

**Water Industry Support and Education EOOD**

**Financial Statements**

**For the year ended 31 December 2011**

**With independent auditors' report**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of "Water Industry Support and Education" EOOD ("the Company") as set out on pages 1 to 22, which comprise the statement of financial position as at 31 December 2011, 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.



*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, 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 2011. Management is responsible for the preparation of the annual report of the activities of the Company, approved by the Director of the Company and the Board of Directors of the parent Company - Sofiyska voda AD on 26 March 2012.

Krassimir Hadjidinev  
*Director*

KPMG Bulgaria OOD

Sofia, 30 March 2012

  
Antoaneta Boycheva  
*Registered auditor*



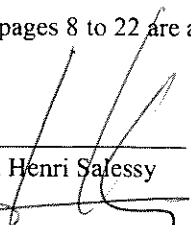
## Statement of financial position

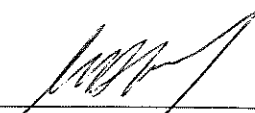
As at 31 December

In thousands of BGN

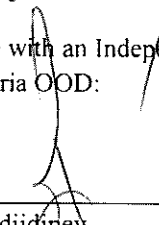
	Note	2011	2010
<b>Assets</b>			
Property, plant and equipment	15	8	10
<b>Total non-current assets</b>		8	10
Receivables from related parties	22	62	80
Tax receivables		15	11
Trade and other receivables	16	1	75
Prepayments and deferred expenses	16	46	-
Cash and cash equivalents	17	243	144
<b>Total current assets</b>		367	310
<b>Total assets</b>		375	320
<b>Equity</b>			
Share capital	18	5	5
Retained earnings		193	193
Profit for the year		39	-
<b>Total equity</b>		237	198
<b>Liabilities</b>			
Payables to related parties	22	19	26
Tax payables	19	11	-
Trade and other payables	19	71	96
Payables to employees	19	37	-
<b>Total current liabilities</b>		138	122
<b>Total liabilities</b>		138	122
<b>Total equity and liabilities</b>		375	320


The notes on pages 8 to 22 are an integral part of these financial statements.


  
Jean Edmond Henri Safessy  
Director


  
Miroslav Mitkov  
Commercial Director

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


  
Krassimir Hadjidimov  
Director


  
Antoaneta Boicheva  
Registered Auditor


## Statement of comprehensive income

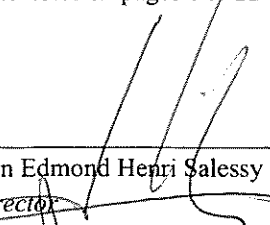
For the year ended 31 December

In thousands of BGN

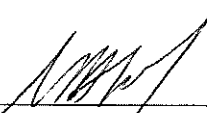
## Continuing operations

	Note	2011	2010
Revenue	8	384	352
Expenses for materials	9	(1)	(1)
Expenses for hired services	10	(124)	(83)
Amortization and depreciation expenses		(2)	(1)
Personnel expenses	11	(214)	(183)
Other operational expenses	12	(5)	(6)
<b>Results from operating activities</b>		<b>38</b>	<b>78</b>
Finance income	13	6	-
Finance expenses	13	-	-
<b>Net finance expenses</b>		<b>6</b>	<b>-</b>
<b>Profit before tax</b>		<b>44</b>	<b>78</b>
Income tax expense	14	(5)	(6)
<b>Profit/(Loss) from continuing operations</b>		<b>39</b>	<b>72</b>
<i>Discontinue operations</i>			
<b>Profit/(Loss) for the period from discontinuing operations</b>		<b>-</b>	<b>(19)</b>
<b>Profit for the period</b>		<b>39</b>	<b>53</b>
<b>Total comprehensive income for the period</b>		<b>39</b>	<b>53</b>

The notes on pages 8 to 22 are an integral part of these financial statements.

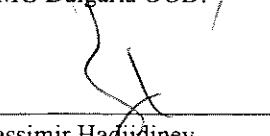


Jean Edmond Henri Salessy  
Director




Miroslav Mitkov  
Commercial Director

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



Krassimir Hadjidinev  
Director

Antoaneta Boicheva  
Registered Auditor

**Statement of changes in equity**

*In thousands of BGN*

Balance at 1 January 2010

**Total comprehensive income for the period**

Profit for the period

**Other comprehensive income**

Total other comprehensive income

Total comprehensive income for the period

Balance at 31 December 2010

	Share capital	Retained earnings	Total equity
	5	140	145
		53	53
	-	53	53
	5	193	198

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Note

**Water Industry Support and Education EOOD**

**Financial statements**  
for the year ended 31 December 2011

**Statement of changes in equity (continued)**

<i>In thousands of BGN</i>	Note	Share capital	Retained earnings	Total equity
Balance at 1 January 2011		5	193	198
<b>Total comprehensive income for the period</b>		-	39	39
Profit for the period		-	39	39
<b>Other comprehensive income</b>				
Total other comprehensive income				
Total comprehensive income for the period		-	39	39
Balance at 31 December 2011	18	5	232	237

The notes on pages 8 to 22 are an integral part of these financial statements.

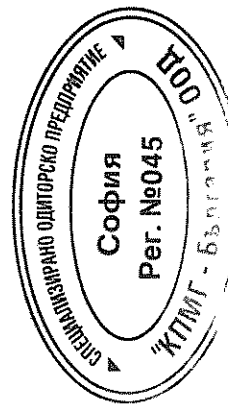
Jean Edmond Henri Saléssy  
Director

Miroslav Mitkov  
Commercial Director

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

Krassimir Hadjidinev  
Director

Antoaneta Boicheva  
Registered Auditor





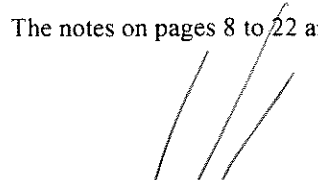
## Statement of cash flows

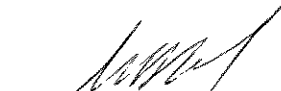
For the year ended 31 December

In thousands of BGN

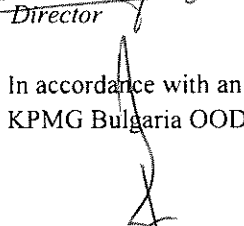
	Note	2011	2010
<b>Cash flows from operating activities</b>			
Net profit / (loss) for the period		39	53
<i>Adjustments for:</i>			
Depreciation and amortization expenses	15	2	1
Financial revenue	13	(6)	-
Income tax expense	14	5	6
		<u>40</u>	<u>60</u>
Change in trade and other receivables		21	117
Change in prepayments		27	-
Change in trade and other payables		16	(93)
Tax paid		<u>(5)</u>	<u>(32)</u>
<b>Net cash from operating activities</b>		<u>99</u>	<u>52</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant, equipment and intangible assets		-	(10)
Proceeds from sales of equipment		-	1
<b>Net cash from investing activities</b>		<u>-</u>	<u>(9)</u>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings		-	(13)
<b>Net cash from financing activities</b>		<u>-</u>	<u>(13)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		99	30
<b>Cash and cash equivalents as at 1 January</b>	18	<u>144</u>	<u>114</u>
<b>Cash and cash equivalents as at 31 December</b>		<u>243</u>	<u>144</u>

The notes on pages 8 to 22 are an integral part of these financial statements.


  
Jean Edmond Henri Salessy  
Director

  
Miroslav Mitkov  
Commercial Director

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

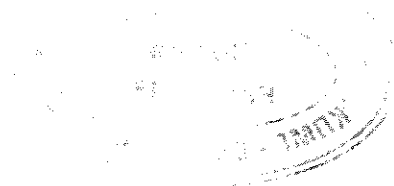
  
Krassimir Hadjidinev  
Director



  
Antoaneta Boicheva  
Registered Auditor

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**Notes to the financial statements**

**1. Reporting entity**

“Water Industry Support and Education” EOOD was registered in Sofia City Court under company decision 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.

Water Industry Support and Education EOOD (The Company) is a subsidiary of “Sofiyska Voda” AD.

**2. Basis of preparation**

**(a) Statement of compliance**

The accompanying financial statements for 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Commission.

The year end 2011 financial statements were approved by the Board of Directors on 26 March, 2012.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis.

**(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 estimates are revised and in any future periods affected.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**(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.

Effective 1 January 1999, the Bulgarian Lev (BGN) rate is fixed to the Euro (EUR). The applicable exchange rate is BGN 1.95583 / EUR 1.

**3. Significant accounting policies (continued)**

**(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 are initially recognized 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 .

***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***

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date , which bear insignificant risk of changes in their fair value and are used by the Company to manage short-term commitments .

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

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**

The equity of the Company is presented at historical cost at the date of registration.

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

**(i) Recognition and measurement**

Items of property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses (see "Significant accounting policy" - 3(e)). They are stated at the cost at their initial 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.

Profits and losses from 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 policies (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.

The depreciation rates used are based on the estimated useful lives as follows:

Fixtures and fittings	10 years
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**(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
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**(e) Impairment of Assets****(i) Non-derivative financial assets**

A financial asset that is not accounted at fair value in profit or loss, 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 and the effect can be reliably evaluated.

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 current 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, the reversal is recognized in the statement of comprehensive income.

**(ii) Non-financial assets**

The carrying amounts of the Company's non-financial 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 goodwill and intangible assets that have indefinite useful lives or that are not available for use yet, the recoverable amount is estimated annually in the same time.

**3. Significant accounting policies (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 an asset that does not generate cash flows independently, the recoverable amount is determined for the cash-generating group of assets to which it belongs.

**(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. Interest income is recognized as it accrues, 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 the statement of comprehensive income 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.

#### 4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, 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.

**Standards, Interpretations and amendments to published Standards that are not yet effective and have not been early adopted – endorsed by the EC**

- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets (issued October 2010) – effective from the first financial year that starts after 1 July 2011.
- Improvements to IFRSs 2010 (issued May 2010), various effective dates, generally 1 January 2011

***IASB/IFRIC documents not yet endorsed by EC:***

Management believes that it is appropriate to disclose that the following new or 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 2015 and could change the classification and measurement of financial instruments.
- In May 2011 the IASB issued IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint arrangements*, IFRS 12 *Disclosures of Interests in Other Entities* and IFRS 13 *Fair Value Measurement*, which all have an effective date of 1 January 2013. The IASB also issued IAS 27 *Separate Financial Statements* (2011) which supersedes IAS 27 (2008) and IAS 18 *Investments in Associates and Joint Ventures* (2011) which supersedes IAS 28(2008). All of these standards have an effective date of 1 January 2013.
- Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* (issued December 2010) has an effective date 1 January 2012.
- 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.
- In June 2011 the IASB issued *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1) with an effective date of 1 July 2012.
- In June 2011 the IASB issued an amended IAS 19 *Employee Benefits* with an effective date of 1 January 2013.
- In December 2011 the IASB issued amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* with an effective date of 1 January 2013.
- In December 2011 the IASB issued amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* with an effective date of 1 January 2014.
- IFRIC Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine* with an effective date of 1 January 2013.

**5. 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) Trade and other receivables**

The fair value of trade and other receivables, excluding construction work in progress, is estimated at 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 only.

**(ii) 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.

**6. 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 in the statements quantitative disclosures are included.

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.



**6. 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 minimal.

*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.

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 Company'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 2011 is a net profit amounting to BGN 55 thousand. The future development of the company is directly dependent on the amount of Sofiyska Voda's Investment Program.

**7. 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**

<i>In thousands of BGN</i>	<b>2010</b>
Revenue from investor's control	57
Other revenue	1
	<hr/> 58
Expenses for materials	(2)
Expenses for hired services	(37)
Amortization and depreciation expenses	-
Personnel expenses	(35)
Other operational expenses	(3)
	<hr/> (19)
Results from operating activity before tax	(19)
Income tax expense	-
Results from operating activity after tax	(19)
	<hr/> (19)
Profit/(Loss) for the period	<b>(19)</b>

## 7. Discontinuing operations (continued)

## Cash flow from discontinued operations

In thousands of BGN

	2010
Net cash flow from operating activity	(19)
Net cash flow from investing activity	1
Net cash flow from financing activity	-
Net cash flow for the period	<u>(18)</u>

## 8. Revenue

In thousands of BGN

	2011	2010
<b>Continuing operations</b>		
Revenue from sales of project services	<u>384</u>	<u>352</u>
	384	352
<b>Discontinuing operations</b>		
Revenue from construction control services	-	57
Other revenue	<u>-</u>	<u>1</u>
	-	58
	<u>384</u>	<u>410</u>

## 9. Cost of materials

In thousands of BGN

	2011	2010
<b>Continuing operations</b>		
Fuels and lubricants	1	1
Working clothes	<u>-</u>	<u>-</u>
	1	1
<b>Discontinuing operations</b>		
Fuels and lubricants	-	2
Working clothes	<u>-</u>	<u>-</u>
	-	2
	<u>1</u>	<u>3</u>

## 10. Hired services expenses

In thousands of BGN

	2011	2010
<b>Continuing operations</b>		
Rents	51	48
Audit fees	50	8
Accounting services	12	9
Repairs and maintenance of vehicles	-	6
Training	3	-
Social expenses	1	-
Insurance	1	1
Other	<u>6</u>	<u>11</u>
	124	83

**10. Hired services expenses (continued)***In thousands of BGN*

	2011	2010
<b>Discontinuing operations</b>		
Rents	-	8
Audit fees	-	8
Accounting services	-	1
Repairs and maintenance of vehicles	-	12
Social expenses	-	-
Insurance	-	-
Other	-	8
	<u>-</u>	<u>37</u>
	<u>124</u>	<u>120</u>

**11. Personnel expenses***In thousands of BGN*

	2011	2010
<b>Continuing operations</b>		
Wages and remuneration	171	146
Pensions and social security costs	30	24
Vouchers	13	13
Social expenses	-	-
	<u>214</u>	<u>183</u>
<b>Discontinuing operations</b>		
Wages and remuneration	-	28
Pensions and social security costs	-	5
Vouchers	-	2
Social expenses	-	-
	<u>-</u>	<u>35</u>
	<u>214</u>	<u>218</u>

The average number of personnel is 13 employees (2010:10 employees).

**12. Other operating expenses***In thousands of BGN*

	2011	2010
<b>Continuing operations</b>		
One-off taxes	1	1
Others	4	5
	<u>5</u>	<u>6</u>
<b>Discontinuing operations</b>		
One-off taxes	-	2
Others	-	1
	<u>-</u>	<u>3</u>
	<u>5</u>	<u>9</u>

13. Finance income and expenses

*In thousands of BGN*

	2011	2010
Income from interests	6	-
Finance income	<u>6</u>	<u>-</u>
Finance expenses	-	-
<b>Net finance income</b>	<u>6</u>	<u>-</u>

14. Income tax expense

*In thousands of BGN*

	2011	2010
Current tax expense	5	6
	<u>5</u>	<u>6</u>

15. Property, plant and equipment

*In thousand of BGN*

	Vehicles	Total
<b>Cost</b>		
Balance at 1 Jan 2010	-	-
Acquisitions	11	11
Disposals	-	-
Transfers	-	-
Balance at 31 Dec 2010	<u>11</u>	<u>11</u>
Balance at 1 Jan 2011	11	11
Acquisitions	-	-
Disposals	-	-
Transfers	-	-
Balance at 31 Dec 2011	<u>11</u>	<u>11</u>
<b>Depreciation</b>		
Depreciation as at 1 Jan 2010	-	-
Depreciation charge for the year	(1)	(1)
Depreciation on disposals	-	-
Balance as at 31 Dec 2010	<u>(1)</u>	<u>(1)</u>
Depreciation as at 1 Jan 2011	(1)	(1)
Depreciation charge for the year	(2)	(2)
Depreciation on disposals	-	-
Balance as at 31 Dec 2011	<u>(3)</u>	<u>(3)</u>
As at 1 January 2010	-	-
As at 31 December 2010	10	10
As at 1 January 2011	10	10
As at 31 December 2011	<u>8</u>	<u>8</u>

**16. Related parties receivables, trade and other receivables***In thousands of BGN*

	<i>Note</i>	<b>2011</b>	<b>2010</b>
Trade receivables		1	-
Related parties receivables	22	62	80
<i>Total trade receivables</i>	21	63	80
Prepayments and deferred expenses		46	75
Tax refund		15	11
		124	166

The exposure of the Company to interest rate risk and sensitivity analysis of financial assets and liabilities are presented in Note 20.

**17. Cash and cash equivalents***In thousands of BGN*

	<i>Note</i>	<b>2011</b>	<b>2010</b>
Cash in hand		5	2
Current accounts in banks	21	238	142
Cash and cash equivalents in the statement of cash flows		243	144

The exposure of the Company to interest rate risk and a sensitivity analysis of financial assets and liabilities are presented in Note 20.

**18. Share capital and reserves**

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*

	<b>2011</b>	<b>2010</b>
Issued as at 1 January	500	500
Issued during the period	-	-
Total issued as at 31 December	500	500

**19. Trade and other payables***In thousands of BGN*

	<i>Note</i>	<b>2011</b>	<b>2010</b>
Trade payables		71	67
Payables to related parties		19	26
Payables to employees		32	11
<i>Total trade and other payables</i>	21	122	104
Social security payables		5	3
VAT payables		11	15
		138	122

## 20. Financial instruments

## Credit risk

<i>In thousands of BGN</i>	<i>Note</i>	<b>31 December 2011</b>	<b>31 December 2010</b>
Related parties receivables	16	63	80
Cash and cash equivalents	17	243	144
		<u>306</u>	<u>224</u>

## 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 2011

<i>In thousands of BGN</i>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>
Trade payables	71	(71)	(71)	-	-	-
Payables to related parties	19	(19)	(19)	-	-	-
Payables to personnel	32	(32)	(32)	-	-	-
	<u>122</u>	<u>(122)</u>	<u>(122)</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 31 December 2010

<i>In thousands of BGN</i>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>
Trade payables	67	(67)	(67)	-	-	-
Payables to related parties	26	(26)	(26)	-	-	-
Payables to personnel	11	(11)	(11)	-	-	-
	<u>104</u>	<u>(104)</u>	<u>(104)</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Currency risk

*Exposure to currency risk*

Company's exposure to a currency risk is small, because 100 % of the revenues from operating activities in 2011 are in BGN or EUR (2010: 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.

## 20. Financial instruments (continued)

## Interest risk

## Profile

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

<i>In thousands of BGN</i>	<i>Note</i>	<b>2011</b>	<b>2010</b>
<b>Fixed rate instruments</b>			
Financial assets	17	238	142
Financial liabilities		-	-
		<u>238</u>	<u>142</u>

## 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.

## 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:

<i>In thousands of BGN</i>		31 December 2011			31 December 2010		
		Loans and receivables	Carrying amount	Fair value	Loans and receivables	Carrying amount	Fair value
Trade and other receivables	16	1	1	1	-	-	-
Related party receivables	22	62	62	62	80	80	80
Cash and cash equivalents	17	243	243	243	144	144	144
		<u>306</u>	<u>306</u>	<u>306</u>	<u>224</u>	<u>224</u>	<u>224</u>
Payables to related parties	22	(19)	(19)	(19)	(26)	(26)	(26)
Trade and other payables	19	(71)	(71)	(71)	(67)	(67)	(67)
Payables to the personnel	19	(32)	(32)	(32)	(11)	(11)	(11)
		<u>(122)</u>	<u>(122)</u>	<u>(122)</u>	<u>(104)</u>	<u>(104)</u>	<u>(104)</u>

## 21. Operating leases

## Leases as lessee

Irrevocable rental payments under operating leases are payable as follows:

<i>In thousands of BGN</i>	<b>2011</b>	<b>2010</b>
Less than 1 year	12	51
Between 1 and 5 years	-	12
More than 5 years	-	-
	<u>12</u>	<u>63</u>

## 22. Related parties

During 2011, the following transactions with related parties have taken place:

Related party	Relation	Transactions during the year	Balance as at 31 December 2011	
			Receivables	Liabilities
<i>In thousands of BGN</i>				
Sofiyiska Voda AD	Parent company which owns 100% of the registered capital	Repayment of loans		
		51		4
		Complex services expenses		
		12		14
		Revenue from project services		
		374	62	
	Other			
	5			
	Recharges			
	249		1	
	Total		62	19



## 20. Related parties (continued)

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

Related party	Relation	Transactions during the year	Balance as at 31 December 2010	
			Receivables	Liabilities
<i>In thousands of BGN</i>				
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	
		Recharges		
		177		
		Total	80	26

## 21. Subsequent events

There are no subsequent events after the reporting date, that would need additional disclosure or correction in the 2011 financial statements.

**ANNUAL REPORT**  
**WATER INDUSTRY SUPPORT AND EDUCATION EOOD**

**2011**

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

The project design activity commenced in 2006. The work directly linked to the investment programme of Sofiyska Voda AD. The company's revenue from the project design activity in 2011 is BGN 384 thousand (in 2010 BGN 352 thousand from continued operations and BGN 58 thousand from discontinued operations). 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 2011 for the design activity are BGN 346 thousand (BGN 274 thousand from continued operations and BGN 77 thousand from discontinued operations for 2010). The basic costs for the delivery of the design activity in 2011 are the employee benefits – BGN 214 thousand (BGN 183 thousand from continued operations and BGN 35 thousand from discontinued operations in 2010) and the expenses for hired services – BGN 124 thousand (BGN 83 thousand from continued operations and BGN 37 thousand from discontinued operations in 2010).

As a whole the activity of the designers remains focused on the core business of the company and the investment programme of Sofiyska Voda AD. The amount of the investments for the next period (2012) under the investment programme remains similar in size to the level as in 2011. In this regard the company expects that the project activity in 2012 under the investment programme will generate the same amount of revenue and similar workload as in 2011.

The financial result of WISE after tax in 2011 is a profit of BGN 39 thousand (2010 BGN 72 thousand profit from continued operations and BGN 19 thousand loss from discontinued operations) .

The future development of WISE 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 and also in view of management's goal to provide new project design services to external customers, it is believed 2012 will be a profitable year again.

As at the end of 2011 the company has no outstanding liabilities under loan agreements with external financial institutions or the Group.

The Company has no research and development activity.

The Company did not transfer or acquire shares during the reported FY 2011.

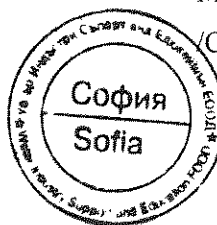
No events have occurred after the reporting date, which require the disclosure or adjustment of the annual financial statements.

No remunerations were paid out to the General Manager of the Company during the financial year 2011.

The Company has a related party relationship with the parent company – Sofiyska Voda JSC, which has a 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 22 in the Separate Financial Statements of the company for 2011.

Miroslav Mitkov

/Commercial Director/



Jean Edmond Henri  
Salessy

/General Commercial  
Proxy/