

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013

All amounts are in thousand Bulgarian Levs, except otherwise stated

**1. Organization and main activity**

Enemona AD („The Company”) was initially registered as a partnership company in 1990 and in 1994 the Company was registered as a joint-stock company. According to the court registration the address of the Company is in the town of Kozloduy, 1A Panayot Hitov Str. The Company is a public entity and its shares are registered at the Financial Supervision Commission to be traded at the Bulgarian Stock Exchange. As of December 31, 2013 and 2012 the major shareholder of the Company is Dichko Prokopiev Prokopiev. During the financial year there were no changes in the Company’s legal status.

The Company is engaged in construction works, which covers all stages from design to assembly and construction activities under construction contracts. Management reviews the operating results of the Company on the basis of individual construction projects and as one operating segment.

**2. Accounting policy**

**2.1 General financial reporting framework**

These separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Union (the “EU”) and applicable in the Republic of Bulgaria.

**Changes in IFRS**

*Standards and Interpretations effective in the current period*

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current period:

- IFRS 13 “Fair Value Measurement”, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013),
- **Amendments to IFRS 1 “First-time Adoption of IFRS” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013),
- **Amendments to IFRS 1 “First-time Adoption of IFRS” – Government Loans**, adopted by the EU on March 4, 2013 (effective for annual periods beginning on or after January 1, 2013),
- **Amendments to IFRS 7 “Financial Instruments: Disclosures”** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2013),
- **Amendments to IAS 1 “Presentation of financial statements”** – Presentation of Items of Other Comprehensive Income, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after July 1, 2012),
- **Amendments to IAS 12 “Income Taxes”** – Deferred Tax: Recovery of Underlying Assets, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013),

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**2. Accounting policy (continued)**

**2.1. General financial reporting framework (continued)**

**Changes in IFRS (continued)**

***Standards and Interpretations effective in the current period (continued)***

- **Amendments to IAS 19 “Employee Benefits”** – Improvements to the Accounting for Post-employment Benefits, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after January 1, 2013),
- **Amendments to various standards “Improvements to IFRSs (cycle 2009-2011)”** resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on March 27, 2013 (amendments are to be applied for annual periods beginning on or after January 1, 2013),
- **IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013).

The adoption of these amendments to the existing standards has not led to any changes in the Company's accounting policies.

***Standards and Interpretations issued by IASB and adopted by the EU but not yet effective***

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- **IFRS 11 “Joint Arrangements”**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- **IFRS 12 “Disclosures of Interests in Other Entities”**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- **IAS 27 (revised in 2011) “Separate Financial Statements”**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”**, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities”** – Transition Guidance, adopted by the EU on April 4, 2013 (effective for annual periods beginning on or after January 1, 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements”** – Investment Entities, adopted by the EU on November 20, 2013 (effective for annual periods beginning on or after January 1, 2014),

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**2. Accounting policy (continued)**

**2.1. General financial reporting framework (continued)**

**Changes in IFRS (continued)**

***Standards and Interpretations issued by IASB and adopted by the EU but not yet effective (continued)***

- **Amendments to IAS 32 “Financial instruments: presentation” – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012** (effective for annual periods beginning on or after January 1, 2014),
- **Amendments to IAS 36 “Impairment of assets” - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on December 19, 2013** (effective for annual periods beginning on or after January 1, 2014),
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on December 19, 2013** (effective for annual periods beginning on or after January 1, 2014).

***Standards and Interpretations issued by IASB but not yet adopted by the EU***

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at date of publication of these financial statements:

- **IFRS 9 “Financial Instruments” and subsequent amendments** (effective date was not yet determined),
- **Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions** (effective for annual periods beginning on or after July 1, 2014),
- **Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after July 1, 2014),
- **Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after July 1, 2014),
- **IFRIC 21 “Levies”** (effective for annual periods beginning on or after January 1, 2014).

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Company’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement”, would not significantly impact the financial statements, if applied as at the reporting date.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**2. Accounting policy (continued)**

**2.2 Basis of preparation**

The separate financial statements have been prepared under the historical cost convention, except for certain financial instruments and the deemed cost of buildings on the first time adoption of IFRS.

These separate financial statements have been prepared on an accrual basis, under the going concern assumption. The management believes that the Company will continued its normal operations through self-financing, increasing the operations efficiency, financial support from the major shareholder where necessary, and the restructuring of the Company's financial liabilities, including bank loans. Further, the execution of activities under construction contracts at of the date of issue of these financial statements, as well as the estimated return on an exposure to a State institution as disclosed in note 9, will provide additional resources to settle the financial liabilities of the Company. Accordingly, the Company believes that it has adequate resources to continue its operating activities in the foreseeable future, which is not less than 12 months from the date of issue of these financial statements.

These separate financial statements should be considered together with the Company's consolidated financial statements for the year ended December 31, 2013. The consolidated financial statements will be issued after the date of issue of these separate financial statements.

**2.3. Functional currency and presentation currency**

According to the Bulgarian accounting legislation the Company keeps its records and prepared its financial statements in the national currency of the Republic of Bulgaria – Bulgarian lev, which effective January 1, 1999 is fixed to the euro at 1.95583 BGN for 1 EUR. The Company's functional currency is the Bulgarian national currency.

These separate financial statements are presented in thousand of BGN (BGN'000).

**2.4. Foreign currency transactions**

Transactions in foreign currency are initially recorded at the official rate of exchange of the Bulgarian National Bank (BNB) as of the date of the transaction. The foreign exchange rate differences, arising upon the settlement of these monetary positions or at restatement of these positions at rates, different from those when initially recorded, are reported as financial income or expense for the period in which they arise. The monetary positions denominated in foreign currency as of December 31, 2013 are stated in these financial statements at the closing exchange rate of BNB.

**3. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the separate financial statements, in accordance with IFRS requires management to make certain accounting estimates and reasonable assumptions that affect some of the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of these separate financial statements and the revenue and expenses during the reporting period. These estimates are based on the information available at the date of preparation of the financial statements, and actual results could differ from those estimates.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**3. Critical accounting judgements and key sources of estimation uncertainty (continued)**

**3.1. Revenue and expenses under construction contracts**

Construction contract revenue is recognised by reference to the stage of completion of each construction contract. The stage of completion is determined on the basis of information available about total contract revenue and costs. The total amount of expenses under construction contracts depends on the volume and amount of construction activities to be performed to meet the obligations of the Company. The volume and amount of future activities depend on future factors which may defer from the management's estimations.

**3.2. Impairment of non-financial assets**

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, whereas the recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is based on the discounted cash flow model. The cash flows are determined on the budget estimates for the next five years. Recoverable amount depends on the discount factor used in the discounted cash flow model and on the expected future cash flows, as well as on the growth assumption.

**3.3. Impairment of financial assets**

Impairment of financial assets is determined based on the estimated future cash flows discounted at the initial effective interest rate. When determining the expected future cash flows, the Company analyses the financial capabilities of its debtors and the estimated receivables collection period. As of the date of preparation of these financial statements, management is in the process of reviewing its financial assets for impairment.

**3.4. Useful life of property, plant and equipment and intangible assets**

Other key sources of estimation uncertainty include estimation of useful lives of property, plant and equipment and intangible assets. In 2013 there are no circumstances that may trigger a change in the estimated useful lives of these assets.

**3.5. Economic environment**

In 2013 and 2012 as a result of the global financial and economic crisis, a decrease in the economic development of the Bulgarian economy is perceived which affects a wide range of industrial sectors. This leads to noticeable deterioration in cash flows and decline in income and as a result to substantial worsening of the economic environment in which the Company operates. Further, the entity is exposed to significantly higher price, market, credit, liquidity, interest, operating and other risks. As a result, uncertainty about customers ability to settle their liabilities in accordance with contracted terms increases. Therefore, the amount of impairment losses on interest-bearing loans granted, receivables from customers, and the value of other accounting estimates in subsequent periods could significantly differ from those estimated and reported in these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

4. **Property, plant and equipment**

|   | Land  | Buildings | Machinery<br>and<br>equipment | Vehicles | Other | Acquisition cost<br>of fixed assets | Total   |
|---|-------|-----------|-------------------------------|----------|-------|-------------------------------------|---------|
| <i>Cost</i>   |       |           |                               |          |       |                                     |         |
| JANUARY 1, 2012   | 5,608 | 20,014    | 4,234                         | 6,578    | 2,745 | 5,693                               | 44,872  |
| Additions   | -     | 2,268     | 202                           | 48       | 126   | -                                   | 2,644   |
| Transfers   |       |           | 1                             |          |       | (1)                                 |         |
| Disposals   | -     | (569)     | (260)                         | (377)    | (212) | (10)                                | (1,428) |
| DECEMBER 31, 2012   | 5,608 | 21,713    | 4,177                         | 6,249    | 2,659 | 5,682                               | 46,088  |
| Additions   | -     | -         | 1,144                         | 3        | 235   | 106                                 | 1,488   |
| Disposals   | -     | (4,919)   | (265)                         | (1,705)  | (15)  | -                                   | (6,904) |
| DECEMBER 31, 2013   | 5,608 | 16,794    | 5,056                         | 4,547    | 2,879 | 5,788                               | 40,672  |
| <i>Accumulated depreciation<br/>and impairment</i>                            |       |           |                               |          |       |                                     |         |
| JANUARY 1, 2012   | -     | 2,207     | 3,140                         | 2,497    | 1,622 | 24                                  | 9,490   |
| Depreciation charge   | -     | 433       | 490                           | 469      | 287   | -                                   | 1,679   |
| Disposals   | -     | (177)     | (231)                         | (280)    | (135) | -                                   | (823)   |
| Impairment recognized in<br>the separate statement of<br>comprehensive income | -     | -         | -                             | -        | (11)  | -                                   | (11)    |
| DECEMBER 31, 2012   | -     | 2,463     | 3,399                         | 2,686    | 1,763 | 24                                  | 10,335  |
| Depreciation charge   | -     | 426       | 512                           | 363      | 265   | -                                   | 1,566   |
| Disposals   | -     | (1,004)   | (152)                         | (490)    | (12)  | -                                   | (1,658) |
| Impairment recognized in<br>the separate statement of<br>comprehensive income | -     | -         | 5                             | -        | -     | -                                   | 5       |
| DECEMBER 31, 2013   | -     | 1,885     | 3,764                         | 2,559    | 2,016 | 24                                  | 10,248  |
| <i>Net book value</i>   |       |           |                               |          |       |                                     |         |
| JANUARY 1, 2012   | 5,608 | 17,807    | 1,094                         | 4,081    | 1,123 | 5,669                               | 35,382  |
| DECEMBER 31, 2012   | 5,608 | 19,250    | 778                           | 3,563    | 896   | 5,658                               | 35,753  |
| DECEMBER 31, 2013   | 5,608 | 14,909    | 1,292                         | 1,988    | 863   | 5,764                               | 30,424  |

As of December 31, 2013 and 2012 property, plant and equipment with carrying amount of BGN 756 thousand and BGN 2,007 thousand, respectively, are leased under financial lease contract (see note 13).

As of December 31, 2013 and 2012 property, plant and equipment with carrying amount of BGN 15,343 thousand and BGN 18,993 thousand, respectively, are pledged as collateral under bank loan agreements (see note 12).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

## 5. Intangible assets

|                                 | Property<br>rights | Software | Total |
|---------------------------------|--------------------|----------|-------|
| <i>Cost</i>                     |                    |          |       |
| JANUARY 1, 2012                 | 1,447              | 270      | 1,717 |
| Additions                       | -                  | 13       | 13    |
| Disposals                       | -                  | (25)     | (25)  |
| DECEMBER 31, 2012               | 1,447              | 258      | 1,705 |
| DECEMBER 31, 2013               | 1,447              | 258      | 1,705 |
| <i>Accumulated amortization</i> |                    |          |       |
| JANUARY 1, 2012                 | 828                | 202      | 1,030 |
| Amortization charge             | 62                 | 27       | 89    |
| Disposals                       | -                  | (25)     | (25)  |
| DECEMBER 31, 2012               | 890                | 204      | 1,094 |
| Amortization charge             | 62                 | 20       | 82    |
| DECEMBER 31, 2013               | 952                | 224      | 1,176 |
| <i>Net book value</i>           |                    |          |       |
| JANUARY 1, 2012                 | 619                | 68       | 687   |
| DECEMBER 31, 2012               | 557                | 54       | 611   |
| DECEMBER 31, 2013               | 495                | 34       | 529   |

## 6. Investments in subsidiaries and associates

As of December 31, 2013 and 2012 investments in subsidiaries and associates consist of:

|   | As of<br>31.12.2013 | As of<br>31.12.2012 |
|---|---------------------|---------------------|
| Investments in subsidiaries                         | 17,108              | 17,218              |
| Impairment of investment in subsidiaries – note 6.1 | (1,656)             | (2,412)             |
| Investment in subsidiaries, net – note 6.1          | 15,452              | 14,806              |
| Investments in associates – note 6.2                | 4                   | 4                   |
| TOTAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES    | 15,456              | 14,810              |

# ENEMONA AD

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED) All amounts are in thousand Bulgarian Levs, except otherwise stated

### 6. Investments in subsidiaries and associates (continued)

#### 6.1. Investments in subsidiaries

Investments in subsidiaries as of December 31, 2013 and 2012 are as follows:

| COMPANY                 | DESCRIPTION OF ACTIVITY   | SHARE               |                     | CARRYING AMOUNT     |                     |
|-------------------------|---|---------------------|---------------------|---------------------|---------------------|
|                         |   | As of<br>31.12.2013 | As of<br>31.12.2012 | As of<br>31.12.2013 | As of<br>31.12.2012 |
| Enemona Utilities AD    | Electricity trading   | 92,25%              | 97,24%              | 1,640               | 1,719               |
| EESF REIT               | Company with special investment purpose – securitization of receivables                                     | 88.20%              | 88.97%              | 4,818               | 4,860               |
| Pirin Power AD          | Designing and building of projects in energy sector   | 84.00%              | 84.00%              | 42                  | 42                  |
| FINI REIT               | Company with special investment purpose – real estate purchase  | 69.23%              | 69.23%              | 450                 | 450                 |
| Hemusgas AD             | Construction of compressor houses   | 50.00%              | 50.00%              | 25                  | 25                  |
| Esco engineering AD     | Heating and climatization projects  | 99.00%              | 99.00%              | 73                  | 73                  |
| TFEZ Nikopol EAD        | Construction of electric power plant  | 100.00%             | 100.00%             | 1,886               | 1,119               |
| Nevrocop-gas AD         | Gas trading   | 90.00%              | 90.00%              | 45                  | 45                  |
| EMKO AD                 | Construction contracts  | 77.36%              | 77.36%              | 4,613               | 4,613               |
| Artanes Mining Group AD | Opencast mining of brown and lignite coal   | 90.00%              | 90.00%              | 1,800               | 1,800               |
| FEZ Mladenovo EOOD      | Prospecting, design, construction and assembly, commissioning, repairation, servicing and engineering works | 100.00%             | 100.00%             | 60                  | 60                  |
| Regionalgas AD          | Gasification projects   | 50.00%              | 50.00%              | -                   | -                   |
| <b>TOTAL</b>            |   |                     |                     | <b>15,452</b>       | <b>14,806</b>       |



NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**6. Investments in subsidiaries and associates (continued)**

**6.1. Investments in subsidiaries (continued)**

Regionalgas AD is subsidiary of Enemona Utilities AD, which as of December 31, 2013 and 2012 owns 50% of the shares of Regionalgas AD, or the direct share of the Company in Regionalgas AD is 50%.

The management of Enemona AD considers that the investments in Regionalgas AD and Hemusgas AD do not represent joint-controlled activity, as the Company manages the financial and operating policy of these companies.

In July 2013 Enemona AD sold 112,300 ordinary registered shares of its investment in Enemona Utilities. The selling price is BGN 112,3 thousand and gain at the amount of BGN 34 thousand is recognised in the statement of comprehensive income.

In September 2013 Enemona AD sold 30,000 ordinary registered shares of its investment in EESF REIT. The selling price is BGN 48 thousand and gain at the amount of BGN 6 thousand is recognised in the statement of comprehensive income.

On January 30, 2014 a contract for selling its shares in Nevrocop-gas AD was signed by Enemona AD, the estimated gain under the agreement is BGN 355 thousand.

As of December 31, 2013 as a result of the review for impairment of investments in subsidiaries, the Company considers that no indication of impairment of investments in subsidiaries exists. As a result of the review, the management considered that there are circumstances for the reversal of impairment of TFEZ Nikopol EAD at the amount of BGN 756 thousand for the year ended December 31, 2013. As of December 31, 2012 the allowance for impairment of investments in subsidiaries amounted to BGN 2,412 thousand (note 23).

**6.2 Investments in associates**

The investments in associated companies as of December 31, 2013 and 2012 are as follows:

| COMPANY           | SHARE               |                     | CARRYING AMOUNT     |                     |
|-------------------|---------------------|---------------------|---------------------|---------------------|
|                   | As of<br>31.12.2013 | As of<br>31.12.2012 | As of<br>31.12.2013 | As of<br>31.12.2012 |
| Alpha Enemona OOD | 40%                 | 40%                 | 4                   | 4                   |
| TOTAL             |                     |                     | 4                   | 4                   |

In these separate financial statements the investments in associated companies are presented at carrying amount (cost), as the management of the Company estimated that there are no indications of impairment of investments in associated companies as of December 31, 2013 and 2012.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**6. Investments in subsidiaries and associates (continued)**

**6.2 Investments in associates (continued)**

Summarized financial information of the associated companies as of December 31, 2013 and 2012 is as follows:

| Alfa Enemona OOD   | As of<br>31.12.2013      | As of<br>31.12.2012      |
|--|--------------------------|--------------------------|
| Total assets   | 359                      | 349                      |
| Total liabilities  | 50                       | 63                       |
| Net assets   | 309                      | 286                      |
| Share of the Company in net assets of the associated company | 124                      | 114                      |
| Alfa Enemona OOD   | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
| Total revenue  | 814                      | 704                      |
| Profit for the period  | 282                      | 259                      |
| Share of the Company in the profit of the associated company | 113                      | 104                      |

**7. Current and non-current loans and advances**

Current and non-current loans and advances as of December 31, 2013 and 2012 are as follows:

|  | As of<br>31.12.2013 | As of<br>31.12.2012 |
|--|---------------------|---------------------|
| <i>Non-current loans and advances</i>                              |                     |                     |
| Loans granted to employees   | 1,067               | 1,071               |
| Receivables on ESCO contracts – non-current portion                | 3,976               | 5,504               |
| Cessions receivables   | 3,268               | 4,695               |
| Other assets   | 10                  | 10                  |
| Discount of receivables under ESCO contracts – non-current portion | (1,101)             | (1,602)             |
| TOTAL NON-CURRENT LOANS AND ADVANCES                               | 7,220               | 9,678               |
| Impairment of loans granted to employees                           | (597)               | (597)               |
| TOTAL NON-CURRENT LOANS AND ADVANCES, NET                          | 6,623               | 9,081               |
| <i>Current loans and advances</i>                                  |                     |                     |
| Receivables on ESCO contracts – current portion                    | 2,090               | 2,573               |
| Cessions receivables   | 3,135               | 1,303               |
| Loans granted to related parties (note 27)                         | 298                 | 325                 |
| Loans granted to non-related parties                               | 11,279              | 11,237              |
| Discount of receivables under ESCO contracts – current portion     | (94)                | -                   |
| TOTAL CURRENT LOANS AND ADVANCES                                   | 16,708              | 15,438              |
| Impairment of loans granted to non-related parties                 | (3,782)             | (3,782)             |
| TOTAL CURRENT LOANS AND ADVANCES, NET                              | 12,926              | 11,656              |

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**7. Current and non-current loans and advances (continued)**

Loans granted to related parties, non-related parties and employees are not secured, with interest rate from 6% to 9%.

Receivables under ESCO contracts of the Company represent receivables under contracts for performing engineering with guaranteed result (ESCO contracts) where the Company performs construction and engineering works and deferred payment is contracted. Receivables under ESCO contracts are presented at amortized cost.

Cession receivables as of December 31, 2013 and 2012 represent the value of a cessed receivable to a local company.

As a result of the analysis of loans repaid in 2012, in 2013 the Company recovered a provision of loans to employees at the amount of BGN 376 thousand and loans to non-related parties at the amount of BGN 1,171 thousand, which are presented in the separate statement of comprehensive income.

The movement of the allowance for impairment of receivables is presented below:

|   | As of<br>31.12.2013 | As of<br>31.12.2012 |
|---|---------------------|---------------------|
| BALANCE AT THE BEGINNING OF THE YEAR                                | 4,379               | 5,926               |
| Reversals of impairment losses on non-current loans and receivables | -                   | (1,171)             |
| Reversals of impairment losses on current loans and receivables     | -                   | (376)               |
| BALANCE AT THE END OF THE YEAR                                      | 4,379               | 4,379               |

**8. Inventories**

|                   | As of<br>31.12.2013 | As of<br>31.12.2012 |
|-------------------|---------------------|---------------------|
| Materials         | 7,900               | 5,681               |
| Finished goods    | 797                 | 457                 |
| Work in progress  | 156                 | 102                 |
| TOTAL INVENTORIES | 8,853               | 6,240               |

As of December 31, 2013 and 2012 the Company has accrued impairment of inventories at the amount of BGN 118 thousand and BGN 109 thousand, respectively.

As of December 31, 2013 inventories at cost amount of BGN 8,488 thousand (2012: BGN 1,956 thousand) are pledged as collateral under a loan (see also note 12).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**9. Trade and other receivables**

|   | As of<br>31.12.2013 | As of<br>31.12.2012 |
|---|---------------------|---------------------|
| Receivables from customers                    | 42,342              | 17,478              |
| Retentions                                    | 6,107               | 8,930               |
| Receivables from related parties (note 27)    | 2,097               | 2,655               |
| Advance payments to supplier                  | 8,491               | 12,366              |
| Advances to employees                         | 328                 | 166                 |
| Other receivables                             | 4,509               | 3,599               |
| <b>TOTAL TRADE AND OTHER RECEIVABLES</b>      | <b>63,874</b>       | <b>45,194</b>       |
| Impairment of receivables from customers      | (5,870)             | (5,936)             |
| <b>TOTAL TRADE AND OTHER RECEIVABLES, NET</b> | <b>58,004</b>       | <b>39,258</b>       |

The Company has a concentration of exposure to a State institution at the amount of BGN 23,858 thousand, of which BGN 23,100 thousand represents default on contract signed in 2008 at the amount of BGN 154,000 thousand, under which the Company was awarded a contract for implementation of feasibility studies, design, construction work and commissioning of buildings. An advance payment at the amount of BGN 5,250 thousand has been received under the contract. The first stage of the implementation of feasibility studies and design is completed and submitted to the Contracting Authority in 2009. Contract execution work has been suspended as the Contracting authority has not taken any further activities. In 2012 the Company has expressed a written statement to unilateral termination of the contract, under which it has also claimed a default payment at the amount of BGN 23,100 thousand according to the contract. On the basis of historical experience and evidences available, management believes that the probability of default payment collection at the amount of BGN 23,100 thousand as provisioned in the contract is significant and reliably measurable.

The movement of the allowance for impairment of doubtful receivables is presented below:

|  | As of<br>31.12.2013 | As of<br>31.12.2012 |
|--|---------------------|---------------------|
| <b>BALANCE AT THE BEGINNING OF THE YEAR</b>    | <b>5,936</b>        | <b>5,936</b>        |
| Recognized loss from impairment of receivables | 57                  | -                   |
| Recovered during the year                      | (123)               | -                   |
| <b>BALANCE AT THE END OF THE YEAR</b>          | <b>5,870</b>        | <b>5,936</b>        |

Following the requirements of IAS 39, the Company has developed qualitative and quantitative measures for assessment of risks, related to its expositions to clients and to determine the allowance for impairment for accounting purposes on individual basis.

These qualitative and quantitative measures for assessment of risks include overdue receivables, credit status, deterioration of the market position of the client and change of the legal environment in which the Company operates.

Every exposition is assessed individually and if any risks are identified, based on the description above, allowance for impairment is accrued. Determining the allowance for impairment includes and the expected cash flows, taking into account the specific circumstances.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**9. Trade and other receivables (continued)**

Receivables which are overdue less than 1 year are not considered impaired due to the nature of the operating cycle of the Company. Trade and other receivables include receivables which are overdue more than 1 year, but management believes that they are recoverable because there is no deterioration in the customers' credit status. Receivables from customers which are overdue, but not impaired are as follows:

|               | As of<br>31.12.2013 | As of<br>31.12.2012 |
|---------------|---------------------|---------------------|
| 1 – 1,5 years | 635                 | 1,510               |
| 1,5 – 2 years | 1,126               | 172                 |
| Over 2 years  | 3,060               | 3,352               |
| <b>TOTAL</b>  | <b>4,821</b>        | <b>5,034</b>        |

Receivables from customers, which are overdue but not impaired, are not collateralized and the Company has no legal rights to off-set these receivables against its own receivables to respective counterparties.

The ageing analysis of the impaired receivables from customers as of December 31, 2013 and 2012 is as follows:

|               | As of<br>31.12.2013 | As of<br>31.12.2012 |
|---------------|---------------------|---------------------|
| Up to 1 year  | -                   | -                   |
| 1 - 1.5 years | 2                   | 315                 |
| 1.5 – 2 years | 420                 | 190                 |
| Over 2 years  | 7,264               | 6,683               |
| <b>Total</b>  | <b>7,686</b>        | <b>7,188</b>        |

As of December 31, 2013 and 2012, trade and other receivables at the amount of BGN 17,924 thousand and BGN 13,337 thousand, respectively, are pledged as collateral under loan contracts (see note 12)

**10. Cash and cash equivalents**

|  | As of<br>31.12.2013 | As of<br>31.12.2012 |
|--|---------------------|---------------------|
| Cash at banks                          | 250                 | 1,057               |
| Restricted cash at bank                | 178                 | 290                 |
| Cash in hand                           | 428                 | 475                 |
| <b>TOTAL CASH AND CASH EQUIVALENTS</b> | <b>856</b>          | <b>1,822</b>        |

As of December 31, 2013 restricted cash at the amount of BGN 178 thousand (2012: BGN 290 thousand) represents cash in bank account restricted as collateral under guarantees issued.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**10. Cash and cash equivalents (continued)**

For the year ended December 31, 2013 and 2012, payments at the amount of BGN 1,987 thousand and BGN 1, 695 thousand, respectively are reclassified from Operating activities, Payments to suppliers to Finance activities, Bank charges, mortgage fees and guarantees payments with the aim of better presentation of the cash flows from financing activities.

For the separate statement of cash flows purposes restricted cash is not included in cash and cash equivalents.

**11. Share capital and premium reserves**

The share capital includes:

|   | As of<br>31.12.2013 | As of<br>31.12.2012 |
|---|---------------------|---------------------|
| Ordinary shares – note 11.1                     | 11,934              | 11,934              |
| Preferred shares – note 11.2                    | 1,103               | 1,103               |
| <b>TOTAL SHARE CAPITAL</b>                      | <b>13,037</b>       | <b>13,037</b>       |
| Premium from share issuance – note 11.3         | 8,739               | 8,739               |
| <b>TOTAL SHARE CAPITAL AND PREMIUM RESERVES</b> | <b>21,776</b>       | <b>21,776</b>       |

**11.1. Ordinary shares**

|  | As of<br>31.12.2013 | As of<br>31.12.2012 |
|--|---------------------|---------------------|
| Number of shares                       | 11,933,600          | 11,933,600          |
| Nominal value per share in BGN         | 1                   | 1                   |
| <b>SHARE CAPITAL – ORDINARY SHARES</b> | <b>11,934</b>       | <b>11,934</b>       |

As of December 31, 2013 and 2012 the ownership over the ordinary shares is as follows:

|                              | As of<br>31.12.2013 | %             | As of<br>31.12.2012 | %             |
|------------------------------|---------------------|---------------|---------------------|---------------|
| Dichko Prokopiev Prokopiev   | 5,916,518           | 49,58         | 7,176,153           | 60.13         |
| Other shareholders           | 6,017,082           | 50,42         | 4,757,447           | 39.87         |
| <b>TOTAL ORDINARY SHARES</b> | <b>11,933,600</b>   | <b>100.00</b> | <b>11,933,600</b>   | <b>100.00</b> |

The share capital of ordinary shares is fully paid in as of December 31, 2013 and 2012. The Company's share capital includes in-kind contribution in the form of title of property over three combined trademarks with fair value at the amount of BGN 1,400 thousand, obtained through independent appraiser's report. Titles of property are presented as intangible assets (see note 5, above). As of 31.12.2013 subject to repurchase agreements are 2 226 247 ordinary shares, owned by Dichko Prokopiev.

Enemona AD is registered as a public company and Company's shares are traded on the Bulgarian Stock Exchange.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**11. Share capital and premium reserves (continued)**

**11.2. Preferred shares**

On April 2, 2010 Financial Supervision Commission registered an emission of Company's preferred shares for regulated market trade. The emission amounts to BGN 1,103 thousand distributed in 1,102,901 preferred shares with no voting rights, guaranteed dividend, guaranteed liquidity share, convertible in ordinary shares in March 2017 with nominal value BGN 1 each. Preferred shares bear guaranteed cumulative dividend at the amount of BGN 0.992 per share in the next 7 years.

The Company recognized initially the issued preferred shares as a compound financial instrument and determined financial liability related to dividend payables and reported the residual amount as increase in share capital. The total amount of the cash received is allocated as follows:

**11.2. Preferred shares (continued)**

|   | Upon initial<br>recognition | As of<br>31.12.2013 | As of<br>31.12.2012 |
|---|-----------------------------|---------------------|---------------------|
| Preferred shares – nominal value        | 1,103                       | 1,103               | 1,103               |
| Premium from share issuance             | 5,425                       | 5,425               | 5,425               |
| Financial liability on preferred shares | 4,412                       | 2,619               | 3,223               |
| Dividend payables on preferred shares   | -                           | 2,199               | 2,067               |
| <b>TOTAL CASH RECEIVED</b>              | <b>10,940</b>               | <b>11,346</b>       | <b>11,818</b>       |

**11.3. Premium from share issuance**

|                              | As of<br>31.12.2013 | As of<br>31.12.2012 |
|------------------------------|---------------------|---------------------|
| Balance as of January 1      | 8,739               | 36,262              |
| (Prior period loss coverage) |                     | (27,523)            |
| Balance as of December 31    | <u>8,739</u>        | <u>8,739</u>        |

**11.4. Reserves**

Company's reserves represent its legal reserves and are formed based on decision of the shareholders. Legal reserves could be used to cover accumulated losses or for increase of capital.

In 2009 the Company issued 5,966,800 warrants with issue value BGN 0.17 each and total issue value BGN 1,014 thousand. The total emission value is accounted for in the Company's reserves.

Each warrant of the issuance gives the right to its owner to subscribe a share in case of future capital increase of the Company against payment of issue value of the new shares at the amount of BGN 18.50 each. This right can be exercised within 6 years.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**12. Loans****12.1 Loans repayment term**

Loans received by the Company according to their contractual repayment term are, as follows:

|                    | As of<br>31.12.2013 | As of<br>31.12.2012 |
|--------------------|---------------------|---------------------|
| Up to 1 year       | 59,684              | 65,683              |
| Over one year      | 6,725               | 4,332               |
| <b>TOTAL LOANS</b> | <b>66,409</b>       | <b>70,015</b>       |

Credit lines and overdrafts are presented as due up to one year. The Company usually renegotiates its credit lines and overdrafts.

Loans received by the Company as of December 31, 2013 and 2012 are as follows:

|  | As of<br>31.12.2013 | As of<br>31.12.2012 |
|--|---------------------|---------------------|
| Borrowings from financial institutions – Note 12.2 | 63,161              | 68,421              |
| Loans from related parties – Note 27               | 1,178               | -                   |
| Loans from non-related parties – Note 12.3         | 2,070               | 1,594               |
| <b>TOTAL LOANS</b>                                 | <b>66,409</b>       | <b>70,015</b>       |

**12.2 Borrowings from financial institutions**

Borrowings from financial institutions, received by the Company as of December 2013 and 2012 are, as follows:

|  | Note | As of<br>31.12.2013 | As of<br>31.12.2012 |
|--|------|---------------------|---------------------|
| Credit line – SG Expressbank AD                | (a)  | 18,296              | 17,416              |
| Credit lines – Unicredit Bulbank AD            | (b)  | 19,199              | 22,332              |
| Investment loans – DSK Bank AD                 | (c)  | 10,227              | 11,833              |
| Credit lines and overdraft UBB AD              | (d)  | -                   | 679                 |
| Investment loan – Unicredit Bulbank AD         | (e)  | 2,087               | 2,764               |
| Credit line – ING Bank AD                      | (f)  | 1,178               | 2,124               |
| Credit line – MKB Unionbank AD                 | (g)  | 1,181               | 3,607               |
| Credit lines– International Asset Bank AD      | (h)  | 2,772               | 6,815               |
| Overdraft – Investbank AD                      | (i)  | 4,409               | 850                 |
| Credit line – Alpha Bank                       | (j)  | 1,196               | -                   |
| Credit line – D Bank                           | (k)  | 1,412               | -                   |
| Corporate credit cards – Unicredit Bulbank AD  | (l)  | 2                   | 1                   |
| <b>TOTAL LOANS FROM FINANCIAL INSTITUTIONS</b> |      | <b>61,959</b>       | <b>68,421</b>       |

As of December 31, 2013 the Company has received the amount of BGN 1,202 thousand on short-term borrowings from non-financial institutions.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**12. Loans (continued)**

**12.2 Borrowings from financial institutions (continued)**

The main parameters of borrowings received from financial institutions are, as follows:

- (a) In May 2010 the Company has received a revolving loan from SG Expressbank at the amount of EUR 15,325 thousand to finance a project for cabling and installing of monitoring and measurement equipment and automation in Units 3 and 4 of Mochovce Nuclear Power Plant, Slovak Republic. The loan is collateralized by a pledge of receivables under the contract, pledge of materials and equipment. As of December 31, 2013 BGN 13,691 thousand have been utilized.

In July 2011 the Company has signed a contract for financing of construction and assembly activities, at total limited of EUR 5,000 thousand. As of December 31, 2013 the amount of BGN 4,605 thousand have been utilized.

- (b) As of December 31, 2013 the Company has utilized BGN 15,728 thousand under a combined credit line, contracted with Unicredit Bulbank. The credit line limit is EUR 8,500 thousand. In order to secure the loans from Unicredit Bulbank the Company has established a mortgage of land and buildings and pledge of present and future receivables from a customer.

The Company has received four combined credit lines from UniCredit Bulbank AD to finance specific contracts, secured by present and future receivables from contracting parties under those contracts. The main parameters of the credit lines are as follows:

- Total amount of EUR 297 thousand of which EUR 250 thousand - for working capital. The amount utilised as of December 31, 2013 is BGN 157 thousand
  - Total amount of EUR 600 thousand, of which EUR 500 thousand - for working capital. The amount utilised as of December 31, 2013 is BGN 731 thousand.
  - Total amount of BGN 2,910 thousand Levs, of which BGN 2,500 thousand – for working capital. The amount utilised as of December 31, 2013 is BGN 1,887 thousand
  - Total amount of BGN 2,100 thousand, of which BGN 2,000 thousand – for working capital. The amount utilised as of December 31, 2013 is BGN 696 thousand.
- (c) Loans from DSK Bank are granted for financing of Company's energy efficiency projects. Limits of the loans are EUR 7,750 thousand and as of December 31, 2013 the Company has utilized BGN 10,227 thousand. In order to secure the loans from DSK Bank the Company has issued a promissory note, pledge of future receivables from customers under financed projects and finance risk insurance.
- (d) The overdraft from UBB is with limit of EUR 1,450 thousand for working capital and bank guarantees. As of September 30, 2013 it is fully repaid.
- (e) The Company has received an investment loan from Unicredit Bulbank for the purchase of the office building of the Company in Sofia. As of December 31, 2013 the utilized amount is BGN 2,087 thousand. The loan has been secured by a mortgage on the building and its surrounding land.
- (f) The Company has received a credit limit for working capital financing and bank guarantees issue by ING Bank N.V. - Sofia branch at the amount of BGN 17,800 thousand, from which as of December 31, 2013 the utilized amount is BGN 1,178 thousand as overdraft and two credit lines, securing working capital needs for the execution of specific contracts. As a security the Company has established collateral of present and future receivables from a customer, owned by the Company and a promissory note in favour of the bank has been issued.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**12. Loans (continued)**

**12.2 Borrowings from financial institutions (continued)**

- (g) The Company has received two credit lines from MKB Unionbank AD, which are fully repaid as of March 31, 2012. On March 28, 2012 the Company has signed a new credit line agreement for financing a certain contract. The total amount is EUR 4,800 thousand and of which EUR 2,500 thousand for working capital. As of December 31, 2013 the utilized amount is BGN 1,181 thousand. Loans are secured by pledge on receivables on the respective contract.
- (h) The Company has signed three credit line agreements with International Asset Bank AD for the purpose of financing working capital and the execution of a certain contract. As of December 31, 2013 the Company has used only two credit facilities with outstanding balance of BGN 2,772 thousand. Loans are secured by pledge on receivables on contracts.
- (i) The Company has received a credit facility for working capital financing and bank guarantee issue from Investbank AD at the amount of BGN 8,151 thousand as an overdraft and credit line. As of December 31, 2013 the Company has utilized BGN 4,409 thousand, securing working capital needs for the execution of a certain contracts. The frame is secured by pledge on land, current and future receivables from customers, owned by the Company and a promissory note in favour of the Bank.
- (j) On February 26, 2013 the Company has signed an agreement with Alpha Bank AD regarding a new combined credit line for the financing of a certain contract with total amount of EUR 1,667 thousand, of which EUR 1,607 thousand for working capital financing. The utilized as of December 31, 2013 is BGN 1,196 thousand. Loans are secured by a pledge of receivables on certain contract.
- (k) On October 4, 2013 the Company has signed a contract with D Bank AD regarding a new combined credit line for the purpose of financing a specific contract at total size of BGN 2,351 thousand, of which BGN 1,820 thousand for working capital. Amount utilized as of December 31, 2013 is BGN 1,412 thousand. Loans are secured by a pledge of receivables on certain contract.
- (l) The Company has signed an agreement with UniCredit Bulbank AD for issuing corporate credit cards with a limit of BGN 100 thousand. The amount of BGN 2, 000 thousand has been utilized as of December 31, 2013

In relation to the issue of bank guarantees the Company has received credit facilities from BNP Paribas – Sofia branch at the amount of EUR 1,000 thousand. Current and future receivables from customer with maximum amount of EUR 1,000 thousand, goods and materials with obligatory minimum of EUR 1,000 thousand are pledged as collateral and a promissory note is signed in favour of the bank. As of December 31, 2013 and 2012 the Company has no liabilities on loans related to the credit facility.

The Company has signed loan agreements for issuance of bank guarantee with First Investment Bank AD at the amount of EUR 1,500 thousand. The loan is secured by a pledge on future receivables from customers for which the bank guarantees have been issued. As of December 31, 2013 and 2012 the Company has no liabilities on loans related to the credit facility.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**12. Loans (continued)****12.2 Borrowings from financial institutions (continued)**Covenants under loan contracts

In accordance with the provisions of the bank loans, the Company should comply with a number of financial covenants. As of December 31, 2013 and 2012 the Company is in compliance with all financial covenants.

**12.3. Loans from non-related parties**

As of December 31, 2013 the loans from non-related parties consist of unsecured loans from Izolko OOD and SIP OOD at the amount of BGN 1,543 thousand and BGN 527 thousand, respectively. The loans bear interest rates between 8% and 9% and maturity in 2013, and the term has been expended.

As of December 31, 2012 the loans from non-related parties consist of unsecured loans from Izolko OOD, Enemona Start AD, SIP EOOD and others at the amount of BGN 905 thousand, BGN 180 thousand, BGN 479 thousand and BGN 30 thousand, respectively. The loans bear interest rates between 8% and 9% and maturity in 2012, the term could be extended by one month.

**13. Finance lease**

Part of the tangible fixed assets owned by the Company has been leased under finance lease contracts. The average term of the contracts is three years. The average effective interest rate under the finance lease contracts is 7%. The fair value of the lease liabilities of the Company is close to their carrying amount.

|  | Minimum lease liabilities |                     | Present value of minimum lease liabilities |                     |
|--|---------------------------|---------------------|--|---------------------|
|  | As of<br>31.12.2013       | As of<br>31.12.2012 | As of<br>31.12.2013                        | As of<br>31.12.2012 |
| Liabilities under finance lease with maturity: |                           |                     |  |                     |
| Up to 1 year                                   | 80                        | 471                 | 78   | 444                 |
| Between 2 and 5 years                          | 95                        | 235                 | 87   | 228                 |
| <b>TOTAL LIABILITIES</b>                       | <b>175</b>                | <b>706</b>          | <b>165</b>                                 | <b>672</b>          |
| Less: future finance charges                   | (10)                      | (34)                | -  | -                   |
| <b>PRESENT VALUE OF LIABILITIES</b>            | <b>165</b>                | <b>672</b>          | <b>165</b>                                 | <b>672</b>          |

**14. Provisions**

Provisions represent accruals for unused paid leave at the amount of BGN 358 thousand and BGN 470 thousand as of December 31, 2013 and 2012, respectively. The Company has accrued provision at the amount of BGN 1,450 thousand for the performance of contractual agreement in 2014.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

### 15. Long-term employee benefits

In accordance with the Bulgarian Labour Code, upon termination of labour contracts, when the employee is entitled to retirement benefits, the Company owes severance payments of 2 gross monthly salaries. In case the employee has worked for more than 10 years with the Company, the severance payment is 6 gross monthly salaries. As of December 31, 2013 the Company has accrued BGN 368 thousand for provision of long-term employee benefits as the provision is calculated by a licensed actuary.

The basic assumptions, used by the licensed actuary for calculation of the present value of liabilities are based on:

- Demographic assumptions
- Mortality chart
- Invalidation chart
- Retirement probability
- Financial assumptions
- Salary growth
- Discount rate – due to the long-term nature of the liability, a 6% discount rate has been applied.

Movements in the present value of the defined benefit obligation in the current period are presented below:

|                      | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|----------------------|--------------------------|--------------------------|
| AS OF JANUARY 1      | 62                       | 62                       |
| Interest cost        | 16                       | -                        |
| Current service cost | 141                      | -                        |
| Benefits paid        | (67)                     | -                        |
| Actuarial losses     | 216                      | -                        |
| AS OF DECEMBER 31    | 368                      | 62                       |

### 16. Trade and other payables

|  | As of<br>31.12.2013 | As of<br>31.12.2012 |
|--|---------------------|---------------------|
| Payables to suppliers  | 16,163              | 7,297               |
| Payables to related parties (note 27)                                | 2,803               | 2,554               |
| Payables for dividends on preferred shares                           | 2,199               | 2,067               |
| Payables to staff  | 2,199               | 1,513               |
| Payables to social insurance organizations                           | 4,664               | 1,235               |
| Payables for VAT liabilities in Bulgaria and abroad                  | 4,371               | 416                 |
| Payables under tax liabilities on individuals in Bulgaria and abroad | 2,265               | 1,138               |
| Other payables   | 3,074               | 1,017               |
| TOTAL TRADE AND OTHER PAYABLES                                       | 37,738              | 17,237              |

Other payables comprise BGN 650 thousand received deposit under transaction for the sale in Nevrokop gas AD.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

17. **Revenue**

|                                     | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|-------------------------------------|--------------------------|--------------------------|
| Revenue from construction contracts | 85,423                   | 65,130                   |
| Revenue from services               | 219                      | 322                      |
| <b>TOTAL REVENUE</b>                | <b>85,642</b>            | <b>65,452</b>            |

The information on construction contracts in progress as of the end of the reporting period is presented below:

|  | As of<br>31.12.2013 | As of<br>31.12.2012 |
|--|---------------------|---------------------|
| Construction costs incurred plus recognized profits less recognized losses to date | 274,214             | 184,942             |
| Less: Progress billings  | (246,903)           | (163,257)           |
|  | <u>27,311</u>       | <u>21,685</u>       |
| Gross amounts presented in the separate statement of financial position comprise:  |                     |                     |
| Gross amount due from customers under construction contracts                       | 29,805              | 27,428              |
| Gross amount due to customers under construction contracts                         | (2,494)             | (5,743)             |
|  | <u>27,311</u>       | <u>21,685</u>       |

Retentions held by customers for contract work amounted to BGN 6,107 thousand and BGN 8,930 thousand for December 31, 2013 and 2012, respectively. Advances received from customers for contract work amount to BGN 14,199 thousand and BGN 13,171 thousand for December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012 the Company reviewed for objective evidences for impairment of the gross amount due from clients on construction contracts in order to ensure that the carrying amount of the asset does not exceed the present value of the expected future cash flows.

18. **Investment revenue**

|                                 | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|---------------------------------|--------------------------|--------------------------|
| Interest income                 | 2,497                    | 2,567                    |
| Dividend income                 | 861                      | 3,151                    |
| Foreign exchange gains          | 8                        | 17                       |
| <b>TOTAL INVESTMENT REVENUE</b> | <b>3,366</b>             | <b>5,735</b>             |

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**19. Materials and consumables used**

|   | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|---|--------------------------|--------------------------|
| Materials for main activities               | 25,612                   | 10,965                   |
| Expenses for instruments                    | 371                      | 262                      |
| Electric power                              | 216                      | 102                      |
| Fuels                                       | 103                      | 181                      |
| Spare parts                                 | 37                       | 17                       |
| Stationery                                  | 193                      | 135                      |
| <b>TOTAL MATERIALS AND CONSUMABLES USED</b> | <b>26,532</b>            | <b>11,662</b>            |

During the year materials and equipment at the amount of BGN 9,062 thousand are used under a main contract in Germany.

**20. Hired services**

|   | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|---|--------------------------|--------------------------|
| Under agreements with subcontractors          | 10,765                   | 11,212                   |
| Services with mechanization                   | 1,545                    | 872                      |
| Transportation                                | 1,635                    | 1,438                    |
| Legal, consulting and mediatory services      | 1,403                    | 1,093                    |
| Insurances                                    | 726                      | 1,040                    |
| Advertising                                   | 7                        | 11                       |
| Telecommunications                            | 173                      | 203                      |
| Rents   | 2,836                    | 2,175                    |
| Design  | 842                      | 297                      |
| Heating                                       | 51                       | 41                       |
| Working permissions and tender documentation  | 63                       | 175                      |
| Start-up and commissioning works and control  | 1,086                    | 796                      |
| Software licenses and maintenance of hardware | 247                      | 137                      |
| Security                                      | 59                       | 107                      |
| Translations                                  | 124                      | 79                       |
| Courier services                              | 125                      | 69                       |
| Other services                                | 101                      | 116                      |
| <b>TOTAL HIRED SERVICES</b>                   | <b>21,788</b>            | <b>19,861</b>            |

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**20. Hired services (continued)**

In the statement of comprehensive income for the year ending December 31, 2013, expenses for fees, mortgages and guarantees at the amount of BGN 1,781 thousand and expenses for bank fees at the amount of BGN 206 thousand are transferred in Finance cost in note 24 at Finance costs on construction contracts at the amount of BGN 1,332 thousand and at Fees, mortgages, guarantees at the amount of BGN 655 thousand. The comparative information for the year ending December, 31, 2012 is updated, as expenses for fees, mortgages and guarantees at the amount of BGN 1,561 thousand and bank fees at the amount of BGN 134 thousand are disclosed in Finance cost in note 24 at Finance costs on construction contracts at the amount of BGN 1,112 thousand and at Fees, mortgages, guarantees at the amount of BGN 583 thousand. The update is with the aim of better presentation of finance cost in the separate statement of comprehensive income.

**21. Employee benefits expenses**

|  | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|--|--------------------------|--------------------------|
| Remunerations under labour contracts     | 20,730                   | 21,367                   |
| Remunerations under management contracts | 189                      | 256                      |
| Civil contracts                          | 73                       | 226                      |
| Social and health securities             | 3,256                    | 2,898                    |
| Food                                     | 814                      | 782                      |
| Compensated leaves                       | 311                      | 216                      |
| Other expenses                           | 690                      | 426                      |
| <b>TOTAL EMPLOYEE BENEFITS EXPENSES</b>  | <b>26,063</b>            | <b>26,171</b>            |

**22. Other expenses**

|                                     | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|-------------------------------------|--------------------------|--------------------------|
| Business trips                      | 2,869                    | 2,616                    |
| Storage of equipment                |                          | 420                      |
| Expenses for one-off taxes and fees | 263                      | 474                      |
| Obsolete non-current assets         | 155                      | 212                      |
| Entertainment expenses              | 12                       | 45                       |
| Donations                           | 60                       | 15                       |
| Other                               | 62                       | 390                      |
| <b>TOTAL OTHER EXPENSES</b>         | <b>3,421</b>             | <b>4,172</b>             |

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**23. Other gains / (losses), net**

|  | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|--|--------------------------|--------------------------|
| Proceeds from sale of non-current assets                     | 6,207                    | 502                      |
| Carrying amount of sold and disposed non-current assets      | (5,243)                  | (438)                    |
| Gains from sale of non-current assets                        | 964                      | 64                       |
| Proceeds from sale of materials                              | 86                       | 91                       |
| Carrying amount of sold materials                            | (54)                     | (69)                     |
| Gains from sale of materials                                 | 32                       | 22                       |
| Revenue from sale of electricity                             | 313                      | -                        |
| Carrying amount of sold electricity                          | (313)                    | -                        |
| Profit from sale of electricity                              | -                        | -                        |
| Revenue from sale of investments in subsidiaries             | 160                      | 3,100                    |
| Carrying amount of sold investments in subsidiaries          | (120)                    | (2,250)                  |
| Profit from sale of investments in subsidiaries              | 40                       | 850                      |
| Subsequent premiums from sale of investments in subsidiaries | 120                      | -                        |
| Loss from sale of receivables                                | (257)                    | (862)                    |
| Loss from discounting of receivables on ESCO contracts       |                          | (1,831)                  |
| Reversal of allowance for impairment of receivables          | 123                      | 1,589                    |
| Reversal of allowance for impairment of investments          | 756                      | -                        |
| Provision for contractual obligation – note 14               | (1,450)                  | -                        |
| Rent income  | 311                      | 469                      |
| Revenue from consulting services                             | 304                      | 32                       |
| Penalties and other, net                                     | (1,171)                  | 533                      |
| Other losses from accounting estimates                       | (2)                      | (170)                    |
| <b>TOTAL OTHER GAINS/ (LOSSES), NET</b>                      | <b>(230)</b>             | <b>696</b>               |

The rebate from discounting of receivables represents discount at additional recognition of ESCO receivables. He used discount factor approximates the discount for the sale of these receivables.

There are no ESCO receivables for the year ended December 31, 2013.

**24. Finance cost**

|   | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|---|--------------------------|--------------------------|
| Interest expense                                    | 2,934                    | 2,737                    |
| Finance costs on construction contracts             | 3,164                    | 2,645                    |
| Fees, mortgages, guarantees                         | 655                      | 583                      |
| Expenses on financial liability on preferred shares | 490                      | 570                      |
| Foreign exchange losses                             | 76                       | 38                       |
| <b>TOTAL FINANCE COST</b>                           | <b>7,319</b>             | <b>6,573</b>             |



NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

## 25. Taxation

Deferred taxes are as follows:

|   | As of<br>31.12.2013 | As of<br>31.12.2012 |
|---|---------------------|---------------------|
| Deferred tax assets                       |                     |                     |
| Impairment of receivables                 | 1,026               | 3,260               |
| Deductible tax loss                       | -                   | 117                 |
| Impairment of investments in subsidiaries | 166                 | 241                 |
| Impairment of other assets                | 14                  | 2                   |
| Provisions                                | 190                 | 53                  |
| <b>TOTAL DEFERRED TAX ASSETS</b>          | <b>1,396</b>        | <b>3,673</b>        |
| Deferred tax liabilities                  |                     |                     |
| Non-current assets                        | 829                 | 1,094               |
| <b>TOTAL DEFERRED TAX LIABILITIES</b>     | <b>829</b>          | <b>1,094</b>        |
| <b>DEFERRED TAX ASSETS, NET</b>           | <b>567</b>          | <b>2,579</b>        |

Deferred tax assets and liabilities as of December 31, 2013 and 2012 are calculated by applying tax rate of 10% according to the Corporate Income Taxation Act and applicable for the periods in which the temporary differences will be realized.

Deferred tax liabilities recognized in equity as of December 31, 2013 and 2012 amount to BGN 337 thousand and BGN 557 thousand, respectively.

Income tax expenses for the year ended December 31, 2013 and 2012 are as follows:

|  | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|--|--------------------------|--------------------------|
| Current income tax expense   | 1                        | 125                      |
| Deferred tax in relation to occurrence and reversal of temporary differences | 2,012                    | (18)                     |
| <b>TOTAL TAX EXPENSE</b>   | <b>2,013</b>             | <b>107</b>               |

The calculations for the effective interest rate are presented in the following table:

|  | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|--|--------------------------|--------------------------|
| Profit before taxation                                     | 2,400                    | 1,843                    |
| Applicable tax rate  | 10%                      | 10%                      |
| Tax by applicable tax rate                                 | 240                      | 184                      |
| Tax effect of the non-deductible and non-taxable positions | 1,773                    | (189)                    |
| Effect of different tax rates in other tax jurisdictions   | -                        | 112                      |
| <b>TAX EXPENSE</b>   | <b>2,013</b>             | <b>107</b>               |
| <b>EFFECTIVE TAX RATE</b>                                  | <b>84%</b>               | <b>6%</b>                |

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**26. Basic and diluted earnings per share**

Basic earnings per share are calculated by dividing the net profit for the year subject to allocation between the shareholders of the Company to the weighted-average number of ordinary shares outstanding for the period.

|   | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|---|--------------------------|--------------------------|
| Profit for allocation between the shareholders in BGN | 387,597                  | 1,735,571                |
| Weighted-average number of ordinary shares            | 11,933,600               | 11,933,600               |
| Basic earnings per share (in BGN)                     | 0.03                     | 0.15                     |

As disclosed in Note 11, as of December 31, 2013 and 2012 the Company has issued preferred shares and warrants which in 2013 and 2012 do not influence diluted earnings per share as their conversion to ordinary shares would not have dilutive effect on basic earnings per share.

**27. Related parties transactions**

The Company's related parties with which it has performed transactions in 2013 and 2012 are as follows:

| RELATED PARTY             | TYPE OF RELATION                  |
|---------------------------|-----------------------------------|
| Enemona Utilities AD      | Subsidiary                        |
| Esco Engineering AD       | Subsidiary                        |
| EESF SPV                  | Subsidiary                        |
| Pirin Power AD            | Subsidiary                        |
| Hemusgas AD               | Subsidiary                        |
| FINI SPV                  | Subsidiary                        |
| TFEZ Nikopol EAD          | Subsidiary                        |
| Nevrokov gas AD           | Subsidiary                        |
| Enemona Galabovo AD       | Subsidiary until October 19, 2012 |
| EMKO AD                   | Subsidiary                        |
| Regionalgas AD            | Subsidiary                        |
| Hemusgas AD               | Subsidiary                        |
| Artanes Mining Group AD   | Subsidiary                        |
| FEZ Mladenovo EAD         | Subsidiary                        |
| Alfa Enemona OOD          | Associated company                |
| Global Capital OOD        | Company under common control      |
| G Oil Expert EOOD         | Company under common control      |
| Eco Invest Holding AD     | Company under common control      |
| Resource Engineering EOOD | Company under common control      |
| Softgeo-Lint 2006 OOD     | Company under common control      |

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**27. Related parties transactions (continued)**

The table below discloses the transactions performed with related parties:

| Related party                            | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|--|--------------------------|--------------------------|
| Enemona Utilities AD                     | 372                      | 2,008                    |
| EMKO AD                                  | 63                       | 35                       |
| FINI SPV                                 | 5                        | 5                        |
| TFEZ Nikopol EAD                         | 2                        | 2                        |
| EESF SPV                                 | 766                      | 1,142                    |
| Alfa Enemona OOD                         | 104                      | 72                       |
| Eco Invest Holding                       | 1                        | 1                        |
| G Oil Expert EOOD                        | 5                        | 3                        |
| <b>TOTAL INCOME FROM RELATED PARTIES</b> | <b>1,318</b>             | <b>3,268</b>             |

The table below discloses the expenses for related party transactions:

|  | Year ended<br>31.12.2013 | Year ended<br>31.12.2012 |
|--|--------------------------|--------------------------|
| Enemona Utilities AD                     | 73                       | 40                       |
| EMKO AD                                  | 1,737                    | 1,941                    |
| <b>TOTAL EXPENSES TO RELATED PARTIES</b> | <b>1,810</b>             | <b>1,981</b>             |

Expenses for transactions with related parties in 2013 comprise expenses for electricity with Enemona Utilities AD and expenses on construction costs with subcontractor EMKO AD for 2012 are expenses with agreements with subcontractors.

The table below discloses the balances of receivables from related parties:

|   | As of<br>31.12.2013 | As of<br>31.12.2012 |
|---|---------------------|---------------------|
| Enemona Utilities AD                          | 94                  | 96                  |
| Esco Engineering AD                           | 38                  | 38                  |
| Pirin Power AD                                | 4                   | 4                   |
| EESF SPV                                      | 1,449               | 2,077               |
| Nevrokop gas AD                               | 15                  | 15                  |
| Hemusgas AD                                   | 13                  | 13                  |
| EMKO AD                                       | 677                 | 634                 |
| TFEZ Nikopol EAD                              | 105                 | 103                 |
| <b>TOTAL RECEIVABLES FROM RELATED PARTIES</b> | <b>2,395</b>        | <b>2,980</b>        |

Receivables from related parties comprise loans to related parties (note 7) and trade receivables (note 9).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

## 28. Geographical information

The table below presents balances of payables to related parties as of December 31, 2013 and 2012:

|  | As of<br>31.12.2013 | As of<br>31.12.2012 |
|--|---------------------|---------------------|
| Enemona Utilities AD                     | 1,230               | 331                 |
| Esco Engineering AD                      | 3                   | 4                   |
| EMKO AD                                  | 2,748               | 2,219               |
| <b>TOTAL PAYABLES TO RELATED PARTIES</b> | <b>3,981</b>        | <b>2,554</b>        |

Payables to related parties comprise payables on loans (note 12) and trade payables (note 16).

Receivables and payables from/to related parties are uncollateralized and are expected to be settled through cash payments. There are no guarantees provided or received in relation to this transaction. There is no impairment accrued on receivables from related parties.

In 2013 and 2012 the management personnel has received remuneration at the amount of BGN 189 thousand and BGN 255 thousand.

The Company operates in three principal geographical areas – Bulgaria, Germany, Slovakia, Norway and Great Britain.

The Company's revenue from external clients and information about non-current assets, excluding financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts, is presented as follows:

|               | Revenue from external clients |                          | Non-current assets  |                     |
|---------------|-------------------------------|--------------------------|---------------------|---------------------|
|               | Year ended<br>31.12.2013      | Year ended<br>31.12.2012 | As of<br>31.12.2013 | As of<br>31.12.2012 |
| Bulgaria      | 48,602                        | 27,137                   | 29,631              | 35,230              |
| Slovakia      | 19,809                        | 18,501                   | 452                 | 406                 |
| Germany       | 15,938                        | 17,492                   | 330                 | 112                 |
| Norway        | 743                           | 491                      | 5                   | 5                   |
| Great Britain | 272                           | -                        | 6                   | -                   |
| Other         | 59                            | 1,509                    | -                   | -                   |
|               | <b>85,423</b>                 | <b>65,130</b>            | <b>30,424</b>       | <b>35,753</b>       |

The Company registered a branch in 2013 in Great Britain.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**29. Financial instruments, financial risk and capital management**

**Categories of financial instruments**

|   | As of<br>31.12.2013 | As of<br>31.12.2012 |
|---|---------------------|---------------------|
| <b>Financial assets</b>                 |                     |                     |
| Loans and receivables                   | 107,358             | 87,423              |
| Cash and cash equivalents               | 856                 | 1,822               |
|   | <u>108,214</u>      | <u>89,245</u>       |
| <b>Financial liabilities</b>            |                     |                     |
| Financial liabilities at amortized cost | 106,931             | 90,380              |

Loans and receivables consist of loans granted by the Company including other current assets and other non-current assets as well as trade and other receivables, gross amounts due from customers on construction contracts and financial instruments held for trading.

Financial liabilities at amortized cost include loans granted to the Company, lease liabilities as well as trade and other payables, dividends payable on preferred shares.

**Fair value estimation of financial instruments, measured at fair value**

IFRS 7 „Financial instruments: Disclosure” requires additional the disclosures to the financial statements to include information for fair value measurement of financial assets and liabilities which are not presented at fair value in the statement of financial position.

The following table presents information for the carrying amount and fair value of financial assets and liabilities:

|   | Carrying amount     |                     | Fair value          |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | As of<br>31.12.2013 | As of<br>31.12.2012 | As of<br>31.12.2012 | As of<br>31.12.2012 |
| <b>Financial assets</b>                 |                     |                     |                     |                     |
| Loans and borrowings                    | 107,358             | 87,423              | 107,358             | 87,423              |
| Cash and cash equivalents               | 856                 | 1,822               | 856                 | 1,822               |
| <b>Financial liabilities</b>            |                     |                     |                     |                     |
| Financial liabilities at amortized cost | 106,931             | 90,380              | 106,931             | 90,380              |

The management's estimate is that the fair value of financial instruments is approximate to their carrying amount as most of them are current.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**29. Financial instruments, financial risk and capital management (continued)**

*Credit risk*

The Company is exposed to credit risk in case the clients fail to meet their obligations.

The accounts with the main contractors of the Company are as follows:

| Name         | Type           | Carrying amount of<br>receivable as of<br>31.12.2013 | Carrying amount of<br>receivable as of<br>31.12.2012 |
|--------------|----------------|--|--|
| Contractor 1 | In the country | 23,100   | 1,392  |
| Contractor 2 | Abroad         | 6,916  | 4,286  |
| Contractor 3 | In the country | 2,499  | 2,392  |
| Contractor 4 | In the country | 1,505  | -  |
| Contractor 5 | Abroad         | 1,339  | 440  |

The carrying amount of financial assets recorded in the separate financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk. The trade and other receivables and the gross amount due from customers on construction contracts are not secured. The gross amount due to customers under construction contracts and loans granted and receivables is not included when determining the credit risk exposure.

The net exposure of receivables from customers and loans granted and receivables are at the amount of BGN 16,958 thousand and are collateralized in favour of bank borrowings with lands, properties and receivables to total amount of collateral of BGN 11,945 thousand.

*Liquidity risk*

Liquidity risk is the risk that the Company may have difficulties in meeting its obligations related to settling financial liabilities, which require payment of cash, cash equivalents or other financial asset. Liquidity risk arises from the time difference between the agreed maturity of monetary assets and liabilities and the possibility that debtors may not be able to settle their obligations to the Company in terms due.

As of December 31, 2013 and 2012 undiscounted cash flows on financial liabilities of the Company, analysed by residual term as of the date of the separate statement of financial position until the date of subsequent negotiating or maturity are, as follows:

| As of December 31, 2013               | From 1 to<br>3 months | From 3<br>months<br>to 1 year | From 1<br>year to 5<br>years | Total   |
|---------------------------------------|-----------------------|-------------------------------|------------------------------|---------|
| <i>Financial liabilities</i>          |                       |                               |                              |         |
| Trade and other payables              | 17,603                | 20,135                        | -                            | 37,738  |
| Loans                                 | 5,613                 | 56,066                        | 14,451                       | 76,130  |
| Finance lease liabilities             | 19                    | 61                            | 95                           | 175     |
| Finance liability on preferred shares | -                     | -                             | 3,510                        | 3,510   |
| Total financial liabilities           | 23,235                | 76,262                        | 18,056                       | 117,554 |

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**29. Financial instruments, financial risk and capital management (continued)**

*Liquidity risk*

| As of December 31, 2012               | From 1 to<br>3 months | From 3<br>months<br>to 1 year | From 1<br>year to 5<br>years | Total  |
|---------------------------------------|-----------------------|-------------------------------|------------------------------|--------|
| <i>Financial liabilities</i>          |                       |                               |                              |        |
| Trade and other payables              | 8,399                 | 8,838                         | -                            | 17,237 |
| Loans                                 | 4,855                 | 65,511                        | 4,622                        | 74,988 |
| Finance lease liabilities             | 111                   | 333                           | 228                          | 672    |
| Finance liability on preferred shares | -                     | -                             | 4,604                        | 4,604  |
| Total financial liabilities           | 13,365                | 74,682                        | 9,454                        | 97,501 |

Current loans of the Company include credit lines and overdraft with maturity in 2014. The Company usually renegotiates part of the credit lines and overdrafts.

Credit lines from Societe Generale Expressbank, UniCredit Bulbank, Unionbank and International Asset Bank are granted for the purpose of implementation of specific construction contracts (see also note 12). Repayment of these loans is linked to the implementation of the commitments of the Company under the respective contract and the cash flows generated by the specific construction contract.

*Foreign currency risk*

As the Company operates in the country and in the EU it is exposed to insignificant foreign currency risk. A small percentage of income/expenses are generated in foreign currency different from the Bulgarian lev and Euro. The Company implement a contract in Norway, whose active phase will start in 2014. Therefore, the management of the Company considers that the effect from possible changes in exchange rates would not have significant effect on profit or loss.

*Interest rate risk*

The Company is exposed to interest rate risk fluctuation mainly from received bank and debenture loans with floating interest rate which are at the amount of BGN 63,161( of which BGN 21,286 with floating interest rate) and BGN 68,421 thousand as of December 31, 2013 and 2012 and the interest payments are based on EURIBOR plus margin. As of December 31, 2013 and 2012 the Company has not used instruments for compensating the potential changes of the EURIBOR levels.

If the interest rates for these loans increased by 0.5% in 2013 and 2012, the interest expense for the year would increase, and profit after taxation would decrease by BGN 106 thousand and BGN 642thousand, respectively, and vice versa, if the interest rate decreases by 0.5%.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)  
All amounts are in thousand Bulgarian Levs, except otherwise stated

**29. Financial instruments, financial risk and capital management (continued)**

**Capital management**

The Company manages its capital to operate as a going concern and optimize return by improving the debt/equity ratio. The capital structure of the Company comprises cash and cash equivalents, received loans and share capital.

Gearing ratio as of December 31, 2013 and 2012 is as follows:

|  | As of<br>31.12.2013 | As of<br>31.12.2012 |
|--|---------------------|---------------------|
| Loans  | 66,574              | 70,687              |
| Cash and cash equivalents  | (856)               | (1,822)             |
| Loans net of cash and cash equivalents                           | 65,718              | 68,865              |
| Equity   | 52,392              | 52,221              |
| Gearing ratio (loans net of cash and cash equivalents to equity) | 1.25                | 1.32                |

**30. Contingent liabilities**

As of December 31, 2013 the Company is a guarantor, co-debtor or avalist of promissory note on loan contract for loans granted to the subsidiaries by Bulgarian banks, as follows:

| Type of contingent liability | Borrower             | Bank                 | Amount of<br>loan |
|------------------------------|----------------------|----------------------|-------------------|
| Guarantor                    | EESF SPV             | EBRD                 | 17,502            |
| Co-debtor                    | Enemona Utilities AD | Unicredit Bulbank AD | 1,833             |

As of the date of these separate financial statements the subsidiaries regularly serve these loans.

As of December 31, 2012 the Company is a guarantor, co-debtor or avalist of promissory note on loan contract for loans granted to the subsidiaries by Bulgarian banks, as follows:

| Type of contingent liability | Borrower             | Bank                 | Amount of<br>loan |
|------------------------------|----------------------|----------------------|-------------------|
| Guarantor                    | EESF SPV             | EBRD                 | 23,267            |
| Co-debtor                    | Enemona Utilities AD | Unicredit Bulbank AD | 2,480             |

As of December 31, 2013 and 2012 bank guarantees have been issued on behalf of the Company, at the amount of BGN 35,287 thousand and BGN 33,660 thousand, respectively, which are related mainly to the construction works, including energy and other facilities.

As of December 31, 2013 2 390 000 shares of EESF SPV owned by Enemona AD are pledge as collateral under repurchase deals.