Sofiyska Voda AD

Separate Financial Statements

For the year ended 31 December 2009

With independent auditors' report

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INDEPENDENT AUDITORS' REPORT

To the shareholders of
Sofiyska Voda AD

Report on the Financial Statements

We have audited the accompanying separate financial statements of Sofiyska Voda AD ("the Company"), which comprise the separate statement of financial position as at 31 December 2009, and the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2009, and of its unconsolidated_financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Annual report of the activities of the Company prepared in accordance with the requirements of article 33 of the Accountancy Act

As required under the Accountancy Act, we report that the historical financial information disclosed in the annual report of the activities of the Company, prepared by Management as required under article 33 of the Accountancy Act, is consistent, in all material aspects, with the financial information disclosed in the audited separate financial statements of the Company as at and for the year ended 31 December 2009. Management is responsible for the preparation of the annual report of the activities of the Company which was approved by the Board of Directors of the Company on 23 March 2010.

0332 Антоанета Бойчева
Регистриран одитор

Gilbert McCaul
Partner

Antoaneta Boycheva
Registered auditor

Sofia, 24 March 2010

KPMG Bulgaria OOD
45/A Bulgaria Boulevard
Sofia 1404
Bulgaria

Contents

Separate statement of financial position

As at 31 December

In thousands of BGN	*Note*	**2009**	**2008 (restated)**	**2007 (restated)**
Assets				
Property, plant and equipment	*15*	16,650	11,250	9,064
Intangible assets	*16*	166,777	132,905	122,631
Derivatives		-	-	60
Investment in subsidiaries		5	5	5
Loans to related parties		-	-	63
Deferred tax assets	*22*	5,168	4,342	-
Total non-current assets		188,600	148,502	131,823
Inventories	*17*	1,807	1,910	1,327
Trade and other receivables	*18*	31,894	30,633	29,546
Loans to related parties	*30*	13	50	38
Tax receivables		137	-	-
Cash and cash equivalents	*19*	16,365	11,070	9,045
Total current assets		50,216	43,663	39,956
Total Assets		238,816	192,165	171,779

Separate statement of financial position (continued)

As at 31 December

In thousands of BGN	*Note.*	2009	2008 (restated)	2007 (restated)
Share capital	20	8,884	8,884	8,884
Reserves	20	(4,619)	(1,692)	300
Retained earnings	20	36,150	21,544	5,237
Total capital and reserves		40,415	28,736	14,421
Liabilities				
Interest bearing loans and borrowings	21	134,583	116,421	110,909
Liabilities under finance leases	21	1,275	1,030	589
Liabilities for retirement compensation	27	598	425	404
Financing for non-current assets		355	-	-
Deferred tax liabilities	22	1,698	1,840	-
Total non-current liabilities		138,509	119,716	111,902
Interest bearing loans and borrowings	21	3,959	4,741	13,508
Liabilities under finance leases	21	746	652	320
Tax liabilities	25	320	1,077	1,840
Payables to related parties	30	9,440	9,754	13,329
Provisions	24	739	2,540	251
Trade and other payables	23	36,966	22,300	16,020
Derivatives		7,398	2,323	-
Liabilities for retirement compensation	27	324	326	188
Total current liabilities		59,892	43,713	45,456
Total liabilities		198,401	163,429	157,358
Total equity and liabilities		238,816	192,165	171.779

The notes on pages 11 to 59 are an integral part of these separate financial statements.

Gregory Endemano
Chief Executive Officer

Teodora Koseva
Chief Financial Officer

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

Gilbert McCaul
Partner

0332 Антоанета Бойчева
Регистриран одитор

Antoaneta Boicheva
Registered Auditor

Separate statement of comprehensive income

For the year ended 31 December *In thousands of BGN*	*Note*	**2009**	**2008 (restated)**
Revenue	*6*	109,595	94,180
Other income	*7*	3,654	1,322
Revenue from construction	*8*	44,193	20,985
		157,442	116,487
Expenses for materials	*9*	(9,026)	(9,398)
Expenses for hired services	*10*	(26,117)	(24,314)
Depreciation and amortization	*15,16*	(13,143)	(12,696)
Salaries, remuneration and other personnel benefits	*11*	(13,593)	(10,766)
Social security contributions and other social expenses	*11*	(3,831)	(3,648)
Other operating expenses	*12*	(22,517)	(10,366)
Expenses for construction	*8*	(44,193)	(20,985)
Profit from operating activities		25,022	24,314
Finance income	*13*	4,901	818
Finance expense	*13*	(11,703)	(8,219)
Net Financing expense		(6,802)	(7,401)
Profit before tax		18,220	16,913
Income tax expense	*14*	(1,974)	(507)
Net profit for the year		16,246	16,406
Other comprehensive income			
Net change in fair value of cash flow hedges transferred to profit or loss		(5,075)	(2,323)
Deferred tax on other comprehensive income	*22*	508	232
Other comprehensive income for the period, net of income tax		(4,567)	(2,091)
Total comprehensive income for the period		11,679	14,315

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Gregory Endemano
Chief Executive Officer

Teodora Koseva
Chief Financial Officer

In accordance with an Independent Auditors' Report:
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Gilbert McCaul
Partner

София
Рег. №045
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Antoaneta Boicheva
Registered Auditor

0332 Антоанета Бойчева
Регистриран одитор

Separate statement of changes in equity

In thousands of BGN	*Note*	**Share capital**	**Hedging Reserve**	**Legal reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2007		8,884	-	170	4,375	13,429
Total comprehensive income for the period						
Profit or loss		-	-	-	992	992
Other comprehensive income						
		-	-	-	-	-
Total other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	992	992
Transactions with owners, recorded directly in equity						
Change in the reserves		-	-	130	(130)	-
Total transactions with owners		-	-	130	(130)	-
Balance at 31 December 2007		8,884	-	300	5,237	14,421

Separate statement of changes in equity (continued)

In thousands of BGN	*Note*	**Share capital**	**Hedging reserve**	**Legal reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2008		8,884	-	300	5,237	14,421
Total comprehensive income for the period						
Profit or loss		-	-	-	16,406	16,406
Other comprehensive income						
Net change in fair value of cash flow hedges, net of tax		-	(2,091)	-	-	(2,091)
Total other comprehensive income		-	(2,091)	-	-	(2,091)
Total comprehensive income for the period		-	(2,091)	-	16,406	14,315
Transactions with owners, recorded directly in equity						
Change in the reserves		-	-	99	(99)	-
Total transactions with owners		-	-	99	(99)	-
Balance at 31 December 2008		8,884	(2,091)	399	21,544	28,736

Separate statement of changes of equity (continued)

In thousands of BGN	*Note*	**Share capital**	**Hedging reserve**	**Legal reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2009		8,884	(2,091)	399	21,544	28,736
Total comprehensive income for the period						
Profit or loss		-	-	-	16,246	16,246
Other comprehensive income						
Net change in fair value of cash flow hedges, net of tax		-	(4,567)	-	-	(4,567)
Total other comprehensive income		-	(4,567)	-	-	(4,567)
Total comprehensive income for the period		-	(4,567)	-	16,246	11,679
Transactions with owners, recorded directly in equity						
Change in the reserves		-	-	1,640	(1,640)	-
Total transactions with owners		-	-	1,640	(1,640)	-
Balance at 31 December 2009		8,884	(6,658)	2,039	36,150	40,415

The notes on pages 11 to 59 are an integral part of these separate financial statements .

Gregory Endemano
Chief Executive Officer

Teodora Koseva
Chief Financial Officer

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

Gilbert McCaul
Partner

Специализирано одиторско предприятие
София
Рег. №045
"КПМГ - България" ООД

Antoaneta Boicheva
Registered Auditor

0332 Антоанета Бойчева
Регистриран одитор

Separate statement of cash flows

For the year ended 31 December

In thousands of BGN	*Note*	**2009**	**2008**
Cash flow from operating activities			
Profit for the period		16,246	16,406
Adjustments for:			
Depreciation expenses	*15*	2,288	1,848
Amortisation of intangible assets	*16*	10,855	10,848
Net finance expense	*13*	6,802	7,401
Impairment losses on trade receivables	*12*	8,274	6,055
Write-down of inventory	*12*	17	260
Expenses for scrapping of materials		5	49
Expenses for scrapping of non-current assets		19	47
Gain on sale of non-current assets		(6)	-
Gain on revaluation of derivative		-	(18)
Income tax expenses	*14*	1,974	507
		46,474	43,403
Change in inventories		81	(892)
Change in trade and other receivables		(10,604)	(7,142)
Change in provision for retirement compensation	*27*	313	303
Change in provisions accrued during the year	*24*	489	2,289
Change in trade and other payables		14,772	3,529
Income tax paid		(2,564)	(1,875)
Net cash flow from operating activities		48,961	39,615
Cash flow from investment activities			
Acquisition of property, plant and equipment		(7,734)	(4,110)
Acquisition of intangible non-current assets		(42,135)	(20,460)
Proceeds from sales of non-current assets		10	-
Interest received		679	-
Interest paid		(11,829)	(8,355)
Net cash used in investing activities		(61,009)	(32,925)
Cash flow from financing activities			
Proceeds from repayment of loans provided to related parties		37	51
Proceeds from sale of derivative		-	78
Receipts of loans and borrowings		22,520	600
Repayment of loans and borrowings		(4,054)	(4,217)
Payment of finance lease liabilities		(1,145)	(932)
Payment for transaction costs		(15)	(245)
Net cash from (used in) financing activities		17,343	(4,665)

Separate statement of cash flows (continued)

For the year ended 31 December *In thousands of BGN*	*Note*	**2009**	**2008**
Net decrease in cash and cash equivalents		5,295	2,025
Cash and cash equivalents at 1 January	*19*	11,070	9,045
Cash and cash equivalents at 31 December	*19*	16,365	11,070

The notes on pages 11 to 59 are an integral part of these separate financial statements .

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In accordance with an Independent Auditors' Report:
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Partner

0332 Антоанета Бойчева
Регистриран одитор

Antoaneta Boicheva
Registered Auditor

1. Reporting entity

Sofiyska Voda AD (the Company) is a company registered in Sofia City Court on 28 December 1999 under company case № 16172/1999 / №54111, p.557, registration. 1, page 20. The address of the registered office of the Company is Bulgaria, Sofia , bl. Mladost 4, str. Business Park Sofia 1, building 2A. The Company is 77.10% owned by United Utilities (Sofia) BV and 22.90% owned by Vodosnabdiavane I Kanalizacia EAD.

The Company's business is the provision of water and wastewater services in the Municipality of Sofia, including managing and maintenance of the public assets which represent part of the watermain and wastewater-treatment system in Sofia and also construction, financing and managing of new assets.

Sofiyska Voda AD signed on 23 December 1999 a Concession Contract through which the Municipality of Sofia granted to the Concessionaire (Sofiyska Voda AD) a specific right for use of the public assets and exclusive permission to provide the Services within the Concession Area for a period of 25 years. The Services include the provision of water, sewerage and wastewater treatment services.

2. Basis of preparation

(a) Statement of compliance

The separate financial statements for 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS), approved by the International Accounting Standards Board (IASB) and adopted by the European Commission.

The separate financial statements for the year ended 31 December, 2009 were approved by the Board of Directors on 23 March 2010.

(b) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for the derivatives, which are stated at fair value (see "Significant accounting policy" - 3(b)) and the liability from the defined benefit pension plan, stated at present value (see "Significant accounting policy - 3(i)).

(c) Functional and presentation currency

The separate 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.

2. Basis of preparation (continued)

(d) Use of estimates and judgments

The preparation of the separate financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimate uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the separate financial statements are described in the following notes:

- Note 6- revenues;
- Note 21 – reporting of lease contracts;
- Note 16 –reporting of an intangible asset "Concession right";

Information about significant areas of estimate uncertainty that are expected to have considerable effect in the following financial year is described in the following notes:

- Note 27 - determining of the liabilities on defined benefit pension plan
- Note 24 and 28 - provisions and contingent liabilities
- Note16 - amortisation of the intangible asset "Concession right"

(e) Changes in the accounting policies

(i) Overview

As of 1 January 2009 the Company has changed its accounting policies related to the following:

- Reporting of the borrowing costs
- Presentation of the separate financial statements

(ii) Accounting for borrowing costs

In respect of the borrowing costs, related to assets that meet the conditions, which have as an initial capitalisation date 1 January 2009 or after, the Company is capitalizing the expenses that can be directly related to the acquisition or construction of an assets meeting the conditions as part of the acquisition price of that asset. Previously the Company recognized all borrowing costs in profit and loss.
This change in the accounting policy is due the adoption of IAS 23 – Borrowing costs (2007) and in accordance with the transitional provisions of such standard; comparative figures have not been restated.

The Company has capitalized borrowing expenses regarding properties and equipment under construction (see note 3 (d) (i)).

(iii) Presentation of the separate financial statements

The Company has applied the revised IAS 1 – Presentation of separate financial statements (2007), which is effective since 1 January 2009. Consequently, in the separate statement of changes in equity the Company presents the changes in equity related to the shareholders, and all other such changes are presented in the statement of comprehensive income.
The comparative information is presented in accordance with the revised Standard. The change in the accounting policy only affects the presentation.

2. Basis of preparation (continued)

(e) Changes in the accounting policies (continued)

(iv) Concession Agreement on services related to the water supply network

From 1 January 2008 the Company has changed its accounting policies related to the reporting of the Concession Agreement with Municipality of Sofia. The change is determined by applying the requirements of IFRIC 12 – Service Concession Agreements when preparing the separate financial statements for 2009.

The Company has restated the financial information for 1 January 2008 and 31 December 2008.

According to the new accounting policies the Company recognizes a new non-current intangible asset – "concession right", based on Sofiyska Voda's right to invoice and charge for its services – water supply, sewerage and waste water treatment in the territory of the Concession.
The intangible asset "concession right" has been recognized by reclassifying the "improvement of public assets" from the non-current tangible assets using their previous book value on 1 January 2008 and 31 December 2008. No impairment losses have been assigned to these assets as of the date the new accounting policy comes into effect.

The Company delivers construction services in relation to improvements and expansion of the existing water-supply and sewerage infrastructure. According to the new accounting policy these are reported as per the requirements of IAS 11 – Construction Contracts. The construction services carried out on construction contracts are accounted for as expenses for the period and the payment received is accounted for af fair value as operating income.

3. Significant accounting polices

The accounting policies set out below have been applied consistently in all reported periods, except for the cases stated in note 2, which addresses changes in accounting policies .

Certain comparative numbers have been reclassified so that they meet the presentation for the current period. In addition, the comparative statement of comprehensive income has been re-presented to include other comprehensive income items.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the company at exchange rates stated by the Central Bank at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate stated by the central bank at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

From 1997 to the date of the separate financial statements approval, the exchange rate of the Bulgarian lev (BGN) has been fixed against the Euro (EUR). The exchange rate is BGN 1.95583 / EUR 1.0.

(b) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

The Company has the following non-derivative financial instruments: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments, which are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs.
Subsequent to the initial recognition loans and receivables are measured at their amortised cost, by using the effective interest rate method, less any impairment losses.

Cash and cash equivalents comprise cash balances, current accounts and call deposits with initial maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3. Significant accounting polices (continued)

(b) Financial Instruments (continued)

(ii) Non-derivative financial liabilities

The Company initially recognises subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities: loans and trade and other liabilities. Such financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. After the initial recognition those financial liabilities are measured at their amortised cost, by using the effective interest rate method.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised 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.

(iv) Derivative financial instruments, including hedging reporting

The Company holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

3. Significant accounting polices (continued)

(b) Financial Instruments (continued)

Cash flow hedging

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 2(e)(i)).

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3. Significant accounting polices (continued)

(c) Property, plant an equipment (continued)

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

• Buildings	25 years
• Plant and equipment	5-25 years
• Vehicles – automobiles	5-10 years
• Vehicles – trucks	12.5 years
• Improvements of leased assets	10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(d) Intangible assets

(i) Intangible asset "concession right"

The intangible asset "concession right" is recognized at acquisition cost less accumulated amortization and impairment losses (see accounting policy 3 (f)).

The intangible asset "concession right" arises in relation to the Concession Agreement, which sets Sofiyska Voda's right of use of public assets in order to deliver the services of water supply, sewerage and waste water treatment within the concession area.

This is a complex right of use in its essence and by exercising it the separate components of an intangible asset (Concession right) have emerged. These components differ in type and function which is the reason for calculating their amortization depending on the useful life of each.

The Municipality of Sofia – has the ownership rights on all the existing public assets, but the concessionaire has exclusive and specific right to use the existing public assets.

The ownership rights of any new assets are transferred to the Municipality of Sofia at the time of their acquisition by the concessionaire or the beginning of their operation. The Company does not receive any payments from the Municipality of Sofia related to the acquisition or construction of new public assets. The improvements in the public assets are capitalized and represented as improvements in the intangible asset "concession right".

3. Significant accounting polices (continued)

(d) Intangible assets (continued)

(ii) Other intangible assets

Other intangible assets, acquired by the Company, that have limited useful life, are stated at acquisition cost less accumulated amortization and impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when they meet the recognition criteria for intangible assets, that is when it is probable that they lead to future economic benefits and the expenditure can be measured reliably. All other expenditure is expensed as incurred.

(iv) Amortisation

Amortisation is charged to the Statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets that are reported separately. Assets are depreciated from the month following the month of putting the assets into operation.

The estimated useful lives are as follows:

Components of the intangible asset "concession right"

• Plant and equipment	5-25 years
• Water network improvements	25 years (or the period remaining until the end of the Concession Agreement)
• Improvements of other public assets	10 years

Other intangible assets

• capitalised development costs	6.67 years
• other intangibles	6.67 years
• software	10 years

All depreciation methods, useful life and residual value are reviewed at every reporting date.

(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 asset is measured at an amount 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 that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Company's statement of financial position.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on weighted average cost.

3. Significant accounting polices (continued)

(g) Assets under construction

The cost of the assets under construction includes all expenses directly related to specific projects and the relevant portion of fixed and variable production costs, resulting from the contracts made by the Company.

(h) Impairment

(i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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, or indications that a debtor or issuer will enter bankruptcy.

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. All individually significant receivables 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 judgement 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 carrying amount 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. Whenever a subsequent event reduces the impairment loss, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that cannot be tested individually, they 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 groups (the cash – generating unit).

3. Significant accounting polices (continued)

(h) Impairment

(i) Financial Assets

(ii) Non-financial assets (continued)

The corporate assets of the Company do not generate separate cash flows. If there are indications that a corporate asset is impaired, the recoverable amount is the one of the cash-generating units group it belongs to.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the assets withing the unit proportionally.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

(i) Employee benefits

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The Company's contributions to the defined contribution pension plan are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The Company has obligation to pay certain amounts to each employee who retires with the Company in accordance with Art. 222, § 3 of the Labor Code. According to these regulations in the LC, when a labor contract of a company's employee, who has acquired a pension right, is ended, the Company is obliged to pay him compensations amounted to two gross monthly salaries. If the employee's length of service in the company equals to or is greater than 10 or more years, as at retirement date, then the compensation amounts to six gross monthly salaries.

As at the reporting date the management estimates the amount of such expenses based on a report prepared by a qualified actuary using the projected unit credit method. In note 27 the charged amount is stated, and also the main assumptions used for the estimate.

The Company recognises all actuarial profits and losses arising from the defined benefits plans as employee expenses in profit and loss.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The Company recognizes as a liability the undiscounted amount of the expenses for annual paid leave that is expected to be paid to employees for the services provided during and prior to the reporting period.
A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. Significant accounting polices (continued)

(i) Defined benefits plans (continued)

(iv) Termination benefits

Termination benefits are recognized as an expense when the Company has officially undertaken the obligation, stated in a detailed plan, to terminate the labour contract before the retirement date or to give compensation upon termination resulting from an offer for voluntary redundancy.
Benefitson voluntary termination are recognized as an expense if the Company has presented an official offer that is to be accepted with high probability and the number of volunteers can be assessed reliably.
If any compensation is due for a period longer than 12 months after the end of the reporting period, it is discounted to its present value.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Adding interest on the discounted value is recognized as financial expense.

Legal liabilities provision

Legal liabilities provisions are included in the Company's separate financial statements as a result of existing legal liabilities on court actions concerning past events. Evaluation of the provision is carried out by the legal advisors of the Company based on all the facts and circumstances related to the expected cash outflows resulting from a hypothetical court decision in other party's favour.

(k) Revenue

(i) Goods sold and rendered services

Revenue from services rendered is recognized in proportion to the stage of completion of the deal at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(ii) Construction contracts

The negotiated revenue includes the initially negotiated amount plus all the changes in the negotiated works, counter claims, bonuses, as to the extent they are expected to bring revenue that can be measured reliably. When the result from a construction contract can be defined reliably, the revenues and expenses are recognised based upon the stage of completion. On each construction contract the management estimates the result of the execution.

When the results of the contract cannot be defined reliably then the revenue is recognized up to the amount of the expenses on the contract that are expected to be reimbursed.

Any expected loss is immediately recognised in profit and loss.

Construction contracts bring revenues related to the investments in public assets – improvement and construction of new components of the water supply and sewerage system against the right to invoice and charge the customers for the service at the prices approved by State Commission for Energy and Water Regulation (SCEWR). In consequence the Company is recognizing an intangible asset "concession right" against crediting revenue from construction contracts upon termination of the works.

(iii) Revenue from carbon emissions

Revenue from sale of carbon emissions is recognised on the basis of verified quantity of emissions reduction under methane gas capture and electricity production at Kubratovo Wastewater Plant.

3. Significant accounting polices (continued)

(l) Payments on leasing contracts

Payments on operating leases are recognized in profit and loss on a straight-line basis over the period of the lease. Any additional payments made are recognized in profit and loss as an inseparable part of the total lease expenses for the contractual period. The minimum lease installments on finance leases are split between financial expenses and decrease in payables. The financial expenses are allocated for each period within the lease term so that a constant period interest rate is obtained for the remaining part of the contract.

(m) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

(n) Finance income and expenses

Finance income comprises interest income from funds invested, Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs that cannot be directly related to the acquisition, construction or production of an asset, meeting the requirements for capitalization of interest, are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3. Significant accounting polices (continued)

(p) Income tax

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

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 in respect of previous years. 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 from the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit or loss. 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 or the tax assets and liabilities will be realised simultaneously.

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.

When calculating its current and deferred taxes the Company is using the accounting base as described in note 2 above.

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

(q) **New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these separate financial statements .

New, amended, revised or improved standards:

Revised IFRS 3 *Business Combinations* (2008) is effective for annual periods beginning on or after 1 July 2009. Management does not expect Revised IFRS 3 to have an effect on the separate financial statements as the Company does not have any interests in subsidiaries that will be affected by the revisions to the Standard.

Amendments to IAS 27 *Consolidated and Separate financial statements* are effective for annual periods beginning on or after 1 July 2009. Management does not expect Amendments to IAS 27 to have an effect on the separate financial statements as the Company does not have any interests in subsidiaries that will be affected by the revisions to the Standard.

Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* is effective for annual period beginning on or after 1 February 2010. Management does not expect Amendment to IAS 32 to have an effect on the separate financial statements as the Company has not issued such instruments at any time in the past.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* are effective for annual periods beginning on or after 1 July 2009. Management has not finished yet the estimation of the potential effects of those amendments on the separate financial statements.

New interpretations:

IFRIC 15 *Agreements for the Construction of Real Estate* is effective for annual periods beginning on or after 1 January 2010. Management has not finished yet the estimation of the potential effects of those amendments on the separate financial statements.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation Estate* is effective for annual periods beginning on or after 1 July 2009. Management does not expect IFRIC 16 to have an effect on the separate financial statements as the Company does not have any investments in a foreign operation.

IFRIC 17 *Distributions of Non-cash Assets to Owners* is effective prospectively for annual periods beginning on or after 1 November 2009. As the Interpretation is applicable only from the date of application, it will have no impact on the separate financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the board of directors/shareholders, it is not possible to determine the effects of application in advance.

IFRIC 18 *Transfers of Assets from Customers is* effective prospectively for annual period beginning on or after 1 November 2009. Management does not expect IFRIC 18 to have an effect on the separate financial statements as the Company does not normally receive such contributions from customers.

3. Significant accounting polices (continued)

(r) New standards and interpretations not yet adopted

IASB/IFRIC documents not yet endorsed by EC:

Management believes that it is appropriate to disclose that the following revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB). are not yet endorsed for adoption by the European Commission, and therefore are not taken into account in preparing these separate financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

- Improvements to IFRSs 2009 (issued April 2009), various effective dates, generally 1 January 2010;
- Amendment to IFRS 2 *Group Cash-Settled Share-based payment Transactions* (issued June 2009), effective from 1 January 2010;
- Amendments to IFRS 1 *Additional exemptions for first-time adopters* (issued July 2009), effective date 1 January 2010;
- Amendments to IAS 32 *Classification of Rights Issues* (issued October 2009), effective date 1 February 2010;
- Revised IAS 24 *Related Party Transactions* (issued November 2009), effective date 1 January 2011;
- IFRS 9 *Financial Instruments* (issued November 2009), effective date 1 January 2013;
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* (issued November 2009). effective date 1 January 2011;
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (issued November 2009), effective date 1 July 2010

As at the reporting date the management has not yet completed the estimation of the potential impact of these changes on the separate financial statements.

4. Defining the fair values

Some of the accounting policies of the Company require defining of the fair value of financial and non-financial assets and liabilities. Fair values are determined for reporting purposes based on the methods listed below. Whenever applicable, in the relevant notes additional information is given relating to the assumptions made when defining the fair value of a specific asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables, except for uncompleted construction, is defined as present value of the future cash flow, discounted at the market interest rate as at the reporting date.

(ii) Derivatives

The fair value of interest swaps is based on broker quotes. They have been tested for reasonableness by discounting the future cash flows based on the conditions in each separate contract and the market interest rates for similar financial instruments as at the evaluation date. The fair value reflects the credit risk of the financial instrument and comprises corrections for credit risk reporting whenever appropriate.

(iii) Non-derivative financial obligations

The fair value, is calculated on the basis of the present value of future cash flows of principal and interest, discounted by the market interest rate as at the reporting date. In respect of financial leases, the market interest rate is calculated based on similar lease agreements.

5. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk;
- operational risk.

This note presents information about the Company's exposure to each of the risks listed above, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these separate financial statements .

Risk management framework

The Board of Directors has the overall responsibility for the establishment and supervision of the Company's risk management. The Board has established a Risk Management Committee which is obliged to report regularly its actions to the Board of Directors.

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.

The Company's board is being assisted by the internal audit department. Internal audit undertakes both planned and unplanned inspections of the risk management procedures and the results are reported to the board.

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. It arises from the Company's receivables from customers and investment in financial instruments.

(i) Trade receivables

The credit risk exposure of the Company results from the individual characteristics of the different clients. This exposure also depends on the risk of nonpayment common to the utility sector. The Company is a monopolist in rendering its services on the territory of Sofia Municipality and as at 31 December 2009 the active clients of the company are 560,700 (2008 – 539,705). Based on the analyses of the Company, the services rendered have low price elasticity. The prices are regulated by the State Energy and Water Regulation Commission. The Company does not require guarantees from its customers in relation to the services rendered.

5. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The Company performs a financial planning process, which will meet the payment of current expenses and liabilities for a period of 30 days, including its financial liabilities. This planning excludes the potential effect of unplanned circumstances, which cannot be foreseen under normal circumstances.

As the Company's business activities are related to regular deliveries and payments from clients, the liquidity risk control is mainly comprised of the following components:

- careful planning of all cash outflows based on monthly forecasts;
- payment conditions with clients, which are executed within a month – special payment schedules are negotiated and there are penalties in case of delay;

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company undertakes periodical analysis on the macroeconomic environment in the country and in depth analysis on specific macro-indicators, which are presented to the Board of Directors. The Board of Directors has the responsibility for evaluation of future risks that the Company faces, including information on the interest rates. If the market conditions worsen hedging instruments will be used.

The Company manages its interest risk and in 2009 has signed a swap contract, in order to hedge its risk exposure to changes in the six-month Euribor.

Operational risk

Operational risk is the risk of direct or indirect losses, originating from a wide range of reasons related to the processes, personnel, technologies and infrastructure of the Company, and also from external factors different from credit, market and liquidity risks. For example those originating from legal and regulatory requirements and common standards of corporate behaviour. Operational risks may arise from all of the Company's operations.

The goal of the Company is to manage the operational risk so that there is a balance among avoiding financial loss, harming the goodwill of the Company and cost efficiency and avoiding control procedures that restrict initiatives and creativity.

The main responsibility for developing and applying operational risk controls is assigned to the management. It is supported by the development of common company standards for operational risk management in the following areas:

5. Financial risk management (continued)

- requirements for appropriate segregation of duties, including independent transaction authorisation
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation on procedures and control
- requirements for periodical estimation of the operational risks and controls adequacy and the procedures for coping with identified risks
- reporting requirements related to operational losses and proposed remedial actions
- development of contingency plans
- training and professional development
- ethical and business standards
- risk reduction, including insurance whenever effective

The compliance with the Company standards is supported by a periodical review programme, initiated by internal audit. The results of the reviews are discussed with the business unit management they relate to, and summaries are presented to the audit committee and the top management.

Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain customers' and creditors' confidence and to sustain future development of the business.
The purpose of the Board of Directors is to maintain a balance between the higher return which may result from higher indebtedness levels and the benefits and security of a strong capital position. The return on equity in 2009 is 40.20% (2008: 57.09%).

There were no changes in the Company's approach to capital management during the year. The Company was not the subject to equity requirements enforced by external authorities.

According to the second additional amendment to the Concession contract, signed on 19 March, 2008, the return on capital must be at least 17 %.

6. Revenue

In thousands of BGN	**2009**	**2008**
Income from water supply	72,648	63,327
Income from sewerage	14,018	9,056
Income from waste water treatment	16,396	15,210
Interest income from overdue receivables	4,196	4,044
Income from service sales	3,036	3,059
Invoiced income related to ISPA	(699)	(516)
	109,595	94,180

According to an agreement dated 22/06/2007 between Sofiyska Voda AD and Sofia Municipality, and in connection with granted funds through Financial Memorandum ISPA 2000 BG 16 P PE 001, signed between European Commission and Republic of Bulgaria, the Company is obliged to include in the price of the offered service of water – supply, sewerage and purification of refuse waters all the yearly necessary funds for repayment of the loan that will be received from the European Investment Bank project, amounting to 8,775 thousand EUR (15 % of project's amount).

The beneficiary of the loan from the European Investment Bank is the Sofia Municipality. The Company is obliged to collect the amounts mentioned above for the repayment of the loan.
The State Energy and Water Regulatory Commission (SEWRC) has approved these necessary amounts for repayment of the loan to be included in the price of provided water – supply and sewerage service.
In 2009 all the revenues, which are to be transferred for repayment of this EIB loan amount to BGN 699 thousand (2008: BGN 516 thousand).

The amounts collected by the Company from its customers will be transferred to the Ministry of Environment and Waters in a special bank account opened for the loan. As at the date of the preparation of this separate financial statement the loan from European Investment Bank has not been received and the special bank account is not opened yet.

7. Other income

The total value of other income for 2009 is BGN 3,654 thousand (2008: BGN 1,322 thousand), as the major revenues are from sale of carbon emissions amounting to BGN 2,293 thousand, from imposing sanctions for industrial discharges with above the standard concentration of fixed pollutants equal to BGN 893 thousand (2008: BGN 746 thousand), and gains from sale of inventories to subcontractors for repair works – BGN 209 thousand. (2008: BGN 167 thousand).

8. Revenue from construction

For the first time in the 2009 separate financial statements the Company has applied IFRIC 12 – Service Concession Agreements. Based on the Company's policy, the revenue from construction amounts to BGN 44,193 thousand (2008: BGN 20,985 thousand).

8. Revenue from construction (continued)

In thousands of BGN	*Note*	2009			2008		
Objects		Revenue	Expenses	Profits	Revenue	Expenses	Profits
Water supply		20,305	20,305	-	10,962	10,962	-
Potable water treatment		3,262	3,262	-	391	391	-
Sewerage		12,744	12,744	-	5,252	5,252	-
Waste water treatment		2,263	2,263	-	727	727	-
House connections and meters		5,619	5,619	-	3,653	3,653	-
Total	*16,32*	44,193	44,193	-	20,985	20,985	-

9. Expenses for materials

In thousands of BGN	2009	2008
Electricity	2,935	2,737
Fuels and lubricants	1,331	2,209
Water for technological needs	1,545	1,478
Chemicals	1,200	973
Other	2,015	2,001
	9,026	9,398

10. Expenses for hired services

In thousands of BGN	2009	2008
Annual water tax	4,928	4,913
Repairs and maintenance of non-current assets	5,028	4,019
Insurance	1,299	1,044
Rent	1,272	1,193
Other services	13,590	13,145
	26,117	24,314

Other expenses for hired services include:

	2009	2008
Security	4,878	4,522
Water – meters reading	1,322	1,097
Couriers	868	755
Printing services	716	676
Technical services	1,095	1,417
Consultancy	382	535
Asphalt covering	625	588
SEWRC fee	462	477
Sterilization	25	24
Communication	333	410
Yearly software licences	348	382
Hired transportation	414	267
Other	2,122	1,995
	13,590	13,145

11. Salaries, remuneration and other personnel benefits

In thousands of BGN	2009	2008
Salaries and remuneration	13,396	10,578
Pensions and social security expenses	2,224	2,001
Social expenses	39	77
Expenses for additional pension contribution	255	218
Voucher expenses	1,197	1,237
Retirement compensation	313	303
	17,424	14,414

The salary expenses include an accrual for unused annual paid leave in the amount of BGN 540 thousand (2008: BGN 514 thousand). The pension and social security expenses include an accrual for social and health security on unused annual paid leave in the amount of BGN 100 thousand (2008: BGN 91 thousand). The amount of the retirement compensation includes the recognized actuarial loss, determined when calculating the present value of the pension liability obligation for personnel (see note 27) in accordance with the option stated in paragraph 95 of IAS 19 "Employee benefits". The average number of personnel is 1,171employees (2008: 1,111 employees).

12. Other expenses

In thousands of BGN	2009	2008
Impairment of receivables	8,274	6,055
Write down of inventories to net realizable value	17	260
One-off taxes	127	180
Scrapping of non-current assets	19	47
Scrapping of inventories	5	49
Expenses as per Contract with Municipality of Sofia	12,200	2,540
Others	1,875	1,235
	22,517	10,366

13. Finance income and finance expenses

In thousands of BGN	2009	2008
Interest income	110	237
Interest income from discounting of a trade liability as per Contract with Municipality of Sofia	4,360	-
Effect from guarantee discounts	60	82
Interest income from SWAP transactions	464	214
Net foreign exchange gains	(93)	285
Financial income	4,901	818
Interest expenses for Loan "A" based on effective interest rate method calculations	(2,769)	(3,988)
Interest expenses for Loan "B" based on effective interest rate method calculations	(6,611)	(3,195)
Interest expenses for Loan "C" based on effective interest rate method calculations	(68)	(59)
Finance charges on finance leases	(127)	(131)
Interest expenses on retirement compensation liabilities	(54)	(44)
Effect from guarantee discounts	(32)	(35)
Interest expenses on SWAP transactions	(2,011)	-
Other financial expenses	(31)	(767)
Financial expenses	(11,703)	(8,219)
Net finance expenses	(6,802)	(7,401)

13. Finance income and finance expenses

The financial income and expenses listed above include interest income and expenses that are not recognised at fair value in profit and loss.

Total interest income from financial assets	110	237
Total interest expense on financial liabilities	(11,618)	(7,408)

14. Income tax expense

In thousands of BGN	*Бел.*	**2009**	**2008**
Current taxes			
Corporate income tax for the year		(2,434)	(2,777)
Deferred taxes			
Change in unrecognised deductible temporary differences	22	460	2,270
Total tax expenses		(1,974)	(507)

Taxes recognized in other comprehensive income

	2009			2008		
In thousands of BGN	**Before tax**	**Tax income**	**After tax**	**Before tax**	**Tax income**	**After tax**
Cash flow hedges	(5,075)	508	(4,567)	(2,323)	232	(2,091)
	(5,075)	508	(4,567)	(2,323)	232	(2,091)

Reconciliation of effective tax rate *In thousands of BGN*		**2009**		**2008**
Net profit		16,246		16,406
Total tax expenses		1,974		507
Profit before tax		18,220		16,913
Income tax using the domestic corporation tax rate	10%	1,822	10.00%	1,691
Expenses not recognized for tax purposes	0.83%	152	0.24%	41
Tax effects of temporary differences		-	(7.24%)	(1,225)
Net current income tax expense	10.83%	1,974	3.00%	507

15. Property, plant and equipment

In thousands of BGN	Land and buildings	Plant and equipment	Vehicles	Water main improvements	Leasehold improvements	Assets under construction	Total
Cost							
Balance at 1 Jan 2007	1,269	17,572	6,427	59,443	16,873	26,476	128,060
Acquisitions	-	1,095	226	-	-	14,169	15,490
Disposals	-	(341)	(28)	-	0	0	(369)
Transfers	-	1,470	-	8,115	2,636	(12,221)	0
Balance at 31 Dec 2007	1,269	19,796	6,625	67,558	19,509	28,424	143,181
Reclassification – IFRIC 12	(814)	(10,925)	-	(67,558)	(18,620)	(27,806)	(125,723)
Balance at 31 Dec 2007 (restated)	455	8,871	6,625	-	889	618	17,458
Balance at 1 Jan 2008	455	8,871	6,625	-	889	618	17,458
Acquisitions	-	-	-	-	-	4,110	4,110
Disposals	(2)	(394)	(414)	-	-	-	(810)
Transfers	-	2,078	2,319	-	21	(4,418)	0
Balance at 31 Dec 2008 (restated)	453	10,555	8,530	-	910	310	20,758
Balance at 1 Jan 2009	453	10,555	8,530	-	910	310	20,758
Acquisitions	-	-	-	-	-	7,734	7,734
Disposals	-	(631)	(246)	-	0	0	(877)
Transfers	95	6,880	957	-	103	(8,035)	0
Balance at 31 Dec 2009	548	16,804	9,241	-	1,013	9	27,615
Depreciation							
Depreciation as at 1 Jan 2007	(188)	(6,283)	(1,968)	(8,933)	(6,508)	-	(23,880)
Depreciation charge for the year	(43)	(1,714)	(1,635)	(2,838)	(1,846)	-	(8,076)
Depreciation on disposals	-	320	12	-	0	-	332
Balance as at 31 Dec 2007	(231)	(7,677)	(3,591)	(11,771)	(8,354)	-	(31,624)
Reclassification – IFRIC 12	186	3,312	-	11,771	7,961	-	23,230
Balance as at 31 Dec 2007 (restated)	(45)	(4,365)	(3,591)	-	(393)	-	(8,394)
Depreciation as at 1 Jan 2008	(45)	(4,365)	(3,591)	-	(393)	-	(8,394)
Depreciation charge for the year	(11)	(864)	(885)	-	(88)	-	(1,848)
Depreciation on disposals	-	351	383	-	0	-	734
Balance as at 31 Dec 2008 (restated)	(56)	(4,878)	(4,093)	-	(481)	-	(9,508)
Depreciation as at 1 Jan 2009	(56)	(4,878)	(4,093)	-	(481)	-	(9,508)
Depreciation charge for the year	(10)	(1,173)	(1,011)	-	(94)	-	(2,288)
Depreciation on disposals	-	626	205	-	-	-	831
Balance as at 31 Dec 2009	(66)	(5,425)	(4,899)	-	(575)	-	(10,965)

15 Property, plant and equipment (continued)

In thousands of BGN	Land and buildings	Plant and equipment	Vehicles	Water main improvements	Leasehold improvements	Assets under construction	Total
Carrying amounts							
At 31 December 2007 (restated)	410	4,506	3,034	-	496	618	9,064
At 1 January 2008 (restated)	410	4,506	3,034	-	496	618	9,064
At 31 December 2008 (restated)	397	5,677	4,437	-	429	310	11,250
At 1 January 2009	397	5,677	4,437	-	429	310	11,250
At 31 December 2009	482	11,379	4,342	-	438	9	16,650

Restatement of Property, plant and equipment at implementing IFRIC 12 – *Service Concession Agreements*

A restatement of property, plant and equipment has been made in relation to the implementation of IFRIC 12 – Service Concession Agreements. An intangible asset is recognized based on Sofiyska Voda's right to invoice and charge for its services – water supply, sewerage and waste water treatment in the territory of the Concession. Recognition of the asset "concession right" is accomplished by reclassifying the relevant non-current tangible assets from "Improvements to the public assets" based on their book value as at 1 January 2008 amounting to BGN 102,493 thousand.

Acquisitions

In the separate financial statements for the year ended 31 December 2009 the Company has implemented IFRIC 12 for the first time. According to it the tangible assets that are directly connected to the core activity of the Company are reclassified as an intangible asset – Concession right. After the reclassification process the major new tangible assets acquired in 2009 amount to BGN 7,677 thousand (2008: BGN 4,116 thousand; 2007: BGN 1,151 thousand) and are listed below:

In thousands of BGN	2009	2008	2007
CHP generator	5,180	-	-
Transportation vehicles	1,367	2,452	238
Other equipment	1,130	1,664	913
	7,677	4,116	1,151

Assets pledged as collateral

The Company has pledged all its present and future non-current assets in respect of secured bank loan "A".

A specific pledge on the leased vehicles has been set up in favour of the lesser. These are automobiles and construction machines with a carrying amount of BGN 2,023 thousand (2008: BGN 1,137 thousand).

16. Intangible assets

In thousands of BGN	Goodwill	Development costs	Software	Concession right	Assets under construction – Concession right	Assets under construction - other	Total
Book value							
Balance as at 1 Jan 2007	7,393	18,649	13,310	-	-	-	39,352
Acquisitions	-	2,250	134	-	-	-	2,384
Balance as at 31 Dec 2007	7,393	20,899	13,444	-	-	-	41,736
Reclassification - IFRIC 12	-	-	-	97,917	27,745	61	125,723
Transfers	(7,393)	-	-	7,393	-	-	-
Balance as at 31 Dec 2007 (restated)	-	20,899	13,444	105,310	27,745	61	167,459
Balance as at 1 Jan 2008 (restated)	-	20,899	13,444	105,310	27,745	61	167,459
Acquisitions	-	-	-	-	20,985	137	21,122
Transfers	-	-	86	18,221	(18,221)	(86)	-
Balance as at 31 Dec 2008 (restated)	-	20,899	13,530	123,531	30,509	112	188,581
Balance as at 1 Jan 2009	-	20,899	13,530	123,531	30,509	112	188,581
Acquisitions	-	-	-	-	44,193	534	44,727
Transfers	-	118	416	49,393	(49,393)	(534)	-
Balance as at 31 Dec 2009	-	21,017	13,946	172,924	25,309	112	233,308
Amortization							
Balance as at 1 Jan 2007	-	(12,043)	(5,228)	-	-	-	(17,271)
Amortization for the year	-	(2,992)	(1,335)	-	-	-	(4,327)
Balance as at 31 Dec 2007	-	(15,035)	(6,563)	-	-	-	(21,598)
Reclassification - IFRIC 12	-	-	-	(23,230)	-	-	(23,230)
Balance as at 31 Dec 2007 (restated)	-	(15,035)	(6,563)	(23,230)	-	-	(44,828)
Balance as at 1 Jan 2008 (restated)	-	(15,035)	(6,563)	(23,230)	-	-	(44,828)
Amortization for the year	-	(3,123)	(1,347)	(6,378)	-	-	(10,848)
Balance as at 31 Dec 2008 (restated)	-	(18,158)	(7,910)	(29,608)	-	-	(55,676)
Balance as at 1 Jan 2009	-	(18,158)	(7,910)	(29,608)	-	-	(55,676)
Amortization for the year	-	(1,074)	(1,372)	(8,409)	-	-	(10,855)
Balance as at 31 Dec 2009	-	(19,232)	(9,282)	(38,017)	-	-	(66,531)

16. Intangible assets (continued)

Carrying amounts							
At 31 December 2007 (restated)	-	5,864	6,881	82,080	27,745	61	122,631
At 1 January 2008 (restated)	-	5,864	6,881	82,080	27,745	61	122,631
At 31 December 2008 (restated)	-	2,741	5,620	93,923	30,509	112	132,905
At 1 January 2009	-	2,741	5,620	93,923	30,509	112	132,905
At 31 December 2009	-	1,785	4,664	134,907	25,309	112	166,777

Restatement of non-current intangible assets on implementing IFRIC 12 – Service Concession Agreements

Restatement of non-current intangible assets in relation to the implementation of IFRIC 12 – Service Concession Agreements has arisen. An intangible asset is recognized based on Sofiyska Voda's right to invoice and charge for its services – water supply, sewerage and waste water treatment in the territory of the Concession. Recognizing of the asset "concession right" is accomplished by reclassifying the non-current tangible assets from "Improvements to the public assets" based on their book value as at 1 January 2008 amounting to BGN 102,493 thousand. In addition, in the value of the intangible asset "concession right" is included the goodwill that resulted from and is directly related to the business combination required to establish the Concession.

Acquired assets

The major acquisitions of intangible assets in 2009 relate to the Concession right and amount to BGN 49,393 thousand (2008: BGN 18,221 thousand; 2007: BGN 12,200 thousand). The main components are listed below:

In thousands of BGN	**2009**	**2008**	**2007**
Water supply network and house connections	19.626	11,779	6,760
Water Waste Treatment Plant Kubratovo	15,523	498	334
Sewerage and house connections	10,564	3,050	1,021
Hydrants	1,403	756	682
Water meters	1,180	863	789
Other improvements	1,097	1,275	2,634
	49,393	18,221	12,220

Assets under construction

As at 31 Dec 2009 the major intangible assets under construction amount to BGN 25,309 thousand (2008: BGN 30,509 thousand: 2007: BGN 27,745 thousand). The most significant of them and are listed below:

In thousands of BGN	**2009**	**2008**	**2007**
Second stage of strengthening of Beli Iskar Dam	381	381	581
Waste Water Treatment Plant	757	14,042	13,840
Construction of water main system, water-main net model and DMA zones for reduction of unaccounted for water	8,732	8,397	7,753
Chlorinating stations	271	77	330
Construction of sewerage mains and sewerage model	9,051	6,871	4,670
Potable Water Treatment Plants	3,397	356	96
Impounding Structures	2,553	177	52
	25,142	30,301	27,322

Assets pledged as collateral

The Company has pledged all its present and future non-current assets in respect of secured bank loan "A".

17. Inventories

In thousands of BGN	2009	2008	2007
Spare parts and consumables	2,798	2,883	2,040
Impairment to net realizable value	(991)	(973)	(713)
	1,807	1,910	1,327

Inventories pledged as collateral

The Company has pledged all its present and future movables in respect of secured bank loan "A", including raw materials and inventories.

18. Trade and other receivables

In thousands of BGN	*Note*	2009	2008	2007
Trade and other receivables		63,458	53,569	60,483
Impairment losses on trade receivables		(34,369)	(27,640)	(33,649)
Related parties receivables	*30*	84	119	83
Prepayments		2,600	3,721	1,600
Tax receivables		-	2	812
Court receivables		1,684	1,686	1,219
Impairment losses on court receivables		(1,599)	(1,602)	(1,158)
Other receivables		36	778	156
		31,894	30,633	29,546

In 2009 receivables with 5-year validity period that was completed, have been written off, amounting to BGN 1,548 thousand. (2008: BGN 11,621 thousand). For detailed information about changes in receivables' impairment see note 26 - Financial Instruments.

Accounts receivable pledged as collateral

The Company has pledged all its accounts receivable, to be collected in the future in any local currency bank account, general receivables accounts from any party and insurance receivables related to any account receivable under the requirements of bank loan "A".
By a bailment contract signed by the Company in relation to bank loan "C", current and future receivables of the Company amounting at a minimum of EUR 200 thousand have been pledged as collateral.

The Company's exposure to interest rate risk and the sensitivity analysis of all financial assets and liabilities are reported in Note 26 – Financial Instruments.

Prepayments include:

In thousands of BGN	2009	2008	2007
Insurance	1,054	1,031	763
Licenses	71	83	193
Subscriptions	12	6	15
Advance payment on biogas equipment	-	2,219	-
Advance payment on waste water preliminary mechanical treatment facilities	1,186	-	-
Other	277	382	629
	2,600	3,721	1,600

19. Cash and cash equivalents

In thousands of BGN	2009	2008	2007
Cash on hand	42	42	34
Local currency	29	28	17
Foreign currency	13	14	17
Cash at banks	16,323	11,028	9.011
Local currency	13,662	9,392	8,938
Foreign currency	2,661	1,636	73
Cash and cash equivalents in the statement of cash flows	16,365	11,070	9,045

Cash at banks pledged as collateral

The Company has pledged all its bank accounts under the requirements of a bank loan "A". These accounts will be used for collection of cash from accounts receivable plus any insurance claims payable to the Company in relation to insurance against losses and potential damages.

The Company's exposure to Interest rate risk and the sensitivity analysis of all financial assets and liabilities are stated in Note 26.

20. Share capital and reserves

In thousands of shares	Ordinary shares		
	2009	2008	2007
Issued at 1 January	8,884	8,884	8,884
Issued as at 31 December – fully paid	8,884	8,884	8,884

As at 31 December 2009 the Company's share capital includes 8,884,435 ordinary shares (2008: 8,884,435). All shares have a nominal value of BGN 1. Shareholders in the Company as at 31 December 2009 are:

- United Utilities (Sofia) BV – 6,850,000 ordinary shares (77,1 %);
- Vodosnabdyavane i kanalizatsia AD - 2,034,435 ordinary shares (22,9 %).

With a pledged endorsement dated 19 December 2000 in favour of the bank which provided secured bank loan "A", 6,850,000 ordinary shares have been pledged and this fact is inscribed in the shareholders' book based on a contract for pledge of shares.

The holders of ordinary shares possess dividend rights and voting rights at the Company's General Shareholders Meeting of one vote for each share in their possession. All shares rank equally with regard to the Company's residual assets.

Legal reserves

Legal reserves represent 10% of the profit after tax in accordance with the requirements of art. 246 of the Bulgarian Commercial Act.

Hedge Reserves

Hedge reserve includes the effective part of the net change in fair value of instruments hedging cash flows related to hedge deals. which have not occurred yet

21. Interest-bearing loans and borrowings

This note provides information on the contractual terms of the Company's interest-bearing loans and borrowings.

In thousands of BGN	2009	2008	2007
Non-current liabilities			
Loans at nominal value	136,475	118,175	110,517
Amortization	(1,892)	(1,754)	392
Loans at amortized cost	134,583	116,421	110,909
Finance lease liabilities	1,275	1,030	589
	135,858	117,451	111,498
Current liabilities			
Loans at nominal value	4,517	4,369	13,365
Amortization	(558)	372	143
Loans at amortized cost	3,959	4,741	13,508
Finance lease liabilities	746	652	320
	4,705	5,393	13,828

In accordance with the loan agreement with EBRD the Company has the obligation to maintain an Annual Debt Service Coverage Ratio (ADSCR) of 1.3:1. The ADSCR should show that at any Calculation Date (31 December) the Free Cash Flow for the twelve month period immediately preceding such Calculation Date divided by the aggregate amount of principal and interest payments falling due and payable during such period should be 1.3:1.

In accordance with the Amended and Restated Loan Agreement (ARLA) the calculation of the annual debt service coverage ratio is calculated by the bank by the means of a model based on the actual and estimated values as at the date of preparation. As per the latest version of the model the estimated annual ADSCR for 2009 is 1:9:1.

The Company has the obligation of furnishing the verified annual separate financial statements within calendar 120 days of the beginning of the year to the bank. The bank updates the calculations of the ratio in a new version of their model.

Terms and debt repayment schedule

				31 December 2009		31 December 2008		31 December 2007	
In thousands of BGN	Currency	Nominal interest rate	Maturity	Nominal value	Book value	Nominal value	Book value	Nominal value	Book value
Loan „A"	EUR	1.75 % + 6m EURIBOR	2023	68,327	66,290	49,863	48,123	52,906	52,316
Loan „B"	EUR	5.95% + 6m EURIBOR	2015	71,117	70,706	71,117	71,483	70,976	72,101
Loan „C"	EUR	2.50% + 3m EURIBOR	2013	1,549	1,546	1,564	1,556	-	-
Finance lease liabilities				2,021	2,021	1,682	1,682	909	909
				143,014	140,563	124,226	122,844	124,791	125,326

21. Interest-bearing loans and borrowings (continued)

Finance lease liabilities

The financial lease liabilities are due as follows:

In thousands of BGN	Future minimum lease payments 2009	Interest 2009	Present value of future lease payments 2009	Future minimum lease payments 2008	Interest 2008	Present value of future lease payments 2008	Future minimum lease payments 2007	Interest 2007	Present value of future lease payments 2007
Less than 1 year	869	123	746	780	128	652	383	63	320
Between 1 and 2 years	913	78	835	865	71	794	382	36	346
2 to 5 years	516	76	440	274	38	236	251	8	243
	2,298	277	2,021	1,919	237	1,682	1,016	107	909

22. Deferred tax assets and liabilities

The net deferred tax assets are recognized in the separate financial statements. The reporting of the existing deferred assets and liabilities is presented below:

In thousands of BGN	Assets 2009	Liabilities 2009	Net 2009	Assets 2008	Liabilities 2008	Net 2008
Property, plant and equipment	-	(1,698)	(1,698)	-	(1,840)	(1,840)
Inventories	99	-	99	97	-	97
Trade receivables	3,448	-	3,448	2,857	-	2,857
Provisions	74	-	74	254	-	254
Accrual for unused paid leave	108	-	108	94	-	94
Non-current personnel income	92	-	92	75	-	75
Current personnel income	130	-	130	91	-	91
Hedging instruments	740	-	740	232	-	232
Trade payables	477	-	477	642	-	642
Deferred tax assets/ (liabilities)	5,168	(1,698)	3,470	4,342	(1,840)	2,502

In determining the current and deferred taxes the Company has adopted as an accounting basis that stated in Significant accounting policies - Note 3. The deferred tax for 2009 is calculated by using the tax rate applicable to the Company which is the effective income tax rate for 2009 - 10%.

22. Deferred tax assets and liabilities (continued)

Changes throughout the year

In thousands of BGN	Balance as at 1 January 2008	Recognized in profit and loss	Recognized in other comprehensive income	Balance as at 31 December 2008	Recognized in profit and loss	Recognized in other comprehensive income	Balance as at 31 December 2009
Property, plant and equipment	-	(1,840)	-	(1,840)	142	-	(1,698)
Inventories	-	97	-	97	2	-	99
Trade receivables	-	2,857	-	2,857	591	-	3,448
Provisions	-	254	-	254	(180)	-	74
Accrual for unused paid leave	-	94	-	94	14	-	108
Non-current personnel income	-	75	-	75	17	-	92
Current personnel income	-	91	-	91	39	-	130
Hedging instruments	-	-	232	232	-	508	740
Trade payables	-	642	-	642	(165)	-	477
Deferred tax assets/ (liabilities)	-	2,270	232	2,502	460	508	3,470

23. Trade and other payables

In thousands of BGN	2009	2008	2007
Trade payables	6,937	6,577	3,720
Payables to employees	3,198	2,473	2,097
Social security payables	691	691	525
Payables for water usage tax	4,918	404	4,103
Trade payables as per Contract with Municipality of Sofia	7,485	-	-
Other payables and accruals (see the table below)	13,737	12,155	5,575
	36,966	22,300	16,020

Other payables and accruals include:

In thousands of BGN	2009	2008	2007
Support of water-main and sewerage network	2,818	2,542	2,400
Security	104	109	336
Guarantees	1,788	1,578	997
Insurance	1,124	538	830
ISPA	1,562	863	347
Reading of meters	132	160	-
Advance payment on Emissions Reduction Purchase Agreement	3,613	4,922	-
Others	2,596	1,443	665
	13,737	12,155	5,575

The Company's exposure to Interest rate risk and the sensitivity analysis of all financial assets and liabilities are stated in Note 26 – Financial Instruments

24. Provisions

In thousands of BGN	**2009**	**2008**	**2007**
Provision for court liabilities	739	540	251
Liability provision in accordance with the Settlement Agreement between SV and Municipality of Sofia	-	2,000	-
	739	2,540	251

The change in provisions throughout the year is presented below:

In thousands of BGN	Balance at 1 January 2009	Provisions made during the year	Provisions used during the year	Cancelled provisions during the year	Discount effect	Balance at 31 December 2009
Provision for court liabilities	540	489	(290)	-	-	739
Liability provision in accordance with the Settlement Agreement between Sofiyska Voda and Municipality of Sofia	2,000	-	(2,000)	-	-	-
	2,540	489	(2,290)	-	-	739

25. Tax liabilities

In thousands of BGN	**2009**	**2008**
Corporate tax liability	-	893
Other tax liabilities	320	184
	320	1,077

26. Financial instruments

Credit risk

The amount of the financial instruments represents the maximum credit exposure. This maximum credit exposure at the balance sheet date is:

In thousands of BGN	**Book value 31 December 2009**	**Book value 31 December 2008**
Trade and other receivables	29,160	25,963
Loans to related party	97	169
Cash and cash equivalents	16,365	11,070
	45,622	37,202

The cost of the trade receivables by client type reflects the maximum credit exposure as at the reporting date and amounts to:

In thousands of BGN	**Cost 31 December 2009**	**Cost 31 December 2008**
State budget organizations	829	561
Commercial customers	6,361	5,258
Domestic population	47,489	40,283
Other customers	10,546	9,272
	65,225	55,374

26. Financial instruments (continued)

The time aging structure of trade receivables of the Company at the balance sheet date is:

In thousands of BGN	2009 Cost	2009 Impairment	2008 Cost	2008 Impairment
Not yet due	15,536	-	14,207	-
Overdue 30 days	3,654	(183)	3,524	(176)
Overdue from 31 to 120 days	7,264	(868)	6,010	(702)
Overdue from 121 to 210 days	5,236	(1,954)	3,979	(1,439)
Overdue from 211 to 270 days	2,987	(2,510)	2,245	(1,571)
Overdue from 271 to 360 days	3,838	(3,743)	2,997	(2,942)
Overdue more than 1 year	26,710	(26,710)	22,412	(22,412)
	65,225	(35,968)	55,374	(29,242)

Company's receivables impairment at the report date, including court receivables impairment is:

In thousands of BGN	2009	2008
Balance in the beginning of the period	(29,242)	(34,808)
Accruals during the period	(8,274)	(6,055)
Written-off	1,548	11,621
Balance in the end of the period	(35,968)	(29,242)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2009

In thousands of BGN	Book value	Contracted cash flows	Up to 1 year	Between 1 - 2 years	Between 2 – 5 years	More than 5 years
Non-derivative financial liabilities						
Loan „A" (1.75% + 6 month EURIBOR)	66,290	(83,840)	16,029	(18,699)	(32,339)	(48,831)
Loan „B" (5.95% +6 month EURIBOR)	70,706	(97,077)	(4,944)	(9,902)	(82,231)	-
Loan „C" (2.5% + 3 month EURIBOR)	1,546	(1,641)	(504)	(915)	(222)	-
Liabilities to related parties	9,440	(9,440)	(9,440)	-	-	-
Finance lease liabilities	2,021	(2,299)	(869)	(913)	(517)	-
Trade and other payables	26,867	(26,867)	(26,867)	-	-	-
	176,870	(221,164)	(26,595)	(30,429)	(115,309)	(48,831)
Derivative financial liabilities						
SWAP Contracts for interest risk hedging	7,398	(7,398)	(7,398)	-	-	-
	7,398	(7,398)	(7,398)	-	-	-

26. Financial instruments (continued)

Liquidity risk
31 December 2008

In thousands of BGN	**Book value**	**Contracted cash flows**	**Up to 1 year**	**Between 1 - 2 years**	**Between 2 – 5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loan „A" (1.75% +6 month EURIBOR)	48,123	(90,712)	11,907	5,995	(41,892)	(66,722)
Loan „B" (5.95% +6 month EURIBOR)	71,483	(122,352)	(8,774)	(16,173)	(58,822)	(38,583)
Loan „C" (2.5% +3 month EURIBOR)	1,556	(1,790)	(391)	(715)	(684)	-
Liabilities to related parties	9,754	(9,754)	(9,754)	-	-	-
Finance lease liabilities	1,682	(1,919)	(780)	(865)	(274)	-
Trade and other payables	12,771	(12,771)	(12,771)	-	-	-
	145,369	(239,298)	(20,563)	(11,758)	(101,672)	(105,305)
Derivative financial liabilities						
SWAP Contracts for interest risk hedging	2,323	(2,323)	(2,323)	-	-	-
	2,323	(2,323)	(2,323)	-	-	-

Currency risk

	31 December 2009			**31 December 2008**		
	EUR '000	GBP '000	USD '000	EUR '000	GBP '000	USD '000
Trade payables	(4,747)	(15)	(653)	(4,343)	(216)	(486)
Interest-bearing loans and borrowings	(70,836)	-	-	(61,949)	-	-
Gross Balance Exposure	(75,583)	(15)	(653)	(66,292)	(216)	(486)

The following significant exchange rates are applied during these periods:

	Average period FX rate		**FX rate at balance sheet date**	
	2009	**2008**	**2009**	**2008**
USD 1	1.405526	1.33683	1.36409	1.387310
GBP 1	2.197192	2.46348	2.16353	2.007630

Sensitivity Analysis

A 10 % increase of the exchange rate at 31 December in relation to the currencies shown below would increase (decrease) the capital and profit or losses with the written down amounts. The analysis makes the assumptions that all other variables, especially the interest rates are fixed. For 2008 the analysis is done on the same basis.

In thousands of BGN	**Capital**	**Statement of comprehensive income**
31 December 2009		
USD	-	(92)
GBP	-	(3)
31 December 2008		
USD	-	(67)
GBP	-	(43)

26. Financial instruments (continued)

A 10 % decrease of BGN against the above currencies as at 31 December would have the same, as amounts, but opposite effect, making the same assumption that all other variables are fixed

Bulgaria operates under the conditions of a Currency board. The exchange rate of BGN is currently fixed at 1.95583 BGN for 1 EUR. Most deals, not undertaken in BGN are undertaken in EUR.

Interest rate risk

Profile

As at the date of reporting the interest rate profile of financial instruments is:

In thousands of BGN	2009	2008
Instruments on a fixed rate basis		
Financial assets	16,323	11,078
Financial liabilities	(125)	(76)
	16,198	11,002
Instruments on a floating rate basis		
Financial assets	29,160	25,980
Financial liabilities	(140,439)	(122,768)
	(111,279)	(96,788)

Interest rate risk

Sensitivity analysis against the fair value of instruments with fixed interest rate

The Company has not accrued financial assets and liabilities with fixed interest rate at fair value, accounted through profits and loss in the Statement of comprehensive income. The Company is a party to derivatives contracts (Interest swaps) as hedge instruments according the model for hedging the fair value. Therefore, the change of the interest rates for the period between the signing of the SWAP contracts and the reporting date does not result in any profit or loss.

Sensitivity analysis against the fair value of instruments with variable interest rate

A change of the interest rates by 100 basis points on 31 December would increase / decrease the equity and profit or loss with the amounts below. An assumption is made during the analysis that all other variables, especially the currency exchange rates are relatively constant. For 2008 the analysis is using the same basis.

Effects in thousands of BGN	Profit or loss		Equity	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
31 December 2009				
Financial assets with floating interest rate	292	(292)	-	-
Financial liabilities with floating interest rate	(1,404)	1,404	-	-
Financial instrument hedging the interest rate risk	1,314	(1,314)	-	-
Cash flow sensitivity (net)	202	(202)	-	-

26. Financial instruments (continued)

31 December 2008

Financial assets with floating interest rate	260	(260)	-	-
Financial liabilities with floating interest rate	(1,228)	1,228	-	-
Financial instrument hedging the interest rate risk	1,223	(1,223)	-	-
Cash flow sensitivity (net)	255	(255)	-	-

Fair values compared to book values

The fair values of financial assets and liabilities, as well as their book values are stated in the Statement of financial position as follows:

In thousands of BGN	31 December 2009		31 December 2008	
	Book value	**Fair value**	**Book value**	**Fair value**
Trade and other receivables	29,160	29,160	25,963	25,963
Receivables from related party	97	97	169	169
Cash and cash equivalents	16,365	16,365	11,070	11,070
Loans to related party	-	-	50	50
Loans from related parties	(136,996)	(136,996)	(119,606)	(119,606)
Loan „C"	(1,546)	(1,546)	(1,556)	(1,556)
Trade and other payables	(26,867)	(26,867)	(12,771)	(12,771)
Payables to related party	(9,440)	(9,440)	(9,754)	(9,754)
Payables on financial lease	(2,021)	(2,021)	(1,682)	(1,682)
Hedging financial instrument	(7,398)	(7,398)	(2,323)	(2,323)
	(138,646)	(138,646)	(110,440)	(110,440)

As at 31 December 2009 the Company has liabilities on loan „A" and loan "B" amounting to BGN 66,290 thousand and BGN 70,707 thousand the book values. With a SWAP transaction letter agreement from 12 November 2008 the Company fixes it's exposure to the six-month EURIBOR for the previously stated loans, as concerning loan "A" the fixed interest rate is 3.694%, and concerning loan "B" the fixed interest rate is 3.650% until 2013 (for the period of the approved Business Plan 2009-2013). Both contracts are for a 5-years period.

27. Liabilities for retirement compensation

Present value of the liability for payment of defined benefit scheme for retirement

In thousands of BGN	**2009**	**2008**
Present value of the liability on 1 January	751	592
Interest expense	54	44
Current labour cost	120	91
Actuarial loss	193	212
Paid compensations to retired employees	(196)	(188)
Present value of the liability on 31 December	922	751
Liability recognized in the Statement of financial position as at 31 December, including:	922	751
Short – term liabilities for retirement compensation	324	326
Long – term liabilities for retirement compensation	598	425

Expenses recognized in the income statement

In thousands of BGN	**2009**	**2008**
Current labour cost	120	91
Interest expense	54	44
Actuarial loss	193	212

Actuarial assumptions

	2009	**2008**
Discount rate at 31 December	6.5%	6.5%
Salary increase (annual for 10 years)	3.5%	5%
Employee turnover	12.5%	13%

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 = 6.5% is used. This rate is based on analysis of the offered long-term investment instruments on the Bulgarian stock market.

27. Liabilities for retirement compensation (continued)

Actuarial assumptions

In thousands of BGN	**100 basis points increase of salaries growth**	**100 basis points decrease of salaries growth**
Effect on the liability for retirement compensation	18	(18)

In thousands of BGN	**100 basis points increase of interest growth**	**100 basis points decrease of interest growth**
Effect on the liability for retirement compensation	(18)	18

In thousands of BGN	**100 basis points increase of rate of leavers**	**100 basis points decrease of rate of leavers**
Effect on the liability for retirement compensation	(27)	27

In thousands of BGN	**100 basis points increase of mortality rate**	**100 basis points decrease of mortality rate**
Effect on the liability for retirement compensation	(9)	9

28. Contingent liabilities

(a) Bank guarantees

A bank guarantee has been issued by a bank in relation for good performance of the Company as per the Concession Agreement at the amount of USD 750 thousand.

The bank guarantee expires on 15 December 2010.

(b) Infrastructure

In accordance with a contract dated 08 July 2005 between the Republic of Bulgaria, presented by the Minister of the Economy and Energy (the State) and Business Park Sofia EOOD and Lindner AG, Germany (the Investor), the State will finance the construction and rehabilitation of elements of the technical infrastructure within the boundaries of "Sofia Park" project. In accordance with this contract Business Park Sofia EOOD and Lindner AG, Germany are obliged to make investments in project "Sofia Park" in compliance with an approved investment plan, which includes buildings, roads and technical infrastructure. The total amount of the state participation under the conditions of the contracts is BGN 13,650 thousand, including water main infrastructure in the amount of BGN 6,103 thousand.

A decision of the Commission for Protection of Competition from October 2005 states that the State financial obligations will not represent state aid only if within three months from the construction of the new water main infrastructure, the Concession Agreement is annexed with the aim to recover the amount of the water main infrastructure expenditure from "Sofiyska Voda" AD to the Sofia Municipality.

The Company is pursuing a claim to the Supreme court against the decision of the Commission for Protection of Competition. The final decision of the Supreme court (dated 07 June 2007) rejects the appeal of "Sofiyska Voda" AD.

The construction works on the water-main and sewerage system, related to the decisions of both the Commission for Protection of Competition and the Supreme Court have been completed and commissioned, however no services have been rendered yet and consequently no obligation has arisen for the Company, pursuant to the agreement with the Municipality of Sofia for reimbursement of equivalent claims related to the Concession Agreement.

29. Obligations for the acquisition of property, plant and equipment

As per the Concession Agreement with Sofia Municipality on 23 December 1999, the Company must implement a minimum capital investment during the first 15 years, as from the date this contract – amounting to not less than 150 million USD, based on the investment plan for the Concession period. Non-fulfilment of 75% (in value) of these capital investments, based on the investment plan for a period of two consecutive years may result in termination of the Concession Agreement by the Grantor.

This article from the contract has been amended with a Second additional annex to the Concession Agreement, signed on 19 March 2008. According to this additional annex to the Concession Agreement, a precondition for termination is a 75% non-fulfilment of the projected and approved investments by the State Commission for Energy and Water Regulation, in two consecutive years, during the same regulatory period and provided that the prices to allow for those investments have been approved by the Regulator.

In its decision Nr: BP-008/ 09.10.2008 the State Commission for Energy and Water Regulation approved the Business Plan of Sofyiska Voda for the second regulatory period 2009 – 2013. This decision also approved the proposed Investment programme of Sofiyska Voda AD amounting to BGN 240 million.

The investment obligations of Sofiyska Voda AD are presented below:

29. Obligations for the acquisition of property, plant and equipment (continued)

In thousands of BGN	2009	2010	2011	2012	2013	Total
Business Plan obligations	52,500	52,100	41,700	43,000	51,100	240,400
Including Concession Agreement obligations	*13,951*	*14,566*	*13,550*	*10,775*	*11,419*	*64,261*
Settlement Agreement with the Municipality of Sofia obligations	355	1,850	98	99	99	2,500

The obligations under the Concession Agreement are included in the amounts of the obligations as per the approved Business Plan.
The Investment Program of Sofiyska Voda AD has been prepared in compliance with the Business Plan technical parameters, including: the forecast consumption volumes, the unaccounted-for-water (UFW) reduction programme, capital maintenance and reconstruction of the water mains needs, construction of new service connections and in order to achieve the long-term key performance indicators for the water and sewerage service levels. The implementation of the Investment Program will be financed by bank credit, ISPA financing and own funds.

The implementation of the above mentioned investments is dependent on the prices to be approved by SCEWR during the regulatory period. The price increases proposed in the approved Business Plan are 10% annual increase for the water supply price and 15% annual increase for sewerage and wastewater treatment price during the period 2010-2013, which is an average of 11.5% annual increase of the complex service price. Sofiyska Voda AD can implement the full capacity of its investment program only if the above mentioned projected increases are approved by SCEWR. The price period is one year. As notified in the note 31 as of 01.01.2010 the company is already applying new complex price with increase from the previous year of 9.5%. Given that price level, the Company investments planned for the year of 2010 amount to BGN 50.7 million.

30. Related parties

The Company has a related party relationship with its parent company – "United Utilities UU (Sofia) B.V.", which holds 77,10% of the Company's shares, as well as with the other companies in the Group. The ultimate parent company is United Utilities Corporation PLC.
The following transactions have taken place during 2009

Related party *In thousands of BGN*	**Relation**	**Transactions during the year**	**Balance as at 31 December 2009** Receivables	Payables
United Utilities UU (Sofia) BV	Controls 77.10% of the shares of "Sofiyska Voda" AD	Loan provided - Accrued interest 6,611 Other		70,707 Liability for loan received at amortized cost 44 Other trade payables
United Utilities International Ltd	Controls 50% of the shares of United Utilities UU (Sofia) BV and 50% of the shares of United Utilities – Europe Holdings BV"	Services rendered under a contract for technical services 1,544 Other 50	50	5,966
United Utilities – Europe Holdings BV	Controls 50% of the shares of United Utilities UU (Sofia) BV			3,341

30. Related parties (continued)

Related party *In thousands of BGN*	**Relation**	**Transactions during the year**		**Balance as at 31 December 2009** **Receivables**	**Payables**
Water Industry Support and Education AD	100% subsidiary of Sofiyska Voda AD	Interest income	2		88
		Proceeds on a loan provided by Sofiyska Voda AD	37	13	
		Project Management services provided to the Company	725		
		Investor's control provided to the Company	514		
		Rent	97		
		Administrative expenses	22	34	
European Bank for Reconstruction and Development	Controls 50% of the shares of United Utilities – Europe Holdings BV	Accrued interest	2,769		66,290 Liability for loan received at amortized cost
Vodosnabdyavane i Kanalizatsia EAD	Controls 22.90% of the shares of Sofiyska voda AD	Rent	16	-	-
		Total:		97	146,436

30. Related parties (continued)

The following transactions have taken place during 2008

Related party	Relation	Transactions during the year	Balance as at 31 December 2008	
In thousands of BGN			Receivables	Payables
United Utilities UU (Sofia) BV	Controls 77.10% of the shares of "Sofiyska Voda" AD	Loan provided - Accrued interest 3,195 Other	-	71,483 Liability for loan received at amortized cost 44 Other trade payables
United Utilities International Ltd	Controls 50% of the shares of United Utilities UU (Sofia) BV and 50% of the shares of United Utilities – Europe Holdings BV"	Services rendered under a contract for technical services 1,417 Other 83	83	5,011
United Utilities – Europe Holdings BV	Controls 50% of the shares of United Utilities UU (Sofia) BV	-	-	4,597
Water Industry Support and Education AD	100% subsidiary of Sofiyska Voda AD	Interest income 4	1	-
		Proceeds on a loan provided by Sofiyska Voda AD 51	50	-
		Project Management services provided to the Company 515	-	38
		Investor's control provided to the Company 211		64
		Administrative expenses 12 Rent 88	35	-
European Bank for Reconstruction and Development	Controls 50% of the shares of United Utilities – Europe Holdings BV	Accrued interest 3,988	-	48,123 Liability for loan received at amortized cost
		Total:	169	129,360

30. Related parties (continued)

Transactions with directors and officers on key positions

The Company has relationship of a related party with directors and officers on key positions. The total amount of the accounted remunerations, included in personnel expenses and in hired services are as follows:

In thousands of BGN	**2009**	**2008**
Remuneration of the Board of Directors	72	76
	72	76

31. Subsequent events after the date of the statement of financial position

(a) Approval of the new tariff

On 22 December 2009 the State Commission for Energy and Water Regulation approved Sofiyska Voda AD prices for the services provided by the company with a Decision № Ц-62(in accordance with the already approved Business plan). As of 1 January 2010 the price for the combined water, wastewater and treatment services in the City of Sofia is BGN 1.280 per cubic meter (excluding VAT). The increase is 9.5 %.

32 Restatement of the separate financial statements in relation to applying IFRIC 12 – *Service Concession Agreements*

Separate statement of comprehensive income

As at 31 December 2008

In thousands of BGN	2008 before implementing IFRIC 12	Restatement	2008 after implementing IFRIC 12
Revenue	94,180		94,180
Other income	1,322		1,322
Revenue from construction	-	20,985	20,985
	95,502	20,985	116,487
Expenses for materials	(9,398)		(9,398)
Expenses for hired services	(24,314)		(24,314)
Depreciation and amortization	(12,696)		(12,696)
Salaries, remuneration and other personnel benefits	(10,766)		(10,766)
Social security contributions and other social expenses	(3,648)		(3,648)
Other operating expenses	(10,366)		(10,366)
Expenses on construction	-	(20,985)	(20,985)
Profit from operating activities	24,314	-	24,314
Finance income	818		818
Finance expense	(8,219)		(8,219)
Net Financing expense	(7,401)	-	(7,401)
Profit before tax	16,913		16,913
Income tax expense	(507)		(507)
Net profit for the year	16,406		16,406
Other comprehensive income			
Net change in fair value of cash flow hedges transferred to profit or loss	(2,323)		(2,323)
Deferred tax on other comprehensive income	232		232
Other comprehensive income for the period, net of income tax	(2,091)		(2,091)
Total comprehensive income for the period	14,315		14,315

32 Restatement of the separate financial statements in relation to applying IFRIC 12 – *Service Concession Agreements*

Separate statement of financial position
As at 31 December 2008

In thousands of BGN	**2008 before implementing IFRIC 12**	**Restatement**	**2008 after implementing IFRIC 12**
Assets			
Property, plant and equipment	128,401	(117,151)	11,250
Intangible assets	15,754	117,151	132,905
Financial assets	-		-
Investments in subsidiaries	5		5
Loans to related parties	-		-
Deferred taxes assets	4,342		4,342
Total non-current assets	148,502	-	148,502
Inventories	1,910		1,910
Trade and other receivables	30,633		30,633
Loans to related parties	50		50
Cash and cash equivalents	11,070		11,070
Total current assets	43,663		43,663
Total Assets	192,165		192,165

32 Restatement of the separate financial statements in relation to applying IFRIC 12 – *Service Concession Agreements*

Separate statement of financial position (continued)
As at 31 December 2008

In thousands of BGN	2008 before implementing IFRIC 12	Restatement	2008 after implementing IFRIC 12
Share capital	8,884		8,884
Reserves	(1,692)		(1,692)
Retained earnings	21,544		21,544
Total capital and reserves	28,736	-	28,736
Non-current liabilities			
Interest bearing loans and borrowings	116,421		116,421
Liabilities under finance leases	1,030		1,030
Liabilities for retirement compensation	425		425
Financing – Concession right			
Deferred tax liabilities	1,840		1,840
Total non-current liabilities	119,716	-	119,716
Interest bearing loans and borrowings	4,741		4,741
Liabilities under finance leases	652		652
Tax liabilities	1,077		1,077
Payables to related parties	9,754		9,754
Provisions	2,540		2,540
Trade and other payables	22,300		22,300
Derivatives	2,323		2,323
Liabilities for retirement compensation	326		326
Total current liabilities	43,713	-	43,713
Total liabilities	163,429	-	163,429
Total equity and liabilities	192,165	-	192,165

32 Restatement of the separate financial statements in relation to applying IFRIC 12 – *Service Concession Agreements*

Separate statement of financial position
As at 31 December 2007

In thousands of BGN	**2007 before implementing IFRIC 12**	**Restatement**	**2007 after implementing IFRIC 12**
Assets			
Property, plant and equipment	111,557	(102,493)	9,064
Intangible assets	20,138	102,493	122,631
Financial assets	60		60
Investments in subsidiaries	5		5
Loans to related parties	63		63
Deferred taxes assets	-		-
Total non-current assets	131,823	-	131,823
Inventories	1,327		1,327
Trade and other receivables	29,546		29,546
Loans to related parties	38		38
Cash and cash equivalents	9,045		9,045
Total current assets	39,956		39,956
Total Assets	171,779	-	171,779

32 Restatement of the separate financial statements in relation to applying IFRIC 12 – Service Concession *Agreements*

Separate statement of financial position (continued)
As at 31 December 2007

In thousands of BGN	**2007 before implementing IFRIC 12**	**Restatement**	**2007 after implementing IFRIC 12**
Share capital	8,884		8,884
Reserves	300		300
Retained earnings	5,237		5,237
Total capital and reserves	14,421	-	14,421
Non-current liabilities			
Interest bearing loans and borrowings	110,909		110,909
Liabilities under finance leases	589		589
Liabilities for retirement compensation	404		404
Financing – Concession right			
Deferred tax liabilities	-		-
Total non-current liabilities	111,902	-	111,902
Interest bearing loans and borrowings	13,508		13,508
Liabilities under finance leases	320		320
Tax liabilities	1,840		1,840
Payables to related parties	13,329		13,329
Provisions	251		251
Trade and other payables	16,020		16,020
Derivatives	-		-
Liabilities for retirement compensation	188		188
Total current liabilities	45,456	-	45,456
Total liabilities	157,358	-	157,358
Total equity and liabilities	171,779	-	171,779

ANNUAL REPORT

SOFIYSKA VODA AD

2009

FINANCIAL REVIEW

Financially, 2009 was another successful year for Sofiyska Voda AD. The profit from the operating activity for the year is BGN 25.0 million (as compared to BGN 24.3 million in 2008).

As at the end of 2009, the Company's revenues from main charges amount to BGN 103.1 million, which is 17.7% above the revenues from main charges in the previous year - BGN 87.6 million. The main reason for it is the tariff increase effective as of January 1st 2009. The Company's total revenue for 2009 is BGN 157.4 million and it is 35.1% above the previous year revenue. In 2009 the Company applies the endorsed by the European Commission IFRIC 12 – Service Concession Agreements and according to the adopted methodology the revenue from construction amounts to BGN 44,2 M.

In accordance with the Agreement signed on 21 September 2007 between Sofiyska Voda AD and the Carbon Fund established with the EBRD for sale of reduced carbon emissions, in 2009 based on the prepared monitoring reports, an income amounting to BGN 2 293 thousand was recognized as revenue as a result of the sold carbon emissions. Split by years this income is as follows: 2008 – BGN 930 thousand and 2009 - BGN 1 363 thousand.

The Company's 2009 total operating costs amount to BGN 132.4 M. The stated amount includes BGN 44.2 M construction costs resulting from IFRIC 12 applying and these costs offset the revenue from construction stated above.

The total fixed costs for 2009 are within the budgeted for the year excluding the provision of BGN 12.2 M in accordance with the Agreement with the MoS, which is not in the budget for 2009. The total variable costs are 0.3% above budgeted.

Following the established practice, in February employees' salaries were indexed with the annual inflation rate. In April the salary levels in the Company were reviewed as compared to the market levels. As a result, staff expenses increased by 20.9% as compared to 2008.

The depreciation and amortization costs are lower than budgeted as a result of the delay in putting some assets into operation.

Expenses for interest payable throughout the year are in line with the budgeted as a result of the signed in 2008 contracts for fixing the six-month Euribor under the two main loan agreements. The profit after depreciation and interests is BGN 18.2 M, which is BGN 1.3 M more than the profit for the previous 2008.

FINANCIAL INSTRUMENTS

The Company's policy regarding financial risk, as well as its exposure to tariff, credit and liquidity risk are described in detail in the notes to the 2009 Financial Statements.

The Company used derivative financial instruments in order to hedge its interest rate risk exposure.

With SWAP contracts dated 12.11.2008, the Company executed two interest rate hedges:

- with ING Bank a contract was signed to fix the six-month Euribor on the Senior loan with EBRD of 3.694% for a 5-year period
- with Citibank a contract was signed to fix the six-month Euribor on the Subordinate loan of 3.650% for a 5-year period

In order to report the two contracts in the financial statements, hedge accounting is applied. Following their impairment, the effect in the financial statements is a financial liability to the total amount of BGN 5.1 million.

EVENTS FOLLOWING THE BALANCE SHEET DATE

All significant events after the Balance Sheet date and their effects on the Company's activity are listed in Note 28 to the 2009 Separate Financial Statements.

CUSTOMER SERVICE

As a whole 2009 was a very successful year in terms of customer service. The service improvement influenced the customers' satisfaction rate – 80.7% of the Company's entire activity.

An important part of servicing our customers and enhancing their satisfaction with the Company's activity is customer relations. In 2009 Sofiyska Voda again worked actively on improving and expanding the communication channels with customers.

Call Centre

The 24/7 Call Centre has 16 lines, on which operators receive 1 300 calls on average per day. In 2009 the incoming calls are 1.25% less as compared to 2008. In 2009 answered were 447 000 incoming calls in the Call Centre, which is 2.5% more as compared to 2008.

Customer Service Centres

The ten Customer Service Centres (CSC) of Sofiyska Voda AD are located in various parts of the city. In November a new CSC was opened in the building of the Architecture and Urban Planning Directorate. In 2009 total of 680 000 customers visited the CSCs, 530 000 of them to pay their water bills. Compared to the previous year the number of the cash payments in the CSCs is reduced due to the increased number of the payment ways and places, but as a whole the number of the visits to the CSCs remain stable.

Internet services

From the date the new webpage was in use, 17 September 2008, till the end of 2009 the visits registered were more than 920 000. 11 630 water meter self-readings were submitted by customers.

Throught the year 5588 inquiries were sent, 4410of them requesting a reply. All replies were sent within 1 business day.

Visits to customer properties

The number of the visits to customer properties upon customer request is increased.

Visits by territory representatives – an increase by 1.72% as compared to 2008.

Visits for water meter sealing by meter readers – by 9% more as compared to 2008.

Information to customers about water supply planned interruptions

The implementation of the investment projects for the WSS improvement in many cases requires temporary interruption of the water supply. In 2009 the system was updated for regular notifying of customers about all coming planned interruptions via mass media, notices left at the entrance of the building or the service for automatic notification via electronic message. Information letters are also sent to customers providing information about the Company's Investment projects.

Water meter services, billing and revenue collection

Water meter replacement

The accurate metering of the water volume supplied to customers is an important aspect of the customer service. 7680 new revenue meters were installed in 2009 as a part of the Investment Programme, which is about 20% more than in 2008.

Water Meter reading

The revenue water meters in the blocks of flats in the city area are read on a monthly basis. In the extra-urban areas (villages and exurbs), the water meters are read in line with the schedule.

The individual water meters are read once a quarter. The customers receive information about the period of the visit of the meter readers from the CSCs, the Company web-page and the Call Centre in order to be able to ensure access for the meter reading. In 2009, 81.5% of the water meters, subject to reading, were read.

Billing

As at the end of 2009 the customers of Sofiyska Voda AD were 560 700. This is by 32 100 more as compared to 2008. Over the reporting period 6 227 600 invoices were issued, by 3.66% more as compared to 2008. The invoices issued after actual meter reading were 2 214 650.

Revenue collection

Sofiyska Voda AD puts great effort in enhancing revenue collection by means of offering various ways for bill payment by customers or by means of offering deferred payment schemes for accumulated debts. After the 2008 positive trend, in 2009 revenue collection (revenues versus billed) decreased from 95.9% to 92.2%. The trend bad debt over 1 year old as at the end of 2009 increased by 29.3% as compared to 2008.

The trend is continuing for an increase of the outstanding debt older than a year, as at the end of 2009 it increased by 24.3%, as compared with the end of 2008.

Non-regulated business

In 2009 again the trend for seeking possibilities for expanding the scope of services offered by Sofiyska Voda AD continued. In 2009 the water meter delivery, installation and sealing service was available on the territory of the entire city. As a result 18,816 individual water meters were installed (17,800 in 2008). The revenues from services in 2009 increased by 24.3% as compared to 2008.

OPERATIONS AND MAINTENANCE

Water Resource Management

The constant monitoring of the water volumes supplied to Sofia is the basis forthe water management realized by Sofiyska Voda AD.
Water supplied in 2009:

1. Total water supplied from all potable water sources - 226 521 870 м^3
   - Including the Municipality of Samokov - 7 253 399 м^3
   - To the Municipality of Sofia - 219 632 879 m^3,
2. Industrial water - 9 065 700 m^3
3. The monitoring data show that as compared to 2000 the Company has achieved an actual reduction on the water volumes used for Sofia's water supply.

The potable water supplies in 2009 as compared to 2000 has decreased by 47.1 million m^3 or 17.7%.
The water volumes supplied to Sofia in 2009 have decreased as compared to 2008 by 5.1 million m^3 or 2.3%.

Reduction of Unacounted-for Water

In 2009 the reduction of the unaccounted for water (UFW) at the amount of about 1.7 million m3 was reported in the WSS of Sofia. The accounted UFW value as percentage is 58.76% as a result of the serious reduction in the billed water quantities at the amount of about 1.6 million m3 and due to the modified method for calculation of the technological losses.

The reduction of UFW is one of the main priorities of Sofiyska Voda AD, as it contributes to the preservation of water resources. In 2009 the Company achieved progress in a wide range of activities related to the reduction of UFW:

Continuous monitoring of the supplied water volumes. In 2008 a programme for purchasing and installing metering devices for all 29 Demand Management Zones (DMZ), on all the District Metering Areas (DMA) and all metering points along the impounding structures and reservoirs was started. In 2009, 66% of the metering areas were reestablished and tested; 125 new metering devices with loggers were installed, and metering of 86% of the water metering zones is achieved. The programme continues in 2010 as well.
The activity that mostly affects both the decrease in the number of the registered leaks across the network and the physical losses of potable water is the project for proactive pressure reduction. In 2009, 23 new zones for pressure management were established (23 new PRVs were installed), and another 6 were replaced. The data show that the number of the registered failures in these zones decreased by 40% on average after pressure was reduced.

The activities on proactive leakage detection continues, and 4 490 hidden leaks were found in 2009.

In 2009 Sofiyska Voda AD reconstructed 41 kilometers in total of the distributing water supplying network. Also large-scale projects for reconstruction of the impounding mains were carried out as the total length of the reconstructions is 3 320 meters. The projects included both the water main reconstruction and the refurbishing of the existing sections from the impounding structures under the "Relining" technology.

In 2009 we replaced total of 3 197 house service connections, installed 550 stop valves and 212 fire hydrants, 2 PS were fully reconstructed and 12 hydrophores were installed. 18 new sites were connected to the SCADA system as we should note that during the year the system was fully updated.

The key project for installation/replacement of revenue meters is continuing as in 2009 we installed total of 7 686 water meters.

Quality of the water supplied

The reports for 2009 of the Sofia Regional Inspection on Public Health Protection and Control, which conducts an independent supervision of the water quality, show that the quality of the potable water in Sofia is excellent. The water quality parameters meet all requirements of the Bulgarian legislation which is harmonized with the Potable Water European Directive.

For 2009 the tendencies of the realization of the water monitoring are as follows:

For the treatment plants – 98.41 % compliance of the samples under the microbioliogical parameters, 99.91 % compliance of the samples under physical and chemical parameters and 99.95 % compliance under hydrobiological parameters. The deviation is due to the seasonal fluctuations. For the distribution network – 99.29 % compliance of the samples under the microbioliogical parameters, 95.53% compliance of the samples under physical and chemical parameters and 99.31 % compliance under hydrobiological parameters. In 2009 Sofiyska Voda AD executes the procedure introduced for undertaking immediate measures at each registered deviation in order to maintain high quality of the potable water supplied to the customers.

Laboratory Testing Complex

The activities carried out by the LTC in 2009 are strictly connected with carrying out the scheduled monitoring of potable and ground water as well as wastewaters and sludges, carrying out accreditation procedure, developing new methods for analysis, process control, improving the traceability of the analytical results and last but not least - extremely good performance in the international programmes for suitability testing and proving competence.

In 2009, 7700 potable water samples were analyzed by Potable Water Section of the LTC under more than 102 000 parameters. In addition, more than 8000 wastewater samples were analysed In Waste Water Section of the LTC under more than 63 000 parameters.

The execution of the accreditation procedure includes carrying out 1 external audit of the LTC Management System by independent auditors and a subsequent competence assessment by a team of auditors from the Bulgarian Accreditation Office.

During the previous year the LTC developed new methods for determining metal content in potable, ground and waste waters which allow the achievement of high accuracy of the analyzing activity. Methods for sample preparation and for sludge sample analysis were also developed at the end of 2009.

The process control via both the Informational system for laboratory management and the LTC Management System allow us to achieve reliability, transparency, improved traceability of the analytic results from sample taking until issuing theTest Report.

In 2009 submission was made to the Bulgarian Accreditation Board of Accreditation of the LTC.

In 2009 the LTC participated in international programmes for interlaboratory comparisons which assess the competency of the testing laboratories in the whole world. The high competence level as well as professionalism let the LTC perform extremely successfully both in terms of the physical-chemical, and in micro-biological water tests.

Water Supply

One of the key indicators in the provision of the water supply service is ensuring continuity of the water supply. The Management's efforts in relation to this are directed towards reducing the number of unplanned interruptions due to failures and reducing the disconnection periods. The objective is in case of network repairs and reconstructions, in so far as this is technically and organizationally possible, to provide the water supply service with minimum continuity interruptions.

Emergency interruptions of the water supply

2009 – 6 510 failures, 5 180 interruptions

2008 – 6 161 failures, 5 187 interruptions

2007 – 16 200 fixed failures, 7 000 interruptions

Planned interruptions of the water supply

2009 – 153 planned interruptions, 271 657 affected households

2008 – 124 planned interruptions, 240 000 affected households

2007 – 213 planned interruptions, 302 700 affected households

Sewerage

The sewerage network within the territory of the Municipality of Sofia includes 1 483 km of known public assets and about 500 km of assets with unclear status (as per the TDA of 2003). The latter were identified as a result of the Company's network survey. The majority of the surrounding territories of Sofia, as well as some areas in the city, do not have a central sewerage network.

The maintenance of the sewerage network is based on the performance of both, emergency and planned activities.

Operation and maintenance activities on the sewerage system

Activity Repaired manholes	**Measure** number	**Performance** 2008	**Performance** 2009
Cleaning of street sewers	meters	340,481	341,225
Cleaning of gullies	number	35,818	31,415
Cleaning of manholes	number	4,289	4,747
Installation of grids (covers)	number	1,797	1,104
Unclogged service connections	number	1,661	1,988
Unclogged service connections	meters	31,270	40,019

Waste water treatment

In 2009 at Kubratovo WWTP, 142.1 million m3 of wastewater has been treated. Every day, we treat a wastewater volume equal to around 82% of the plant's design capacity (480 000 m3/day). As the investment projects for expanding Sofia's sewerage network are implemented, the treatment plant will use its full capacity. Sofiyska Voda AD is optimizing control on the processes and operation in order to meet all legal requirements related to wastewater treatment. In accordance with the requirements of the Surface Water Course Discharge permit, issued by the Danube Region Water Basin Directorate, and the Concession Agreement, the Wastewater Sector of the Laboratory Testing Complex at Kubratovo WWTP conducts continuous monitoring of the wastewater and sludge parameters

Quality of the treated waste waters

Samples for the analysis of Biological Oxygen Demand (BOD5), Chemical Oxygen Demand (COD) and Suspended Solids (SS) are taken at the WWTP outlet on a daily basis.

In 2009, 1 095 samples were taken for the analysis of treated wastewater. The limit discharge values of water quality as per the requirements of the Discharge permit are as follows:

BOD_5 – 25 mg O_2/l

COD – 125 mg O_2/l

SS – 35 mg/l

The average values of the analysis samples are below the limit discharge values.

Sludge Treatment and Utilization

The sludge produced from wastewater treatment is pumped into four sludge digesters. The digested sludge is mechanically dewatered to produce a 'sludge cake' with dry solids content of around 25%.

In 2009 Sofiyska Voda AD continued to provide the sludge to be used in agriculture for soil fertilization. The Company holds permits for the reuse of sludge on agricultural land.

Sludge from WWTP Kubratovo	**2007**	**2008**	**2009**
Produced	48 647 **t**	73 402 **t**	76 130 **t**
Used in agriculture	37 403 **t**	49 635 **t**	68 029 **t**

The management of wastes produced in WWTP Kubratovo including the dried sludges is carried out in accordance with the requirements of the Waste Management Act. Sofiyska Voda AD is inspecting and submitting the reports required by the Ministry of Environment and Waters.

Electrical and Mechanical Maintenance

Over the last year, the department successfully implemented the annual plan for the preventive maintenance of the Company's facilities. as a result of which the time ratio for emergency works versus general works dropped from 15% in December 2008 to 12% in December 2009. This improvement is mainly due to use of the new high-tech equipment (vibration measuring device, thermograhic camera, laser measuring device) which identifies potential faults before they become costly failures.

In parallel with the operating activities, 12 new hydrophore systems were installed as a part of the investment programe for 2009.

Reduced Carbon Emissions Sales Agreement

According to an agreement concluded on 21 September 2007 between Sofiyska Voda AD and the Carbon Fund established at the EBRD for selling reduced carbon emissions, in 2009 based on the prepared monitoring reports a revenue of BGN 2 293 thousand from the sale of carbon emissions was acknowledged. Its distribution by years is as follows: BGN 930 thousand for 2008 and BGN 1 363 thousand for 2009.

INVESTMENTS 2009

2009 was the first year from the new five-year Business Plan 2009-2013 in which Sofiyska Voda AD has planned investments amounting to a total of BGN 240 million (an average of BGN 48 million). The actual amount of the investments made in 2009 is BGN 52.4. The 2009 capital expenses fall into the following categories.

Water supply – BGN 20.40 million

Potable water treatment – BGN 3.55 million

Sewerage – BGN 12.95 million

Wastewater treatment – BGN 7.48 million

Service connections, water meters – BGN 5.62 million

Customer service – BGN 2.47 million

The main projects in 2009 are:

- Rehabilitation of river water intake "Emergency"
- Replacement of valves at Beli Iskar dam
- Rehabilitation of an impounding main to Konyovitsa reservoir – 1840 m
- Rehabilitation of an impounding main to Podgumer reservoir – 1500 m
- Start of the civil works for movement of the gravity main from Pancharevo PWTP (section with 500 m approximate length and 1600 mm diameter)
- Hydroisolation of the dry chamber of Kolezha reservoir
- Hydroisolation of Kremikovtsi reservoir
- Construction of a fence of the sanitary restricted area of Kremikovtsi resevoir
- Construction of a stage of the fence of Iskar dam

ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

As a water utility company providing water supply and sewerage services on the territory of Sofia and the neighboring settlements, the activity of Sofiyska Voda AD is closely linked to ecology and environmental protection. Sustainable development principles are founding for each aspect of the Company's operation and are harmonized with the principles of the major shareholders – the European Bank for Reconstruction and Development and the international multiutility operator United Utilities Plc.

The investment activity of Bulgaria's biggest WSS operator Sofiyska Voda AD is as a whole also environmental. The water and water resource regulation and management along the water supply network results in water loss reduction and hence in saving this valuable natural resource. Enhancing the awareness of Sofia's residents about efficient water use is a crucial aspect of the Company's work towards applying the sustainable development principles. The introduction of best practices in the sewerage network operation and maintenance, the construction of new sewers and the provision of more and more efficient and high-quality wastewater treatment is the Company's priority in view of improving the condition of water sources.

In 2008 Sofiyska Voda implemented an Environmental Management System as per the requirements of BSS EN ISO 14001:2005. The standard has worldwide recognition and sets requirements for the organizations in the identification, management and control of the activities that impact the environment. The certification audit was conducted by the biggest certification body in the world offering accredited certification in the area - "Bureau Veritas Certification". As a result of its efforts, Sofiyska Voda AD successfully passed a first annual control audit at the beginning of December 2009. A course on maintaining an Environmental Management System took place in 2009 and 10 new auditors were trained to carry out planed internal audits, the auditors working in different parts of the Company.

Preparation of a Waste Management Programme 2009-2013

With the implementation of an Environmental Management System, identification was carried out of all environmental aspects of Sofiyska Voda AD. The aspects were assessed based on the size of their impact and the extent of their management. A list was prepared of the significant aspects subject to management. This necessitated an update of the Waste Management Programme of the Company. The Programme includes all identified waste generated as a result of the activities performed by Sofiyska Voda AD. It includes the methods of temporary storage, transport and transfer of waste to licensed companies for its further use in line with the legislation in this area.

Separate collection and disposal of office paper, glass and plastic from all sites of Sofiyska Voda AD

Another good practice of Sofiyska Voda AD is the use of a system for separate waste collection in three differently-coloured containers. Containers have been provided for all of the Company's premises. A contract was signed with Ecopack AD for collection and transportation of paper, plastic and glass waste and conditions have been ensured for separate collection of this waste.

At the beginning of December 2009 Sofiyska Voda officially commenced the cogeneration installation for use of biogas from Kubratovo Wastewater Treatment Plant. The functioning of the cogeneration installation will make it possible to make maximum use of the biogas generated in the sludge digestion process and to turn it into thermal and electrical energy.

HEALTH AND SAFETY AT WORK

A key factor for our professional performance is the continuous improvement of our Health and Safety Administration System. In January 2009 Sofiyska Voda AD received the certificate №116087290 of TUF NORD for successful certification of the Health and Safety Administration System based on the standard BS OHSAS 18001:2007.

The internal control audit of Health and Safety Administration System under BS OHSAS 18001:2007 carried out at the end of 2009 by auditors of TUF NORD finished without any ascertained non-compliance. A few recommendations have been made so that the Health and Safety Administration System can continuously improve.

Lost Time Incidents

Six occupational accidents, classified as such in line with the Bulgarian legislation, have been reported and investigated over the year.

Three of the accidents happened to our employees while they were coming to work and were caused by poor meteorological conditions or public transport problems. The remaining three accidents happened in the course of work.

No Lost Time Incidents

Over the year, the following incidents have been reported:

- 1 incident without injuries
- 37 incidents without injuries but which involved property damage
- 1 incident with members of society without complaints to the company

HUMAN RESOURCES MANAGEMENT

Sofiyska Voda AD is an organization applying the best practices in the sphere of Human Resources Development and Management. The Company meets all social commitments to its employees, which are defined as obligatory in the legislation and the Collective Labour Agreement concluded between the Company and trade unions as employee representatives.

Remuneration and acquisitions

In February 2009 an annual bonus was paid, amounting to 7% of the gross remuneration of each employee for the previous year in line with the approved bonus scheme of the Company.

As of 01.02.2009 the salaries of employees in the Company were increased by 7.8% in accordance with the established practice of the Company for indexation of the basic remuneration with the amount of the inflation percent officially announced by the National Statistical Institute.

As of 1.04.2009 the salaries were increased by an average of 10% after an evaluation of the levels of remuneration with regard to market levels and, last but not least, with regard to the limited resource of funds.

As of the beginning of 2009, all employees of Sofiyska Voda AD received two additional days of paid annual leave in line with a provision of the Branch Collective Labour Agreement.

Involvement

An important initiative of the Company in the sphere of Human Resources was the fourth employee opinion poll, which was entitled "My Opinion Matters!" 43% of the Company employees participated in the poll. The results of this pill have been summarized at the beginning of 2010.

On the whole, the poll covered the same topics covered by previous polls so that the trends and attitudes of employees regarding key indicators and processes within the Company could be better traced.

Training and development

In execution of the Annual Training Plan a number of trainings from the Managers Development Programme were carried out, as well as other trainings, courses and seminars for the employees of the Company, including university and certification programmes. Over the year induction trainings were also held for the newly appointed employees with the purpose of their quick and easy adapting to the new environment and getting acquainted with the values, culture and structure of the Company..

Sofiyska Voda AD's Internship Programme was held for the eighth successive year. It started on July 1st , 2009 for a period of 3 months. "Challenge the Future" Programme aimed at involving students and young specialists in the working process in different departments of the Company and identifying future employees, finding talents and generating fresh ideas. After the internship programme was completed, 27% of the participants remained to work and develop professionally in the Company.

As a part of the traditional annual initiative of the United Utilities 2 SV's employees participated in the programme for international development of United Utilities held in May of 2009;

In 2009 Sofiyska Voda AD introduced a new more flexible systems for awarding the individual and team achievements in the Company in the following categories."Golden Star of SV", "Champion of SV", "Team of SV". There were over 150 nominations, distinguishing idnidvidual and team achievements. Over the year 24 employees were awarded with "Golden Star", as well as 5 teams.

RESEARCH AND DEVELOPMENT ACTIVITY

Sofiyska Voda AD does not carry out such activity.

BOARD OF DIRECTORS

Over the year Sofiyska Voda AD had 7 members of the Board of Directors with the following remuneration:

Kamen Manev, Nikolay Aleksandrov and Georgi Takev – they were each paid BGN 24 000 by Sofiyska Voda AD for their work as Directors.

On 19.06.2009 Steven Fraser was replaced by Andrew Prescott.

Marion Price, Leslie Bell, Steven Fraser, Andrew Prescot and Iliana Tsanova took up positions as directors over the year and did not receive remuneration from Sofiyska Voda AD.

No one from the above members has ever had shares or options for shares in Sofiyska Voda AD.

Regarding the information required as per art.187d of the Commercial Act, the Company has not transferred or acquired own shares over the reporting 2009.

RELATED PARTIES

The Company has a related party relationship with its parent company – United Utilities UU (Sofia) BV", which owns 77.10% of Sofiyska Voda AD's shares, as well as with the other companies of the economic group. The amount of the transactions and the sum of the receivables and debts to the related parties are announced in note 26 to the separate financial statements of the Company for 2009.

FORECAST FOR 2010 AND BUSINESS PLAN FOR 2009 - 2013.

In Sofiyska Voda AD's Budget for 2010, BGN 50.7 M investments were provided for, and their implementation is an important condition for the achievement of the key performance indicators fixed in the Business Plan for the second regulatory period. The expected financial result before depreciations, interests and taxes as at the end of 2010 is BGN 54,6M.

On 09.10.2008 the SCEWR approved the five-year Business Plan, and according to it the Company commits to make investments at the amount of BGN 240M. With the Decision of the Commission dated 22.12.2008 the price of BGN 1.169 /without VAT/, proposed by the Company, was approved. The new tariff becomes effective as of 01.01.2009.

With the Decision of the Commission dated 23.12.2009 the price of BGN 1.280 /without VAT/, proposed by the Company, was approved and it will allow the achievement of Company's business targets. The new tariff is effective as of 01.01.2010.

The prices for 2010 were fixed in compliance with the Instructions for the formation of the prices of the water supply and sewerage services at the price regulation through upper price limit. The revenues expected for 2010 are at the amount of BGN 121,7 M, which is about 11% more than the revenues in 2009.