

## INDEPENDENT AUDITORS' REPORT

*Translation from Bulgarian*

To the shareholders of  
Golden Sands AD

### **Report on the Financial Statements**

We have audited the accompanying non-consolidated financial statements of Golden Sands AD (the "Company"), which comprise the non-consolidated balance sheet as at 31 December 2008, and the non-consolidated income statement, the non-consolidated statement of changes in equity and the non-consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. Except as described in the Basis for Qualified Opinion paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Basis for qualified opinion**

1. In the balance sheet of the Company as at 31 December 2008 are presented land with carrying amount of BGN 8,128 thousand (as at 31 December 2007 BGN 8,209 thousand) and buildings with carrying amount of BGN 5,756 thousand (as at 31 December 2007 BGN 9,570 thousand), as part of property, plant and equipment with total carrying amount of BGN 56,205 thousand (as at 31 December 2006 BGN 55,813 thousand). These carrying amounts were formed as a result of the application of the requirements of Bulgarian accounting legislation in force until the end of 2001. In accordance with these requirements each group of asset was revalued every year by indexes announced by the National Statistical Institute. This is not in accordance with International accounting standard 16 Property, Plant and Equipment which requires property, plant and equipment to be carried by applying cost model according to which property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses or the revaluation model according to which property, plant and equipment are carried at revaluated amount, which is its fair value less any subsequent accumulated depreciation and subsequent impairment losses. Such carrying amounts do not represent deemed cost, as defined in IFRS 1 First time adoption of International Financial Reporting Standards, which is applicable to these financial statements. No review of the recoverable amount of these assets was performed. The effect of these departures in applying the International Financial Reporting Standards if there are such to the carrying amounts of property, plant and equipment, net profit and retained earnings for the years ending at 31 December 2008 and 2007 is not determined.

2. As disclosed in Accounting policy (a) to the non-consolidated financial statements the investments in subsidiaries, associates and joint ventures with a total carrying amount of BGN 31,192 thousand (as at 31 December 2007 BGN 31,192 thousand) are presented in the balance sheet of the Company at cost. As a result of transformations and disposals of investments in previous reporting periods, cost amounting to BGN 14,300 thousand has not been written off from the balance sheet. Due to that fact, the valuation of the investments presented in the balance sheet of the Company does not comply with the requirements of International Accounting Standard 27 *Consolidated and Separate Financial Statement* for the amount stated above.

3. Receivables from related parties amounting to BGN 26,948 thousand (as at 31 December 2007 BGN 25,309 thousand) and trade and other receivables amounting to BGN 9,001 thousand (as at 31 December 2007 BGN 9,683 thousand) are presented in the balance sheet of the Company. Based on the existing information, we were not able to receive enough information from the management in order to satisfy ourselves as to the recoverable value of part of these receivables from related parties amounting to BGN 21,119 thousand (as at 31 December 2007 BGN 20,461 thousand) and trade and other receivables amounting to BGN 5,757 thousand (as at 31 December 2007 BGN 4,645 thousand). Also we were not able to determine if any adjustment might have been necessary to these receivables, net profit and retained earnings for the years ending 31 December 2008 and 2007.

### **Qualified opinion**

In our opinion, except for the effect on the non-consolidated financial statements of the matter described in paragraph 2 of the Basis for Qualified Opinion and the effects of adjustments, if any, as might have been determined to be necessary to receivables, property, plant and equipment, income taxes, net profit and retained earnings and 1) had we been able to satisfy ourselves as to the revaluation of property, plant and equipment and 2) the recoverability of receivables, the non-consolidated financial statements give a true and fair view of the non-consolidated financial position of Zlatni Piasaci AD as of 31 December 2008, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), adopted by European Union.

### **Report on Other Legal and Regulatory Requirements**

*Annual report of the activities of the Company in accordance with the requirements of article 33 of the Accountancy Act*

As required under the Accountancy Act, we report that the historical financial information prepared by Management and disclosed in the annual non-consolidated report of the activities of the Company, as required under article 33 of the Accountancy Act, is consistent, in all material aspects, with the financial information disclosed in the audited non-consolidated financial statements of the Company as of and for the year ended 31 December 2008. Management is responsible for the preparation of the annual non-consolidated report of the activities of the Company which was approved by the Management Board of the Company on 25 March 2009.

Krassimir Hadjidinev  
*Partner*

Dobrina Kaloyanova  
*Registered auditor*

*Sofia, 26 March 2009*  
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