Water Industry Support and Education EOOD

Financial Statements

For the year ended 31 December 2010

With independent auditors' report

KPMG Bulgaria OOD
45/A, Bulgaria Boulevard
Sofia 1404
Bulgaria

Telephone +359 (2) 9697 300
Telefax +359 (2) 9805 340
E-mail bg-office@kpmg.com
Internet www.kpmg.bg

INDEPENDENT AUDITORS' REPORT

To the shareholders of
"Water Supply and Industry Education EOOD" EOOD

Report on the Financial Statements

We have audited the accompanying financial statements of "Water Supply and Industry Education EOOD" EOOD ("the Company") as set out on pages 1 to 23, which comprise the statement of financial position as at 31 December 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 about 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 audit opinion.

KPMG

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Annual report of the activities of the Company prepared 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 disclosed in the annual report of the activities of the Company, prepared by Management as required under article 33 of the Accountancy Act, is consistent, in all material aspects, with the financial information disclosed in the audited financial statements of the Company as of and for the year ended 31 December 2010. Management is responsible for the preparation of the annual report of the activities of the Company which was approved by the Director of the Company on 24 March 2011.

Krassimir Hadjidinev
Director

Antoaneta Boycheva
Registered auditor

KPMG Bulgaria OOD

Sofia, 30 March 2011

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №045
"КПМГ - България" ООД

Contents

Statement of financial position

As at 31 December

In thousands of BGN	*Note*	**2010**	**2009**
Assets			
Property, plant and equipment		10	1
Intangible assets		-	1
Total non-current assets		10	2
Receivables from related parties	*14, 20*	80	222
Tax receivables		11	3
Trade and other receivables	*14*	75	63
Cash and cash equivalents	*15*	144	114
Total current assets		310	402
Total assets		320	404
Equity			
Share capital	*16*	5	5
Retained earnings		193	140
Total equity		198	145
Liabilities			
Loans and borrowings from related parties	*17,20*	-	13
Related party payables	*20*	26	34
Tax payables		-	7
Trade and other payables	*18*	96	205
Total current liabilities		122	259
Total liabilities		122	259
Total equity and liabilities		320	404

The notes on pages 8 to 23 are an integral part of these financial statements.

София
Sofia

Ivan Ivanov
Director

Miroslav Mitkov
Financial Controller

In accordance with an Independent Auditors' Report:
KPMG Bulgaria OOD:

Krassimir Hadzhidinev
Director

Специализирано одиторско предприятие
София
Рег. №045
"КПМГ - България" ООД

Antoaneta Boicheva
Registered Auditor

Statement of comprehensive income

For the year ended 31 December *In thousands of BGN*	*Note*	**2010**	**2009**
Continuing operations			
Revenue	7	352	313
Expenses for materials	8	(1)	(2)
Expenses for hired services	9	(83)	(75)
Amortization and depreciation expenses		(1)	-
Personnel expenses	10	(183)	(195)
Other operational expenses	11	(6)	(9)
Results from operating activities		78	32
Finance income	12	-	1
Finance expenses	12	-	(1)
Net finance expense			-
Profit before tax		78	32
Income tax expense	13	(6)	(2)
Profit/(Loss) from continuing operations		72	30
Discontinuing operations			
Profit/(Loss) for the period from discontinuing operations	6	(19)	148
Profit for the period		53	178
Total comprehensive income for the period		53	178

The notes on pages 8 to 23 are an integral part of these financial statements.

Ivan Ivanov
Director

София
Sofia
W.I. Уотър Индъстри Съпорт енд Едюкейшън ЕООД * Water Industry Support and Education EOOD *

Miroslav Mitkov
Financial Controller

In accordance with an Independent Auditors' Report:
KPMG Bulgaria OOD:

Krassimir Hadzhidinev
Director

Antoaneta Boicheva
Registered Auditor

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №045
"КПМГ - България" ООД

Statement of changes in equity

In thousands of BGN	*Note*	**Share capital**	**Retained earnings**	**Total equity**
Balance at 1 January 2009		5	(38)	(33)
Total comprehensive income for the period				
Profit for the period		-	178	178
Other comprehensive income				
Total other comprehensive income		-	178	178
Total comprehensive income for the period		-	178	178
Balance at 31 December 2009	*15*	5	140	145

Statement of changes in equity (continued)

In thousands of BGN	*Note*	Share capital	Retained earnings	Total equity
Balance at 1 January 2010		5	140	145
Total comprehensive income for the period				
Profit for the period			53	53
Other comprehensive income				
Total other comprehensive income			53	53
Total comprehensive income for the period			53	53
Balance at 31 December 2010	*15*	5	193	198

The notes on pages 8 to 23 are an integral part of these financial statements.

Ivan Ivanov
Director

Miroslav Mitkov
Financial Controller

In accordance with an Independent Auditors' Report
KPMG Bulgaria OOD:

Krassimir Hadzhidinev
Director

Antoaneta Boicheva
Registered Auditor

Statement of cash flows

For the year ended 31 December

In thousands of BGN	*Note*	**2010**	**2009**
Cash flows from operating activities			
Net profit / (loss) for the period		53	178
Adjustments for:			
Depreciation and amortization expenses		1	1
Interest expense		-	2
Income tax expense		6	15
Change in trade and other receivables		117	(155)
Change in trade and other payables		(93)	114
Interest paid		-	(1)
Tax paid		(32)	(15)
Net cash from operating activities		52	139
Cash flows from investing activities			
Acquisition of property, plant, equipment and intangible assets		(10)	-
Proceeds from sales of equipment		1	-
Net cash from investing activities		9	-
Cash flows from financing activities			
Repayment of loans and borrowings		(13)	(37)
Net cash from financing activities		(13)	(37)
Net increase / (decrease) in cash and cash equivalents		30	102
Cash and cash equivalents as at 1 January	*14*	114	12
Cash and cash equivalents as at 31 December		144	114

The notes on pages 8 to 23 are an integral part of these financial statements.

София
Sofia

Ivan Ivanov
Director

Miroslav Mitkov
Financial Controller

In accordance with an Independent Auditors' Report:
KPMG Bulgaria OOD:

Krassimir Hadzhidinev
Director

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №045
"КПМГ - България" ООД

Antoaneta Boicheva
Registered Auditor

Notes to the financial statements

1. Legal form and principal activity

Water Industry Support and Education EOOD (The Company) is a subsidiary of "Sofiyska Voda" AD. "Water Industry Support and Education" EOOD was registered in Sofia City Court under company case No: 9889/2000. volume 633, p. 29, lot No: 57546. The address of the registered office of the subsidiary is Bulgaria, Sofia, district Mladost 4, Business Park Sofia, Building 2A. The Company's business involves project measurement, maintenance and design.

2. Basis of preparation

(a) Compliance

The accompanying financial statements for 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Commission.
The year end 2010 financial statements were approved by the Board of Directors on 24 March, 2011.

(b) Basis of measurement

The financial statements have been prepared in accordance with the historical cost principle.

(c) Functional and presentation currency

The financial statements have been prepared in Bulgarian leva (BGN), which is the Company's functional currency. All financial information presented in BGN has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

3. Significant accounting polices

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2(e), which addresses changes in accounting policies.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates stated by the central bank at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate stated by the central bank at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences due to retranslation are recognized in profit or loss.
From 1999, the Bulgarian Lev (BGN) exchange rate has been fixed to the Euro (EUR). The applicable exchange rate is BGN 1.95583 / EUR 1.0.

(b) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: loans and receivables .

3. Significant accounting polices (continued)

(b) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows..

(ii) Non-derivative financial liabilities

All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(c) Property, plant an equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (see "Significant accounting policy" - 3(e)). They are stated at the cost at the date of their acquisition. Cost includes the purchase price, the unrecoverable taxes for the purchase, as well as any other costs directly attributable to bringing the asset to a working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labor and any other direct costs, including also expenses for services performed by subcontractors.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income" in the Statement of Comprehensive Income.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

3. Significant accounting polices (continued)

(c) Property, plant and equipment (continued)

(ii) Depreciation

Depreciation is recognized in the Statement of Comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment.

Assets are depreciated from the month following the month of putting them into operation. The depreciation rates used are based on the estimated useful lives as follows:

- Fixtures and fittings 10 years

(d) Intangible assets

(i) Recognition and measurement

Intangible assets acquired by the Company are stated at acquisition cost less accumulated amortization and impairment losses (see "Significant accounting policy" - 3 (e)).
Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(ii) Amortization

Amortization is charged in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

- Software 5 years

(e) Impairment of Assets

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated considering its fair value.

Separately significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the Statement of Comprehensive Income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the Statement of Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit and loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an estimate of the recoverable amount is made. For intangible assets that have indefinite lives or that are not available for use yet, the recoverable amount is estimated at each reporting date.

3. Significant accounting polices (continued)

(e) Impairment (continued)

(ii) Non-financial assets (continued)

The recoverable amount of an asset or a cash-generating group of assets is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

(f) Revenue

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(g) Finance income and expenses

Finance income comprises interest income on funds invested, and foreign exchange gains that are recognized in profit and loss. Interest income is recognized as it accrues in profit and loss, using the effective interest method.
Finance expenses comprise interest expense on borrowings, foreign exchange losses and impairment losses recognized on financial assets.
Foreign currency gains and losses are reported on a net basis in the financial statements.

(h) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates effective or substantively effective as at the reporting date, and any adjustments to tax payables in respect to previous years.

3. Significant accounting polices (continued)

(i) New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

Management believes that it is appropriate to disclose that the following revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the European commission, and therefore are not taken into account in preparing these financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

- IFRS 9 *Financial Instruments (issued November 2009 and Additions to IFRS 9 issued October 2010)* has an effective date 1 January 2013 and could change the classification and measurement of financial instruments. The extent of the potential impact has not been determined.
- Amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010) has an effective date 1 July 2011 – not expected to have a significant impact on the financial statements of the Company.
- Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* (issued December 2010) has an effective date 1 January 2012 – not expected to have a significant impact on the financial statements of the Company.
- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (issued December 2010) has an effective date 1 July 2012 – not expected to have a significant impact on the financial statements of the Company.

Improvements to IFRSs 2010 (issued April 2010), various effective dates, generally 1 January 2011 - not expected to have a significant impact on the financial statements of the Company.

As at the date of preparation of these financial statements, management believes that the implementation of these revised standards, new interpretations and amendments to current standards in future, once they are endorsed by the European Commission for adoption by the European Union, is not expected to have a significant impact on the consolidated financial statements.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) ***Property, plant and equipment***

The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

(ii) ***Trade and other receivables***

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iii) ***Non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Financial risk management

The Company has exposure to the following risks as a consequence of its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Company's exposure to each of the above mentioned risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these separate financial statements.

The Chief Executive Officer has the overall responsibility for the establishment and supervision of the Company's risk management.

Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate limits and controls for the different types of risks, and to monitor risks and adherence to limits. Risk management policies and systems are being regularly reviewed pursuing establishment of the changes in the market conditions and the Company's activities. The Company, through training and implementation of its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees are aware of their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit risk arises principally from the Company's receivables from customers.

5. Financial risk management (continued)

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the separate characteristics of each customer. The Company performs mainly services to related parties and the credit risk is considered low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company undertakes periodical analyses on the macroeconomic environment in the country and in depth analysis on specific macro-indicators. The Chief Executive Officer exercises control over the future risks that the Company faces, including information on interest rates.

Capital management

The financial result for 2010 is a net profit amounting to BGN 53 thousand. The future development of the company is directly dependent on the amount of Sofiyska Voda's Investment Program.

6.Discontinuing operations

As a result of the termination of contract No CB-3969 WO8 / 29.06.2007 between Sofiyska Voda AD (Assignor) and WISE EOOD (Assignee), the principal activity - investor's control of investment projects, is no longer being performed by the Assignee, effective as of 5 March 2010.

As of 31 December 2010 the activity of the company related to providing investor's control is classified as discontinued.

Results from discontinued operations

In thousands of BGN	**2010**	**2009**
Revenue from investor's control	57	514
Other revenue	1	-
	58	514
Expenses for materials	(2)	(8)
Expenses for hired services	(37)	(100)
Amortization and depreciation expenses	-	(1)
Personnel expenses	(35)	(235)
Other operational expenses	(3)	(9)
Results from operating activity before tax	(19)	161
Income tax expense	-	(13)
Results from operating activity after tax	(19)	148
Profit/(Loss) for the period	**(19)**	**148**

Cash flow from discontinued operations

In thousands of BGN	**2010**	**2009**
Net cash flow from operating activity	(19)	215
Net cash flow from investing activity	1	-
Net cash flow from financing activity	-	(19)
Net cash flow for the period	(18)	196

7 Revenue

In thousands of BGN	**2010**	**2009**
Continuing operations		
Revenue from sales of project services	352	313
	352	313
Discontinuing operations		
Revenue from construction control services	57	514
Other revenue	1	-
	58	514
	410	**827**

8. Cost of materials

In thousands of BGN	**2010**	**2009**
Continuing operations		
Fuels and lubricants	1	2
Working clothes	-	-
	1	2
Discontinuing operations		
Fuels and lubricants	2	6
Working clothes	-	2
	2	8
	3	**10**

9. Hired services expenses

In thousands of BGN	**2010**	**2009**
Continuing operations		
Rents	48	50
Audit fees	8	6
Accounting services	9	6
Repairs and maintenance of vehicles	6	10
Social expenses	-	-
Insurance	1	1
Other	11	2
	83	75
Discontinuing operations		
Rents	8	47
Audit fees	8	7
Accounting services	1	6
Repairs and maintenance of vehicles	12	27
Social expenses	-	-
Insurance	-	1
Other	8	12
	37	100
	120	**175**

10. Personnel expenses

In thousands of BGN	**2010**	**2009**
Continuing operations		
Wages and remuneration	146	157
Pensions and social security costs	24	27
Vouchers	13	11
Social expenses	-	-
	183	195
Discontinuing operations		
Wages and remuneration	27	187
Pensions and social security costs	5	47
Vouchers	2	13
Social expenses	-	1
	34	248
	217	**443**

The average number of personnel is 10 employees (2009:23 employees).

11. Other operating expenses

In thousands of BGN	**2010**	**2009**
Continuing operations		
Business trips	-	-
One-off taxes	1	2
Others	5	7
	6	9
Discontinuing operations		
Business trips	-	-
One-off taxes	2	4
Others	1	5
	3	9
	9	**18**

12. Finance income and expenses

In thousands of BGN	**2010**	**2009**
Continuing operations	-	-
Interest expenses on financial instruments measured at amortized cost	-	1
Income from interests	-	(1)
Net foreign exchange losses	-	-
Finance expenses	-	-
Discontinuing operations		
Interest expenses on financial instruments measured at amortized cost	-	-
Income from interests	-	1
Net foreign exchange losses	-	(1)
Finance expenses	-	-

13. Income tax expense

In thousands of BGN	**2010**	**2009**
Current tax expense	6	2
	6	2

14. Related parties receivables and trade and other receivables

In thousands of BGN	**2010**	**2009**
Trade receivables	-	-
Related parties receivables	80	222
Prepayments and deferred expenses	75	63
	155	285

The exposure of the Company to interest rate risk and a sensitivity analysis of financial assets and liabilities are presented in Note 18.

15. Cash and cash equivalents

In thousands of BGN	**2010**	**2009**
Cash in hand	2	3
Current accounts in banks	142	111
Cash and cash equivalents in the statement of cash flows	144	114

The exposure of the Company to interest rate risk and a sensitivity analysis of financial assets and liabilities are presented in Note 19.

16. Share capital

The capital of the company amounts to BGN 5,000, divided into 500 shares (BGN 10 each). The capital is owned by "Sofiyska voda" AD.

In shares	**2010**	**2009**
Issued as at 1 January	500	500
Issued during the period	-	-
Total issued as at 31 December	500	500

17. Interest bearing loans and borrowings

This note provides information on the contractual terms of the Company's interest bearing loans and borrowings.

In thousands of BGN	**2010**	**2009**
Non-current liabilities		
Unsecured loan from a related party	-	-
Current liabilities		
Unsecured loan from a related party	-	13
	-	13

17. Interest bearing loans and borrowings (continued)

Terms and debt repayment schedule

In thousands of BGN	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Unsecured loan from a related party	-	-	-	-	-
	-	-	-	-	-

The exposure of the Company to interest rate risk and a sensitivity analysis of financial assets and liabilities are presented in Note 19.

Description

Unsecured related party loan

On 20th of February 2006 the Company signed a loan agreement with Sofiyska Voda AD amounting to BGN 100,000 for a period of 51 months, the purpose of which is financing of the Company's activities. The annual interest rate is 5 %. As of 31 December 2010 the loan is fully repaid.

18. Trade and other payables

In thousands of BGN	2010	2009
Trade payables	67	146
Payables to employees	11	50
Social security payables	3	9
VAT payables	15	-
	96	205

19. Financial instruments

Credit risk

In thousands of BGN	31 December 2010	31 December 2009
Related parties receivables	80	222
Cash and cash equivalents	144	114
	224	336

Liquidity risk

Below are presented the contracted maturity dates of the financial liabilities, including the expected interest payments, and excluding the effect of contracted obligations for mutual cross-deductions:

31 December 2010

In thousands of BGN	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Unsecured loans	-	-	-	-	-	-
Trade payables	67	(67)	(67)	-	-	-
Related parties payables	26	(26)	(26)	-	-	-
	93	(93)	(93)	-	-	-

20. Financial instruments (continued)

31 December 2009

In thousands of BGN	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Unsecured loans	13	(13)	(13)	-	-	-
Trade payables	146	(146)	(146)	-	-	-
Related parties payables	34	(34)	(34)	-	-	-
	193	(193)	(193)	-	-	-

Currency risk

Exposure to currency risk

Company's exposure to a currency risk is small, because 100 % of the revenues from operating activities in 2010 are in BGN or EUR (2009: 100%).

Sensitivity analysis

The sensitivity analysis of the exchange rate of the BGN / EUR and other currencies shows there are no effects on the Company's financial statements due to the circumstances stated above.

Interest risk

Profile
At the reporting date the interest rate profile of the Company's interest-bearing financial instruments is:

In thousands of BGN	**2010**	**2009**
Fixed rate instruments		
Financial assets	142	111
Financial liabilities	-	(13)
	142	98

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, and the Company is not a contractual side on any derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit and loss.

20. Financial instruments (continued)

Interest rate risk (continued)

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of financial position, are as follows:

In thousands of BGN	31 December 2010		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	80	80	222	222
Cash and cash equivalents	144	144	114	114
Unsecured loan from related party	-	-	(13)	(13)
Related parties payables	(26)	(26)	(34)	(34)
Trade and other payables	(67)	(67)	(146)	(146)
	131	131	143	143

21. Related parties

The Company has related party relationships with its parent company United Utilities UU (Sofia) BV, owner of 77.1% of the shares of Sofiyska Voda AD.
The ultimate parent Company of Water Industry Support and Education EOOD is Veolia Voda S.A..

During 2010, the following transactions with related parties have taken place:

Related party	Relation	Transactions during the year	Balance as at 31December 2010	
In thousands of BGN			Receivables	Liabilities
Sofiyska Voda AD	Parent company which owns 100% of the registered capital	Repayment of loans		
		Loan interest accrued 13		
		Rent expenses 57		20
		Expenses for administrative services 18		6
		Revenue from project services (409)	80	
		Total	80	26

21. Related parties (continued)

During 2009, the following transactions with related parties have taken place:

Related party	**Relation**	**Transactions during the year**	**Balance as at 31December 2009**	
In thousands of BGN			**Receivables**	**Liabilities**
Sofiyska Voda AD	Parent company which owns 100% of the registered capital	Repayment of loans 37 Loan interest accrued 2	-	13
		Rent expenses 97	-	27
		Expenses for administrative services 22	-	3
		Revenue from project services (313)	200	4
		Revenue from construction control services (514)	22	-
		Total	222	47

22. Subsequent events

There are no subsequent events after the reporting date, that would need additional disclosure or correction in the 2010 financial statements.

ANNUAL REPORT

WATER INDUSTRY SUPPORT AND EDUCATION EOOD

2010

Water Industry Support and Education EOOD (WISE) is a subsidiary of "Sofiyska Voda" AD. It was established at the beginning of 2006 under contract agreement for the provision of project services. Its business involves design preparation in reference to the investment programme of the company. Another reason for WISE establishment as a separate company is the willingness of the company to extend the opportunities for additional business, i.e. to enable the design team to provide design services to external entities .

The main activities of the Water Industry Support and Education EOOD (WISE) are two – Project activity and Investment control.

The investment control department was formed and started its activity in July 2007. Its main responsibility is to exercise on-site control on the activity of the parent company's contractors. In March 2010 the main contract with Sofiyska Voda AD under which the investment control activity had been performed was terminated and this activity was assumed by the parent company.
The revenue of the department for the period before its termination and transference to the parent company was BGN 58 thousand (BGN 514 thousand in 2009). The decrease in revenue is due to the termination of the contract with Sofiyska Voda AD.

The direct costs of the Investment Control department are BGN 77 thousand (BGN 353 thousand in 2009). The staff costs and the expenses for hired services are the highest– amounting to BGN 72 thousand in 2010 (BGN 235 thousand in 2009).The project activity has started since 2006. The service is provided under a contract agreement for "project activity" with Sofiyska Voda AD. The work directly depends on the investment programme of Sofiyska Voda AD. The company revenue from the project activity in 2010 is BGN 352 thousand (BGN 313 thousand in 2009). The contract prices of the project service provided by WISE to Sofiyska Voda AD fully comply with the market prices of similar services.

The direct operating costs in 2010 for the design activity are BGN 274 thousand (BGN 281 thousand for 2009). The basic costs for the implementation of the design activity in 2010 are the staff costs – BGN 183 thousand (BGN 195 thousand in 2009) and the expenses on hired services – BGN 83 thousand (BGN 75 thousand in 2009)

As a whole the activity of the designers remains focused on the core business of the company and the investment programme. The amount of the investments for the next period (2011) under the investment programme remains almost on the same level as in 2010. In this relation the company expects that the project activity in 2011 under the investment programme will generate the same amount of revenue with the same amount of work as in 2010.

As it becomes evident from the written above, the activity of the company directly depends on the Investment programme of Sofiyska Voda AD. The financial result of the company after taxation in 2010 is a profit of 53 BGN thousand.

The future development of WISE Company directly depends on the amount of the Investment programme of Sofiyska Voda AD. Considering the fact that Sofiyska Voda has an approved Business Plan for the period 2009 – 2013 as well as the intention of its management to provide new project services to external customers, we believe 2011 will be a profitable year again.

As at the end of 2010 the company paid back the unsecured loan amounting to BGN 100 thousand obtained in 2006 from Sofiyska Voda AD.

The Company has no research and development activity.

In terms of the information required under art.187 d of the Commercial Act, the Company did not transfer or acquire own shares during the reported FY 2010.

No events have occurred after the reporting date, which require the disclosure or adjustment of the annual financial statements.

The Company has a related party relationship with the parent company – Sofiyska Voda AD, which has 100% share in Water Industry Support and Education EOOD. The amount of the transactions and the amount of receivables and payables to related parties are disclosed in Note 20 in the separate financial statements of the company for 2010.

Miroslav Mitkov
/Finance Controller/

Ivan Ivanov
/Director/