Water Industry Support and Education EOOD

Financial Statements

For the year ended 31 December 2013

With independent auditors' report

Contents

Statement of financial position

As at 31 December
In thousands of BGN

	Note	**2013**	**2012**
Assets			
Property, plant and equipment	*12*	25	31
Deferred tax assets	*11*	2	-
Total non-current assets		27	31
Receivables from related parties	*19, 22*	179	75
Trade and other receivables	*13*	97	34
Prepayments and deferred expenses	*14*	67	156
Income tax receivables		11	14
Cash and cash equivalents	*15, 19*	169	205
Total current assets		523	484
Total assets		550	515
Equity			
Share capital	*16*	5	5
Profit or loss		235	232
Total equity		240	237
Liabilities			
Employee benefits	*21*	17	-
Non-current liabilities		17	-
Payables to related parties	*19,22*	55	143
Trade and other payables	*17,19*	205	108
Payables to employees	*18*	32	23
Tax payables		1	4
Total current liabilities		293	278
Total liabilities		310	278
Total equity and liabilities		550	515

The notes on pages 9 to 27 are an integral part of these financial statements.

Stanislav Stanev
General Manager

София
Sofia

Aneliya Ilieva
Finance director

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

Margarita Goleva
Director
KPMG Bulgaria OOD

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

Krassimir Hadjidinev
Registered Auditor

Statement of profit or loss and other comprehensive income

For the year ended 31 December

In thousands of BGN	*Note*	**2013**	**2012**
Revenue	*5*	474	395
Other revenue	*5*	24	6
		498	401
Expenses for materials	*6*	(12)	(6)
Expenses for hired services	*7*	(166)	(132)
Amortization and depreciation expenses	*12*	(7)	(3)
Personnel expenses	*8*	(304)	(257)
Other operational expenses	*9*	(6)	(6)
Results from operating activities		3	(3)
Finance income	*10*	1	4
Finance expenses	*10*	(1)	(1)
Net finance income/(expenses)		-	3
Profit before tax		3	-
Income tax (expense)/profit, net	*11*	1	-
Profit for the period		4	-
Items that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liability	*21*	(1)	-
Other comprehensive income for the year, net of tax		(1)	-
Total comprehensive income for the period		3	-

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Statements of changes in equity

In thousands of BGN	*Note*	**Share Capital**	**Retained earnings**	**Retained Earnings**
Balance at 1 January 2012		5	232	237
Total comprehensive income for the period				
Profit for the year		-	-	-
Other comprehensive income, net of taxes		-	-	-
Total comprehensive income for the period		-	-	-
Transactions with owners of the Company				
Transfer between reserves based on owners' decision		-	-	-
Total transactions with owners of the Company		-	-	-
Balance at 31 December 2012	*16*	5	232	237

Statements of changes in equity (continued)

In thousands of BGN	*Note*	**Share capital**	**Retained earnings**	**Total**
Balance at 1 January 2013		5	232	237
Total comprehensive income for the period				
Profit for the year		-	4	4
Other comprehensive income, net of taxes		-	(1)	(1)
Total comprehensive income for the period		-	3	3
Transactions with owners of the Company				
Transfer between reserves based on shareholders' decision		-	-	-
Total transactions with owners of the Company		-	-	-
Balance at 31 December 2013	*16*	5	235	240

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Sofia

Statement of cash flows

for the year ended 31 December

In thousands of BGN	*Note*	2013	2012
Cash flows from operating activities			
Net profit for the period		4	-
Adjustments for:			
Depreciation and amortization expenses	*12*	7	3
Expenses for provisions for defined benefit plans	*21*	15	-
Net finance expense / (income)	*10*	-	(3)
Income tax expense	*11*	(1)	-
		25	-
Change in trade and other receivables		(63)	(20)
Change in trade and other receivables from related parties		(104)	(13)
Change in prepayments		89	(110)
Change in trade and other payables		107	11
Change in trade and other payables to related parties		(88)	124
Change in VAT payable		(3)	(6)
Income tax paid		2	(1)
Net cash from operating activities		(35)	(15)
Cash flows from investing activities			
Acquisition of property, plant, equipment and intangible assets	*12*	(1)	(26)
Net cash from investing activities		(1)	(26)
Cash flows from financing activities			
Interest received		1	4
Other finance expenses paid		(1)	(1)
Net cash from financing activities	*10*	-	3
Net increase / (decrease) in cash and cash equivalents		(36)	(38)
Cash and cash equivalents as at 1 January		205	243
Cash and cash equivalents as at 31 December	*15,19*	169	205

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Notes to the Financial Statements

Notes to the Financial Statements

1. Reporting Entity

"Water Industry Support and Education" EOOD is a commercial entity registered in Bulgaria under Sofia City Court decision No: 9889/2000. volume 633, p. 29, lot No: 57546.

The address of the registered office of the company is Bulgaria, Sofia, district Mladost 4, Business Park Sofia, Building 2A. The subsidiary'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 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Commission.

The financial statements for the year ended 31 December 2013 were approved by the Board of Directors on 2 April, 2014.

(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

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services is used to measure fair values, then the valuation team assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the General manager.

2. Basis of preparation (continued)

(d) Use of judgements and estimates (continued)

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorised into different level in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 19- Financial instruments;

(e) Changes in accounting policies

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- *Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* (see (i))
- IFRS 13 *Fair Value Measurement* (see (ii))
- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1) (see (iii))
- IAS 19 *Employee Benefits* (2012)) (see (iv))

(i) Offsetting of financial assets and financial liabilities

As a result of the amendments to IFRS 7, the Company has expanded its disclosures about offsetting of financial assets and financial liabilities (see Note 19).

(ii) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such disclosures are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result the Company has included additional disclosures in this regard (see note19).

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

3. Significant accounting policies (continued)

(f) Impairment of assets (continued)

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than investment property, 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, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not available for use yet, the recoverable amount is estimated annually at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount..

The recoverable amount of an asset or CGU 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 or CGU. For impairment testing, assets that cannot be tested individually 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 CGUs.

Impairment losses are recognised in profit and losses. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a *pro rata* basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

Defined Contribution Plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined Benefit Plans

The Company's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods and that amount is discounted.

The calculation is performed annually by a qualified actuary using the projected unit credit method. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses and are recognised in OCI. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3. Significant accounting policies (continued)

(h) Revenue from services rendered

The Company recognizes revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

(i) Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease

(j) 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.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company assesses the accrued tax liabilities for all not closed for tax purpouses prior accounting periods as adequate considering many factors such as interpretation of legal framework and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations, endorsed by the EC, are available for early adoption in the annual period ended 31 December 2013, although they are not yet mandatory until a later period. These changes to IFRS have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early.

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

- IFRS 10 *Consolidated Financial Statements*, shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. МСФО 10 introduces unified model for control whether a given entity in which investments are made has to be consolidated. The Company does not expect the new standard to have an impact on its financial statements since the Company does not have subsidiaries does not issue consolidated financial statement.
- IFRS 11 *Joint arrangements* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Company does not expect IFRS 11 to have a substantial impact on its financial statements since the Company does not participate in joint ventures.
- IFRS 12 *Disclosure of Interests in other entities* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Company does not expect the new standard to have a substantial impact on its financial statements.
- IAS 27 *Separate Financial Statements* (2011), replaces IAS 27 (2008), shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Company does not expect the amendments to the standard to have a substantial impact on its financial statements.
- IAS 28 *Investments in associates and joint ventures* (2011), replaces IAS 28 (2008), shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Company does not expect the amendments to have a substantial impact on its financial statements because there are no investments in associates and joint ventures, which might be affected by the amendments.
- Amendments to IAS 32 *Offsettingfinancial assets and financial liabilities,* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Company does not expect the amendments to have a substantial impact on its financial statements because it does not apply offsetting for its financial assets and liabilities it has not entered into master netting arrangements..
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment entities,* shall be applied for annual periods starting on or after 1 January 2014. The Company does not expect the amendments to have impact on its financial statements because the Company does not meet the definition of an investment entity.
- Amendments to IAS 36 – *Recoverable amount disclosures for non-financial assets,* shall be applied for annual periods starting on or after 1 January 2014. The Company does not expect the amendments to have a substantial impact on its financial statements.

4. New standards and interpretations not yet adopted (continued)

- Amendments to IAS 39 – *Novation of derivatives and continuation of hedge accounting*, shall be applied for annual periods starting on or after 1 January 2014. The Company does not expect the amendments to have a substantial impact on its financial statements.

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 (issue in November 2009) and supplements to IFRS 9 (2010 and 2013) and Amendments to IFRS 9 and IFRS 7 – Mandatory effective dates and transition disclosures (the effective date was not fixed, it will be applied retrospectively, earlier applying is allowed)*
- Amendments to IAS 19 – *Defined benefit plans: Employees contributions* (it shall be applied for annual periods starting on or after 1 July 2014. Earlier applying is allowed. The applying will be restrospective)
- IFRIC 21 – *Levies* (it shall be applied for annual periods starting on or after 1 January 2014. Earlier applying is allowed. The applying will be restrospective).

5. Revenue

The revenue of the Company realized during the financial year 2013 is in relation to project designing and amounts to BGN 474 thousands (in 2012 – BGN 395 thousand).

Other revenue realized during the financial year 2013 comprises revenue from default penalties amounting to BGN 24 thousand (in 2012 – BGN 6 thousand).

6. Cost of materials

In thousands of BGN	2013	2012
Electricity	7	3
Fuels and lubricants	2	2
Others	3	1
	12	6

7. Hired services expenses

In thousands of BGN	2013	2012
Rents	58	53
Expenses for consultancy services	86	52
Accounting services	12	12
Repair and maintenance of cars	1	-
Training	2	1
Social expenses	2	-
Insurance	1	1
Other	4	13
	166	132

8. Personnel Expenses

In thousands of BGN	Бел.	2013	2012
Wages and remuneration		235	203
Pensions and social security costs		38	38
Vouchers		16	16
Retirement compensation	*21*	15	-
		304	257

The average number of employees is 13 persons (2012: 14 persons).

9. Other operating expenses

In thousands of BGN	2013	2012
One-off taxes	1	1
Others	5	5
	6	6

10. Finance income and expenses

In thousands of BGN	Бел.	2013	2012
Income from interests on bank accounts		1	4
Finance expenses	*11*	(1)	(1)
Finance income (net)		-	3

11. Income tax expense

In thousands of BGN	2013	2012
Current income tax expense		
Current corporate tax expense	(1)	-
Deferred tax		
Origination and reversal of temporary differences	2	-
Tax expense, net	1	-

Reconciliation of effective tax rate

In thousands of BGN	2013	2013	2012	2012
Profit for the year		4		-
Total income tax expense		(1)		-
Profit before income tax		3		-
Income tax using the Company's domestic tax rate	10.00%	-	10.00%	-
Permanent differences movement		(1)		-
Utilisation of tax losses for which deferred tax asset was not recognised previously		2		-
		1		-

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of BGN	2013	2012	2013	2012	2013	2012
Property, plant and equipment	-	-	1	-	1	-
Employee benefits	(3)	-	-	-	(3)	-
Tax (assets) liabilities	(3)	-	1	-	(2)	-

Movement in deferred tax throughout the year

In thousands of BGN	Balance 1 January 2012	Recognized in profit or loss	Balance 31 December 2012	Recognized in profit or loss	Balance 31 December 2013
Property, plant and equipment	-	-	-	1	1
Employee benefits	-	-	-	(3)	(3)
	-	-	-	(2)	(2)

12. Property, plant and equipment

In thousands of BGN	Property, plant and equipment	Vehicles	Leasehold improvements	Assets under construction	Total
Balance at 1 Jan 2012	-	11	-	-	11
Acquisitions	-	-	-	26	26
Transfers	23	-	3	(26)	-
Balance at 31 Dec 2012	23	11	3	-	37
Balance at 1 Jan 2013	23	11	3	-	37
Acquisitions	-	-	-	1	1
Transfers	1	-	-	(1)	-
Balance at 31 Dec 2013	24	11	3	-	38
Depreciation					
Depreciation as at 1 Jan 2012	-	(3)	-	-	(3)
Depreciation charge for the year	(1)	(2)	-	-	(3)
Balance as at 31 Dec 2012	(1)	(5)	-	-	(6)
Depreciation as at 1 Jan 2013	(1)	(5)	-	-	(6)
Depreciation charge for the year	(4)	(2)	(1)	-	(7)
Balance as at 31 Dec 2013	(5)	(7)	(1)	-	(13)
As at 1 January 2012	-	8	-	-	8
As at 31 December 2012	22	6	3	-	31
As at 1 January 2013	22	6	3	-	31
As at 31 December 2013	19	4	2	-	25

13. Trade and other receivables

In thousands of BGN	Note	2013	2012
Trade receivables	19	89	30
Other receivables		8	4
Total trade receivables		97	34

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

14. Prepayments and deferred expenses

In Thousands of BGN	2013	2012
Prepayments	65	154
Deferred Expenses	2	2
	67	156

15. Cash and cash equivalents

In thousands of BGN	Note	2013	2012
Cash in hand		5	5
Current accounts in banks		164	200
Cash and cash equivalents in the statement of cash flows	19	169	205

16. Share capital and reserves

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

In shares	**2013**	**2012**
Issued shares as at 1 January	500	500
Issued during the period	-	-
Total issued at period end	500	500

17. Trade and other payables

In thousands of BGN	**Note**	**2013**	**2012**
Trade payables	19	205	94
Other payables		-	14
Total trade and other payables		205	108

18. Payables to employees

In thousand BGN	**Note**	**2013**	**2012**
Payables to personnel	19	27	17
Social Security Contributions payable		5	6
		32	23

19. Financial instruments

Financial risk management
Overview

The Company has exposure to the following risks from 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 risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

19. Financial instruments (continued)

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, and arises principally from the Company's receivables from customers.

Exposure to credit risk

The carrying amount of the financial assets is the maximum credit exposure. The maximum exposure as at the date of the statement on the financial position is:

In thousands of BGN	Note	2013	2012
Related parties receivables	22	179	75
Trade and other receivables	13	89	30
Cash and cash equivalents	15	169	205
		437	310

(i) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As far as the Company mostly delivers services to related parties, the credit risk is minimised.

Liquidity risk

Liquidity risk occurs if The Company fails to meet its obligations at the moment of their settlement. The Company's approach to managing liquidity is to ensure, 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 has a finance plan, prepared to meet the operating expenses of its current liabilities for a period of 30 days, including servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

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 2013

In thousands of BGN	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	205	(205)	(205)	-	-	-
Payables to related parties	55	(55)	(55)	-	-	-
Payables to personnel	27	(27)	(27)	-	-	-
	287	(287)	(287)	-	-	-

31 December 2012

In thousands of BGN	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	94	(94)	(94)	-	-	-
Payables to related parties	143	(143)	(143)	-	-	-
Payables to personnel	17	(17)	(17)	-	-	-
	254	(254)	(254)	-	-	-

19. Financial instruments (continued)

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 optimising the return.

The Company undertakes analyses over the macro-economical environment in the country on a regular basis, as well as, a detailed analysis of the specific macro- indicators. The Director is the one responsible for the assessment of the future risks that The Company faces, including the foreign currency risks.

Currency risk

Exposure to currency risk

Company's exposure to a currency risk is low, since 100 % of the revenues from operating activities in 2013 are in BGN or EUR (2012: 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	**Note**	**2013**	**2012**
Financial assets	15	164	200
Financial liabilities		-	-
		164	200

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 or loss, and the Company does not designate 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 or loss.

Capital management

The financial result for 2013 is a profit of BGN 3 thousand. The future progress of the Company is directly dependent on the amount of the investment programme of Sofiyska Voda AD.

19. Financial instruments (continued)

Accounting classifications and fair values

31 December 2013

In thousands of BGN	Note	Carrying amount: Held for Trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available for-sale	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value													
Trade and other receivables	13	-	-	-	-	89	-	-	89	-	-	-	-
Related party receivables	22	-	-	-	-	179	-	-	179	-	-	-	-
Cash and cash equivalents	15	-	-	-	-	169	-	-	169	-	-	-	-
		-	-	-	-	437	-	-	437				
Financial liabilities not measured at fair value													
Trade and other payables	17	-	-	-	-	-	-	(205)	(205)	-	-	-	-
Related party payables	22	-	-	-	-	-	-	(55)	(55)	-	-	-	-
Payables to personnel	18	-	-	-	-	-	-	(27)	(27)	-	-	-	-
		-	-	-	-	-	-	(287)	(287)				

31 December 2012

In thousands of BGN	Note	Carrying amount: Held for Trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available for-sale	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value													
Trade and other receivables	13	-	-	-	-	30	-	-	30	-	-	-	-
Related party receivables	22	-	-	-	-	75	-	-	75	-	-	-	-
Cash and cash equivalents	15	-	-	-	-	205	-	-	205	-	-	-	-
		-	-	-	-	310	-	-	310				
Financial liabilities not measured at fair value													
Trade and other payables	17	-	-	-	-	-	-	(94)	(94)	-	-	-	-
Related party payables	22	-	-	-	-	-	-	(143)	(143)	-	-	-	-
Payables to personnel	18	-	-	-	-	-	-	(17)	(17)	-	-	-	-
		-	-	-	-	-	-	(254)	(254)				

20. Operating leases

Leases as lessee

Irrevocable rental payments under operating leases are payable as follows:

In thousands of BGN	2013	2012
Less than 1 year	8	27
	8	27

21. Defined benefit plan liabilities

Postemployment liabilities represent the present value of defined benefits payable at retirement with respect to age and length of service

In thousands of BGN	2013	2012
Present value of the liability on 1 January	-	-
Interest expense	1	-
Current labour cost	15	-
Actuarial loss	1	-
Present value of the liability at the end of the period	17	-

Liability recognized in the Statement of financial position as at 31 December, including:	17	-
Short – term liabilities for retirement compensation	-	-
Long – term liabilities for retirement compensation	*17*	-

Expenses recognized in the income statement

In thousands of BGN	2013	2012
Current labour cost	15	-
Interest expense	1	-

Actuarial assumptions

	2013	2012
Discount rate at 31 December	3,64%	-
Salary increase (annual for 10 years)	2,1%	-
Employee turnover	10%	-

The actuarial assumptions for death rates are based on the National Statistics Institute's population mortality tables. For the purposes of the discounting effective annual interest rate i = 3.64% is used. This rate is based on analysis of the offered long-term investment instruments on the Bulgarian stock market (securities, municipality bonds, etc.).

22. Related parties

The following transactions with related parties have taken place during 2013:

Related party	Relation	Transactions during the year	Balance as at 31December 2013	
In thousands of BGN			**Receivables**	**Payables**
"Sofiyska Voda" AD	Parent company which owns 100% of the registered capital	Rents 23	-	4
		Complex services expenses 12	-	2
		Revenue from design services 382	179	45
		Other 8	-	4
		Recharges 818	-	-
		Total:	179	55

The following transactions with related parties have taken place during 2012:

Related party	Relation	Transactions during the year	Balance as at 31December 2012	
In thousands of BGN			**Receivables**	**Liabilities**
"Sofiyska Voda" AD	Parent company which owns 100% of the registered capital	Rents 43	-	9
		Complex services expenses 12	-	6
		Revenue from project services 380	75	127
		Other 5	-	1
		Recharges 338	-	-
		Total:	75	143

Transactions with key management personnel

No remunerations were paid to key management personnel during the year

23. Subsequent events

No subsequent events, that require adjustments or disclosures in the financial statements, have occurred during the period from the reporting date to the date the financial statements were authorised for issue by the Board of Directors of the sole owner.

ANNUAL REPORT ON THE ACTIVITY OF WATER INDUSTRY SUPPORT AND EDUCATION EOOD

2013

Water Industry Support and Education EOOD (WISE) is a subsidiary of Sofiyska Voda JSC. It was incorporated at the beginning of 2006 by virtue of the contract for the provision of design services. Its business involves design preparation in reference to the investment program of the company. Another reason for WISE incorporation as a separate company is the willingness of the company to extend the opportunities for the business, i.e. to enable the design team to provide design services to external contracting authorities.

The design activity started in 2006. The service is provided based on the contract signed for design activity with Sofiyska Voda JSC. The work depends directly on the amount of Sofiyska Voda's investment program and the design requests on behalf of external companies. The company revenue from the design activity for 2013 is BGN 498 thousand (BGN 401 thousand in 2012). The prices agreed for the design service provided by WISE to Sofiyska Voda JSC fully comply with the market prices of similar services in the country.

The direct operating costs for 2013 for the design activity are BGN 495 thousand (BGN 404 thousand for 2012). The costs for the implementation of the design activity are mainly the staff costs – BGN 304 thousand (BGN 257 thousand in 2012) and the expenses for hired services – BGN 166 thousand in 2013 (BGN 132 thousand in 2012).

As a whole the activity of WISE EOOD was again focused on providing designs for securing the investment program of the shareholder – Sofiyska Voda JSC. Nevertheless, as a result of the efforts of the Company's management for diversification of the customers, there was substantial growth in 2013 of the revenue from design services for external customers.

The investments for the next Business Plan 2014 - 2015 are expected to be lower as amount as compared to 2013 and the difference is to be compensated by requests from external customers. In this respect the expectations for 2014 are that the volume of work and revenue from main charges (designs under the investment program and requests from external customers) will be at the same level as in 2013.

The financial result of the Company before taxes for 2013 is a profit of BGN 3 thousand (2012 - 0 thousand BGN).

The financial result for 2012 was distributed and there were no dividends paid.

The Company policy in terms of the financial risk and its exposition regarding the price, credit and liquidity risk are given in detail in the notes to the Financial Statements for 2013.

The future development of the WISE Company directly depends on the amount of the Investment program of Sofiyska Voda JSC. Having in mind the fact that Sofiyska Voda is in process of getting approval for its Business Plan for the period 2014-2015, the increased revenue from design services for external customers and the intention of the Company management to develop new design services for external customers it may be deemed that 2014 will be a profitable year.

As at the end of 2013 the Company had no debts under credits to external financial institutions or enterprises from the Group.

The Company has no research and development activity.

The Company did not transfer or acquire any shares in 2013.

No events have occurred after the date of the Report requiring the disclosure or adjustment of the annual financial statements.

There were no unpaid remunerations to the Company Manager in the financial 2013.

The Company Manager has no share in trade companies as a partner with unlimited liability, does not own more than 25% of the capital of other company and does not participate in the management of other companies or associations as Commercial Proxy, Manager of Board Member.

The Company has a related party relationship with the parent company – Sofiyska Voda JSC and the latter has 100% share in Water Industry Support and Education EOOD. The amount of the transactions and the sum of the receivables and payables to the related parties are disclosed in Note 22 of the separate financial statements of the company for 2013.

The Company has no branches in the country and abroad.

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/Financial Director/

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Sofia

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INDEPENDENT AUDITORS' REPORT

To the Sole owner 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 27, which comprise the statement of financial position as at 31 December 2013, the statements of profit or loss and other 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 2013, 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 2013. Management is responsible for the preparation of the annual report of the activities of the Company which was approved on 2 April 2014.

Margarita Goleva
Director

Krassimir Hadjidinev
Registered auditor

KPMG Bulgaria OOD

Sofia, 9 April 2014

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