

#1 number one advertising & publishing agency

www.baez-bg.com



БАЕЗ | BAEZ



годишен отчет '06

annual report '06

STATEMENT BY THE EXECUTIVE DIRECTOR

For the last 8 years the Bulgarian Export Insurance Agency /BAEZ/ has followed its basic principals to support the Bulgarian exporters in their achievements to realize their goods and services on the international markets, as well as to protect them against financial losses through the mechanism of the export insurance.

During the past 2006 year, the Agency, in its capacity of a loyal partner of the Bulgarian trade and financial institutions has endeavored to improve and work out new insurance products, which to satisfy the requirements of its clients.

The success we had during the last year wouldn't be achieved without the support of the State institutions, which assured us with the means and environment for efficient work as well as without the wonderful team of specialists we had in BAEZ. We very much hope that the good relations and support will also continue in the future.

The changes in the Export Insurance Law, lately approved, will open many new possibilities for the Agency into the sphere of innovation and creation of new insurance products.

BAEZ by all means will continue to expand its activity in the export insurance market. The Agency will introduce new financial services, which will aim to attract more clients and to satisfy the needs of the existing ones.

Through its activities the Agency will continue to work for the improvement and expansion of the good relations and partnership not only with the Bulgarian exporters, but with the European competitors as well.

The successful application of the law will give the possibility for the enlargement of the ambitious program and for the creation of a new much more competitive and of a good quality export insurance product.

My sincere thanks to the staff of the Bulgarian Export Insurance Agency for the positive results achieved during the last year. I rely that their professionalism and understanding will continue in future as well so we can answer the new challenges and requirements of our clients.

*Docho Karadochev
Executive Director*

BOARD OF DIRECTORS

Krassimira Djulgerska-Stoykova – *Member of the Board of Directors*

Docho Karadochev – *Member of the Board of Directors and Executive Director*

Bistra Ilkova – *Chairman of the Board of Directors*

Rosen Natsev – *Member of the Board of Directors and Deputy Executive Director*

Diana Naydenova – *Deputy Chairman of the Board of Directors*

ACHIEVEMENTS AND CHALLENGES

During the financial 2006 year the Bulgarian Export Insurance Agency confirmed again its sound stand on the market and proved, that the insurance products offered are effective instrument for the protection of the Bulgarian exporters from financial losses. The achievements of BAEZ in the insurance industry during the past year assured a number institutions of the stability they needed.

Achievements

During the year 2006 BAEZ worked very hard for the development of the Bulgarian financial market and for the improvement of its insurance products. As a result it made remarkable achievements such as:

- The total amount of the insured export went up;
- Bigger income from its activity through the mechanism of the export insurance;
- Introduction of the new insurance product of BAEZ – “Insurance of financing and credits” – new for Bulgaria and widely used in many other countries as a useful product;
- Increase into the total volume from insurance deliveries;
- Proved its role as an important factor in the reduction and sharing the risk of losses suffered by the Bulgarian companies.

Challenges

The new 2007 financial year met BAEZ with several serious challenges which the Agency is ready to answer. The high requirements and standards of performance asked by the Bulgarian membership in the European Union are mobilizing the team of BAEZ and they are becoming the reason for the improvement into the daily work and its insurance products. The competition which appeared on the international financial market is one of the reasons to push BAEZ in stabilizing its position amongst the European rivals. All this requires that the professionals in the Agency put more efforts and efficient work in order to meet and realize the efficient program in front of them.



MACROECONOMIC ACCENTS IN 2006

During the past year, the Bulgarian economy continued its positive trend of development, reaching about 6.5% for the whole 2006 year. After the rising tendency during the whole 2006 year the ESTAT index of the business climate mark significant growth up to 8.05 points during the first month of the year 2007. The production growth during the year 2006 is lower than the employment growth which is increasing twice quicker in comparison with the year 2005. During the 2006 year in the country are invested more than 3.5 billion euro which overlap the shortage of the current account in ratio 106.2%. The tendency for a quicker growth of the imports against the exports has been broken. During the 2006 year the growth of the consumer prices is 6.5% /December, 2006 against December, 2005/ as the most significant rise is in the group of the non-beverage industry. For the year 2007 the Center for Economic Development is expecting a new overload inflation of around 6%. It is very important to say that during 2006 year the negative contribution of the net export is lower than this of the 2005 year and moreover in comparison with the one during the 2003 year when it marked accordingly 5.8 and 4.9 percentage points.

The minimizing of the negative contribution of the balance of the shortage on the current account is due to the acceleration of the export and delay from the middle of the year on the growth of the import.

For the 2005 year the growth of the exports reached 27.9% on yearly basis compared to 18.4% for the same period of the 2005 year. But the growth of the imports is delayed to 24.6% compared to 27% for the year 2005.

With its open character the Bulgarian economy is developing under the direct influence of the international environment comprehended through the export trade and the incoming foreign investments. Comparatively the good development of the world economy /especially the European one/ during the year 2006 has noted a growth of the international stock exchange by 26% and a remarkable income of foreign investments /expected to be over 3.5 billion euro for the whole 2006 year/.

The increased internal consumption and the increased production of the industry, the possibility in the entry of European funds and comparatively the improved international environment give the possibility for keeping an accelerated growth of the goods import /even over the existing 28%/ and delay in the growth of the deficiency on the trade balance /less than 20% annually/. The expected sound economical growth of the country after the accession to the European Union and the assurance of the investors in keeping the fiscal discipline will keep the high levels of return on the investments and the flow of direct foreign ones will keep on the same existing position. This means increase in the deliveries of equipment and goods for the new and expanding industries. On this basis the growth of the imports will continue, but the tendency in overlapping the increase of the exports will stop. The reason for that is the part of the industries in which foreign capital is invested, are export orientated and they are directly connected with the increase of the exports. The investments in new technologies and equipment by all means will help in the improvement of the competitiveness of the production and expanding of the possibilities for exports.

STRUCTURE OF BAEZ

Capital and Management

BAEZ was established in 1998 as a joint stock company with an initial capital of BGN 10 000 500. In June 2004 BAEZ was transformed from a joint stock company into a sole joint stock company. The sole proprietor remained the State, represented by the Minister of economy and energy.

The supreme management body of the agency is the **General meeting of shareholders**. By the end of 2006 the General meeting is represented by Rumen Ovcharov – Minister of Economy and Energy of the Republic of Bulgaria.

Control

BAEZ performs its activity on the account of the State under the supervision of the Inter-Ministerial Council on Export Insurance. It specifies the scope of authority of the management concerning the insurance contracts and the decisions for payment of the insurance indemnities. The Council applies the State policy in the field of insurance of credits, financial losses and quarantees related to export of goods and services. The chairman of the Inter-Ministerial Council is the Minister of economy and energy – Rumen Ovcharov.



INSURANCE PRODUCTS

BAEZ underwrites export credits against non-marketable risks on the account of the State (according to the Export Insurance Law) and against marketable risks on its own account. The Export Insurance Law (last amendment – State gazette No 92/2004) was specially adopted in order to regulate the principles of this activity in Bulgaria. According to this law BAEZ implements the State policy in the field of export credit insurance, covering non-marketable risks on its own behalf and for the account of the State.

The main criteria for conclusion of an insurance policy on the respective account, is the country of the possible occurrence of the risk.

Insurance of payments

Insurance against short-term commercial risk (marketable and non-marketable)

This insurance covers risks, related to the foreign buyer – insolvency and protracted default when the supply of goods or services is performed correctly. The maximum period of deferred payment under the contract should be up to 1 year.

Insurance against short-term political risk

The insurance covers the risks of occurrence of political events (war, strike, embargo, confiscation, nationalization, etc.) in the country of the foreign buyer, leading to non-payment under the export contract. The credit period should be up to 1 year.

Domestic credit insurance

The insurance covers the risks of non-payment under contracts between domestic companies. The maximum period of deferred payment under the contract should be up to 1 year.

Insurance of investments and letters of credit

Insurance of investments

The insurance of investments covers losses, which Bulgarian companies can suffer on the territory of the accepting country during the investment process. Covered risks include: non-convertibility of the local currency into a freely convertible one; impossibility for transfer of payments from the country of investments to Bulgaria; expropriation, nationalization or confiscation; politically motivated acts of violence: war, revolution, terrorism and sabotage; etc.

Insurance of letters of credit

The insurance of letters of credit covers a non-execution of a payment obligation under the condition of a letter of credit. It covers non-legally justified failure or rejection on behalf of the issuing bank to pay to the exporter bank.

Export financing

BAEZ offers possibilities for Bulgarian companies to finance in advance or currently their activity.

Pre-shipment financing

A bank credit, granted for the purpose of production of goods or supply of services designated for export is insured. All commercial and political risks are covered.

Post-shipment financing

When the exporter needs a current financing of its activity, the concluded insurance policy of payments could be transferred in favor of commercial bank. Thus, in fact, there is no deferred payment, which gives the Bulgarian company a higher liquidity.

Insurance of credits and financing

The insurance of credits and financing can be concluded by a bank or another institution financing Bulgarian companies. This insurance covers the risk of non-fulfillment of an obligation by the debtor, ensuing from a contract for credit, financing, overdraft, factoring and forfeiting.

According to Regulation No. 9 of BNB insurance policies, issued by BAEZ on the account of the State, where a bank is either an insured entity or a third beneficiary, are classified as "Risk-free collateral".



ACTIVITY REVIEW

Changes in the legal framework

During the 2006 year some changes were introduced in the legal framework of BAEZ, as well as new internal regulations according to the requirements of the new Code of Insurance adopted during the year 2006 and some subordinate legislation for its implementation. On the 13.11.2006 by the decision of the sole proprietor of the capital of the Agency a new Article of association has been adopted which as a whole is adequate with the Code of Insurance, regulating the activities of the Insurers.

On its regular meetings the Board of directors of BAEZ has adopted brand new Internal regulation for the organization and activity of the specialized department for internal audit, internal regulations for the organization of the information service, internal regulations for the way for the disclosure of conflict of interests and for the assurance of confidentiality, regulations of BAEZ in the evaluation of the assets.

During the past 2006 year experts of BAEZ participated within the team of Ministry of economy and energy in the preparation of a project of a Law for the changes and additions to the Law of export insurance. The set Law project is aimed to harmonize the Export insurance act with the European one. With the Law project two directives of the Board of the European Union have been introduced which are obligatory for the Member states, mainly: Directive of the Board 84/ 568/EUO and Directive 98/29/EO, as well as the possibility that credits – bank and non-bank, given to small and medium enterprises, are being insured on the account of the State.

Product innovation

During the year 2006 BAEZ introduced a new insurance product for its clients – Insurance of credits and financing. The latter can be concluded by banks or other financial institutions giving credits or letting finances to Bulgarian companies.

The insurance covers the risk of the Insured of non-payment of cash debt on the part of his debtor based on an Agreement for credit, financing, overdraft, factoring, forfeiting and others. The subject of the insurance cover is the principal and agreed into the agreement credit, financing, overdraft, forfeiting and others, and the interest rate.

BAEZ EAD insures credits and financing for its own account /according the Export Insurance Act/ but made an offer all this to be insured on the account of the State. In accordance with the directives of the European Union in the sphere of increasing the competitiveness and improving the reach for financing the micro, small and medium enterprises and in accordance with the entered for discussions in the National Parliament changes into the Law of export Insurance. In case the requirement is approved the credits, let to micro, small and medium companies will be insured by BAEZ EAD on the account of the State.

Insurance activities

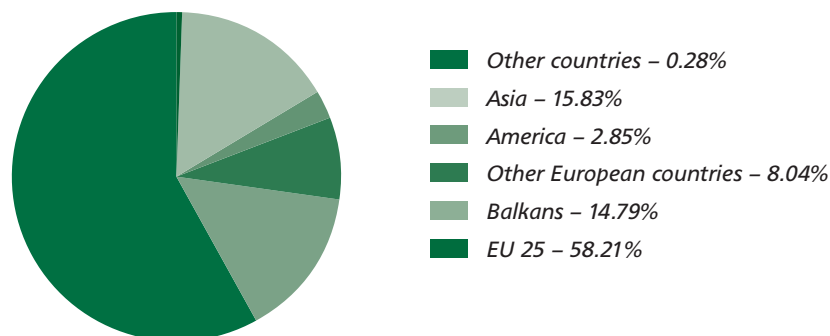
The activity of BAEZ EAD during the year 2006 marks fast rate of improvement. The insured export during the year has increased by over 43% in accordance with 2005. The share of the insured export from the whole realized export has increased by over 13% from the previous year and reached 1% from the whole one of the country. The highest rate has the insurance activity for own account – with an increase of the insured export by 156%. The export insurance on account of the State marks a reduction due to the fact, that several big deals negotiated in 2006 postponed their realization for 2007. All this might be seen in the enclosed schedule.

Insurance activity

Year	2006	2005
	BGN	BGN
Activity on the account of BAEZ		
Insured export	152 826 823	59 707 894
Insured deliveries in Bulgaria	117 195 109	134 108 451
Claims paid	452 005	205 559
Activity on the account of the State		
Insured export (incl. Pre-shipment financing and letters of credit)	81 990 734	104 087 525
Insured investments abroad	–	6 631 600
Claims paid	94 528	–
Total		
Insured export, deliveries in Bulgaria and investments abroad	234 817 557	304 535 470
Claims paid	546 533	205 559

The basic factor for differentiating the insured export by type of risk is the orientation of the Bulgarian economy towards the member countries of the E.U. During the year 2006 55.04% of the country's export is to the Member states, 24.28% to the Balkan countries and 3.67% to other European states not included in the above two categories. As a total the exports to the European states is 83%, to USA 3.91%, to Asia 7.47% and to the rest – 5.63%.

The insured export by BAEZ during the past 2006 year has the following structure:



The Insurance Activity Income

During the past year the policy of BAEZ in connection with the insurance of payments continues to be liberalized. As a result of the introduction of the framework insurance contracts and with the expanding of the network for collecting information on the foreign debtors, the Agency began to accept to insure more risky exports. A proof for that is the increased percentage of the acceptance ratio. For the year 2006 it is 96% against 93% for the year 2005.

As a result of the flexible business policy and the improvement of the business climate as a whole, BAEZ reduced substantially its tariff rates. The medium ones went down by 43% in comparison of the previous year and reached 0.65%, which is lower than the long time planned reduction.

Due to the faster liberalization of the tariff policy the premium income was reduced by 24% against the previous year to reach BGN 2,282,000.00.

The expanding insurance activity of the Agency reflected on the paid claims by 166% against the previous year, reaching the amount of BGN 546,533.00.

As a logical consequence, the accounted technical result is in the sum of BGN 384,000.00, which is a reduction of 21% against the year 2005.

Insurance activity income

Year	2006	2005
	BGN	BGN
Activity on the account of BAEZ		
Premium income	1 651 769	1 941 535
Other income	79 947	48 076
Activity on the account of the State		
Premium income	630 202	881 805
Other income	47 219	32 143
Total		
Premium income	2 281 971	2 823 340
Other income	127 166	80 219
Reinsurance income	434 514	263 652
Grand total	2 843 651	3 167 211

Reinsurance

In the region of our reinsurance activity we had some important achievements. We continued our business relations with the Swiss Reinsurance Company, one of the world leaders in this industry.

Last year an Anex was signed between them and ourselves for one year extension of the concluded Quota share treaty which includes the BAEZ business for its own account. As a result of our three years cooperation, which proved to be beneficial for both sides, we succeeded to negotiate very good renewal conditions. The Treaty limit was increased to EUR 1,000,000.00 for a single risk. The reinsurance commission payable to BAEZ went up by 2.5% to 32.5%. In the list of states for automatic reinsurance Romania was included.

In order to protect the Agency for its insurance involvement including this on account of the State, a new reinsurance treaty was signed with the Belgium State insurance and reinsurance company ONDD. The Treaty was concluded with the intermediary of the British broker Willis limited. The underwriting credit limit any one policy is in the amount of EUR 10,000,000.00 including a cover for insurance against short period non-marketable and political risks, medium and long term, commercial and political risks, insurance of investments, credit for pre-export financing and letter of credit.

International Cooperation

The international cooperation in the export credit insurance is one of the most important factors for the development of every export insurance company.

During the 2006 year BAEZ EAD continued to enlarge and stabilize its network of international relations. This was one of the main reasons for strengthening its position of internationally recognized insurer.

During the whole year BAEZ continued its active participation in the regular whole-yearly meetings of the Prague Club of newly established ECAs, an organization of the Bern Union. During 2006 these meetings were organized and conducted by:

- Serbia and Montenegro Export Credit Agency /SMECA/, Serbia in the city of Belgrade during May;
- Export Credit Guarantee Agency /S.A.O.C/ ECGA, Oman in the city of Muscat during December.

Representatives of BAEZ took active participation in these meetings, and together with our foreign colleagues discussed different aspects in the development of the credit insurance.

In 2006 the Agency continued to expand the bilateral cooperation with other similar organisations. Cooperation agreements were signed with the following companies:

- CREDIT DNEPR BANK – Ukraine;
- The Chinese export insurance company SINOSURE;
- The Kazakhstan State corporation for the insurance of export credits and investments KECIC.

The subject of the Agreements is the cooperation between the partners in sharing mutual information, needed for taking decisions for insuring, giving credit insurance operation, as well as helping in collecting off-delayed payments on their state territory.

Around the end of 2006 a process of preparing a mutual agreement for the cooperation with the Algerian Export Insurance Company /CAGEX/ which is mend to be signed of the beginning of 2007.

The cooperation of BAEZ with Agency for collecting debts "COFACE INTERCREDIT BULGARIA" was activated.

OTHERS FOR US

Sofia Med

For the last two years we have had a successful cooperation with Bulgarian Export Insurance Agency. The requirements of the market and the reputation of the Agency incited us to contact them, because of our risky business. That's why we took advantage of their services and we chose the insurance of deferred payments appropriate for us. Our impressions for BAEZ are excellent, for a state organization they are flexible, efficient and have customer orientation. Proved beyond doubt, Bulgarian Export Insurance Agency is the leader on the Bulgarian market.

We wish the team of BAEZ to continue its development also on the European market and to keep its leadership.

Alexandros Voreopulos

DANON

Our activity is accompanied by a number of risks which we've tried to evade. The accuracy, flexibility and the customer care are among the priorities of BAEZ. More than a year, the teams of DANON and BAEZ have a successful cooperation and sound business. The services of the Agency proved their effectiveness, especially when one of our clients stopped paying its financial obligations. Bulgarian Export Insurance Agency had covered that risk and paid indemnity.

For every exporter it is obligatory to find the balance of the risk retention and the insurance cover. The products of BAEZ satisfy our requirements, they are highly competitive and offer extended risk coverage.

We wish BAEZ to achieve even greater success in its activity and hope to keep our cooperation for the years to come.

Emil Gotchev

Monbat

Reaching the international market, the activity of our company is accompanied by a number of risks. One of the prime obligations of every exporter is to insure its production from sudden losses. The wide range of products BAEZ offers, completely corresponded to our demands. The professionalism, the accuracy and the competitiveness of the Agency lead us to successful cooperation. The favorable conditions ensured Monbat's activity on the international market. Affirmatively, the agency is a leading institution in the insurance sector. We wish Bulgarian Export Insurance Agency to continue expanding its activity and to keep its competitiveness.

George Karageorgiev

ANNUAL FINANCIAL STATEMENTS

For the year ended on 31.12.2006

Balance sheet

		Amounts in thousands of BGN	
		Current year	Previous year
ASSETS			
I.	Long-term intangible assets		
1.	Intangible assets	91	12
2.	Expenses for acquisition of intangible assets	0	101
		91	113
II.	Investments		
1.	Investments in securities	9,753	9,913
		9,753	9,913
III.	Financial assets on behalf of insurance reserves	1,581	1,270
IV.	Reinsurers' share in insurance reserves	546	565
V.	Receivables		
1.	Insurance receivables	742	387
2.	Other receivables	476	202
		1,218	589
VI.	Cash and cash equivalents	430	179
VII.	Long term tangible assets		
1.	Land and buildings	1,176	1,230
2.	Equipment	17	31
3.	Other	42	52
		1,235	1,313
VIII.	Prepaid expenses	4	2
	TOTAL ASSETS	14,858	13,944
SHAREHOLDERS' EQUITY AND LIABILITIES			
I.	Shareholders Equity		
1.	Share capital	10,000	10,000
2.	Reserves according to the Trade Law	1,718	1,038
3.	Current year profit	821	955
		12,539	11,993
II.	Insurance reserves		
1.	Equalization reserve	36	220
2.	Loss reserve	1,268	1,017
3.	Unearned premium reserve	705	554
4.	Other	47	44
		2,056	1,835
III.	Current liabilities		
1.	Reinsurance liabilities	153	23
2.	Other liabilities	110	93
		263	116
IV.	Deferred income	0	0
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	14,858	13,944

Profit and loss account

Amounts in thousands of BGN

		Current	Previous
		year	year
TECHNICAL ACCOUNT – GENERAL INSURANCE			
1.	Premiums earned	2,282	2,824
2.	Premiums ceded	(713)	(706)
3.	Investment income	32	26
4.	Claims incurred	(547)	(206)
5.	Recovered insurance claims	212	103
6.	Change in insurance reserves	(221)	(1,485)
7.	Change in reinsurers' share in the insurance reserves	(19)	473
8.	Operating expenses	(733)	(673)
9.	Other expenses	(255)	(108)
10.	Other income	346	241
TECHNICAL ACCOUNT BALANCE		384	489
NON-TECHNICAL ACCOUNT			
1.	Technical account balance	384	489
2.	Investment income	819	648
3.	Income from reinvesting insurance reserves	(32)	(26)
4.	Investment expenses	(179)	(36)
5.	Other income	1	6
6.	Other expenses	(51)	(21)
PROFIT BEFORE TAXATION		942	1,060
Tax expenses		(121)	(105)
PROFIT (LOSS) FOR THE PERIOD		821	955



Cash flow statement

Amounts in thousands of BGN

	Current year	Previous year
CASH FLOWS FROM OPERATING ACTIVITIES		
1. Premiums received		
a) Direct insurance	1,906	2,375
2. Reinsurance premiums paid	(161)	(505)
3. Claims paid		
a) Direct insurance	(519)	(100)
4. Payments to suppliers and employees	(278)	(447)
5. Acquisition costs paid	(367)	(64)
6. Levies and charges paid	(80)	(65)
7. Premium and income tax paid	(122)	(86)
8. Other cash flows from operating activities	(255)	(209)
9. Net cash provided by operating activities (I)	124	898
II. CASH FLOWS FROM INVESTING ACTIVITIES		
1. Proceeds from government securities	54	686
2. Proceeds from other fixed income securities	12,570	2,032
3. Purchase of government securities	(192)	(304)
4. Purchase of other fixed income securities	(12,708)	(3,790)
5. Other cash flows from investing activities	403	168
6. Net cash from investing activities (II)	127	(1,208)
III. CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
IV. NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD (I+II+III)		
	251	(310)
V. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	179	489
VI. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
	430	179

Statement of changes in shareholders' equity and insurance reserves

Amounts in thousands of BGN

Index	Share capital								
	Share capital	Share premium	Revaluation reserve	Reserve		Financial result		Translation adjustments	Total share capital
				General reserve	General reserve	Profit	Loss		
A	1	2	3	4	5	6	7	8	9
A. Share capital									
Balance at the beginning of the period	10,000			1,038		955			11,993
1. Current year profit (loss)						821			821
2. Profit distribution, including dividends				680		(955)			(275)
Balance at the end of the period	10,000			1,718		821			12,539

Amounts in thousands of BGN

Index	Insurance reserves					
	Equalization reserve	Mathematical reserve	Loss reserve	Unearned premium reserve	Other reserves	Total insurance reserves
A	10	11	12	13	14	15
B. Insurance reserves						
Balance at the beginning of the period	220		1,017	554	44	1,835
1. Changes in insurance reserves, including:	(184)		251	151	3	221
a) increase			251	151	3	405
b) decrease	184					184
Balance at the end of the period	36		1,268	705	47	2,056

TO
THE MANAGEMENT OF
BULGARIAN EXPORT INSURANCE AGENCY
SOFIA CITY

REPORT OF INDEPENDENT AUDITORS

We have made an audit of the annual financial statements of the Bulgarian Export Insurance Agency (BAEZ) EAD Sofia for the financial year 2005, including a balance sheet, income statement, statement for changes in the shareholder's equity, cash flow statement and notes (attachments). To obtain a clear view of the financial standing and cash flows of the company, the readers of the present report shall be acquainted with the attached financial statements, prepared by the company's management.

Responsibility of the company's management

The company's management is responsible for the preparation of the financial statements, presenting fairly the financial position, standing and cash flows of the company in conformity with the International accounting standards. This responsibility includes: organization and carrying out of internal control to establish and avoid misstatements and errors; selection and implementation of accounting policies, corresponding to the International accounting standards and appropriate for the particular circumstances; elaboration of the necessary accounting estimations, including essential assumptions on which such estimations are based.

Responsibility of independent auditors

Our responsibility consists in making an opinion on these financial statements, based on the independent audit carried out by us. We conducted an independent financial audit in accordance with the International auditing standards. These standards require that we perform the audit in a way so as to obtain an acceptable, but not absolute assurance that the financial statements are free of material misstatements, based on circumvention or not.

The audit includes certain procedures aiming to prove the accounting estimations presented in the financial reports. The selected procedures depend on the judgement of the auditors, including the risk assesment of essential omissions, deviation and disparity. In the process of risk assesment the auditors have taken into consideration the system for internal control, related to the preparation and the presentation of the financial reports. The audit also includes assesment of the reasonability of the implemented accounting methods and assesment of the general presentations of the information in the financial statements and disclosures.

Our opinion

On our opinion, the financial statements represent fairly the financial standing of the company as of 31 December, 2006, the results of its operation and cash flows for the year, ending at the above date, are in conformity with the International standards on financial statements.

AUDITORS:

DSc Stoyan Durin
Sofia




0001 Стоян
Дурин
Регистриран одитор

Dimitar Zeliaskov
Sofia




0002 Димитър
Желязков
Регистриран одитор

23 March, 2007

София 1301
бул. Александър Стамболийски 55
тел.: 923 69 11
факс: 987 06 65
www.baez-bg.com

55, Alexander Stamboliiski Blvd.
1301 Sofia, Bulgaria
tel.: (+ 359 2) 923 69 11
fax: (+ 359 2) 987 06 65
www.baez-bg.com

