

Water Industry Support and Education EOOD
Annual management report and financial statements
For the year ended 31 December 2016
With independent auditors' report

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Annual management report

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Independent Auditors' report

ANNUAL REPORT ON THE ACTIVITY

WATER INDUSTRY SUPPORT AND EDUCATION EOOD

2016

The financial statement was prepared in compliance with the International Financial Reporting Standards (IFRS), approved by the European Union

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 2016 is BGN 455 thousand (BGN 420 thousand in 2015). The prices agreed for the design service provided by WISE to Sofiyska Voda JSC comply with the market prices of similar activities in the country.

The direct operating costs for 2016 for the design activity are BGN 405 thousand (BGN 501 thousand for 2015). The main costs for the implementation of the design activity are the costs for personnel – BGN 297 thousand (BGN 291 thousand in 2015) as well as the expenses for hired services – BGN 81 thousand in 2016 (BGN 109 thousand in 2015). In 2016 the company did not generate expenses for impairments (BGN 82 thousand in 2015)

As a whole the activity of WISE EOOD in 2016 was 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.

The financial result for 2016 is profit to the amount of BGN 45 thousand (2015 – BGN 73 thousand losses).

The financial result for 2015 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 2016.

A decision was made on 26.09.2016 by the Board of Directors of Sofiyska Voda on the termination of the contract for the assignment of design services, signed between Sofiyska Voda JSC and WISE EOOD. As from January 1st, 2017 the activities for the preparation and approval of the investment projects at the detailed stage for reconstruction and/or construction of new sites of the technical infrastructure by virtue of the Spatial Development Act have been performed by Sofiyska Voda JSC, as from the same date the design team was transferred from WISE EOOD to Sofiyska Voda JSC. In 2017 the Company does not plan to perform commercial activity.

As at the end of 2016 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 2016.

In 2016 events and indicators of unusual nature did not take place in the company

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 2016.

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.

There are no substantial transactions concluded.

There are no transactions in the Company recorded off-balance sheet.

The Company has no shareholdings in other companies.

Assessment of the capacity to implement the investment intentions and specifying the amount of the available resources and reflecting the possible changes in the funding structure for this activity:

Water Industry Support and Education EOOD does not invest in fixed assets.

Information about changes that have occurred during the reported period in the main governance principles of the issuer and its business group:

No changes occurred in the main governance principles of the issuer.

Information about the main characteristics of the internal control system and risk management system applied by the issuer, respectively the person under § 1e of the additional provisions of the Law on Public Offering of Securities, in the process of preparing the financial statements.

Water Industry Support and Education EOOD, being a subsidiary of Sofiyska Voda follows the control principles developed and implemented in Sofiyska Voda JSC.

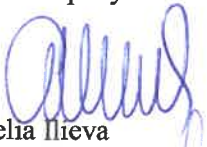
In 2016 there were no arrangements in the Company (including after the close of the financial year), as a result of which a change might be possible to occur in the future in the relative shares or bonds held by the present shareholders or debenture holders.

The Company commenced three lawsuits in the Sofia Regional Court under the enforcement procedure against Prima Invest Consult EOOD for the return of an advance payment under a terminated contract to the total amount of BGN 57,150, default and statutory interest. Each procedure concerns a principal of BGN 19,050 (1/3 of a total of BGN 57,150 – part of the advance payment subject to return under the contract terminated due to non-fulfilment on behalf of the defendant); default interest of BGN 943.28 from 23.03.2015 to 16.09.2015; statutory interest on overdue principal from the date of depositing the claim till the date of payment of the sum.

Writs of execution were issued under two of the proceedings and the debtor filed objections against them. Claims were filed within the statutory deadlines by WISE EOOD. The hearings under the proceedings are expected to be scheduled in 2017.

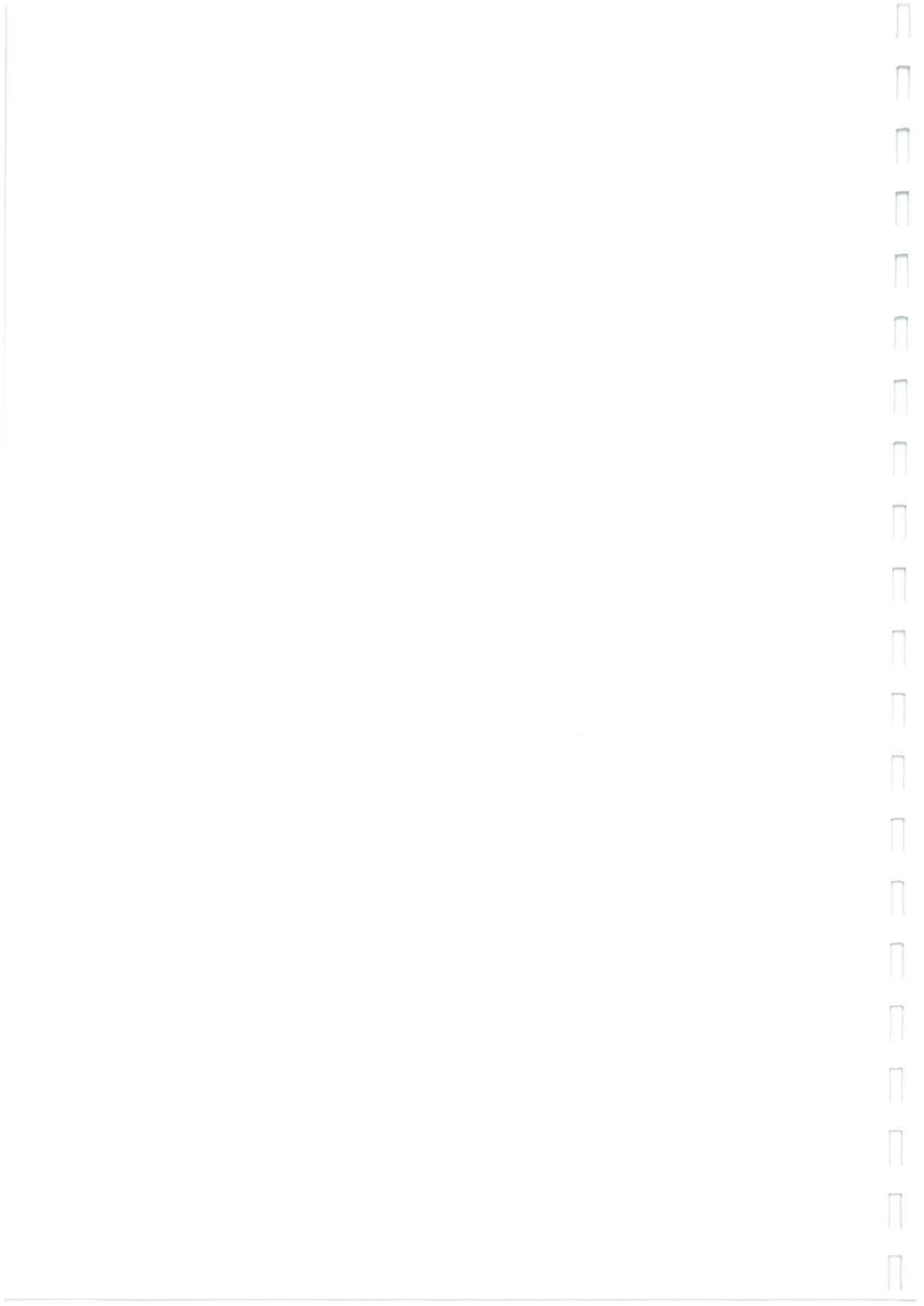
The Company has a related party relationship with the parent company – Sofiyska Voda JSC and the latter has 100% share in Water Industry Support and Education EOOD. The amount of the transactions and the sum of the receivables and payables to the related parties are disclosed in Note 22 of the separate financial statements of the company for 2015.

The Company has no branches in the country and abroad.


Anelia Ilieva
/Financial Director/




Stanislav Stanev
/Manager/



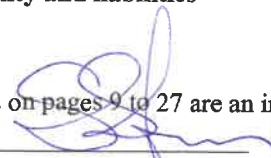
Statement of financial position

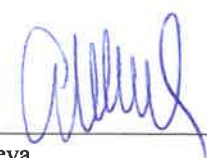
As at 31 December

In thousands of BGN

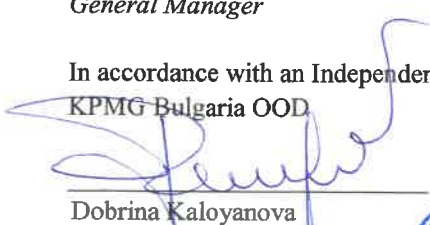
	Note	2016	2015
Assets			
Property, plant and equipment	12	6	13
Deferred tax assets	11	13	11
Total non-current assets		19	24
Receivables from related parties	19, 22	89	148
Trade and other receivables	13	13	26
Prepayments and deferred expenses	14	2	13
Income tax receivables		5	11
Cash and cash equivalents	15, 19	277	184
Total current assets		386	382
Total assets		405	406
Equity			
Share capital	16	5	5
Profit or loss		206	162
Total equity		211	167
Liabilities			
Employee retirement benefits	21	-	23
Total non-current liabilities		-	23
Payables to related parties	19,22	55	60
Trade and other payables	17,19	52	115
Payables to employees	18	47	40
Employee retirement benefits	21	32	-
Tax payables		8	1
Total current liabilities		194	216
Total liabilities		194	239
Total equity and liabilities		405	406

The notes on pages 9 to 27 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


 Dobrina Kaloyanova
 Authorised representative


 Tzvetelinka Koleva
 Registered Auditor

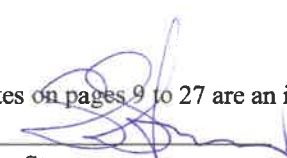
Statement of profit or loss and other comprehensive income


For the year ended 31 December

In thousands of BGN

	Note	2016	2015
Revenue	5	454	388
Other revenue	5	1	32
		<u>455</u>	<u>420</u>
Expenses for materials	6	(4)	(5)
Expenses for hired services	7	(81)	(109)
Depreciation and amortization expenses	12	(5)	(6)
Personnel expenses	8	(297)	(291)
Other operating expenses	9	(18)	(90)
Profit/(loss) from operating activities		<u>50</u>	<u>(81)</u>
Finance income	10	1	1
Finance expenses	10	(1)	(1)
Net finance income/(expenses)		<u>-</u>	<u>-</u>
Profit/(loss) before tax		<u>50</u>	<u>(81)</u>
Income tax (expense)/income, net	11	(5)	8
Profit/(loss) for the period		<u>45</u>	<u>(73)</u>
Items that will never be reclassified to profit or loss:			
Revaluation of defined benefit liability	21	(1)	(1)
Other comprehensive income for the year, net of tax		<u>(1)</u>	<u>(1)</u>
Total comprehensive income for the period		<u>44</u>	<u>(74)</u>

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 Stanislav Stanev
 General manager


 Aneliya Ilieva
 Finance director

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


 Dobrina Kaloyanova
 Authorised representative


 Tzvetelinka Koleva
 Registered Auditor


Water Industry Support and Education EOOD**Financial statements
for the year ended 31 December 2016****Statements of changes in equity***In thousands of BGN*

Balance at 1 January 2015				
Total comprehensive income for the period				
Loss for the year			236	241
Other comprehensive income, net of taxes		-	(73)	(73)
Total comprehensive income for the period		-	(1)	(1)
		-	(74)	(74)
Balance at 31 December 2015	16	5	162	167

Statements of changes in equity (continued)

In thousands of BGN

	<i>Note</i>	Share capital	Profit or Loss	Total
Balance at 1 January 2016		5	162	167
Total comprehensive income for the period				
Profit for the year		-	45	45
Other comprehensive income, net of taxes		-	(1)	(1)
Total comprehensive income for the period		-	44	44
Balance at 31 December 2016	16	5	206	211

The notes on pages 9 to 27 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

Dobrina Kaloyanova
Authorised representative



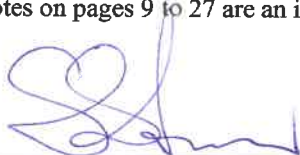
Tzvetelinka Koleva
Registered Auditor

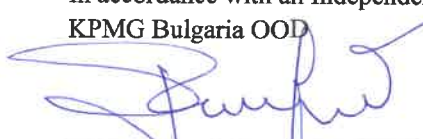
Statement of cash flows

For the year ended 31 December

<i>In thousands of BGN</i>	<i>Note</i>	2016	2015
Cash flows from operating activities			
Net profit/(loss) for the period		45	(73)
<i>Adjustments for:</i>			
Depreciation and amortization expenses	12	5	6
Impairment of receivables and prepayments	13,14	-	82
Written off non-current assets		2	-
Income tax expense/(income)	11	5	(8)
		<u>57</u>	<u>7</u>
Change in trade and other receivables		13	(33)
Change in trade and other receivables from related parties		59	51
Change in prepayments		11	(2)
Change in trade and other payables		(56)	15
Change in trade and other payables to related parties		(5)	(82)
Change in pension provision		8	5
Change in VAT payable/receivable		7	(1)
		<u>94</u>	<u>(40)</u>
Income tax paid		(1)	-
Net cash from operating activities		<u>93</u>	<u>(40)</u>
Cash flows from financing activities			
Interest received		1	1
Other finance expenses paid		(1)	(1)
Net cash from financing activities	10	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		93	(40)
Cash and cash equivalents as at 1 January		<u>184</u>	<u>224</u>
Cash and cash equivalents as at 31 December	15,19	<u>277</u>	<u>184</u>

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


Stanislav Stanev
General manager

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

Dobrina Kaloyanova
Authorised representative

Tzvetelinka Koleva
Registered Auditor

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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. The Company is registered with the Commercial Register at the Bulgarian Registry Agency with ID code 130337729.

"Water Industry Support and Education" EOOD (the Company) is a subsidiary of "Sofiyska Voda" AD, which is owned by Veolia Voda Sofia BV (77.1%) and Vodospobdyavane i kanalizatsiya EAD (22.9%). The ultimate parent is Veolia Environment SA.

The address of the registered office of the Company is Bulgaria, Sofia, Mladost 4 residential area, Business Park Sofia, Building 2A. The Company'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 (EC).

The financial statements for the year ended 31 December 2016 were approved by the Board of Directors of the parent company on 27 March, 2017.

(b) Going concern

These separate financial statements have been prepared on the assumption that the Company will continue to operate as a going concern.

In 2016 the Board of Directors of the parent company "Sofiyska voda" AD decided to terminate the Design services assignment contract between the Company and "Sofiyska voda" AD and transfer of employees of the Company in "Sofiyska voda" AD. The Agreement is terminated effectively 15 December 2016.

The Company will continue as a going concern at least, but not limited to twelve months after the end of the reporting period and the intention of the parent company is to assign to the Company project activities in the future in case of need.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis, excluding defined benefit obligation, stated at the present value of the defined benefit obligation.

(d) 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.

(e) 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.

2. Basis of preparation (continued)

(d) Use of judgements and estimates (continued)

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.

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.

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 are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

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 measured at the acquisition cost which includes the costs directly related to the asset acquisition. The cost of assets acquired in the course of 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 that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

All other non-current assets, different from land and buildings, are presented in statement of financial position at their historical cost less accumulated depreciation and impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment (determined as the difference between the proceeds from the sale and the carrying amount of the asset) is recognized on net basis in other income or other expenses in profit or loss.

(ii) Subsequent measurement

Subsequent to initial recognition items of property, plant and equipment are accounted at acquisition cost less the accumulated depreciation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Entity. Maintenance expenses are recognized as current year expense at the moment they are 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 provisions 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 foreign exchange losses.

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted, although they are not yet mandatory until a later period; however, the Company has not early adopted the following new or amended standards in preparing these financial statements.

Standards, Interpretations and amendments to published Standards that have not been early adopted – endorsed by the EC**(a) IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Company's financial statements, management does not expect that the new Standard, when initially applied, will have material impact on the Company's financial statements. The timing and measurement of the Company's revenues are not expected to change under IFRS 15 because of the nature of the Company's operations and the types of revenues it earns.

(b) IFRS 9 Financial Instruments

This Standard replaces IAS 39, *Financial Instruments: Recognition and Measurement*. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company currently plans to apply IFRS 9 initially on 1 January 2018.

The Company does not expect IFRS 9 to have material impact on the financial statements.

(c) Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture*

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company has no subsidiaries, associates or joint ventures.

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

(a) Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(b) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

These changes are not expected to have a significant impact on the financial statements of the Company. The Company expects to disclose its transition approach and quantitative information before adoption.

(c) Other amendments

The following changes are not expected to have a significant impact on the Company's financial statements.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)*
- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)*
- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- *Amendments to IAS 40 Transfers of Investment Property*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*
- *Annual improvements to IFRSs 2014-2016 cycle were issued on 8 December 2016*

5. Revenue

The revenue of the Company realized during the financial year 2016 is in relation to project designing and amounts to BGN 454 thousands (in 2015 – BGN 388 thousand).

Other revenue realized during the financial year 2016 comprises revenue from default penalties amounting to BGN 1 thousand (in 2015 – BGN 32 thousand).

6. Cost of materials

<i>In thousands of BGN</i>	2016	2015
Fuels and lubricants	2	1
Others	2	4
	<u>4</u>	<u>5</u>

7. Hired services expenses

<i>In thousands of BGN</i>	2016	2015
Rents	35	35
Expenses for consultancy services	27	55
Accounting services	12	12
Repair and maintenance of cars	1	1
Social expenses	2	2
Insurance	1	1
Other	3	3
	<u>81</u>	<u>109</u>

8. Personnel Expenses

<i>In thousands of BGN</i>	Бел.	2016	2015
Wages and remuneration		232	226
Pensions and social security costs		42	42
Vouchers		16	18
Retirement compensation	21	7	5
		<u>297</u>	<u>291</u>

The average number of employees is 13 people (2015: 12 people).

9. Other operating expenses

<i>In thousands of BGN</i>	2016	2015
Impairment of receivables	-	82
One-off taxes	1	1
Scrapping of non-current assets	2	
Others	15	7
	<u>18</u>	<u>90</u>

10. Finance income and expenses

<i>In thousands of BGN</i>	2016	2015
Income from interests on bank accounts	1	1
Finance expenses	(1)	(1)
Finance income (net)	<u>-</u>	<u>-</u>

11. Income tax expense

<i>In thousands of BGN</i>	2016	2015
Current income tax expense		
Current corporate tax expense	(7)	-
Deferred tax		
Origination and reversal of temporary differences	2	8
Tax expense, net	(5)	8

Reconciliation of effective tax rate

<i>In thousands of BGN</i>	2016	2015
Profit/(loss) for the year	45	(73)
Total income tax expense/(profit)	5	(8)
Profit/(loss) before income tax	50	(81)
Income tax using the Company's domestic tax rate	10.0%	10.0%
Permanent differences	(5)	(8)
	10.0%	10.0%
	(5)	-
	(5)	-

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	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment	-	-	1	1	1	1
Impairment of receivables	(8)	(8)	-	-	(8)	(8)
Employee benefits	(6)	(4)	-	-	(6)	(4)
Tax (assets) liabilities	(14)	(12)	1	1	(13)	(11)

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 2015		31 December 2015		31 December 2016
Property, plant and equipment	1	-	1	-	1
Impairment of receivables	-	(8)	(8)	-	(8)
Employee benefits	(4)	-	(4)	(2)	(6)
	(3)	(8)	(11)	(2)	(13)

12. Property, plant and equipment

<i>In thousands of BGN</i>	Plant and equipment	Vehicles	Leasehold improvements	Total
Balance at 1 Jan 2015	24	11	3	38
Acquisitions	-	-	-	-
Transfers	-	-	-	-
Balance at 31 Dec 2015	24	11	3	38
Balance at 1 Jan 2016	24	11	3	38
Acquisitions	-	-	-	-
Disposal	-	-	(2)	(2)
Transfers	-	-	-	-
Balance at 31 Dec 2016	24	11	1	36
Depreciation				
Depreciation as at 1 Jan 2015	(9)	(9)	(1)	(19)
Depreciation charge for the year	(4)	(2)	-	(6)
Balance as at 31 Dec 2015	(13)	(11)	(1)	(25)
Depreciation as at 1 Jan 2016	(13)	(11)	(1)	(25)
Depreciation charge for the year	(5)	-	-	(5)
Balance as at 31 Dec 2016	(18)	(11)	(1)	(30)
As at 1 January 2015	15	2	2	19
As at 31 December 2015	11	-	2	13
As at 1 January 2016	11	-	2	13
As at 31 December 2016	6	-	-	6

13. Trade and other receivables

<i>In thousands of BGN</i>	Note	2016	2015
Trade receivables	19	51	59
Impairment of trade receivables		(38)	(38)
Other receivables		-	5
		13	26

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>	2016	2015
Prepayments	44	55
Impairment of prepayments	(44)	(44)
Deferred Expenses	2	2
	2	13

15. Cash and cash equivalents

<i>In thousands of BGN</i>	Note	2016	2015
Cash in hand		13	20
Current accounts in banks		264	164
Cash and cash equivalents in the statement of cash flows	19	277	184

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 "Sofiyiska Voda" AD.

<i>In shares</i>	2016	2015
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>	Note	2016	2015
Trade payables	19	<u>52</u>	<u>115</u>
		<u>52</u>	<u>115</u>

18. Payables to employees

<i>In thousand BGN</i>	2016	2015
Payables to personnel	40	34
Social Security Contributions payable	<u>7</u>	<u>6</u>
	<u>47</u>	<u>40</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	2016	2015
Related parties receivables	22	89	148
Trade and other receivables	13	13	21
Cash and cash equivalents in bank accounts	15	264	164
		<u>366</u>	<u>333</u>

The movement in the allowance for impairment in respect of trade and other receivables during the year is as follows:

<i>In thousands of BGN</i>	Note	2016	2015
Balance at the beginning of the period		82	-
Impairment of trade receivables	13	-	38
Impairment of prepayments	14	-	44
Balance at the end of the period		<u>82</u>	<u>82</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 2016

<i>In thousands of BGN</i>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	52	(52)	(52)	-	-	-
Payables to related parties	55	(55)	(55)	-	-	-
Payables to personnel	40	(40)	(40)	-	-	-
	<u>147</u>	<u>(147)</u>	<u>(147)</u>	-	-	-

19. Financial instruments (continued)

Liquidity risk (continued)

31 December 2015

In thousands of BGN

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	115	(115)	(115)	-	-	-
Payables to related parties	16	(16)	(16)	-	-	-
Payables to personnel	34	(34)	(34)	-	-	-
	165	(165)	(165)	-	-	-

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 2016 are in BGN or EUR (2015: 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	2016	2015
Financial assets	15	264	164
Financial liabilities		-	-
		264	164

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 2016 is a profit of BGN 45 thousand.

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.

31 December 2016

	Note	Carrying amount					Fair value					
		Held for Trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available for-sale	Other financial liabilities	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value												
Trade and other receivables	13	-	-	-	-	13	-	-	-	-	-	13
Related party receivables	22	-	-	-	-	89	-	-	-	-	-	89
Cash and cash equivalents	15	-	-	-	-	277	-	-	-	-	-	277
		-	-	-	-	379	-	-	-	-	-	379
Financial liabilities not measured at fair value												
Trade and other payables	17	-	-	-	-	-	-	-	-	-	(52)	(52)
Related party payables	22	-	-	-	-	-	-	-	-	-	(11)	(11)
Payables to personnel	18	-	-	-	-	-	-	-	-	-	(40)	(40)
		-	-	-	-	-	-	-	-	-	(103)	(103)

31 December 2014

	Note	Carrying amount					Fair value					
		Held for Trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available for-sale	Other financial liabilities	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value												
Trade and other receivables	13	-	-	-	-	21	-	-	-	-	-	21
Related party receivables	22	-	-	-	-	148	-	-	-	-	-	148
Cash and cash equivalents	15	-	-	-	-	184	-	-	-	-	-	184
		-	-	-	-	353	-	-	-	-	-	353
Financial liabilities not measured at fair value												
Trade and other payables	17	-	-	-	-	-	-	-	-	-	(115)	(115)
Related party payables	22	-	-	-	-	-	-	-	-	-	(16)	(16)
Payables to personnel	18	-	-	-	-	-	-	-	-	-	(34)	(34)
		-	-	-	-	-	-	-	-	-	(165)	(165)

20. Operating leases**Leases as lessee**

Rental payments under operating leases are payable as follows:

<i>In thousands of BGN</i>	2016	2015
Less than 1 year	-	35
Between 1 and 2 years	-	6
	<u>-</u>	<u>41</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>	2016	2015
Present value of the liability on 1 January	23	17
Interest expense	1	-
Current service cost	10	6
Past service costs	(3)	(1)
Actuarial loss	1	1
Present value of the liability at the end of the period	<u>32</u>	<u>23</u>

Liability recognized in the Statement of financial position as at 31 December, including:	32	23
Short – term liabilities for retirement compensation	32	-
Long – term liabilities for retirement compensation	-	23

Expenses recognized in the income statement

<i>In thousands of BGN</i>	2016	2015
Current service cost	10	6
Past service costs	(3)	(1)
Interest expense	1	-

Actuarial assumptions

	2016	2015
Discount rate at 31 December	1.2%	2.3%
Salary increase (annual for 10 years)	2.50%	1.75%
Employee turnover	7%	7.5%

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 $i = 1.2\%$ is used. This rate is based on analysis of the offered long-term investment instruments on the Bulgarian stock market (Government bonds, municipality bonds, etc.).

22. Related parties

"Water Industry Support and Education" EOOD (the Company) is 100% a subsidiary of "Sofiyska Voda" AD, which is owned by Veolia Voda Sofia BV (77.1%) and Vodostabdyavane i kanalizatsiya EAD (22.9%).

The related parties of the Company are the ultimate parent company – Veolia Environment SA and all companies under common control, as well as, companies controlled by the minority shareholder and key management personnel. As the minority shareholder is solely owned by Sofia Municipality, the Company has a related party relationship with all companies under the control of Sofia Municipality.

WISE EOOD has performed analysis over the individually and collectively significant transactions with companies under the control of Sofia Municipality and concluded that there are no transactions that meet the criteria for additional disclosure.

The following transactions with related parties have taken place during 2016:

Related party	Relation	Transactions during the year	Balance as at 31 December 2016	
			Receivables	Payables
<i>In thousands of BGN</i>				
"Sofiyska Voda" AD	Parent company which owns 100% of the registered capital	Rents	-	7
		35		
		Complex services expenses	-	3
		12		
		Revenue from design services	89	-
		397		
		Prepaid design services	-	44
		Other expenses	-	1
	6			
	Recharges	-	-	
	183			
	Total:		<u>89</u>	<u>55</u>

The following transactions with related parties have taken place during 2015:

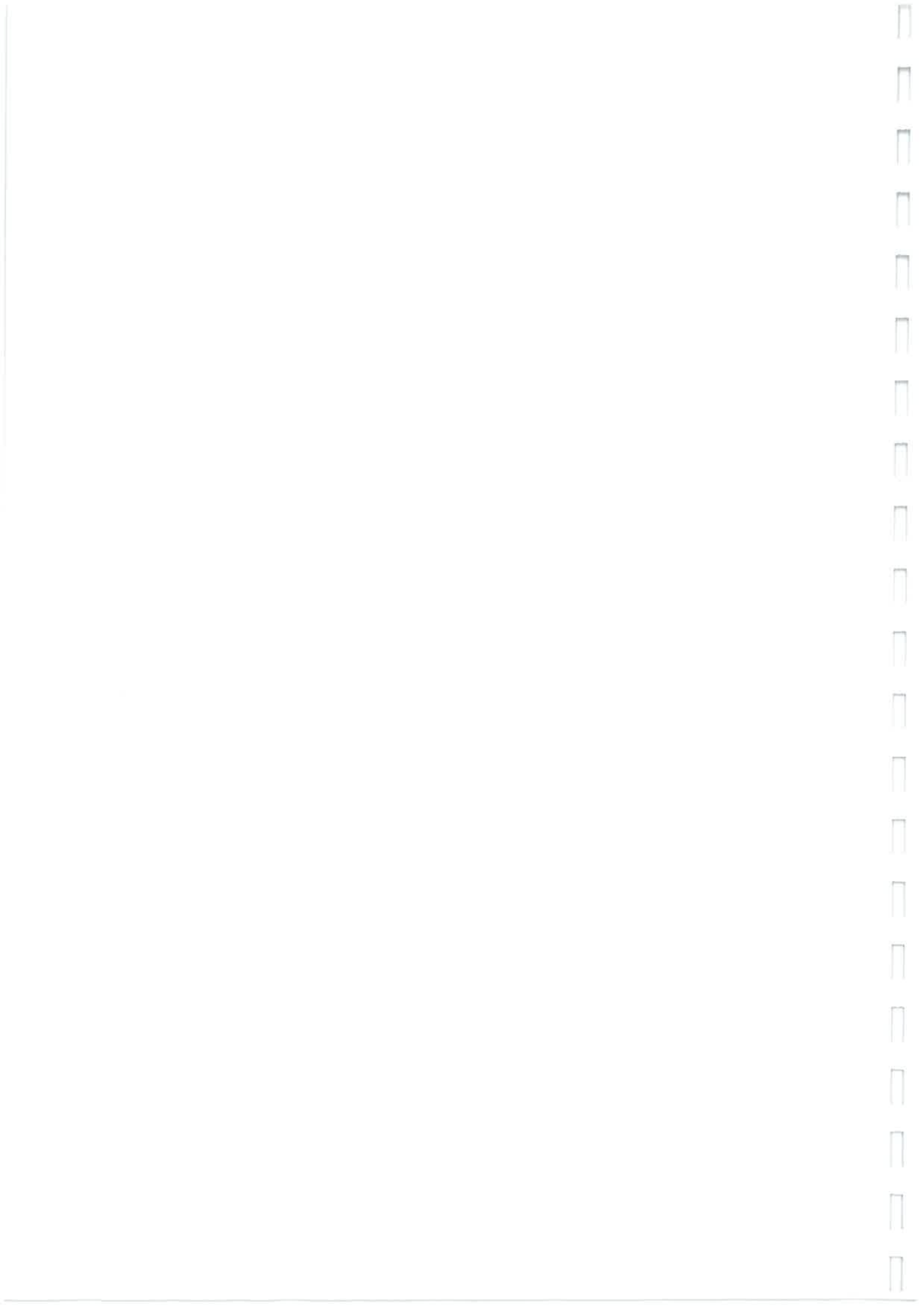
Related party	Relation	Transactions during the year	Balance as at 31 December 2015	
			Receivables	Payables
<i>In thousands of BGN</i>				
"Sofiyska Voda" AD	Parent company which owns 100% of the registered capital	Rents	-	10
		35		
		Complex services expenses	-	4
		12		
		Revenue from design services	148	-
		350		
		Prepaid design services	-	44
		Other expenses	-	2
	6			
	Recharges	-	-	
	150			
	Total:		<u>148</u>	<u>60</u>

Transactions with key management personnel

No remunerations were paid to key management personnel during the year.

23. Subsequent events

After the reporting date until the date these financial statements have been approved for issuance the personnel is transferred to the parent company under the terms of Art. 123 of the Labour Code retaining their rights (experience duration and holidays) – refer also to Note 2.(b) above.





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INDEPENDENT AUDITORS' REPORT

To the sole owner of
Water Industry Support and Education EOOD

Opinion

We have audited the financial statements of Water Industry Support and Education EOOD (the Company) as set out on pages 3 to 27, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditors' Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the management report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditors' report thereon.





Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA), approved by its Management Board on 29 November 2016. These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

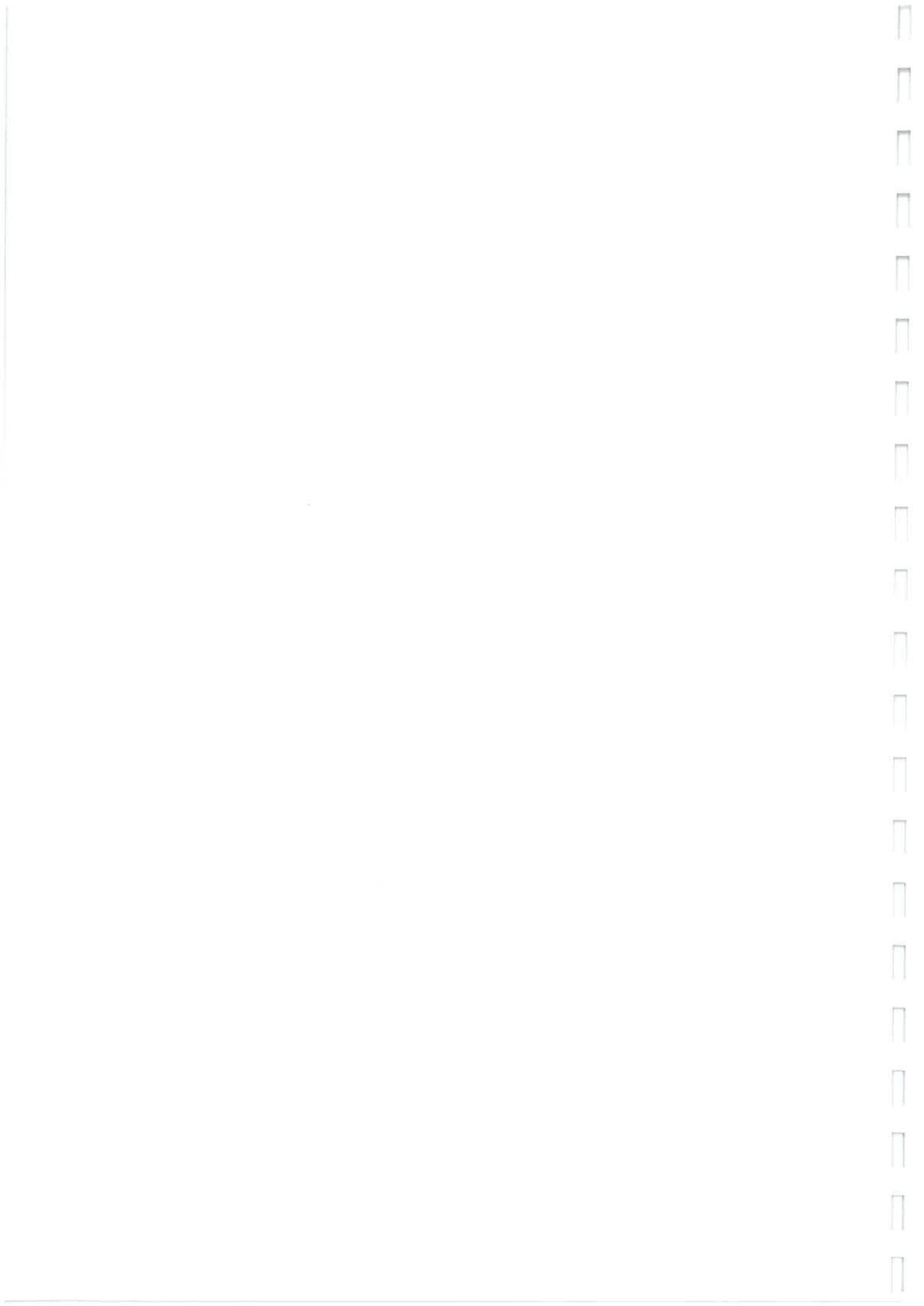
- a) The information included in the management report for the financial year for which the financial statements have been prepared is consistent with those financial statements.
- b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the EU 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



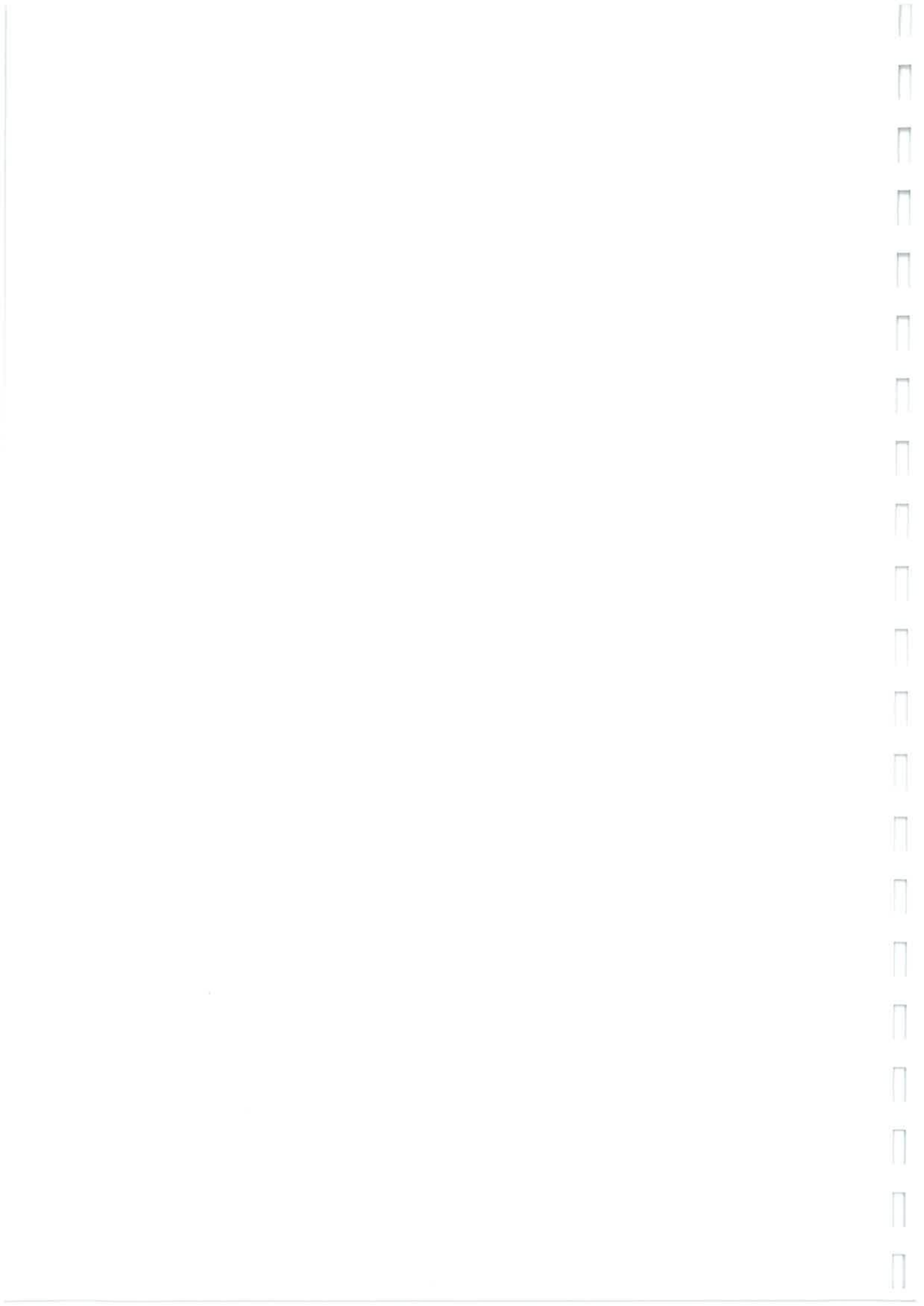


Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





INDEPENDENT AUDITORS' REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Bulgaria OOD

Dobrina Kaloyanova
Authorised representative

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

30 March 2017

Tzvetelinka Koleva
Registered auditor



