	(12 900)
Hired services	(5 147)	(2 860)
Depreciation	(1 984)	(1 661)
Payroll expenses	(4 771)	(3 555)
Other	(858)	(416)
Inventory adjustments	2 200	1 623
Operating profit	**2 786**	**736**
Profit from sale of assets	**130**	**525**
Financial expenses, net	(680)	(537)
Exchange rate gains/losses	(33)	(8)
Other financial expenses	(70)	(79)
Profit / (Loss) before tax	**2 133**	**637**
Income taxes	(342)	(442)
Profit / (Loss) after tax	**1 791**	**195**
Earnings per share	**3.95**	**0.91**

Prepared by:
T. Todorova

Executive Director:
Ch. Placharov

SPARKY AD Rousse
Consolidated Cash Flow Statement
For the Year Ended 31 December 2006

	31 December 2006	31 December 2005
	TBGN	TBGN
Operating activities		
Net cash inflow from operating activity before interest and tax	401	(2 228)
Interest paid	(581)	(562)
Tax paid	(525)	(26)
Net cash from operating activities	**(705)**	**(2 816)**
Investing activities		
Capital expenditure	(4 001)	(2 009)
Proceeds from sale of fixed assets	380	3 061
Net cash used in investing activities	**(3 621)**	**1 052**
Net cash from financing activities		
Loans repaid	6 850	8 077
Loans received	(359)	(5 944)
Payments under finance lease	(262)	(79)
Other payments	(8)	(76)
Net cash used in financing activities	**6 221**	**1 978**
Increase / (Decrease) in cash and cash equivalents	**969**	**109**
Movement in cash and cash equivalents		
At start of period	585	371
Increase/(Decrease)	1 895	214
At end of period	**2 480**	**585**

Prepared by: T. Todorova

Executive Director: Ch. Placharov

SPARKY AD Rousse

Consolidated Statement of changes in shareholders' equity

For the Year Ended 31 December 2006

	Share Capital	Revaluation reserves	Other reserve	Profit / Loss	Total
	TBGN	TBGN	TBGN	TBGN	TBGN
At 1 January 2005	**215**	**12 815**	**4 108**	**(815)**	**16 323**
Revalution reserve of fixed assets disposed	-	-	-	195	195
Other movements in reserves	-	(2 226)	-	2 226	-
Profit distribution	-	-	171	(171)	-
Net profit for the year	-	-	(75)	(1)	(76)
At 1 January 2006	**215**	**10 589**	**4 204**	**1 434**	**16 442**
Share capital increase	785	-	-	-	785
Other movements in reserves	-	-	-	1 791	1 791
Profit distribution	-	-	209	(209)	-
Net profit for the year	-	-	(5)	(3)	(8)
At 31 December 2006	**1000**	**10 589**	**4 408**	**3 013**	**19 010**

Prepared by: T. Todorova

Executive Director: Ch. Placharov

ACCOUNTING POLICIES

(i) Principal activities

SPARKY AD is a joint-stock company, incorporated and domiciled in Bulgaria, town of Rousse, 1, Rozova Dolina Str. The principle activities of the Group are the following: manufacturing of welded parts, forklift trucks and agricultural machines.

The share capital of the Group amounts to 1,000 thousand leva divided into 1 000 000 shares with nominal value 1 lev. The main shareholder is SPARKY BULGARIA AD with 97.49% of the shares and 2.51% belong to individuals.

As of 31 Dececmber 2006 the Group has 798 employees. SPARKY AD has a two-tier management-Supervisory Board and Management Board.

The consolidated financial statements of the Group were approved on 11.06.2007 by the Management Board of the Group.

Members of Supervisory Board:
Stanislav Petkov
Ivan Enicherov
Petar Babourkov
Nikolay Kalbov
Stoyan Tsokov

Members of the Management:
Chavdar Plaharov
Rossen Milkov
Ivan Aleksiev
Ralitsa Marinova
Ivaylo Georgiev
Teodora Todorova

(ii) Basis of preparation

The accompanying consolidated financial statements were prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board and the European Union Commission.

The financial statements are the consolidated statements of the entity. The entity has released its separate financial statements on 31 December 2006.

(iii) Changes in Accounting Policy

Amendments to published standards effective in 2006

IAS 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after 1 January 2006. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

Standards early adopted by the Group

IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Consolidated financial statements – Capital Disclosures, were early adopted in 2006. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

IAS 21 (Amendment), Net Investment in a Foreign Operation;

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

IAS 39 (Amendment), The Fair Value Option;

IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;

IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;

IFRS 6, Exploration for and Evaluation of Mineral Resources;

IFRIC 4, Determining whether an Arrangement contains a Lease; and

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

Accounting standards moved the general practice into common reporting and omissions ways, except for the cases when some specific cases occur and alternative methods and reporting are required.

(iv) Overall considerations

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

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

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

(v) Consolidation and investments in associates

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

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

(vi) Foreign currency translations

The consolidated consolidated financial statements of the Group are presented in Bulgarian Leva (BGN), which is also is the functional currency of the Group.

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

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

(vii) Income and expense recognition

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

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

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

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

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

(viii) Investments in subsidiaries

Subsidiaries are firms under the control of the Group. Control of a subsidiary is the right to manage financial and operating policies of an entity in order to obtain benefits from its activities. In the consolidated financial statements of the Group investment in subsidiaries is accounted for at cost of investment.

(ix) Goodwill

Any excess of the cost of the acquisition over the acquirer’s interest in the fair value of the identifiable assets and liabilities at the date of the exchange transaction is described as goodwill and recognized as an asset. The excess paid is categorized as Goodwill, added to the acquiring company's balance sheet as an asset, and then depreciated over a period of years.

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

(x) Borrowing costs

All borrowing costs are expensed as incurred. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

(xi) Property, plant and equipment

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

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

The benchmark treatment is used for the land recognition as well. The land value is carried at its cost less and any accumulated impairment losses according to benchmark treatment. Impairment tests are carried out in 5-year period.

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

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

In compliance with IAS 36 the Group examined all its significant items of property, plant and equipment to ensure that they are carried at no more than their recoverable amount.

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

Description	Useful life (in years)
Buildings	25
Machines and equipment	3
All vehicles excluding cars	10
Computer equipment	2
Cars	4
Other	7

(xii) Intangible assets

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

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Amortization is calculated using the straight-line method as follows:

Description	Useful life (in years)
Software	2
Other intangible assets	7

(xiii) Lease

Finance lease

In accordance with IAS 17 (rev 2005), the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

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

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

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

Operating lease

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

(xxi) Inventories

Inventories comprise raw materials, work in progress, finished goods, and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, then a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost, according to the benchmark treatment.

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

(xiv) Impairment testing of goodwill, other intangible assets and property, plant and equipment of the Group

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

Impairment losses recognized for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

(xxii) Financial assets

Company's financial assets include cash and financial instruments other than hedging instruments. They can be divided into the following categories: loans and receivables, financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognized on their transaction date.

All financial assets are initially recognized at fair value. Transaction costs which are directly attributable to the acquisition or issue of the financial asset of financial liability, except for financial assets or liabilities at fair value through profit or loss.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in the Income statement when received, regardless of how the related carrying amount of financial assets is measured.

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

Financial assets at fair value through profit or loss include financial assets that are accounted or incurred particularly for the purpose of selling or repurchasing in the near term. Derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Subsequent to initial recognition, the financial instruments included in this category are measured at fair value, except those which have no market value at active markets and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they don't have fixed date of payment.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in the Income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the carrying amount of the asset and the present value of estimated future cash flows.

Available-for-sale financial assets include those assets which do not qualify for inclusion in any of the other categories of financial assets: loan and receivables held – to – maturity investments and financial assets at fair value through profit or loss. All financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they don't have fixed date of payment.

(xxiii) Accounting for income taxes

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

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

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be offset against future taxable income.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that are charged directly to equity (such as the re-evaluation of land are charged or credited directly to equity.

(xxiv) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, short term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

(xxv) Equity

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

The revaluation reserve comprises gains and losses due to the revaluation of property, plant and equipment.

Retained earnings include all current and prior period results as determined in the income statement.

(xxvi) Pension obligations and short term employee benefits

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

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

(xxvii) Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, trade and other payables and finance leasing liabilities.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in "finance cost" in the income statement.

Bank loans are raised for support of long-term funding of the Group's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

(xxviii) Other provisions, contingent liabilities and contingent assets

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

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Group takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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

Consolidation base

SPARKY AD owns one subsidiary, that was established in 2005 and registered as a sole proprietor limited liability company. The share capital of the subsidiary amounts to 5 thousand leva.

Company	Country	Activities	Capital	2006 %	2005 %
SPARKY CPO	Bulgaria	Training	5 000	100.00%	100.00%

Property, Plant and Equipment

	Cost 1 January 2006	Additions	Disposals	31 December 2006	Accumulated Depreciation 1 January 2006	Charge	On Disposals	Accumulated Depreciation 31 December 2006	Net Book Value 2006	Net Book Value 2005
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Land	11 481	407	-	11 888	-	-	-	-	11 888	11 481
Buildings	3 507	3	-	3 510	1 142	138	-	1 280	2 230	2 365
Plant and machinery	7 427	2 355	309	9 473	4 715	1 713	59	6 369	3 104	2 712
Vehicles	514	200	1	713	316	69	-	385	328	198
Other	112	25	0	137	54	15	-	69	68	58
Fixed assets under construction	1 742	2 274	-	4 016	-	-	-	-	4 016	1 742
Total:	24 783	5 264	310	29 737	6 227	1 935	59	8 103	21 634	18 556

	Cost 1 January 2005	Additions	Disposals	31 December 2005	Accumulated Depreciation 1 January 2005	Charge	On Disposals	Accumulated Depreciation 31 December 2005	Net Book Value 2005	Net Book Value 2004
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Land	13 838	38	2 395	11 481	-	-	-	-	11 481	13 838
Buildings	3 761	68	322	3 507	1 308	151	317	1 142	2 365	2 453
Plant and machinery	6 440	1 220	233	7 427	3 376	1 438	99	4 715	2 712	3 064
Vehicles	448	66	0	514	263	53	0	316	198	185
Other	95	19	2	112	42	12	0	54	58	53
Fixed assets under construction	965	1,362	585	1,742	-	-	-	-	1,742	965
Total:	25 547	2 773	3 537	24 783	4 989	1 654	416	6 227	18 556	20 558

	Net Book Value			
	Property, plant and equipment valued by the alternative approach		Property, plant and equipment according to the benchmark approach	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	TBGN	TBGN	TBGN	TBGN
Land	11 888	11 481	1 445	1 039
Buildings	2 230	2 365	2 084	2 222
Plant and machinery	3 104	2 712	3 104	2 709
Vehicles	328	198	328	197
Other	68	58	68	58
Fixed assets under construction	4 016	1 742	4 016	1 742
Total:	**21 634**	**18 556**	**11 045**	**6 225**

Land valued at TBGN 10,353 and buildings valued at 2,230 are pledged as collateral in favour of DSK Bank under loan agreement 166, dated 04.11.2005. The loan amount is TBGN 11,833.

Machines valued at TBGN 1,464 are pledged as collateral in favour of DSK Bank under the same loan agreement.

Intangible assets

	Cost 1 January 2006	Additions	Disposals	31 December 2006	Accumulated Depreciation 1 January 2006	Charge	On Disposals	Accumulated Depreciation 31 December 2006	Net Book Value 2006	Net Book Value 2005
Software	48	127	1	174	44	46	2	88	86	4
Other intangible fixed assets	18	7	-	25	3	3	-	6	19	15
Total:	**66**	**134**	**1**	**199**	**47**	**49**	**2**	**94**	**105**	**19**

	Cost 1 January 2005	Additions	Disposals	31 December 2005	Accumulated Depreciation 1 January 2005	Charge	On Disposals	Accumulated Depreciation 31 December 2005	Net Book Value 2005	Net Book Value 2004
Software	43	5	-	48	41	3	-	44	4	2
Other intangible fixed assets	11	7	-	18	-	3	-	3	15	11
Total:	**54**	**12**	**-**	**66**	**41**	**6**	**-**	**47**	**19**	**13**

Investments in subsidiaries

	31 December 2006	31 December 2005
	TBGN	TBGN
SPARKY CPO	5	5
others	1	1
	6	**6**

The SPARKY Center for Professional Education is registered in Bulgaria with a sole owner SPARKY AD Rousse. The investment is carried at cost. The shares of CPO SPARKY are not listed and a fair value could not be estimated and assigned.

Inventories

	31 December 2006	31 December 2005
	TBGN	TBGN
Raw materials and consumables	12,436	5,356
Work in progress	2,482	2,121
Finished goods	192	261
Goods for sale	136	37
	15,246	**7,775**

Raw materials valued at TBGN 600 are pledged in favour of DSK Bank as collateral to loan 209 dated 10.03.2006 to the amount of TBGN 587.

Raw materials valued at TBGN 2,934 are pledged in favour of BULBANK as collateral to lan 1293 dated 19.12.2005 to the amount of TBGN 1,467.

Related party receivables outside the Group

	31 December 2006	31 December 2005
	TBGN	TBGN
SPARKY ELTOS AD	-	55

Accounts receivable and prepayments

	31 December 2006	31 December 2005
	TBGN	TBGN
Trade receivables	2 125	2,254
Prepayments	3 627	1,384
VAT and other taxes recoverable	1 226	312
Receivables from National Social Security	30	-
Other receivables	125	31
Prepaid expenses	12	16
Provision for bad and doubtful debts	(77)	(120)
	7,068	**3,877**

Cash and cash equivalents

	31 December 2006	31 December 2005
	TBGN	TBGN
Cash in hand in Leva	161	63
Cash at bank in Leva	2 319	522
	2 480	**585**

Ordinary shares

	31 December 2006		31 December 2005	
	Number	TBGN	Number	TBGN
Ordinary shares (authorised and issued)	1 000 000	1 000	214 880	215

All SPARKY AD's shares are ordinary, nominal, with a voting right to the holder and are fully paid by the shareholders. In accordance with decision of Regional Court of Rousse, dated 12 September 2006, the Group has issued 785 120 ordinary shares with par value of 1.00 BGN each.

Revaluation reserve

The revaluation reserve as of 31.12.2006 amounts to 10 589 TBGN and refers to:

	31 December 2006 TBGN	31 December 2005 TBGN
Property, plant and equipment:		
Revaluation, done according to the accounting policies as of 31 Dec 2001	645	645
Revaluation of land	9 944	9 944
	10 589	**10 589**

Revaluation reserve amounts to 645 TBGN are formed on the basis of published statistical coefficients according to the accounting policies as of 31.12.2001. The land was revaluated by a licensed appraiser in 2003.

Long-term payables

Fair values of long-term financial liabilities have been determined by calculating their present values at the balance sheet date, using fixed effective market interest rates available to the Group. No fair value changes have been included in profit or loss for the period as financial liabilities are carried at amortized cost in the balance sheet.

Long-term payables consist mainly of bank loans, loans from related parties and financial lease liabilities.

Loans from related parties outside the Group

	31 December 2006 TBGN	31 December 2005 TBGN
Long-term portion of SPARKY GmbH loan	205	307
Long-term loan from SPARKY BULGARIA	1 327	2 112
	1 532	**2 419**

	31 December 2006 TBGN	31 December 2005 TBGN
Long-term loan from DSK	11 833	5 965
Long-term loan from BULBANK	786	-
Long-term portion of DEG loan	402	604

Long-term portion of Private investors loan	107	162
Long-term portion of financial lease liability	1 019	102
Other long-term liabilities	5	5
	14 152	**6 838**

The revolving overdraft facility from DSK Bank amounts to 6,050 TBGN. The loan is repayable in four equal monthly instalments the last due on 04.05.2008. After an annual review of the financial status of the Group, the loan could be extended by further 18 months.

The interest rate is the monthly EURIBOR plus 3.00% p.a. and is accrued on a monthly basis. The loan is secured by a mortgage on the real property and pledges over machines and equipment.

DEG, private investors, Mr. D. H. Westphal, SPARKY GmbH

In order to expand its operations by establishing additional manufacturing facilities, on 20 December 2001, SPARKY AD signed the following long-term loan contracts:

Lender	Principal EUR
DEG	720,000
Private investors	192,000
SPARKY GmbH	366,000
	1,278,000

The interest rate is the six-month EURIBOR rate plus 3.5% p.a. and is payable in arrears semi-annually by 15 November 2009.

The loans from DEG and Mr. D. H. Westphal are secured by a mortgage in favour of DEG on all land including all buildings and construction. The loan from SPARKY GmbH is not secured.

The loan from SPARKY BULGARIA AD is for 679 TBGN to finance the Group's working capital. The principal is due on four equal installments starting from 15.09.2009 г. The interest is one-month EURIBOR+2.5% and it is due monthly.

Leasing

As of 31 December 2006 the Group has fifteen contracts for financial leasing. The net carrying amount of the assets acquired under the financial leases amounts to TBGN 1 397 (2005: TBGN 197).

The future minimal leasing payments as of 31.12.2006 are as follows:

	Up to 1 year	1-5 years	More than 5 years	Total
	TBGN	TBGN	TBGN	TBGN
Lease payments	332	1 184	-	1 516
Discounting	70	165	-	235
Net present value	**262**	**1 019**	**-**	**1 281**

Minimal leasing payments as of 31.12.2005 are as follows:

	Up to 1 year	1-5 years	More than 5 years	Total
	TBGN	TBGN	TBGN	TBGN
Lease payments	53	110	-	163
Discounting	9	8	-	17
Net present value	**44**	**102**	**-**	**146**

The Group has lease contracts with Unicredit Leasing for the lease of machines and equipment and with HVB Leasing for the lease of a vehicle.

The lease contracts include fixed leasing payments and an option for complete buyout of the asset at the end of the payment schedule. The lease contract could not be made void but has no other restrictions.

Accounts payable and accrued charges

	31 December 2006	31 December 2005
	TBGN	TBGN
Trade payables	4 669	2 090
Advances from customers	4 896	4
Payables to employees	323	193
Unutilised employee vacations	187	103
Social security payables	179	114
Payables to the budget including income tax	269	457
Interest payable	7	17
Other payables	13	14
	10 543	**2 992**

Related party payables outside the Group

	31 December 2006	31 December 2005
	TBGN	TBGN

SPARKY GmbH	403	1 782
SPARKY ELTOS AD	5	28
SPARKY BULGARIA AD	105	3
	513	**1 813**

Current portion of the loans from related parties

SPARKY GmbH	102	102
	102	**102**
	615	**1 915**

Short-term loans

Other short-term loans

	31 December 2006 TBGN	**31 December 2005 TBGN**
Short-term portion of DEG loan	201	201
Short-term loan from DSK Bank	196	-
Short-term portion of private investors loan	54	54
Short-term portion of financial lease liability	262	44
	713	**299**

Sales

	31 December 2006 TBGN	**31 December 2005 TBGN**
Finished goods	29 119	19 077
Goods for sale	213	170
Services	441	531
Other sales	1 601	727
	31 374	**20 505**

Income from sale of non-current assets

	31 December 2006 TBGN	**31 December 2005 TBGN**
Sales of property, plant and equipment	380	3 061
Net book value of assets sold	(250)	(2 536)
Gains on disposal of fixed assets	**130**	**525**

General and administrative expenses

	31 December 2006 TBGN	31 December 2005 TBGN
Transportation services	(1 733)	(1 135)
Hired services	(1 865)	(584)
Industrial services	(1 042)	(406)
Other services	(507)	(735)
	(5 147)	**(2 860)**

Remuneration expenses

	31 December 2006 TBGN	31 December 2005 TBGN
Wages and salaries	(3 816)	(2 718)
Social security expenses	(955)	(837)
	(4 771)	**(3 555)**

Adjustments

	31 December 2006 TBGN	31 December 2005 TBGN
Book value of assets sold	(678)	(212)
Expenses for acquisition and liquidation of tangible fixed assets	2 585	1 297
Movement in inventory and work in progress	290	517
Others	3	21
	2 200	**1 623**

Interest expenses (net)

	31 December 2006 TBGN	31 December 2005 TBGN
Interest income	1	1

	2006	2005
Interest expense	(681)	(538)
	(680)	**(537)**

Foreign exchange gains / (losses) (net)

	31 December 2006	**31 December 2005**
	TBGN	**TBGN**
Foreign exchange gains	50	201
Foreign exchange losses	(83)	(209)
	(33)	**(8)**

Income taxes

The relationship between the expected tax expense based on the effective tax rate of The Group at 15.0 % (2005: 15.0 %) and the tax expense actually recognised in the income statement can be reconciled as follows:

		2006		**2005**
		TBGN		**TBGN**
Consolidated Financial Result before tax		2 133		637
Loss from subsidiary		5		14
Result for the year before tax		2 138		651
Tax rate		15.00%		15.00%
Expected tax expense		(321)		(98)
	Base amount	**Tax effect**	**Base amount**	**Tax effect**
Adjustment for tax exempt income	(2,376)	357	(1 748)	262
Adjustment for non-deductible expenses	2,480	(372)	4 014	(602)
Tax expense	2,245	(336)	2 917	(438)
Actual tax expense, net		(342)		(442)
Comprised of:				
Tax expense	2,245	(336)	2 917	(438)
Deferred tax income / (expense)		20		27
Origination and reversal of temporary differences		(21)		27
Effect of change in tax rate		(5)	94	(18)
Total tax		**(342)**		**(442)**

The decrease of deferred tax asset from TBGN 37 to TBGN 31 is due to TBGN 20 increase in recoverable temporary differences, TBGN 21 reversal of temporary differences and TBGN 5 result of change in expected tax rate to 10% for 2007 (2006:15%)

Earnings per share and dividends

Basic earnings per share have been calculated using the net results attributable to shareholders of the Group as numerator.

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

	31 December 2006	31 December 2005
Profit attributable to equity holders of the Group (BGN)	1 790 750	194 826
Weighted average number of ordinary shares in issue	453 643	214 880
Basic earnings per share (BGN per share)	3.95	0.91

Net cash inflow from operating activities before interest and tax

	31 December 2006	31 December 2005
	TBGN	TBGN
Profit/(Loss) before interest and tax	2 813	1 175
Depreciation and amortization	1 984	1 661
(Profit)/Loss on disposal of fixed assets	(130)	(525)
(Increase)/Decrease in inventories	(7 471)	(2 455)
(Increase)/Decrease in receivables	(3 138)	4 278
Increase/(Decrease) in payables	6 343	(6 362)
Net cash (outflow)/inflow from operating activities before interest and tax	**401**	**(2 228)**

Related party transactions

	31 December 2006	31 December 2005
Related party sales outside the Group	**TBGN**	**TBGN**
SPARKY ELTOS AD	160	298
SPARKY GmbH	3 005	2 558
	3 165	**2 856**

Related party interest expense outside the Group		
SPARKY BULGARIA AD	-	6
SPARKY GmbH	24	27
SPARKY BuV	-	53
	24	**86**

Related party purchases outside the Group

SPARKY ELTOS AD	339	837
SPARKY GmbH	3 205	1 548
SPARKY BULGARIA AD	60	29
	3 604	**2 414**

Contingent assets and liabilities

The Group has issued promissory notes in favor of DSK Bank for the amount of TEUR 6,474 as a security with regard to the TEUR 6,050 loan received and the annual interests thereto.

It is the management's opinion, that the contingent liabilities will not be realized as the financial situation of the Group ensures the service of the loan.

Financial Risk Management

The Group's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates and interest rates. The management monitors the overall risk and seeks to minimize potential adverse effects on the financial performance of the Group.

Interest rate risk

The Group borrows at floating rates and the exposures involved are monitored regularly.

Credit risk

The Group has significant concentrations of credit risk to debtors of proven credit history. The Group has policy in place to ensure that sales are made to customers with an appropriate credit history.

Liquidity risk

The Group has managed to maintain flexibility by keeping committed credit lines available.

Post-balance sheet events

The management of the Group confirms that no significant events, the non-disclosure of which would affect the true and fair presentation of the consolidated financial statements, have occurred between the balance sheet date and the date of preparation of the consolidated financial statements.

SPARKY AD

AUDITED INDIVIDUAL FINANCIAL STATEMENTS AS OF

31 December 2005

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SPARKY AD Rousse

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2005

The Directors present the report and the financial statements prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2005. These financial statements have been audited by Grant Thornton Ltd.

BUSINESS DESCRIPTION

SPARKY AD is incorporated in Bulgaria. The principal activity of the Company is manufacturing and distribution of welded parts, forklift trucks and agricultural machines. Currently the Company employs 652 people. The head office and production facilities are located in Rousse, Bulgaria.

OBJECTIVES FOR 2005

The Directors have set the following primary objectives for 2005:

- expansion of the customer base
- reduced volumes of low margin production
- further capacity increase through reorganization of the production process

OPERATING REVIEW

There is a 27% increase in net sales compared to 2004. This is a result of the customers' response to the continuing efforts of the management to increase capacity and improve quality of production.

CORPORATE GOVERNANCE ISSUES

Directors

Executive director of the Company as at 31 December 2005 is Chavdar Placharov.

The Company has a two-tier management structure consisting of a supervisory board and a board of directors.

Directors' responsibilities

The Directors are required by law to prepare financial statements each financial year that give a true and fair view of the state of affairs of the Company as at the financial year end and of the profits or losses for the year.

The Directors confirm that suitable accounting policies are being used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2005. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' interests

There are no interests of the Directors in the shares of the Company for the year ended 31 December 2005.

Substantial shareholding

The shareholders at 31 December 2005 are as follows:

Shareholder	% of share capital
SPARKY BULGARIA AD	88.25
Individuals	11.75
	100.00

By order of the Board

Chavdar Placharov
Executive Director

Rousse, 27 January 2006

SPARKY AD
BALANCE SHEET At 31 December 2005

	Note	31.12.2005 '000 BGN	31.12.2004 '000 BGN
ASSETS			**Restated***
Non-current assets			
Property, plant and equipment	2	18 556	20 558
Intangible assets	3	19	13
Investments in subsidiaries	4	6	1
Deferred tax assets		37	25
		18 618	**20 597**
Current assets			
Inventories	5	7 775	5 320
Related party receivables	6	54	771
Accounts receivable and prepayments	7	3 885	7 458
Cash and cash equivalents	8	582	371
		12 296	**13 920**
Total assets		**30 914**	**34 517**
Shareholders' equity			
Ordinary shares	9	215	215
Revaluation reserve	10	10 589	12 815
Other reserves		4 204	4 108
Retained earnings		1 448	(815)
		16 456	**16 323**
Liabilities			
Long-term liabilities			
Loans from related parties	11	2 526	414
Other long-term payables	11	6 731	5 999
		9 257	**6 413**
Current liabilities			
Accounts payable and accrued charges	12	2 987	4 751
Related party payables	13	1 813	6 036
Short-term loans from related parties	14	102	685
Short-term loans	14	299	309
		5 201	**11 781**
Total liabilities and shareholders' equity		**30 914**	**34 517**

Prepared by: T.Todorova

Executive Director: Ch. Placharov

Audited by:

Date: 31.01.2006

SPARKY AD
Income Statement
Period: 01.01.2005 - 31.12.2005

	Note	2005 '000 BGN	2004 '000 BGN Restated*
Sales	15	23 560	18 504
Cost of materials		(12 893)	(9 145)
Hired services expenses	16	(2 853)	(2 689)
Depreciation		(1 661)	(1 431)
Employee benefit expenses	17	(3 549)	(2 878)
Other expenses		(416)	(533)
Adjustments	18	(913)	(1 149)
Operating Profit		**1 275**	**679**
Interest expenses (net)	19	(537)	(592)
Foreign exchange gains/(losses)	20	(8)	31
Other financial expenses		(79)	(100)
Profit before tax		**651**	**18**
Income taxes (net)	21	(442)	(30)
Profit after tax		**209**	**(12)**
Earnings per Share (BGN per share)	22	**0.97**	**(0.05)**

Prepared by: T.Todorova

Executive Director: Ch. Placharov

Audited by:

Date: 31.01.2006

SPARKY AD
Cash Flow Statement
Period: 01.01.2005 - 31.12.2005

		2005 '000 BGN	2004 '000 BGN Restated*
Operating activities			
Net cash inflow from operating activities before interest and tax	23	(2 231)	1 834
Interest paid		(562)	(633)
Tax paid		(26)	(15)
		(2 819)	**1 186**
Investing activities			
Purchase of property, plant and equipment		(2 009)	(1 207)
Proceeds from sale of property, plant and equipment		3 061	348
		1 052	**(859)**
Financing activities			
Loans received		8 077	1 008
Loans repaid		(5 944)	(1 043)
Payments under a finance lease		(79)	(69)
		2 054	**(104)**
Increase / (Decrease) in cash and cash equivalents		287	223
Reserves Change		(76)	(11)
At start of period		371	159
At end of period		**582**	**371**

Prepared by: T.Todorova

Executive Director: Ch. Placharov

Audited by:

Date: 31.01.2006

SPARKY AD
Statement of changes in shareholders' equity
Period: 01.01.2005 - 31.12.2005

	Share Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total Equity
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
At 1 January 2004	**215**	**13 093**	**4 109**	**(1 071)**	**16 346**
Net profit for the year	-	-	-	171	171
Revaluation of fixed assets	-	(1)	-	1	
Other changes in equity	-	-	(1)	(10)	(11)
At 31 December 2004	**215**	**13 092**	**4 108**	**(909)**	**16 506**
Restatement*					
Net profit for the year	**-**	**-**	**-**	(183)	(183)
Revaluation of fixed assets		(277)		277	0
Restated At 1 January 2005	**215**	**12 815**	**4 108**	**(815)**	**16 323**
Net profit for the year	-	-	-	209	209
Revaluation of fixed assets	-	(2 226)	-	2 226	-
Distribution of the profit	-	-	171	(171)	-
Other changes in equity	-	-	(75)	(1)	(76)
At 31 December 2005	**215**	**10 589**	**4 204**	**1 448**	**16 456**

Prepared by: Executive Director:
T.Todorova Ch. Placharov

Audited by:

Date: 31.01.2006

ACCOUNTING POLICIES

General information

SPARKY AD is a joint-stock company, incorporated and domiciled in Bulgaria, town of Rousse, 1, Rozova Dolina Str. The principle activities of the company are the following: manufacturing of welded parts, forklift trucks and agricultural machines.

The share capital of the company amounts to 214 880 leva divided into 214 880 shares with nominal value 1 lev. The main shareholder is SPARKY BULGARIA AD with 88.25% of the shares and 11.75% belong to individuals.

As of 31 December 2004 the company has 652 employees.

SPARKY AD has a two-tier management - Supervisory Board and Management Board.

The financial statements of the company were approved on 02.02.2006 by the Management Board of the company.

Members of Supervisory Board:
Stanislav Petkov
Ivan Enicherov
Petar Babourkov
Nikolay Kalbov
Stoyan Tsokov

Members of the Management:
Chavdar Plaharov
Rossen Milkov
Ivan Aleksiev
Ralitsa Marinova
Ivaylo Georgiev
Teodora Todorova

Basis of preparation

The accompanying financial statements were prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board and the European Union Commission.

Changes in Accounting Policy

In 2003 and 2004, the IASB issued a series of new International Financial Reporting Standards (IFRS) and revised International Accounting Standards (IAS), which in conjunction with unrevised IAS issued by the International Accounting Standards Committee, predecessor to the IASB, is referred to as "the IFRS Stable Platform 2005". The Group applies the IFRS Stable Platform 2005 from 1 January 2005.

This includes the following new and revised standards:

IAS 1 (rev 2003)	Presentation of Financial Statements
IAS 2 (rev 2003)	Inventories
IAS 8 (rev 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (rev 2003)	Events after the Balance Sheet Date
IAS 16 (rev 2003)	Property, Plant and Equipment
IAS 17 (rev 2003)	Leases
IAS 21 (rev 2003)	The Effects of Changes in Foreign Exchange Rates

IAS 24 (rev 2003)	Related Party Disclosures
IAS 27 (rev 2003)	Consolidated and Separated Financial Statements
IAS 28 (rev 2003)	Investments in Associates
IAS 31 (rev 2003)	Interests in Joint Ventures
IAS 32 (rev 2003)	Financial Instruments: Disclosure and Presentation
IAS 33 (rev 2003)	Earnings per Share
IAS 36 (rev 2004)	Impairment of Assets
IAS 38 (rev 2004)	Intangible Assets
IAS 39 (rev 2004)	Financial Instruments: Recognition and Measurement
IAS 40 (rev 2003)	Investment Property
IFRS 1 (2003)	First Time Adoption of IFRS
IFRS 2 (2003)	Share-based Payments
IFRS 3 (2004)	Business Combinations
IFRS 5 (2004)	Non-current Assets Held for Sale and Discontinued Operations

On principle, the requirements of the new standards have been applied retrospectively, i.e. with amendments to the 2004 accounts and their presentation in accordance with IAS 8 (rev2003), except where specific transitional provisions require a different treatment.

Overall considerations

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

The financial statements have been prepared on the historical cost basis for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies below.

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

Foreign currency translation

Company’s financial statements are presented in Bulgarian Leva (BGN), which is also is the functional currency of the Company.

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

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

Income and expense recognition

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

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering a service is recognized when the result of the transaction can be reliably measured.

The Company commits to extensive after-sales support in its service segment. The amount of the selling price associated with the subsequent servicing agreement is deferred and recognized as revenue over the period during which the service is performed.

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

Investments in subsidiaries

Subsidiaries are firms under the control of the Company. Control of a subsidiary is the right to manage financial and operating policies of an entity in order to obtain benefits from its activities. In the financial statements of the Company investment in subsidiaries is accounted for at cost of investment.

Borrowing costs

All borrowing costs are expensed as incurred. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Property, plant and equipment

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

Subsequent to initial recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses according to benchmark treatment. In cases of individual acquisition it is equal to the asset's purchase price as well as all customs duties, irrecoverable taxes and direct costs associated with the preparation for bringing the asset into operation.

Land is valued under the allowed alternative approach, i.e. revalued amount, equal to the fair value at the date of the valuation. Valuation is carried out at 5-year periods.

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

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

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

Description	Useful life (in years)
Buildings	25
Machines and equipment	3
All vehicles excluding cars	10
Computer equipment	2
Cars	4
Other	7

Intangible assets

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

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

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

Description	Useful life (in years)
Software	2
Other intangible assets	7

Lease

In accordance with IAS 17 (rev 2003), the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

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

The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. The financial expense is allocated to each period so that a constant periodic interest rate on the outstanding principal is achieved. Assets acquired under the terms of finance lease are accounted for in accordance with IAS 16 Property, plant and equipment and/or IAS 38 Intangible assets.

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

Inventories

Inventories comprise raw materials, work in progress, finished goods, and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, then a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost, according to the benchmark treatment.

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

Impairment testing of goodwill, other intangible assets and property, plant and equipment

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

Financial assets

Company's financial assets include cash and financial instruments. They can be divided into the following categories: loans, receivables and available-for-sale financial assets.

All financial assets are recognized on their transaction date.

All financial assets are initially recognized at cost plus related transaction costs.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets include those assets which do not qualify for inclusion in any of the other categories of financial assets: loan and receivables held – to – maturity investments and financial assets at fair value through profit or loss. All financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they don't have fixed date of payment.

Accounting for income taxes

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

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Company can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets. Deferred tax asset in relation to carried forward losses is recognized to the extent that the realization of the related tax benefits through the future taxable profits is probable.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be offset against future taxable income.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization.

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

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, short term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

Equity

Share capital is determined using the nominal value shares that have been issued.
The revaluation reserve comprises gains and losses due to the revaluation of property, plant and equipment.
Retained earnings include all current and prior period results as determined in the income statement.

Pension obligations and short term employee benefits

The Company has not elaborated and does not apply plans for employee benefits after leaving, nor other long term income and plans for income after leave or ones in the form compensations with shares of the share capital or interest.

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

Financial liabilities

The Company's financial liabilities include bank loans and overdrafts, trade and other payables and finance leasing liabilities. They are included in balance sheet line items Short-term liabilities and Long-term liabilities.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in "finance cost" in the income statement.

Bank loans are raised for support of long-term funding of the Company's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

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

Other provisions, contingent liabilities and contingent assets

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

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Company takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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

Property, Plant and Equipment

	Cost				Accumulated Depreciation				Net Book Value	
	01.01.2005 Restated*	Additions	Disposals	31.12.2005	01.01.2005	Additions	Disposals	31.12.2005	31.12. 2005	31.12.2004
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Land	13 838	38	2 395	11 481	-	-	-	-	11 481	13 838
Buildings	3 761	68	322	3 507	1 308	151	317	1 142	2 365	2 453
Plant and machinery	6 440	1 220	233	7 427	3 376	1 438	99	4 715	2 712	3 064
Vehicles	448	66	0	514	263	53	0	316	198	185
Other tangible assets	95	19	2	112	42	12	0	54	58	53
Construction in progress	965	1,362	585	1,742	-	-	-	-	1,742	965
Total:	**25 547**	**2 773**	**3 537**	**24 783**	**4 989**	**1 654**	**416**	**6 227**	**18 556**	**20 558**

	Net Book Value			
	Property, Plant and Equipment valued by the alternative approach		Property, Plant and Equipment according to the benchmark approach	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Land	11 481	13 838	1 039	928
Buildings	2 365	2 453	2 222	2 277
Plant and machinery	2 712	3 064	2 709	3 059
Vehicles	198	185	197	184
Other tangible assets	58	53	58	53
Construction in progress	1,742	965	-	-
Total:	**18 556**	**20 558**	**6 225**	**6 501**

Land valued at 9,826 th. BGN and buildings with a net book value of 2,366 th. BGN are pledged as mortgage to the following lenders in the order of registration: DSK Bank, DEG, private investors.
Plant and equipment valued at 1,464 th. BGN are pledged in favour of DSK Bank.

* Recalculated - the effect of recalculations of the balance sheets positions of 2004 regarding the application of IAS 8 “Current year net profit or loss, fundamental mistakes and changes of the accounting policy is presented in Note 22.

Intangible assets

	Cost				**Accumulated Depreciation**				**Net Book Value**	
	01.01.2005	**Additions**	**Disposals**	**31.12.2005**	**01.01.2005**	**Additions**	**Disposals**	**31.12.2005**	**31.12.2005**	**31.12.2004**
	‘000 BGN	**‘000 BGN**	**‘000 BGN**	**‘000 BGN**	**‘000 BGN**	**‘000 BGN**	**‘000 BGN**	**‘000 BGN**	**‘000 BGN**	**‘000 BGN**
Software	43	5	-	48	41	3	-	44	4	2
Other intangible assets	11	7	-	18	-	3	-	3	15	11
Total:	**54**	**12**	**-**	**66**	**41**	**6**	**-**	**47**	**19**	**13**

Investments in subsidiaries

	31.12.2005	31.12.2004
	'000 BGN	'000 BGN
Sparky Center for Professional Education	5	-
Other	1	1
	6	**1**

Inventories

	31.12.2005	31.12.2004
	'000 BGN	'000 BGN
Raw materials	5 356	3 422
Work in progress	2 121	1 664
Finished goods	261	202
Goods for sale	37	32
	7 775	**5 320**

Related party receivables

	31.12.2005	31.12.2004
	'000 BGN	'000 BGN
SPARKY ELTOS AD	54	771
	54	**771**

Accounts receivable and prepayments

	31.12.2005	31.12.2004*
	'000 BGN	'000 BGN
Receivables from suppliers and customers	2 261	4 541
Prepayments	1 384	2 927
Taxes recoverable	312	7
Other receivables	32	0
Future expenses	16	2
Provision for bad and doubtful debts	(120)	(19)
	3 885	**7 458**

* Recalculated - the effect of recalculations of the balance sheets positions of 2004 regarding the application of IAS 8 "Current year net profit or loss, fundamental mistakes and changes of the accounting policy is presented in Note 22.

Cash and cash equivalents

	31.12.2005	31.12.2004
	'000 BGN	'000 BGN
Cash in hand in Leva	63	187
Cash at bank in Leva	519	16
Blocked Cash and cash equivalents in Leva	-	168

	582	371

Ordinary shares

	Number	31.12.2005	31.12.2004
		'000 BGN	'000 BGN
Ordinary shares	214,880	215	215

Revaluation reserve

As of 31 December 2005 the revaluation reserve is 10 589 th. BGN as follows:

	31.12.2005	31.12.2004*
	'000 BGN	'000 BGN
Property, Plant and Equipment:		
Revaluation according to the accounting laws in force prior to 31 December 2001	645	680
Land revaluation	9 944	12 135
	10 589	**12 815**

Revaluation reserve amounts to 645 th. BGN are formed on the basis of published statistical coefficients according to the accounting policies as of 31.12.2001. The land was revaluated by a licensed appraiser in 2003.

* Recalculated - the effect of recalculations of the balance sheets positions of 2004 regarding the application of IAS 8 "Current year net profit or loss, fundamental mistakes and changes of the accounting policy is presented in Note 22.

Long-term payables

Long-term payables consist of mainly bank loans, 1 073 th. BGN are payables to foreign investors and 5 965 th. BGN is loan, disbursed by DSK Bank.

	31.12.2005	31.12.2004
	'000 BGN	'000 BGN
Bank loans:		
▪ BULBANK	-	4 978
▪ DSK Bank	5 965	-
▪ DEG	604	805
▪ Private Investors	162	216
Long-term portion of the loans from related parties		
▪ SPARKY GmbH	307	409
▪ SPARKY BULGARIA AD	2 112	-
Financial lease liability	102	-
Other long-term payables	5	5

	9 257	**6 413**

The revolving overdraft facility from DSK Bank amounts to 3,050 TEUR. The loan is repayable in four equal monthly instalments the last due on 4 May 2007. After an annual review of the financial status of the Company, the loan could be extended by further 18 months.

The interest rate is the monthly EURIBOR plus 3.75% p.a. and is accrued on a monthly basis. The loan is secured by a mortgage on the real property and pledges over machines and equipment.

DEG, private investors, Mr. D. H. Westphal, SPARKY GmbH

In order to expand its operations by establishing additional manufacturing facilities, on 20 December 2001, SPARKY AD signed the following long-term loan contracts:

Lender	Principal TEUR
DEG	720
Private investors	192
SPARKY GmbH	366
	1 278

The interest rate is the six-month EURIBOR rate plus 3.5% p.a. and is payable in arrears semi-annually by 15 November 2009.
The loans from DEG and Mr. D. H. Westphal are secured by a mortgage in favour of DEG on all land including all buildings and construction. The loan from SPARKY GmbH is not secured.

The loan from SPARKY BULGARIA AD is for 1,080 TEUR to finance the company’s working capital. The principal is due on four equal installments starting from 15.09.2007 г. The interest is one-month EURIBOR+2.5% and it is due monthly.

Leasing

Financial Leasing
As of 31 December 2005 the company has two contracts for financial leasing. The net carrying amount of the assets acquired under the financial leases amounts to 197 th. BGN.
The future minimal leasing payments as of 31.12.2005 are as follows:

	Up to 1 year	**1-5 years**	**More than 5 years**	**Total**
	‘000 BGN	**‘000 BGN**	**‘000 BGN**	**‘000 BGN**
Leasing payments	53	110		163
Discounting	9	8		17
Net present value	**44**	**102**	**-**	**146**

Minimal leasing payments as of 31.12.2004 are as follows:

	Up to 1 year	**1-5 years**	**More than 5 years**	**Total**
	‘000 BGN	**‘000 BGN**	**‘000 BGN**	**‘000 BGN**

Leasing payments	29			29
Discounting	1			1
Net present value	**28**	**-**	**-**	**28**

The company has leasing contracts with Unicredit Leasing for the lease of machinery and with HVB Leasing for the lease of a vehicle.

The leasing contracts include fixed leasing payments and an option for complete buyout of the asset at the end of the payment schedule. The leasing contract could not be void and has no other restrictions.

Accounts payable and accrued charges

	31.12.2005	**31.12.2004**
	‘000 BGN	**‘000 BGN**
Trade payables	2 085	2 359
Advances from clients	4	1 333
Payables to employees	193	370
Unutilised employee vacation	103	75
Social security payables	114	252
Payables to the budget including income tax	457	192
Other payables	31	170
	2 987	**4 751**

Related party payables

	31.12.2005	**31.12.2004**
	‘000 BGN	**‘000 BGN**
SPARKY GmbH	1 782	5 986
SPARKY ELTOS AD	28	36
SPARKY BULGARIA AD	3	14
	1 813	**6 036**

Short-term loans

	31.12.2005	**31.12.2004**
	‘000 BGN	**‘000 BGN**
Current portion of the loans from related parties		
▪ SPARKY B&V	-	583
▪ SPARKY GmbH	102	102
	102	**685**
Bank Loans:		
▪ DEG	201	201
▪ Private investors	54	80
Financial lease liability	44	28
	299	**309**

Short-term loans total	**401**	**994**

Sales

	31.12.2005	31.12.2004*
	'000 BGN	'000 BGN
Finished products	19 077	12 876
Goods	170	174
Services	531	163
Other sales	3 782	5 291
	23 560	**18 504**

* Recalculated - the effect of recalculations of the balance sheets positions of 2004 regarding the application of IAS 8 "Current year net profit or loss, fundamental mistakes and changes of the accounting policy is presented in Note 22.

Hired services expenses

	31.12.2005	31.12.2004
	'000 BGN	'000 BGN
Transport expenses	1 135	1326
Repairs	584	378
Industrial expenses	406	325
Other services	728	660
	2 853	**2 689**

Wages

	31.12.2005	31.12.2004
	'000 BGN	'000 BGN
Wages	2 713	2 166
Social Security	836	712
	3 549	**2 878**

Adjustments

	31.12.2005	31.12.2004*
	'000 BGN	'000 BGN
Book value of sold assets (excluding finished goods)	(2 748)	(2 925)
Expenses for acquisition and liquidation of tangible assets by using own resources and materials	1 297	729
Increase of products in store, work in progress	517	848
Other adjustment	21	199
	(913)	**(1 149)**

* Recalculated - the effect of recalculations of the balance sheets positions of 2004 regarding the application of IAS 8 “Current year net profit or loss, fundamental mistakes and changes of the accounting policy is presented in Note 22.

Interest expense (net)

	31.12.2005	31.12.2004
	'000 BGN	'000 BGN
Interest expense	(538)	(592)
Interest income	1	-
	(537)	**(592)**

Foreign exchange gains / (losses) (net)

	31.12.2005	31.12.2004
	'000 BGN	'000 BGN
Foreign exchange gains	201	64
Foreign exchange losses	(209)	(33)
	(8)	**31**

Income taxes

The tax expense recognised in the income statement based on the effective tax rate of the Company at 15 % (2004: 19.5 %) can be reconciled as follows:

		31.12.2005		31.12.2004
		'000 BGN		'000 BGN
Result for the year before tax		651		18
Effect of restatement of 2004		-		183
Tax rate		15.00%		19.50%
Expected tax expense		98		39
	Base amount	**Tax effect**	**Base amount**	**Tax effect**
Adjustment for tax exempt income	(1 748)	(262)	(1 732)	(338)
Adjustment for non-deductible expenses	4 014	602	1 684	328
Tax expense	2 917	438	153	30
Actual tax expense, net		442		30
Comprised of:				
Tax expense	2 917	438	379	74
Deferred tax income / (expense)		13		18
Origination and reversal of temporary differeneces		(27)		(18)
Utilization of unused tax losses		-		(44)

Correction of 2004 tax (at the rate of 19.5%)	94	18	-
Income Tax		**442**	**30**

Earnings per share

Basic earnings per share have been calculated using the net results attributable to shareholders of the Company as numerator.
The weighted average number of outstanding shares used for basic earnings per share as well as profits attributable to shareholders is as follows:

	2005 '000 BGN	2004 '000 BGN
Profit attributable to equity holders of the Company (BGN)	209,136	(22,952)
Weighted average number of ordinary shares in issue	214,880	214,880
Basic earnings per share (BGN per share)	0.97	(0.10)

Net cash inflow from operating activities before interest and tax

	2005 '000 BGN	2004 '000 BGN
Profit/(Loss) before interest and tax	1 189	610
Adjustments:		
Depreciation and amortization	1 661	1 431
(Profit)/Loss on disposal of fixed assets	(525)	(31)
(Increase)/Decrease in inventories	(2 455)	555
(Increase)/Decrease in receivables	4 278	(1 277)
Increase/(Decrease) in payables	(6 379)	546
	(2 231)	**1 834**

Related party transactions

	31.12.2005 '000 BGN	31.12.2004 '000 BGN
Related party sales		
SPARKY ELTOS AD	298	184
SPARKY CPO Ltd.	7	-
SPARKY GmbH	2 558	1 268
SPARKY Trading Ltd.	2	-
SG Logistics Ltd.	-	2 640
	2 865	**4 092**

Related party interest expense

SPARKY BULGARIA AD	6	-
SPARKY GmbH	27	29
SPARKY BuV	53	114
	86	**143**

Related party purchases

SPARKY ELTOS AD	837	372
SPARKY GmbH	1 548	1 326
SPARKY BULGARIA AD	29	29
	2 414	**1 727**

In 2005 the related party transactions are realized according the current market prices and conditions.

Effects of restatement of the financial statements for 2004

As a result of transactions not accounted for in 2004, the balance sheet and income statement are restated as follows:

SPARKY AD
BALANCE SHEET At 31 December 2005

		Restated 31.12.2004 '000 BGN	**Adjustments 31.12.2004 '000 BGN**	**31.12.2004 '000 BGN**
ASSETS				
Non-current assets				
Property, plant and equipment	(i)	20 558	(302)	20 860
Intangible assets		13		13
Long term financial assets		1		1
Deferred tax assets		25		25
		20 597	**(302)**	**20 899**
Current assets				
Inventories		5 320		5 320
Related party receivables		771		771
Accounts receivable and prepayments	(ii)	7 458	119	7 339
Cash and cash equivalents		371		371
		13 920	**119**	**13 801**
Total assets		**34 517**	**(183)**	**34 700**
Shareholders' equity				
Ordinary shares		215		215
Revaluation reserve	(iii)	12 815	(277)	13 092
Other reserves		4 108		4 108
Retained earnings	(iv)	(815)	94	(909)

	16 323	(183)	16 506
Liabilities			
Long-term liabilities	**6 413**	**-**	**6 413**
Current liabilities			
Accounts payable and accrued charges	4 752	-	4,752
Related party payables	6 035		6,035
Short-term loans	994		994
	11 781	**-**	**11 781**
Total liabilities and shareholders' equity	**34 517**	**(183)**	**34 700**

SPARKY AD
Income Statement
Period: 01.01.2005 - 31.12.2005

		Restated 31.12.2004 '000 BGN	Adjustments 31.12.2004 '000 BGN	31.12.2004 '000 BGN
Sales	(ii)	18 504	119	18 385
Cost of materials		(9 145)		(9 145)
Hired services expenses		(2 689)		(2 689)
Depreciation		(1 431)		(1 431)
Employee benefit expenses		(2 878)		(2 878)
Other expenses		(533)		(533)
Adjustments	(i)	(1 149)	(302)	(847)
Operating Profit		**679**	**(183)**	**862**
Interest expenses (net)		(592)		(592)
Foreign exchange gains/(losses)		31		31
Other financial expenses		(100)		(100)
Profit before tax		**18**	**(183)**	**201**
Income taxes (net)		(30)	-	(30)
Profit after tax		**(12)**	**(183)**	**171**

The restatement is due to the sale of land, not accounted for in 2004. The details are as follows:
(1) Sales price 119 th. BGN
(2) Cost 302 th. BGN
(3) The effect of 94 th. BGN on retained earnings in the balance sheet is equal to the net loss of 183 th. BGN plus the revaluation reserve on the land, transferred to retained earnings of 277 th. BGN.

Contingent assets and liabilities

The Company has issued promissory notes in favor of DSK Bank for the amount of TEUR 3,234 as a security with regard to the TEUR 3,050 loan received and the annual interests thereto.

It is the management's opinion, that the contingent liabilities will not be realized as the financial situation of the company ensures the service of the loan.

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates, interest rates and credit risk. The management monitors the overall risk and seeks to minimize potential adverse effects on the financial performance of the Company.

Interest rate risk
The Company borrows at EURIBOR-based interest rates from Bulgarian and foreign banks. Interest rate risk exposure is insignificant.

Credit risk
The financial assets that potencialy expose the company to credit risk are mainly the receivables from sales. The Company has policy in place to ensure that sales are made to customers with appropriate credit history.

Liquidity risk
The Company has managed to maintain flexibility by keeping committed credit lines available.

Post-balance sheet events

The management of the Company confirms that no significant events, the non-disclosure of which would affect the true and fair presentation of the financial statements, have occurred between the balance sheet date and the date of preparation of the financial statements.

SPARKY AD

AUDITED INDIVIDUAL FINANCIAL STATEMENTS AS OF

31 December 2004

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SPARKY AD Rousse

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2004

The Directors present the report and the financial statements prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2004. These financial statements have been audited by Grant Thornton Ltd.

BUSINESS DESCRIPTION

SPARKY AD is incorporated in Bulgaria. The principal activity of the Company is manufacturing and distribution of welded parts, forklift trucks and agricultural machines. Currently the Company employs 591 people. The head office and production facilities are located in Rousse, Bulgaria.

OBJECTIVES FOR 2005

The Directors have set the following primary objectives for 2005:

- expansion of the customer base
- reduced volumes of low margin production
- further capacity increase through reorganization of the production process

OPERATING REVIEW

There is a 75% increase in net sales compared to 2003. This is a result of the continuing diversification of sales both in terms of customer base and product lines.

CORPORATE GOVERNANCE ISSUES

Directors

Executive directors of the Company as at 31 December 2004 are Chavdar Placharov and Nikolay Kalbov.

The Company has a two-tier management structure consisting of a supervisory board and a board of directors.

Directors' responsibilities

The Directors are required by law to prepare financial statements each financial year that give a true and fair view of the state of affairs of the Company as at the financial year end and of the profits or losses for the year.

The Directors confirm that suitable accounting policies are being used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2004. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' interests

There are no interests of the Directors in the shares of the Company for the year ended 31 December 2004.

Substantial shareholding

The shareholders at 31 December 2004 are as follows:

Shareholder	% of share capital
SPARKY BULGARIA AD	88.25
Individuals	11.75
	100.00

By order of the Board

Chavdar Placharov
Executive Director

Rousse, 20 January 2005

SPARKY AD

BALANCE SHEET At 31 December 2004

	Note	31.12.2004 '000 BGN	31.12.2003 '000 BGN
ASSETS			
Non-current assets			
Property, plant and equipment	2	20 860	21 085
Intangible assets	3	13	12
Long - term financial assets		1	1
Deferred tax assets		25	28
		20 899	**21 126**
Current assets			
Inventories	4	5 320	5 875
Related party receivables	5	771	5 185
Accounts receivable and prepayments	6	7 339	1 767
Cash and cash equivalents	7	371	159
		13 801	**12 986**
Total assets		**34 700**	**34 112**
Shareholders' equity			
Ordinary shares		215	215
Revaluation reserves	8	13 092	13 093
Other reserves		4 108	4 109
Retained earnings		(909)	(1 071)
		16 506	**16 346**
LIABILITIES			
Long-term liabilities	9	**6 413**	**6 360**
Current liabilities			
Accounts payable and accrued charges	10	4 752	3 208
Related party payables	11	6 035	7 064
Short-term loans	12	994	1 134
		11 781	**11 406**
Total liabilities and shareholders' equity		**34 700**	**34 112**

Date: 14.02.2005

Prepared by: T.Todorova

Executive Director: Ch. Placharov

Audited by:

SPARKY AD
Income Statement
Period: 01.01.2004 - 31.12.2004

	Note	2004	2003
		'000 BGN	'000 BGN
Sales	13	**18 385**	**10 489**
Cost of materials		(9 145)	(4 509)
Hired services expenses		(2 689)	(1 492)
Depreciation		(1 431)	(776)
Employee benefit expenses	14	(2 878)	(2 226)
Other expenses		(533)	(314)
Adjustments	15	(847)	(301)
Operating Profit		**862**	**871**
Interest expenses (net)	16	(592)	(763)
Foreign exchange gains/(losses)	17	31	(18)
Other financial expenses		(100)	(22)
Profit before tax		**201**	**68**
Income taxes (net)	18	(30)	(6)
Profit after tax		**171**	**62**

Date: 14.02.2005

Prepared by: T.Todorova

Executive Director: Ch. Placharov

Audited by:

SPARKY AD
Cash Flow Statement
Period: 01.01.2004 - 31.12.2004

	Note	2004 '000 BGN	2003 '000 BGN
Operating activities			
Net cash inflow from operating activities before interest and tax	19	1 953	4 171
Interest paid		(633)	(681)
Tax paid		(15)	(25)
		1 305	**3 465**
Investing activities			
Purchase of property, plant and equipment		(1 207)	(3 790)
Proceeds from sale of property, plant and equipment		229	5
		(978)	**(3 785)**
Financing activities			
Loans received		1 008	899
Loans repaid		(1 043)	(787)
Payments under a finance lease		(69)	(86)
		(104)	**26**
Increase / (Decrease) in cash and cash equivalents		223	(294)
Reserves Change		(11)	9
At start of period		159	444
At end of period		371	159

Date: 14.02.2005

Prepared by: T.Todorova

Executive Director: Ch. Placharov

Audited by:

SPARKY AD
Statement of changes in shareholders' equity
Period: 01.01.2004 - 31.12.2004

	Share Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total Equity
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
At 1 January 2003	**215**	**684**	**3 941**	**(977)**	**3 863**
Net profit for the year	-	-	-	62	62
Distribution of the profit	-	-	168	(168)	-
Revaluation of fixed assets	-	12 409	-	-	12 409
Other changes in equity	-	-	-	12	12
At 1 January 2004	**215**	**13 093**	**4 109**	**(1 071)**	**16 346**
Net profit for the year	-	-	-	171	171
Revaluation of fixed assets	-	(1)	-	1	-
Other changes in equity	-	-	(1)	(10)	(11)
At 31 December 2004	**215**	**13 092**	**4 108**	**(909)**	**16 506**

Date: 14.02.2005

Prepared by: T.Todorova

Executive Director: Ch. Placharov

Audited by:

ACCOUNTING POLICIES

General information

SPARKY AD is a joint-stock company, incorporated and domiciled in Bulgaria, town of Rousse, 1, Rozova Dolina Str. The principle activities of the company are the following: manufacturing of welded parts, forklift trucks and agricultural machines.

The share capital of the company amounts to 214 880 leva divided into 214 880 shares with nominal value 1 lev. The main shareholder is SPARKY BULGARIA AD with 88.25% of the shares and 11.75% belong to individuals.

As of 31 December 2004 the company has 591 employees.

SPARKY AD has a two-tier management - Supervisory Board and Management Board.

Members of Supervisory Board:
Stanislav Petkov
Ivan Enicherov
Petar Babourkov
Lubomir Lichev

Members of the Management:
Stoyan Tsokov
Nikolay Kalbov
Chavdar Plaharov
Aleksandar Vladimirov
Rossen Milkov
Ivan Aleksiev
Ralitsa Marinova

Basis of preparation

The accompanying financial statements were prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board and the European Union Commission.

Overall considerations

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

The financial statements have prepared on the historical cost basis except for the revaluation of certain properties and certain financial assets and liabilities. The measurement bases are more fully described in the accounting policies below.

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

Foreign currency translation

Company’s financial statements are presented in Bulgarian Leva (BGN), which is also is the functional currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National

Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of remaining balances at year-end exchange rates are recognized in the income statement under “other financial income and expense’’.

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

Income and expense recognition

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

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

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

Revenue from rendering a service is recognized when the result of the transaction can be reliably measured.

The Company commits to extensive after-sales support in its service segment. The amount of the selling price associated with the subsequent servicing agreement is deferred and recognized as revenue over the period during which the service is performed.

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

Loans received

All borrowing costs are expensed as incurred. Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

Property, plant and equipment

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

Subsequent to initial recognition as an asset, an item of property, plant and equipment should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses according to the alternative approach. Impairment losses are charged against revaluation reserve if no expenses have been accrued before that. If the revalued asset is sold, written off or permanently withdrawn from use, the remaining revaluation reserve is transferred to retained earnings.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized in the financial statements is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as an expense in the period in which it is incurred.
Property, plant and equipment acquired under finance lease agreement, are depreciated based on their expected useful life, determined by reference to comparable assets or based on the period of the lease contract in shorter.

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

Description	Useful life (in years)
Buildings	25
Machines and equipment	3
All vehicles excluding cars	10
Computer equipment	2
Cars	4
Other	7

Intangible assets

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

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Impairment losses are recognized in the current period income statement.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance; and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

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

Description	Useful life (in years)
Software	2
Other intangible assets	7

Lease

In accordance with IAS 17 (rev 2003), the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset.

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

The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. The financial expense is allocated to each period so that a constant periodic interest rate on the outstanding principal is achieved. Assets acquired under the terms of finance lease are accounted for in accordance with IAS 16 Property, plant and equipment and/or IAS 38 Intangible assets.

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

Inventories

Inventories comprise raw materials, work in progress, finished goods, and purchased goods. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not taken into consideration. At the balance sheet date, inventories carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, then a new net realizable value is determined up to the initial value prior impairment. The inventory recovery amount is accounted for as decrease in inventory expenses for the period in which the recovery takes place.

The cost of inventories is assigned by using the weighted average cost, according to the benchmark treatment.

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

Impairment testing of goodwill, other intangible assets and property, plant and equipment

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset’s or cash-generating unit’s carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

Financial assets

Company's financial assets include cash and financial instruments. Financial instruments can be divided into the following categories: loans and receivables, and hedging agreement.

All financial assets are recognized on their transaction date.

All financial assets are initially recognized at cost plus related transaction costs.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Accounting for income taxes

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

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognized in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if the Company can control reversal of these temporary differences and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets. Deferred tax asset in relation to carried forward losses is recognized to the extent that the realization of the related tax benefits through the future taxable profits is probable.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be offset against future taxable income.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization.

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

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as current bank accounts, short term or highly liquid investments which can easily be turned into money and contain insignificant risk of change in value.

Equity

Share capital is determined using the nominal value shares that have been issued.
The revaluation reserve comprises gains and losses due to the revaluation of property, plant and equipment.
Retained earnings include all current and prior period results as determined in the income statement.

Pension obligations and short term employee benefits

The Company has not elaborated and does not apply plans for employee benefits after leaving, nor other long term income and plans for income after leave or ones in the form compensations with shares of the share capital or interest.

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

Financial liabilities

The Company's financial liabilities include bank loans and overdrafts, trade and other payables and finance leasing liabilities. They are included in balance sheet line items Short-term liabilities and Long-term liabilities.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in "finance cost" in the income statement.

Bank loans are raised for support of long-term funding of the Company's operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

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

Employee benefits

The Company has not elaborated and does not apply plans for employee benefits after leaving, nor other long term income and plans for income after leave or ones in the form compensations with shares of the share capital or interest.

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

Other provisions, contingent liabilities and contingent assets

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

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. In reaching the best estimate of the provision, the Company takes into account the risks and uncertainties that inevitably surround many events and circumstances as well as the effect of the time value of the money, when it is material.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates, interest rates and credit risk. The management monitors the overall risk and seeks to minimize potential adverse effects on the financial performance of the Company.

Interest rate risk
The Company borrows at EURIBOR-based interest rates from Bulgarian and foreign banks. Interest rate risk exposure is insignificant.

Credit risk
The financial assets that potencialy expose the company to credit risk are mainly the receivables from sales. The Company has policy in place to ensure that sales are made to customers with appropriate credit history.

Liquidity risk
The Company has managed to maintain flexibility by keeping committed credit lines available.

Property, Plant and Equipment

	Cost				Accumulated Depreciation				Net Book Value	
	01.01.2004	Additions	Disposals	31.12.2004	01.01.2004	Additions	Disposals	31.12.2004	31.12. 2004	31.12.2003
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Land	14 140	-	-	14 140	-	-	-	-	14 140	14 140
Buildings	3 373	389	1	3 761	1 174	134	-	1 308	2 453	2 199
Plant and machinery	5 704	1 000	264	6 440	2 423	1 203	250	3 376	3 064	3 281
Vehicles	439	9	0	448	184	79	-	263	185	255
Other tangible assets	53	42	0	95	31	11	-	42	53	22
Construction in progress	1 188	-	223	965	-	-	-	-	965	1 188
Total:	**24 897**	**1 440**	**488**	**25 849**	**3 812**	**1 427**	**250**	**4 989**	**20 860**	**21 085**

The land was revaluated to its market value as of 01.01.2003 by a licensed appraiser.

Intangible assets

	Cost				Accumulated Depreciation				Net Book Value	
	01.01.2004	Additions	Disposals	31.12.2004	01.01.2004	Additions	Disposals	31.12.2004	31.12.2004	31.12.2003
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Software	38	5	-	43	37	4	-	41	2	1
Other intangible assets	11	-	-	11	-	-	-	-	11	11
Total:	**49**	**5**	**-**	**54**	**37**	**4**	**-**	**41**	**13**	**12**

Inventories

	31.12.2004	31.12.2003
	'000 BGN	'000 BGN
Raw materials	3 422	4 773
Work in progress	1 664	806
Finished goods	202	212
Goods for sale	32	84
	5 320	5 875

Related party receivables

	31.12.2004	31.12.2003
	'000 BGN	'000 BGN
SPARKY ELTOS AD	771	3 433
SPARKY GmbH	-	1 752
	771	5 815

Accounts receivable and prepayments

	31.12.2004	31.12.2003
	'000 BGN	'000 BGN
Receivables from suppliers and customers	4 422	1 463
Prepayments	2 927	78
Taxes recoverable	-	230
Other receivables	7	46
Future expenses	2	11
Provision for bad and doubtful debts	(19)	(61)
	7 339	**1 767**

Cash and cash equivalents

	31.12.2004	31.12.2003
	'000 BGN	'000 BGN
Cash in hand in Leva	187	143
Cash at bank in Leva	16	7
Blocked Cash and cash equivalents in Leva	168	9
	371	**159**

As of 31.12.2004 blocked CCE are deposits, placed as guarantee.

Revaluation reserve

As of 31 December 2004 the revaluation reserve is BGN 13 092 000 as follows:

	31.12.2004	31.12.2003
	'000 BGN	'000 BGN
Property, Plant and Equipment:		
Revaluation according to the accounting laws in force prior to 31 December 2001	680	681
Land revaluation	12 412	12 412
	13 092	**13 093**

Long-term payables

Long-term payables consist of mainly bank loans, 1 430 th. BGN are payables to foreign investors and 4 978 th. BGN is loan, disbursed by DSK Bank.

	31.12.2004	31.12.2003
	'000 BGN	'000 BGN
Bank loans:		
▪ BULBANK	4 978	3 970
▪ DEG	805	1 006
▪ Private Investors	216	268
▪ SPARKY B&V	-	584
▪ SPARKY GmbH	409	511
Other long-term payables	5	21
	6 413	**6 360**

BULBANK AD extended to the Company a revolving loan facility of EUR 2,300,000. The loan is repayable in four equal monthly instalments the last due on 25 April 2006. After an annual review of the financial status of the Company, the loan could be extended by further 18 months.
Long-term payable to BULBANK includes a revolving loan facility of EUR 250,000, repayable under the above conditions.

The interest rate on both facilities is the six-month EURIBOR plus 4.9% p.a. and is accrued on a monthly basis. The loan is secured by a mortgage on the real property and pledges over machines, equipment and receivables.

The investment loan from SPARKY Beteiligungs & Verwaltungsgesellschaft has only a short-term portion of EUR 298,000, repayable in two equal instalments in 2005. Interest on the loan is 12% p.a.

DEG, private investors, Mr. D. H. Westphal, SPARKY GmbH

In order to expand its operations by establishing additional manufacturing facilities, on 20 December 2001, SPARKY AD signed the following long-term loan contracts:

Lender	Principal TEUR
DEG	720
Private investors	192
SPARKY GmbH	366
	1 278

As of 31 December 2004 loans are redeemed partially.
The interest rate is the six-month EURIBOR rate plus 3.5% p.a. and is payable in arrears semi-annually by 15 November 2009.
The loans from DEG and private investors are secured by a mortgage on all land including all buildings and construction. The loan from SPARKY GmbH is not secured.

Accounts payable and accruals

	31.12.2004	31.12.2003
	'000 BGN	'000 BGN
Trade payables	2 359	1 867
Advances from clients	1 333	79
Payables to employees	370	213
Unutilised employee vacation	75	76
Social security payables	252	410
Payables to the budget including income tax	192	378
Other payables	171	185
	4 752	**3 208**

Other payables include interest payables to private investors of EUR 10,000. The balance confirmation shows EUR 6,000. The difference of EUR 4,000 is due to non-accrual of interest for 45 days by the lender.

Related party payables

	31.12.2004	31.12.2003
	'000 BGN	'000 BGN
SPARKY GmbH	5 986	4 657
SPARKY ELTOS AD	36	2 392
SPARKY BULGARIA AD	13	15
	6 035	**7 064**

Balance confirmed by SPARKY GmbH is EUR 3,097,000. The difference of EUR 36,000 is due to foreign currency differences (EUR 24,000) and invoices issued by SPARKY AD and related to 2004, but booked in 2005 by SPARKY GmbH (EUR 12,000).

Short-term loans

	31.12.2004 '000 BGN	31.12.2003 '000 BGN
Current portion of the loans from related parties		
▪ SPARKY B&V	583	583
▪ SPARKY GmbH	102	102
	685	**685**
Bank Loans:		
▪ DEG	201	303
▪ Private investors	80	80
Financial lease liability	28	66
	309	**449**
Short-term loans total	**994**	**1 134**

Sales

	31.12.2004 '000 BGN	31.12.2003 '000 BGN
Finished products	12 876	8 715
Goods	174	1 095
Services	163	127
Other sales	5 172	552
	18 385	**10 489**

Wages

	31.12.2004 '000 BGN	31.12.2003 '000 BGN
Wages	2 166	1 672
Social Security	712	554
	2 878	**2 226**

Adjustments

	31.12.2004 '000 BGN	31.12.2003 '000 BGN
Book value of sold assets (excluding finished goods)	(2 623)	(653)
Expenses for acquisition and liquidation of tangible assets by using own resources and materials	729	179
Increase of products in store, work in progress	848	6
Other adjustment	199	167
	(847)	**(301)**

Interest expense (net)

	31.12.2004	31.12.2003
	'000 BGN	**'000 BGN**
Interest expense	(592)	(768)
Interest income	-	5
	(592)	**(763)**

Foreign exchange gains / (losses) (net)

	31.12.2004	31.12.2003
	'000 BGN	**'000 BGN**
Foreign exchange gains	64	68
Foreign exchange losses	(33)	(86)
	31	**(18)**

Income taxes

The relationship between the expected tax expense based on the effective tax rate of The Company at 19.5 % (2003: 23.5 %) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2004	2003
	'000 BGN	**'000 BGN**
Result for the year before tax	201	68
Tax rate	19.50%	23.50%
Expected tax expense	39	16

	Base amount	Tax effect	Base amount	Tax effect
		19.5%		**23.5%**
Adjustment for tax exempt income	(1 732)	(337)	(148)	(35)
Adjustment for non-deductible expenses	1 684	328	106	25
Actual tax expense, net	153	30	26	6
Comprising:				
Current tax expense		74		22
Deferred tax income/(expense), resulting from		18		-
Origination and reversal of temporary differences		(18)		-
Utilization of unused tax losses		(44)		(16)
Income Tax		**30**		**6**

Net cash inflow from operating activities before interest and tax

	2004 '000 BGN	2003 '000 BGN
Profit/(Loss) before interest and tax	793	831
Adjustments:		
Depreciation and amortization	1 431	776
(Profit)/Loss on disposal of fixed assets	(214)	31
(Increase)/Decrease in inventories	555	(715)
(Increase)/Decrease in receivables	(1 158)	(4 319)
Increase/(Decrease) in payables	546	7 567
	1 953	**4 171**

Related party transactions

	31.12.2004 '000 BGN	31.12.2003 '000 BGN
Related party sales		
SPARKY ELTOS AD	184	3 699
SPARKY GmbH	1 268	1 602
SG Logistics Ltd.	2 640	-
	4 092	**5 301**
Related party purchases		
SPARKY ELTOS AD	372	2 220
SPARKY GmbH	1 326	1 179
SPARKY BULGARIA AD	29	18
	1 727	**3 417**

In 2004 the related party transactions are realized according the current market prices and conditions.

Post-balance sheet events

The management of the Company confirms that no significant events, the non-disclosure of which would affect the true and fair presentation of the financial statements, have occurred between the balance sheet date and the date of preparation of the financial statements.