

**Water Industry Support and Education EOOD**

**Financial Statements**

**For the year ended 31 December 2014**

**With independent auditors' report**

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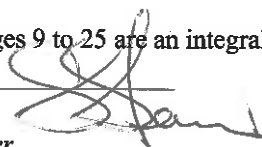
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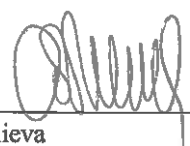

## Statement of financial position

As at 31 December  
In thousands of BGN

	Note	2014	2013
<b>Assets</b>			
Property, plant and equipment	12	19	25
Deferred tax assets	11	3	2
<b>Total non-current assets</b>		<u>22</u>	<u>27</u>
Receivables from related parties	19, 22	199	179
Trade and other receivables	13	30	97
Prepayments and deferred expenses	14	55	67
Income tax receivables		11	11
Cash and cash equivalents	15, 19	224	169
<b>Total current assets</b>		<u>519</u>	<u>523</u>
<b>Total assets</b>		<u>541</u>	<u>550</u>
<b>Equity</b>			
Share capital	16	5	5
Profit or loss		236	235
<b>Total equity</b>		<u>241</u>	<u>240</u>
<b>Liabilities</b>			
Employee benefits	21	17	17
<b>Total non-current liabilities</b>		<u>17</u>	<u>17</u>
Payables to related parties	19,22	142	55
Trade and other payables	17,19	93	205
Payables to employees	18	47	32
Tax payables		1	1
<b>Total current liabilities</b>		<u>283</u>	<u>293</u>
<b>Total liabilities</b>		<u>300</u>	<u>310</u>
<b>Total equity and liabilities</b>		<u>541</u>	<u>550</u>

The notes on pages 9 to 25 are an integral part of these financial statements.


  
Stanislav Stanev  
General Manager


  
Aneliya Ilieva  
Finance director
In accordance with an Independent Auditors' Report:  
KPMG Bulgaria OOD:

  
Margarita Goleva  
Director  
KPMG Bulgaria OOD


  
Krassimir Hadjidinev  
Registered Auditor

**Statement of profit or loss and other comprehensive income**

**For the year ended 31 December**

*In thousands of BGN*

	<i>Note</i>	<b>2014</b>	<b>2013</b>
Revenue	5	434	474
Other revenue	5	-	24
		<u>434</u>	<u>498</u>
Expenses for materials	6	(8)	(12)
Expenses for hired services	7	(120)	(166)
Amortization and depreciation expenses	12	(6)	(7)
Personnel expenses	8	(288)	(304)
Other operating expenses	9	(10)	(6)
		<u>2</u>	<u>3</u>
<b>Results from operating activities</b>			
Finance income	10	1	1
Finance expenses	10	(1)	(1)
<b>Net finance income/(expenses)</b>		<u>-</u>	<u>-</u>
		<u>2</u>	<u>3</u>
<b>Profit before tax</b>			
Income tax (expense)/profit, net	11	-	1
<b>Profit for the period</b>		<u>2</u>	<u>4</u>
<b>Items that will never be reclassified to profit or loss:</b>			
Revaluation of defined benefit liability	21	(1)	(1)
<b>Other comprehensive income for the year, net of tax</b>		<u>(1)</u>	<u>(1)</u>
<b>Total comprehensive income for the period</b>		<u>1</u>	<u>3</u>

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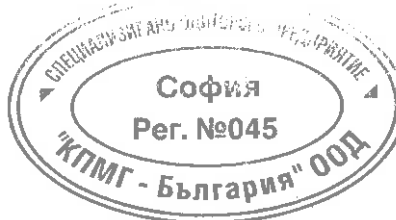
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General manager

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Director  
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Krassimir Hadjidinev  
Registered Auditor



## Statements of changes in equity

*In thousands of BGN*

	Share capital	Retained earnings	Total
Balance at 1 January 2013	5	232	237
Total comprehensive income for the period	-	4	4
Profit for the year	-	(1)	(1)
Other comprehensive income, net of taxes	-	3	3
Total comprehensive income for the period			
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	5	235	240

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Statements of changes in equity (continued)

In thousands of BGN

	Note	Share capital	Retained earnings	Total
Balance at 1 January 2014		5	235	240
Total comprehensive income for the period		-	-	-
Profit for the year		-	2	2
Other comprehensive income, net of taxes		-	(1)	(1)
Total comprehensive income for the period		-	1	1

Transactions with owners of the Company

Transfer between reserves based on shareholders' decision

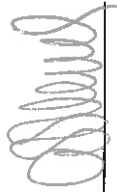
Total transactions with owners of the Company

Balance at 31 December 2014

		-	-	-
		-	-	-
	16	5	236	241

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Stanislav Stanev  
General manager



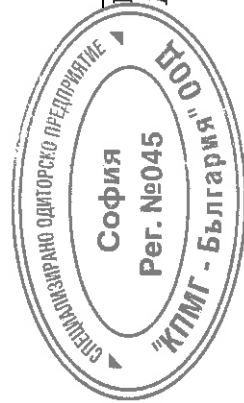
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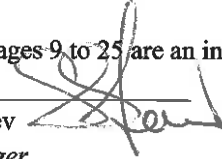
## Statement of cash flows

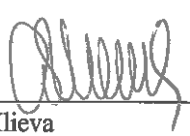

for the year ended 31 December


In thousands of BGN

	Note	2014	2013
<b>Cash flows from operating activities</b>			
Net profit for the period		2	4
<i>Adjustments for:</i>			
Depreciation and amortization expenses	12	6	7
Expenses for provisions for defined benefit plans	21	1	15
Net finance expense / (income)	10	-	-
Income tax expense	11	-	(1)
		<u>9</u>	<u>25</u>
Change in trade and other receivables		67	(63)
Change in trade and other receivables from related parties		(20)	(104)
Change in prepayments		12	89
Change in trade and other payables		(96)	107
Change in trade and other payables to related parties		87	(88)
Change in VAT payable		(3)	(3)
Income tax paid		(1)	2
<b>Net cash from operating activities</b>		<u>55</u>	<u>(35)</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant, equipment and intangible assets	12	-	(1)
<b>Net cash from investing activities</b>		<u>-</u>	<u>(1)</u>
<b>Cash flows from financing activities</b>			
Interest received		1	1
Other finance expenses paid		(1)	(1)
<b>Net cash from financing activities</b>	10	<u>-</u>	<u>-</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		55	(36)
<b>Cash and cash equivalents as at 1 January</b>		<u>169</u>	<u>205</u>
<b>Cash and cash equivalents as at 31 December</b>	15,19	<u>224</u>	<u>169</u>

The notes on pages 9 to 25 are an integral part of these financial statements.


  
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General manager


  
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## 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.

"Water Industry Support and Education" EOOD (the Company) is a subsidiary of "Sofiyska Voda" AD, which is property of Veolia Voda Sofia BV (77.10 %) and Vodostnabdyavane i kanalizatsiya EAD (22.90 %).

The address of the registered office of the Company is Bulgaria, Sofia, Mladost 4 residential area, Business Park Sofia, Building 2A. The subsidiary's business involves project measurement, maintenance and design.

### 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 2014 were approved by the Board of Directors on 1 of April, 2015.

#### (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 financial department 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 financial department 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 observable data as far as possible. Fair values are categorised into different levels 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 2014.

- Disclosures of recoverable values of non-financial assets (changes in IAS 36);
- IFRIC 21 *Levies*
- Changes in IAS 32 *Compensation of financial assets and liabilities*
- IFRS 10 *Consolidated Financial Statements*; IFRS 11 *Joint Arrangements*; IFRS 12 *Disclosure of interests in other entities*; IAS 27 *Separate Financial Statements (2011)*; IAS 28 *Investments in associates and joint ventures (2011)*

#### a) **Changes in IAS 36**

Resulting from the changes in IAS 36 the Company has expanded its disclosure related to recoverable values.

#### b) **IFRIC 21 Levies**

This change in the accounting policy didn't lead to considerable effect in Company's financial statements.

#### c) **Changes in IAS 32**

Changes in IAS 32 have no effect on the financial statements since the Company doesn't apply compensations on its financial assets and financial liabilities and has no global compensation agreements.

#### d) **New set of consolidation standards**

The Company has applied IFRS 10 *Consolidated Financial Statements*; IFRS 11 *Joint Arrangements*; IFRS 12 *Disclosure of interests in other entities*; IAS 27 *Separate Financial Statements (2011)* and IAS 28 *Investments in associates and joint ventures (2011)* as of 1 January 2014.

These changes in the accounting policy have no effect on the financial statements, as the Company has no control over other entities and has no investments in associates or joint ventures.

**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 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 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 up until the reporting date, the Bulgarian Lev (BGN) rate is fixed to the Euro (EUR). The applicable exchange rate is BGN 1.95583 / EUR 1.

**(b) Financial instruments**

The Company classifies non-derivative financial assets into the category loans and receivables.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

**(i) Non-derivative financial assets and liabilities - recognition and derecognition**

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises 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, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

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 realise the asset and settle the liability simultaneously.

**(ii) Non-derivative financial assets - measurement*****Loans and receivables***

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

***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.

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

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

**(iv) Share capital**

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

**3. Significant accounting policies (continued)****(c) Property, plant and equipment****(i) Recognition and measurement***Initial recognition*

Items of property, plant and equipment are initially assessed at the acquisition cost which includes the costs directly related to the asset acquisition. The cost of assets acquired by construction includes as follows:

- Costs for materials and directly used labour;
- Costs directly related to setting the asset in a condition corresponding to the one for use;
- When the Company is obliged to dismantle the asset or restore the terrain, the approximate evaluation of the costs for dismantling and restoring the site where the asset is located;
- Capitalized interest costs.

Purchased software required for the functioning of the purchased equipment is capitalized as part of this equipment.

When there are components in the property, plant and equipment with different length of useful life, they are accounted separately.

All property, plant and equipment and assets under construction are presented in the statement on the financial position based on the historic price decreased with the accumulated depreciation and losses from impairment.

- (ii) Profits and losses at writing off property, plant and equipment (determined as the difference between the proceeds and the carrying amount of the asset) are recognized net in other income/other costs in profits and losses.

*Evaluation after recognition*

After being recognized as an asset, given item of property, plant and equipment is accounted under its acquisition cost decreased with the accumulated depreciation and the accumulated losses from impairments.

**(iii) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits from this expenditure for the Company. Current repairs and maintenance are recognised as expenditure as incurred.

**(iv) Depreciation**

Depreciation is recognized in profit or loss 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.

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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**3. Significant accounting policies (continued)****(e) Leased assets**

Lease contracts, under the provision of the contractual rights of which the Company acquires all the significant risk and rewards of the ownership are classified as finance lease. Initially the leased assets are recognized at lower of the fair value and the present value of the minimal lease payments. Subsequent to initial recognition the asset is measured in accordance with the relevant accounting policy.

Other than the aforementioned leases are classified as operating leases and are not recognised in the Company's statement of financial position.

**(f) 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 for impairment. 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.

Objective evidence that financial asset is impaired includes default or delay on behalf of the debtor, restructuring of his debt to the Company under condition which the Company would not consider under other circumstances, indications that the debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers.

***Financial assets measured at amortised cost***

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and borrowings) at both an individual asset and a collective level. All individually significant borrowings are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of defaults, timing of recoveries and the amount of loss incurred, and management makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

**(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.

**3. Significant accounting policies (continued)****(f) Impairment of assets (continued)****(ii) Non-financial assets (continued)**

The recoverable amount of an asset or cash generating unit (CGU) is the greater of its value in use and its fair value less selling costs. 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, time value of money and the risks specific to the asset. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuous 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 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.

Revaluation 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 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 reliably estimated.

**(h) Revenue from services rendered**

The Company recognizes revenue from services rendered 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.

**3. Significant accounting policies (continued)****(j) Finance income and expenses**

Finance income comprises interest income on funds invested. Interest income is recognized as it is accrued, 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. Income 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 purposes 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**

Some new standards, amendments to standards and interpretations, endorsed by the EC, are available for early adoption in the annual period ended 31 December 2014, 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**

- Annual improvements in IFRS, cycle 2010-2012 and 2011-2013. The improvements introduce eleven changes in nine standards and related changes in other standards and clarifications. It is expected that these changes will not have considerable effect on Company's financial statements.
- Changes in IAS 19 - Defined benefit plans: employee instalments. It is not expected that these changes will have effect on the financial statements, since there are no defined benefit plans that include employee instalments or third parties.

**Standards, Interpretations and amendments published by IASB/IFRIC 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 at the reporting date 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 24<sup>th</sup> July 2014)
- IFRS 14 Regularity Deferral Accounts (issued 30<sup>th</sup> January 2014)
- IFRS 15 Revenue from Contracts with Customers (issued 28<sup>th</sup> May 2014)
- Changes in IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued 18<sup>th</sup> December 2014)
- Changes in IAS 1 Disclosure Initiative (issued 18<sup>th</sup> December 2014)
- Annual improvement in IFRS period 2012-2014 (issued 25<sup>th</sup> September 2014)
- Changes in IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued 11<sup>th</sup> September 2014)
- Changes in IAS 27 - Equity Method in Separate Financial Statements (issued 12th August 2014)
- Changes in IAS 16 and IAS 41 - Bearer Plants (issued 30th June 2014)
- Changes in IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (issued 12th May 2014)
- Changes in IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (issued 6th May 2014)



**5. Revenue**

The revenue of the Company realized during the financial year 2014 is in relation to project designing and amounts to BGN 434 thousands (in 2013 – BGN 474 thousand).

Other revenue realized during the financial year 2014 comprises revenue from default penalties amounting to BGN 0 thousand (in 2013 – BGN 24 thousand).

**6. Cost of materials**

<i>In thousands of BGN</i>	<b>2014</b>	<b>2013</b>
Electricity	1	7
Fuels and lubricants	3	2
Others	4	3
	<u>8</u>	<u>12</u>

**7. Hired services expenses**

<i>In thousands of BGN</i>	<b>2014</b>	<b>2013</b>
Rents	38	58
Expenses for consultancy services	62	86
Accounting services	12	12
Repair and maintenance of cars	1	1
Training	-	2
Social expenses	2	2
Insurance	1	1
Other	4	4
	<u>120</u>	<u>166</u>

**8. Personnel Expenses**

<i>In thousands of BGN</i>	<b>Бел.</b>	<b>2014</b>	<b>2013</b>
Wages and remuneration		233	235
Pensions and social security costs		39	38
Vouchers		17	16
Retirement compensation	21	(1)	15
		<u>288</u>	<u>304</u>

The average number of employees is 12 people (2013: 13 people).

**9. Other operating expenses**

<i>In thousands of BGN</i>	<b>2014</b>	<b>2013</b>
One-off taxes	1	1
Others	9	5
	<u>10</u>	<u>6</u>

**10. Finance income and expenses**

<i>In thousands of BGN</i>	<b>Бел.</b>	<b>2014</b>	<b>2013</b>
Income from interests on bank accounts		1	1
Finance expenses	21	(1)	(1)
Finance income (net)		<u>-</u>	<u>-</u>

## 11. Income tax expense

<i>In thousands of BGN</i>	2014	2013
<b>Current income tax expense</b>		
Current corporate tax expense	(1)	(1)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1	2
<b>Tax expense, net</b>	-	1

*Reconciliation of effective tax rate*

<i>In thousands of BGN</i>	2014	2014	2013	2013
Profit for the year		2		4
Total income tax expense		-		(1)
<b>Profit before income tax</b>		<u>2</u>		<u>3</u>
Income tax using the Company's domestic tax rate		-	10.00%	-
Permanent differences movement		-		(1)
Utilization of tax losses for which deferred tax asset was not recognised previously		-		2
		<u>-</u>		<u>1</u>

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of BGN</i>	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Property, plant and equipment	-	-	1	1	-1	-1
Employee benefits	(4)	(3)	-	-	(4)	(3)
<b>Tax (assets) liabilities</b>	<u>(4)</u>	<u>(3)</u>	<u>1</u>	<u>1</u>	<u>(3)</u>	<u>(2)</u>

*Movement in deferred tax throughout the year*

<i>In thousands of BGN</i>	Balance	Recognized in profit or loss	Balance	Recognized in profit or loss	Balance
	1 January 2013		31 December 2013		31 December 2014
Property, plant and equipment	-	1	1	-	-1
Employee benefits	-	(3)	(3)	(1)	(4)
	<u>-</u>	<u>(2)</u>	<u>(2)</u>	<u>(1)</u>	<u>(3)</u>

**12. Property, plant and equipment**

<i>In thousands of BGN</i>	<b>Property, plant and equipment</b>	<b>Vehicles</b>	<b>Leasehold improvements</b>	<b>Assets under construction</b>	<b>Total</b>
Balance at 1 Jan 2013	23	11	3	-	37
Acquisitions	-	-	-	1	1
Transfers	1	-	-	(1)	-
Balance at 31 Dec 2013	24	11	3	-	38
Balance at 1 Jan 2014	24	11	3	-	38
Acquisitions	-	-	-	-	-
Transfers	-	-	-	-	-
Balance at 31 Dec 2014	24	11	3	-	38
<b>Depreciation</b>					
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)
Depreciation as at 1 Jan 2014	(5)	(7)	(1)	-	(13)
Depreciation charge for the year	(4)	(2)	-	-	(6)
Balance as at 31 Dec 2014	(9)	(9)	(1)	-	(19)
As at 1 January 2013	22	6	3	-	31
As at 31 December 2013	19	4	2	-	25
As at 1 January 2014	19	4	2	-	25
As at 31 December 2014	15	2	2	-	19

**13. Trade and other receivables**

<i>In thousands of BGN</i>	<b>Note</b>	<b>2014</b>	<b>2013</b>
Trade receivables	19	27	89
Other receivables		3	8
<b>Total trade receivables</b>		<b>30</b>	<b>97</b>

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**

<i>In Thousands of BGN</i>	<b>2014</b>	<b>2013</b>
Prepayments	53	65
Deferred Expenses	2	2
	<u>55</u>	<u>67</u>

**15. Cash and cash equivalents**

<i>In thousands of BGN</i>	<b>Note</b>	<b>2014</b>	<b>2013</b>
Cash in hand		12	5
Current accounts in banks		212	164
Cash and cash equivalents in the statement of cash flows	19	<u>224</u>	<u>169</u>

**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.

<i>In shares</i>	<b>2014</b>	<b>2013</b>
Issued shares as at 1 January	500	500
Issued during the period	-	-
Total issued at period end	<u>500</u>	<u>500</u>

**17. Trade and other payables**

<i>In thousands of BGN</i>	<b>Note</b>	<b>2014</b>	<b>2013</b>
Trade payables	19	93	205
Other payables		-	-
Total trade and other payables		<u>93</u>	<u>205</u>

**18. Payables to employees**

<i>In thousand BGN</i>	<b>Note</b>	<b>2014</b>	<b>2013</b>
Payables to personnel	19	42	27
Social Security Contributions payable		5	5
		<u>47</u>	<u>32</u>

**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:

<i>In thousands of BGN</i>	Note	2014	2013
Related parties receivables	22	199	179
Trade and other receivables	13	27	89
Cash and cash equivalents	15	224	169
		<u>450</u>	<u>437</u>

**(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 2014**

<i>In thousands of BGN</i>	Carrying amount	Contractual cash flows less	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	93	(93)	(93)	-	-	-
Payables to related/parties	97	(97)	(97)	-	-	-
Payables to personnel	42	(42)	(42)	-	-	-
	<u>232</u>	<u>(232)</u>	<u>(232)</u>	-	-	-

**31 December 2013**

<i>In thousands of BGN</i>	Carrying amount	Contractual cash flows less	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	205	(205)	(205)	-	-	-
Payables to related parties	10	(10)	(10)	-	-	-
Payables to personnel	27	(27)	(27)	-	-	-
	<u>242</u>	<u>(242)</u>	<u>(242)</u>	-	-	-

**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-economic 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 2014 are in BGN or EUR (2013: 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:

<i>In thousands of BGN</i>	Note	2014	2013
Financial assets	15	212	164
Financial liabilities			
		<u>212</u>	<u>164</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 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 2014 is a profit of BGN 2 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*

The table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. Information about the fair values is not included if the carrying amount is reasonably approximate to the fair value.

		Carrying amount					Fair value					
		Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Held for Trading	Note									
		<i>In thousands of BGN</i>										
		<b>Financial assets not measured at fair value</b>										
	Trade and other receivables	-	13	-	-	-	27	-	-	-	-	27
	Related party receivables	-	22	-	-	-	199	-	-	-	-	199
	Cash and cash equivalents	-	15	-	-	-	224	-	-	-	-	224
		-	-	-	-	-	450	-	-	-	-	450
	Trade and other payables	-	17	-	-	-	-	-	-	-	-	(93)
	Related party payables	-	22	-	-	-	-	-	-	-	-	(97)
	Payables to personnel	-	18	-	-	-	-	-	-	-	-	(42)
		-	-	-	-	-	-	-	-	-	-	(232)
		<b>31 December 2013</b>										
		<i>In thousands of BGN</i>										
		<b>Financial assets not measured at fair value</b>										
	Trade and other receivables	-	13	-	-	-	89	-	-	-	-	89
	Related party receivables	-	22	-	-	-	179	-	-	-	-	179
	Cash and cash equivalents	-	15	-	-	-	169	-	-	-	-	169
		-	-	-	-	-	437	-	-	-	-	437
		<b>Financial liabilities not measured at fair value</b>										
	Trade and other payables	-	17	-	-	-	-	-	-	-	-	(205)
	Related party payables	-	22	-	-	-	-	-	-	-	-	(10)
	Payables to personnel	-	18	-	-	-	-	-	-	-	-	(27)
		-	-	-	-	-	-	-	-	-	-	(242)

**20. Operating leases****Leases as lessee**

Irrevocable rental payments under operating leases are payable as follows:

<i>In thousands of BGN</i>	2014	2013
Less than 1 year	18	8
Between 1 and 2 years	3	-
	<u>21</u>	<u>8</u>

**21. Defined benefit plan liabilities**

The Company has the obligation to pay compensation to those employees that retire in line with the requirements in art. 222, p.3 of the Labour Code (LC) in Bulgaria. Following the LC provisions, when terminating the work contract of an employee that has acquired the retirement right, the employer pays a compensation that equals to two gross salaries. In case that the employee has gained experience of 10 or more years as at the retirement date, the compensation equals to seven gross salaries.

The approximate amount of defined benefit plan liabilities at each reporting period and the liabilities recognized in profit and loss are based on actuarial report (detailed information on the parameters and assumptions used can be found below).

<i>In thousands of BGN</i>	2014	2013
Present value of the liability on 1 January	17	-
Interest expense	-	1
Current labour cost	(1)	15
Actuarial loss	1	1
Present value of the liability at the end of the period	<u>17</u>	<u>17</u>

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

**Expenses recognized in the income statement**

<i>In thousands of BGN</i>	2014	2013
Current labour cost	(1)	15
Interest expense	-	1

**Actuarial assumptions**

	2014	2013
Discount rate at 31 December	2%	3,64%
Salary increase (annual for 10 years)	1,5%	2,1%
Employee turnover	9,3%	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  $i = 2\%$  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**

"Water Industry Support and Education" EOOD (the Company) is a subsidiary of "Sofiyska Voda" AD, which is property of Veolia Voda Sofia BV (77.10 %) and Vodospabdyavane i kanalizatsiya EAD (22.90 %). All transactions with the parent company were made in the ordinary course of business of the Company on terms comparable to those applicable to other companies that are not related parties.

The following transactions with related parties have taken place during 2014:

Related party	Relation	Transactions during the year	Balance as at 31 December 2014	
			Receivables	Payables
<i>In thousands of BGN</i>				
"Sofiyska Voda" AD	Parent company which owns 100% of the registered capital	Rents 32	-	10
		Complex services expenses 12	-	3
		Revenue from design services 396	199	82
		Prepaid design services	-	45
		Other expenses 10	-	2
		Recharges 203	-	-
		<b>Total:</b>	<u>199</u>	<u>142</u>

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

Related party	Relation	Transactions during the year	Balance as at 31 December 2013	
			Receivables	Payables
<i>In thousands of BGN</i>				
"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	-
		Prepaid design services	-	45
		Other 8	-	4
		Recharges 818	-	-
		<b>Total:</b>	<u>179</u>	<u>55</u>

**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 authorized for issue by the Board of Directors of the sole owner.

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

2014

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 2014 is BGN 434 thousand (BGN 474 thousand in 2013). 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 2014 for the design activity are BGN 432 thousand (BGN 495 thousand for 2013). The costs for the implementation of the design activity are mainly the staff costs – BGN 288 thousand (BGN 304 thousand in 2013) and the expenses for hired services – BGN 120 thousand in 2014 (BGN 166 thousand in 2013).

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, the efforts of the Company management were focused on expanding the portfolio of customers.

In 2015 the investments of Sofiyska Voda JSC under Business Plan 2014-2015 are expected to be higher as compared to 2014 and this will lead to an increase in the revenue from design activity for the Company.

The financial result of the Company before taxes for 2013 is a profit of BGN 1 thousand (2013 - 3 thousand BGN).

The financial result for 2013 was allocated to retained earnings 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 2014.

The development of WISE EOOD depends to a certain extent on the amount of the Investment Program of Sofiyska Voda JSC. Considering the fact that the amount of the Investment Program of Sofiyska Voda JSC is higher in 2015 and the Company works actively to attract external customers, the year 2015 is expected to be a profitable year.

As at the end of 2014 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 2014.

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 2014.

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 2014.

The Company has no branches in the country and abroad.



**Anelia Ilieva**  
/Financial Director/

**Stanislav Stanev**  
/Manager/



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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 25, which comprise the statement of financial position as at 31 December 2014, 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 2014, 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 2014. Management is responsible for the preparation of the annual report of the activities of the Company which was approved on 1 April 2015.

Margarita Goleva  
*Director*



Krassimir Hadjidinev  
*Registered auditor*

KPMG Bulgaria OOD

Sofia, 15 April 2015