Water Industry Support and Education EOOD

Annual management report and financial statements

for the year ended 31 December 2018

With independent auditors' report

Contents

ANNUAL REPORT ON ACTIVITIES
WATER INDUSTRY SUPPORT AND EDUCATION EOOD

2018

Water Industry Support and Education EOOD (WISE) is a subsidiary of Sofiyska Voda AD. 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 increase further the business opportunities, i.e. to enable the design team to also provide design services to external contracting authorities.

The financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS), approved by the European Union (EU).

The Company did not generate revenues for 2018 (2017 – BGN 7 thousand). For 2018 the direct operating costs for design activities were BGN 5 thousand (2017 - BGN 9 thousand). In 2018 the Company has not conducted commercial activity.

The financial result for 2018 is a loss of BGN 5 thousand (2017 – BGN 5 thousand profit).

The financial result for 2018 was allocated to retained earnings and there were no dividends paid.

The Company's policy in terms of the financial risk and its exposure regarding the price, credit and liquidity risk are given in detail in the notes to the Financial Statements for 2018.

The Company will continue as a going concern, without being limited to twelve months after the end of the reporting period, with the intention of the parent company to assign to it future project activities in case of need. As at the end of 2018, the Company did not have any liabilities 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 the reviewed 2018.

In 2018 events and indicators of unusual nature did not took place in the company.

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

No remunerations were paid to the Company Manager in the financial 2018.

The Company Manager does not own shares 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.

No substantial transactions were concluded.

No transactions in the Company were recorded as off-balance sheet.

The Company does not own shares in other companies.

The Company filed 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 amount.

Orders for execution were issued by the court under two of the proceedings and the debtor filed objections against them. Claims were filed within the statutory deadlines by WISE EOOD. The company was informed about an appeal filed also against the third issued orders for execution in 2017. A claim was duly filed by WISE EOOD. In 2018 two of the proceedings were in the judicial phase. Regarding the first of them, civil case 24 436/2016, a court decision was issued in February 2019, and the court upheld the claim in terms of grounds and size, but also upheld the offsetting objection made by Prima Invest Consult EOOD, and as a result the court noted that Prima Invest Consult EOOD owes a sum at the amount of BGN 6,150 and default and statutory interest. The court decision is subject to appeal before the Sofia City Court. Regarding the other two cases, the proceedings will continue in 2019 as well in the first instance court.

The Company has a related party relationship with the parent company – "Sofiyska Voda" AD, and the latter has 100% share in "Water Industry Support and Education" EOOD. The amount of the transactions and the amount of the receivables and payables to the related parties are disclosed in Note 29 to the financial statements of the company for 2018.

The Company has no branches in the country and abroad.

Anelia Ilieva

/Financial Director/

Stanislav Stanev

/Manager/

София

Sofia

Water Industry Support and Education EOOD

Statement of financial position

As at 31 December
In thousands of BGN

	Note	2018	2017
Assets			
Property, plant and equipment	*10*	-	-
Total non-current assets		-	-
Receivables from related parties	*16*	-	1
Trade and other receivables	*11,16*	6	9
Income tax receivables		12	12
Cash and cash equivalents	*13*	201	202
Total current assets		219	224
Total assets		219	224
Equity			
Share capital	*14*	5	5
Retained earnings		210	215
Total equity		215	220
Liabilities			
Trade and other payables	*15,16*	4	4
Total current liabilities		4	4
Total liabilities		4	4
Total equity and liabilities		219	224

The notes on pages 8 to 30 are an integral part of these financial statements.

София
Sofia

Stanislav Stanev
Manager

Aneliya Ilieva
Finance director

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

Dobrina Kaloyanova
Manager

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 045
КПМГ ОДИТ ООД

Ivan Andonov
Registered Auditor,
responsible for the audit

Statement of profit or loss and other comprehensive income

For the year ended 31 December *In thousands of BGN*	*Note*	**2018**	**2017**
Revenue	*4*	-	1
Other income	*4*	-	6
		-	7
Expenses for hired services	*5*	(4)	(10)
Employee benefit expenses	*6*	(1)	30
Other operating expenses	*7*	-	(11)
Profit from operating activities		(5)	16
Finance income	*8*	-	1
Finance costs	*8*	-	1
Net finance income		-	2
Profit before taxes		(5)	18
Income tax	*9*	-	(13)
Profit for the period		(5)	5
Items that will not be reclassified into profit or loss:			
Remeasurement of defined benefit liability	*18*	-	4
Other comprehensive income for the period, net of tax		-	4
Total comprehensive income for the period		(5)	9

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Statement of changes in equity

In thousands of BGN	*Note*	Share capital	Retained earnings	Total
Balance at 1 January 2017		**5**	**206**	**211**
Total comprehensive income for the period				
Profit for the period		-	5	5
Other comprehensive income, net of taxes		-	4	4
Total comprehensive income for the period		-	9	9
Balance at 31 December 2017	*14*	**5**	**215**	**220**
Balance at 1 January 2018		**5**	**215**	**220**
Total comprehensive income for the period				
Profit for the period		-	(5)	(5)
Other comprehensive income, net of taxes		-	-	-
Total comprehensive income for the period		-	(5)	(5)
Balance at 31 December 2018	*14*	**5**	**210**	**215**

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Statement of cash flows

For the year ended 31 December

In thousands of BGN	*Note*	2018	2017
Cash flows from operating activities			
Net profit for the period		(5)	5
Adjustments for:			
Written off assets		-	6
Income tax expense	9	-	13
		(5)	24
Change in trade and other receivables		1	4
Change in trade and other receivables from related parties		-	81
Change in prepayments		-	2
Change in trade and other payables		-	(95)
Change in trade and other payables to related parties		-	(55)
Change in pension provision		-	(28)
Change in VAT payable/receivable		3	(8)
		4	(75)
Income tax paid		-	(6)
Net cash for operating activities		(1)	(81)
Cash flows from investment activities			
Proceeds from the sale of assets		-	6
Net cash from investment activities		-	6
Cash flows from financing activities			
Interest received		-	-
Other finance expenses paid		-	-
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(1)	(75)
Cash and cash equivalents as at 1 January		202	277
Cash and cash equivalents as at 31 December	13,16	201	202

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Notes to the Financial Statements

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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 100% subsidiary of Sofiyska Voda AD, which is owned by Veolia Voda Sofia BV (77.1%) and Vodosnabdyavane i kanalizatsiya EAD (22.9%). The ultimate parent company 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 services.

2. Basis of preparation

(a) Basis of accounting

The present 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 2018 were approved by the Management of the Company on 27 March 2019.

(b) Going concern

The present 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, took a decision to terminate the contract for the assignment of design services between the Company and Sofiyska Voda AD and transfer the employees of the Company to Sofiyska Voda AD. The contract was terminated on 15 December 2016.

The Company will continue as a going concern, 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. The entire financial information presented in BGN has been rounded to the nearest thousand (BGN).

2. Basis of preparation (continued)

(e) Use of judgements and estimates in the preparation of the financial statements

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. The actual result 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 similar 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 that level of the fair value hierarchy whose input is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy as at the 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 16 – Financial instruments.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented.

(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 for the financial statements, the Bulgarian Lev (BGN) rate is fixed to the Euro (EUR). The applicable exchange rate is BGN 1.95583 / EUR 1.0.

(b) Financial instruments

(i) Recognition and initial measurement

The trade receivables are recognized initially when they are originated. All other financial assets and liabilities are recognized initially when the company becomes party under the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition the financial asset is classified as measured at: fair value, FVOCI – debt investment, FVOCI – equity investment; or at FVTPL.

The financial assets are not reclassified after their initial recognition unless the Company changes the business model for management of the financial assets in which case all affected financial assets are reclassifed from the first day of the first reporting period following the change of the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial asset is measured at FVICO if it meets at the same time the following two conditions and is not designated under the FVTPL:

- is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets, and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets, which are not classified as measured at amortized cost or at FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. Upon initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. Significant accounting policies (continued)

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the purposes of the business model, under which a certain financial asset is held at a portfolio level because this best reflects the way in which the business is managed and information is provided to the management. The information, which is taken into account, includes:

- the stated policies and purposes of the portfolio and the efficiency of these policies in practice.
- how the performance of the portfolio is evaluated and reported to the management of the Company;
- the risks that affect the performance of the business model (and the financial assets held within this business model) and how these risks are managed;
- how the business managers are compensated – for example, whether the compensation is based on the fair value of the assets managed or on the collected contractual cash flows; and
- frequency, volume and timing of the sales of the financial assets in previous periods, the reasons for such sales and the expectations for future sales.

The transfer of financial assets to third parties in transactions, which do not qualify for derecognition, are not considered for sales for this purpose, in conformity with the continued recognition of the assets by the Company.

The financial assets, held for trading or are managed, and whose performance is evaluated on the a fair value basis, are measured on the basis of FVTPL.

Financial assets – Assessment whether the contractual cash flows are only payments of principal and interest: The policy is applicable from 1 January 2018

For the purposes of this assessment, the "principal" is defined as fair value of the financial asset at initial recognition. The "interest" is defined as consideration for the time value of money and for the credit risk related to the outstanding principal in a certain period of time and for other main risks and credit costs (for example, liquidity risk and administrative expenses), as well as a profit margin.

In assessing whether the contractual cash flows are solely the payments of principal and interests, the Company considers the contractual term of the instrument. This includes an assessment whether the financial asset contains a contractual clause, which could change the timing or the amount of the contractual cash flows, so that it fails to meet that condition. In that assessment the Company takes into account:

- contingent events, which could change the amount or time of the cash flows;
- conditions, which could adjust the contractual coupon rate, including the attributes with variable interest rate;
- attributes for prepayment and extension features; and
- terms that limit the claims of the Company to the cash flows from certain assets (for example, characteristics without the right of recourse).

A prepayment feature corresponds to the criteria for payment only of the principal and interests if the prepayment is the outstanding amount of the principal and the interest on the outstanding principal, which may include reasonable additional compensation for early termination of the contract. In addition, a financial asset obtained with discount or premium, up to its contractual nominal amount, an option which allows or requires prepayment in the amount which in essence is the nominal amount, plus accumulated (but unpaid) contractual interest (which may include also reasonable additional compensation for early termination), is considered for corresponding to this criterion if the fair value of the prepayment is insignificant at initial recognition.

3. Significant accounting policies (continued)

Financial assets - Subsequent measurement and profits and losses: Policy applicable as of 1 January 2018.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss, except for derivatives designated as hedging instruments for which hedge accounting is applied.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3. Significant accounting policies (continued)

Financial assets - policy applied before 1 January 2018

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

These assets are recognized initially at fair value plus all directly attributable costs under the transactions. After the initial recognition they are measured at amortized cost using the method of the effective interest rate.

Cash and cash equivalents

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

Financial Liabilities – classification, subsequent measurement and profits and losses

The financial liabilities are classified at amortized cost or at FVTPL. The financial liability is classified at FVTPL if it is classified as held for sale, as derivative or designated as such at initial recognition. The financial liabilities under the FVTPL are measured at fair value, and the net profits and losses, including the costs for interest are recognized in the profit or loss. The other financial liabilities are measured subsequently at amortized cost applying the effective interest method. The costs for interest and the exchange rate gains and losses are recognized in the profit or loss. Each gain or loss from derecognition are also recognized in the profit and loss.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when the rights to receive contractual cash flows from a transaction are transferred, where substantially all risks and rewards of ownership of the financial asset are transferred or where the Company does not transfer and keep substantially all risks and rewards of ownership, nor it keeps control on the financial asset.

Financial liabilities

The Group derecognises a financial asset when the contractual obligations have been fulfilled, annulled or expired. The Group also derecognises a financial asset when its conditions have changed and the cash flows from the modified liability are materially different, and in this case a new financial liability is recognized under the fair value, based on the changed conditions.

When a financial liability is derecognized, the difference between the carrying amount and the paid remuneration (including all transferred non-cash assets or commitments) is recognized in the profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Share capital

Ordinary shares are classified as equity. The costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects. The equity of the Company is presented at historical cost as at the date of registration.

3. Significant accounting polices (continued)

(c) Property, plant and equipment

(i) Measurement at recognition and subsequent measurement

Initial recognition

Property, plant and equipment are initially measured at cost which includes expenses directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- cost for materials and direct labor;
- costs directly attributable to bringing the assets to a working condition for their intended use;
- when the company has an obligation to dismantle the asset or restore the site, estimate of the costs for dismantling and restoring the site, on which it is located;
- capitalized interest costs.

Purchased software, that is essential for the functioning of the purchased equipment, is capitalized as part of the equipment.

When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items.
All property, plant and equipment and assets under construction are presented in the statement of the financial position on the basis of the historical cost less any accumulated depreciation and impairment losses.

Gains and losses on disposal of an item of property, plant and equipment (determined by comparing the proceeds with the carrying amount of the asset) are recognized net in other revenue/other expenses in profit or loss.

(ii) Subsequent measurement

After recognition as an asset, an item of property, plant and equipment is measured at its cost less the accumulated depreciation and accumulated impairment losses.

(iii) Subsequent costs

Any subsequent expenditures are being capitalized only if it is probable that the future economic benefits from these costs will flow to the Company. Routine repairs and maintenance are recognized as an expense when they were incurred.

(iv) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment.

The rate of depreciation is calculated on the basis of the estimated useful life, which is:

Furniture, fixtures and equipment	10 years

(d) Intangible assets

(i) Measurement at recognition and subsequent measurement

Intangible assets, acquired by the Company, are stated at acquisition cost less accumulated amortization and impairment losses.

Subsequent expenditures are capitalized only in case of higher future economic benefits from the specific asset. All other expenditures, including good repute and trademark, are recognized in profit and loss as incurred.

(ii) Amortization

Amortization is charged to the profit or loss on a straight-line basis over the estimated useful life of the intangible assets.

3. Significant accounting polices (continued)

The useful life of the intangible assets is as follows:

software	5 years

(e) Leased assets

Leases in terms of which the Company assumes substantially all the risks and benefits of ownership are classified as finance leases. Upon initial recognition the leased assets are measured at cost equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to it.

Other leases are operating leases. They are not recognized in the Company's statement of financial position.

(f) Asset Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The company recognizes loss allowances for the expected credit losses (ECL) for;

- financial assets measured at amortized cost, and
- contract assets

The company measures loss allowances at an amount equal to lifetime ECLs of the financial asset.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to the lifetime ECLs of the financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historicl experience and informed credit assessment and including forward-looking information.

The company assumes that the financial asset is overdue, when it is unlikely for the borrower to pay the loan commitments to the Company to the full amount without requiring actions on behalf of the Company such as use of guarantee (if any).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3. Significant accounting polices (continued)

(f) Asset impairment (continued)

(i) Non-derivative financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Regarding trade receivables and assets under contracts the Group applies a simplified approach by using provision matrix. The provision matrix is updated on an annual basis.

Presenting impairment loss for the expected credit losses in the statement of financial position

Impairment loss of the financial assets, measured at depreciated value are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is derecognized, when the Company does not have reasonable expectations for recovery of a financial asset in its entirety or part of it or when specific receivables are appealed by individual customers and the proceedings regarding them is terminated (invalidated) by the court.

Non-derivative financial assets – policy applied before 1 January 2018

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy etc.

Financial assets measured at amortized cost

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables 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. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends

The impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its cost and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The impairment loss is recognized in profit and loss and results in decrease of the receivables. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are derecognized. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The book values of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized always if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

3. Significant accounting polices (continued)

(f) Asset impairment (continued)

(ii) Non-derivative financial assets (continued)

The recoverable amount of an asset or a cash-generating unit (CGU) is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash-generating units are allocated in such a way as to reduce the book values 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 amortization, if no impairment loss had been recognized.

(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 of the obligation in respect of defined benefit plans 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 at the beginning of the period to discount the obligation 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 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 an employee, and the obligation can be reliably estimated.

(h) Revenue from services rendered

Policy applied before 1 January 2018

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 through an analysis of the work performed.

Policy applied after January 2018

Revenue is recognized over a period of time, when the services are provided. The stage of completion for determining the amount of the revenue, which is to be recognized, is measured on the basis of the analysis for the work performed. If the services under a single contract are provided in different report periods, the remuneration is allocated based on their relative unit sales prices.

The control over the services is transferred over time.

The received advances from customer accounts are included into customer contracts liabilities.

(i) Leases

Payments made under operating leases are recognised in profit and 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;
- 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.

3.1. Change in the significant accounting policies

The company has initially applied IFRS 15 and IFRS 9 as of 1 January 2018. Some other new standards are also valid as of 1 January 2018, but they do not have significant impact on the financial statements of the Company.
As a result of the selected methods for transition of the company when applying these standard, the comparable information in this financial statement has not been recalculated in order to reflect the requirements of the new standards.

The company has analysed the requirements of IFRS 15 and IFRS 9 and has not determined significant effects from the initial application of the standard and respectively has not reported effects as at the date of its initial application.

A. IFRS 15 Revenues from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. This standard replaces IAS 18 *Revenue*, IAS 11 *Contracts for construction* and the related IFRIC.

3.1. Changes in significant accounting policies (continued)

As per the IFRS 15 a revenue is recognized when the customer obtains control of the goods or services. Assessment is required to determine the time, when control is transferred - at some point in time or over time.

The company has applied IFRS 15 using the cumulative effect method (without practical expedients). The provided information for 2017 has not been recalculated, but is presented as disclosed in the previous period in accordance with the requirements of IAS 8, IAS 11 and the related interpretations. Additionally, the requirements for disclosure as per IFRS 15 in its entirety have not been applied for the comparative information.

B. IFRS 9 Financial Instruments

IFRS 9 *Financial instruments* sets out the requirements for recognition and measurement of financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces IAS 39 *Financial instruments: recognition and measurement.*

As a result of the application of IFRS 9, the Company has adopted consequential amendments to IAS 1 *Presentation of the Financial Statements*, which require impairment of the financial assets to be presented in a separate item in the statement of profit or loss or loss and the other comprehensive income. In addition, the Company has adopted the subsequent amendments to IFRS 7 Financial Instruments: Disclosures, applied to the disclosures in 2018, but as a whole they have not been applied to comparative information.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, at fair value in other comprehensive income (FVOCI) and at fair value through profit and loss (FVTPL). The financial asset classification as per IFRS 9 is mainly based on the business model, under which the financial asset and the characteristics of its cash flows are managed. The standard eliminates the present categories in IAS 39 held-to-maturity, loans and receivables and available for sale. As per IFRS 9, derivatives, embedded in a contract where the host is a financial asset within the scope of the standard, are never be separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

ii. Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" model. The new impairment model is applied for the financial assets measured at amortized cost, contract assets and debt investments under FVOCI, but not for investments in capital instruments. As per IFRS 9 the credit losses are recognized earlier than as per IAS 39.

For the assets within the scope of the impairment model of IFRS 9, the impairment losses are expected generally to increase and become more volatile. The Company has determined that the application of the impairment requirements of IFRS 9 as at 1 January 2018 does not lead to the need of charging additional impairment.

iii. Transition

The changes in accounting policies as a result of the adoption of IFRS 9 have been applied retrospectively, except as described below:

- The Company has used the exception not to restate comparative information for previous periods in terms of the classification and measurement requirements (including impairment). Therefore, comparable periods have not been restated. Differences in the carrying amounts of the financial assets and financial liabilities arising as a result of the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those as per IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of the application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL

3.2. New standards and interpretations not yet adopted

The following new standards, changes to the standards and clarifications, approved for application by the EC, are not mandatory for the annual periods starting on or after 1st January 2018 and have not been applied in the preparation of these separate financial statements. The company plans to apply these changes when they enter into force.

Standards, clarifications and changes to standards, which have not been applied earlier - endorsed for application by the EC

Of those standards, which have not entered into force, IFRS 16 is expected to have a substantial impact on the separate financial statements of the Company in the period of the initial application.

(a) IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees.

Under IFRS 16, one contract is or contains lease elements if it grants the right to control the use of an asset for a certain period of time in return for consideration. The new model requires for such contracts the lessee to recognize an asset for a right of use, representing its right to use the given asset and a lease liability, which is its obligation to make lease payments. The right of use asset is amortized, and interest is charged for the liability. As a result, for most leases, initially higher cost will be recognized even if the lessee pays the same rent. There are exceptions for recognition for short-term lease and low-value lease contracts. The accounting treatment by the lessor continues to be similar to this standard, i. the classification of the lease as financial or operating continues.

IFRS 16 replaces the existing so far guidance on lease accounting, including IAS 17 *Lease*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating lease – Incentives* and SIC-27 *Evaluating the substance of transactions involving the legal form of a lease.*

The Company has no concluded lease contracts and does not expect an effect of the application of IFRS 16.

(i) Transition

As a lessee, the Company can apply the standard by using:

- the retrospective approach; or
- a modified retrospective approach using certain practical means by choice.

The lessee applies the chosen consecutively in all of its leasing contracts.

The Company plans to apply IFRS 16 from 1 January 2019 by using the full retrospective approach.

(b) IFRIC 23 Uncertainty over Tax Treatments

IFRIC 23 is effective for annual periods beginning on or after 1 January 2019 and early application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.

The Company does not expect that the clarification will have a material effect on the consolidated financial statements in the period of initial application as the Company does not have significant uncertain tax positions.

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

(c) Changes in IFRS 9: Prepayment Features with Negative Compensation

The amendments are effective for annual periods beginning on or after 1 January 2019. These amendments address concerns raised about accounting for financial assets that include particular contractual prepayment options. In particular, the concern was related to how a company would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including 'negative compensation'. Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss.
The amendments enable entities to measure at amortized cost some prepayable financial assets with so-called negative compensation.
The Company does not expect that the amendments will have a material impact on the separate financial statements because the Company does not have prepayable financial assets with negative compensation.

(d) Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*

The amendments are effective for annual periods beginning on or after 1 January 2019. The Amendments clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Company does not expect the Amendments to have a material impact on its separate financial statements when initially applied

Standards and interpretations not yet endorsed by the 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 separate financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

(a) IFRS 17 Insurance contracts

The standard is effective for annual periods beginning on or after 1 January 2021 and is to be applied retrospectively, and early application is permitted. The Company expects that the standard, when initially applied, will not have a material impact on the presentation of the consolidated financial statements of the Company because the Company does not issue insurance or reinsurance contracts, does not hold reinsurance contracts and does not issue investment contracts with discretionary participation features.

(b) Other amendments

The following amendments and improvements to standards are not expected to have a material impact on the consolidated financial statements of the Group.
- *Annual Improvements to IFRS 2015-2017 Cycle*
- *Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture*
- *Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)*
- *Amendments to IFRS 3 Business Combinations*
- *Amendments to IAS 1 and IAS 8: Definition of Material*

4. Revenue

During the financial year 2018 the Company had no revenue realized from design services (2017 – BGN 1 thousand).

During the financial year 2018 the Company had no other revenue realized (2017 – BGN 6 thousand).

5. Hired services expenses

In thousands of BGN	**2018**	**2017**
Expenses for consultancy services and audit	4	4
Accounting services	-	4
Insurance	-	1
Other	-	1
	4	10

6. Employee benefit expenses

In thousands of BGN	**Note**	**2018**	**2017**
Wages and salaries		1	(6)
Compulsory social security and pension contribution		-	2
Retirement and transfer of staff compensation	*21*	-	-
			(26)
		1	(30)

7. Other operating expenses

In thousands of BGN	**Note**	**2018**	**2017**
Expenses for fines		-	4
Others		-	7
		-	11

8. Finance income and expenses

In thousands of BGN	**2018**	**2017**
Interest income	-	1
Finance costs	-	1
Finance income (net)	-	2

9. Tax expense

In thousands of BGN	2018	2017
Current tax		
Current corporate tax expense	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	(13)
Tax expense, net	-	(13)

Reconciliation of effective tax rate

In thousands of BGN	2018	2017
Profit for the period	(5)	5
Total tax expense	-	13
Profit before tax	(5)	18
Corporate tax, based on domestic tax rate	-	(2)
Permanent differences	-	-
Derecognition of unrealized deferred tax assets		(11)
Net tax expense	-	(13)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of BGN	Assets 2018	Assets 2017	Liabilities 2018	Liabilities 2017	Net 2018	Net 2017
Property, plant and equipment	-	-	-	-	-	-
Impairment of receivables	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Tax (assets) liabilities	-	-	-	-	-	-

Movement in deferred tax throughout the year

In thousands of BGN	Balance 1 January 2017	Recognized in profit or loss	Balance 31 December 2017	Recognized in profit or loss	Balance 31 December 2018
Property, plant and equipment	1	(1)	-	-	-
Impairment of receivables	(8)	8	-	-	-
Employee benefits	(6)	6	-	-	-
	(13)	13	-	-	-

Unrecognised deferred tax assets

The deferred tax assets have not been recognized in terms of the following positions because it is not likely that future taxable profits will be available, against which the Company will be able to use them:

In thousands of BGN	Assets 2018	2017
Impairment of receivables	13	8
Tax loss	5	5
Unrecognised tax assets	18	13

10. Property, plant and equipment

In thousands of BGN	Plant and equipment	Vehicles	Leasehold improvements	Total
Balance at 1 Jan 2017	24	11	1	36
Acquisitions	-	-	-	-
Written-off assets	(6)	-	-	(6)
Transfers	-	-	-	-
Balance at 31 Dec 2017	18	11	1	30
Balance at 1 Jan 2018	18	11	1	30
Acquisitions	-	-	-	-
Written-off assets	-	-	-	-
Transfers	-	-	-	-
Balance at 31 Dec 2018	18	11	1	30
Depreciation				
Depreciation as at 1 Jan 2017	(18)	(11)	(1)	(30)
Depreciation charge for the year	-	-	-	-
Balance as at 31 Dec 2017	(18)	(11)	(1)	(30)
Depreciation as at 1 Jan 2018	(18)	(11)	(1)	(30)
Depreciation charge for the year	-	-	-	-
Balance as at 31 Dec 2018	(18)	(11)	(1)	(30)
As at 1 January 2017	6	-	-	6
As at 31 December 2017	-	-	-	-
As at 1 January 2018	-	-	-	-
As at 31 December 2018	-	-	-	-

11. Trade and other receivables

In thousands of BGN	Note	2018	2017
Trade receivables	16	42	41
Impairment of trade receivables		(38)	(38)
Other receivables		2	6
		6	9

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

12. Prepayments and deferred expenses

In thousands of BGN	2018	2017
Prepayments	44	44
Impairment of prepayments	(44)	(44)
	-	-

13. Cash and cash equivalents

In thousands of BGN	2018	2017
Cash in hand	4	4
Current accounts in banks	197	198
Cash and cash equivalents in the statement of cash flows	201	202

14. Share capital and reserves

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

In shares	2018	2017
Issued shares as at 1 January	500	500
Total issued at period end	500	500

15. Trade and other payables

In thousands of BGN	2018	2017
Trade payables	4	4
	4	4

16. 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.

16. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Company in a situation where 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 credit exposure as at the date of the statement on the financial position is:

In thousands of BGN	**Note**	**2018**	**2017**
Related parties receivables	19	-	1
Trade and other receivables	11	6	9
Cash and cash equivalents in bank accounts	13	197	198
		203	208

The movement in the allowance for impairment in respect of trade and other receivables (incl. prepayments) during the year is as follows:

In thousands of BGN	**Note**	**2018**	**2017**
Balance at the beginning of the period		82	82
Balance at the end of the period		82	82

(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 2018

In thousands of BGN	**Book value**	**Contractual Cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Trade payables	4	(4)	(4)	-	-	-
	4	(4)	(4)	-	-	-

16. Financial instruments (continued)

Liquidity risk (continued)

31 December 2017

In thousands of BGN	Book value	Contractual Cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	4	(4)	(4)	-	-	-
	4	(4)	(4)	-	-	-

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 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 Manager 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 deals in 2018 are at the local market in BGN or EUR (2017: 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

As at the date of the statement of financial position, the interest rate profile of the interest-bearing financial instruments is:

In thousands of BGN	Note	2018	2017
Financial assets	13	197	198
Financial liabilities		-	-
		197	198

Fair value sensitivity analysis for fixed rate instruments

The Company has not accounted for any fixed rate financial assets and liabilities at fair value through profit or loss in the comprehensive income statement, 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 2018 is a loss of BGN 5 thousand.

16. 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 2018

In thousands of BGN	Note	Carrying amount: Held for Trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available for-sale	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value													
Trade and other receivables	13	-	-	-	-	5	-	-	5				
Cash and cash equivalents	15	-	-	-	-	201	-	-	201				
		-	-	-	-	206	-	-	206				
Financial liabilities not measured at fair value													
Trade and other payables	17	-	-	-	-	4	-	-	4				
		-	-	-	-	4	-	-	4				

31 December 2017

In thousands of BGN	Note	Carrying amount: Held for Trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available for-sale	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value													
Trade and other receivables	13	-	-	-	-	9	-	-	9				
Related party receivables	19	-	-	-	-	1	-	-	1				
Cash and cash equivalents	13	-	-	-	-	202	-	-	202				
		-	-	-	-	212	-	-	212				
Financial liabilities not measured at fair value													
Trade and other payables	15	-	-	-	-	-	-	(4)	(4)				
Related party payables	19	-	-	-	-	-	-	-	-				
Payables to personnel	6	-	-	-	-	-	-	-	-				
		-	-	-	-	-	-	(4)	(4)				

17. Operating leases

In 2018 the Company was not a party to operating lease contract.

18. Defined benefit plan liabilities

As at 31 December 2018 the Company had no obligation to pay compensation to those employees that retire in line with the requirements in art. 222, §3 of the Labor Code (LC) in Bulgaria.

In thousands of BGN	**2018**	**2017**
Present value of the liability on 1 January	-	32
Interest expense	-	(2)
Current service cost	-	(26)
Actuarial loss	-	(4)
Present value of the liability at the end of the period	-	-

19. 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 Vodosnabdyavane 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 made an 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.

There were no transactions with related parties in 2018.

The following transactions with related parties took place in 2017.

Related party	**Relation**	**Transactions during the year**	**Balance as at 31 December 2017**	
In thousands of BGN			**Receivables**	**Payables**
Sofiyska Voda AD	Parent company which owns 100% of the registered capital	Complex services expenses 4	-	-
		Other expenses 13	1	-
	Total:		1	-

Transactions with key management personnel

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

20. Subsequent events

No subsequent events, that require adjustments or disclosures in the financial statements, have occured after the reporting date.

KPMG Audit OOD
45/A Bulgaria Boulevard
Sofia 1404, Bulgaria
+359 (2) 9697 300
bg-office@kpmg.com
kpmg.com/bg

INDEPENDENT AUDITORS' REPORT

To the sole owner of the capital 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 1 to 30, which comprise the statement of financial position as at 31 December 2018, 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 2018, 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 New and enhanced auditor's reports and auditor's communication Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). 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.

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 Audit OOD

Dobrina Kaloyanova
Authorised representative

Ivan Andonov
Registered auditor, responsible for the audit

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

29 March 2019