

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

1. **Organisation and scope of activity**

Enemona AD (the "Parent company") was initially registered as a partnership company in 1990 and in 1994 the Parent-company was registered as a joint-stock company. The address of the Parent-company according to the court registration is at the city of Kozloduy, 1A, PanayotHitov Str. The Parent-company is a public entity and its shares are registered at the Financial Supervision Commission in order to be traded at the Bulgarian Stock Exchange. As of December 31, 2013 and 2012 the major shareholder of Enemona AD is DichkoProkopiev. There have been no changes in the legal status of the Parent company during the financial year.

The scope of activity of the Parent Company is construction works, which includes all stages from design to assembly and construction. Management reviews the operating results of the Parent company on an individual construction projects' basis and as one operating segment.

These consolidated financial statements for the year ended December 31, 2012 include financial information about the Parent company and its subsidiaries and associates (together referred to as "the Group").

As of December 31, 2013 and 2012 the Group's employees are 1,276 and 1,498, respectively.

As of December 31, 2013 the following subsidiaries of the Parent company have been included in the consolidation:

| Company | Description of activities | Share | |
|--------------------------|--|---------------------|---------------------|
| | | As of 31.12.2013 | As of 31.12.2012 |
| Enemona Utilities AD | Trade in electrical power Special investment purpose company – securitization of receivables | 92.25% | 97.24% |
| FEEI ADSIP | Design and construction of energy projects | 88.20% | 88.97% |
| Pirin Power AD | Special investment purpose company – purchase of real estate | 100.00% | 100.00% |
| FINI ADSIP | | 69.23% | 69.23% |
| Hemus gas AD | Construction of compressor stations | 50.00% | 50.00% |
| Esko engineering AD | Heating and air conditioning projects | 99.00% | 99.00% |
| TFETS Nikopol EAD | Construction of electric power station | 100.00% | 100.00% |
| Nevrokop gas AD | Trade in gas | 90.00% | 90.00% |
| EMKO AD | Construction contracts | 77.36% | 77.36% |
| Regionalgas AD | Gasification projects | 50.00% | 50.00% |
| PPP Mladenovo EOOD | Photovoltaic power station projects | 100.00% | 100.00% |
| Artantes Mining Group AD | Exploration of mineral resources | 90.00% | 90.00% |

The basis and principles for the preparation of the consolidated financial statements are disclosed in notes 2.2. and 2.3 below.

Activities abroad:

In 2013 the Group has initiated the preparations for the implementation of a construction contract in England and has registered a branch office in England. In August 2012 the Group started the execution of construction contract in Norway due to which the Group has registered a branch office in Norway. In June 2011 the Group has started the execution of construction activities in Germany through a permanent establishment. In May 2010 the Group has registered a branch office in the Republic of Slovakia, which is related to the execution of a construction contract.

1. Organisation and scope of activity (continued)

Regionalgas AD is a subsidiary of Enemona Utilities AD, which as of December 31, 2013 and 2012 holds 50% of the shares of Regionalgas or the direct interest of the Group in Regionalgas AD is 50%.

The Group's management considers the investments in Regionalgas AD and Hemusgas AD as non-controlled jointly activity since the Group does not govern the financial and operational policy of these entities.

On July 19, 2013 Enemona AD has sold 112,300 ordinary shares representing 4,99% of the share capital of Enemona Utilities AD. Subsequent to the sale, the Group holds 92,25% of the share capital of Enemona Utilities AD.

On September 25, 2013 Enemona AD has sold 30,000 ordinary shares representing 0,77% of the share capital of FEEI ADSIP. Subsequent to the sale, the Group holds 88,20% of the share capital of Enemona Utilities AD.

Discontinued operations

In 2012 the Group has sold its interest in EnemonaGalabovo AD which is presented as discontinued operations in the comparative information of these consolidated financial statements.

As of December 31, 2012 the current financial result of the company at the date of transaction and the result from the transaction are stated in the consolidated statement of comprehensive income as discontinued operations.

2. Accounting policy

2.1 General financial reporting framework

These consolidated 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.

2. **Accounting policy (continued)**

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

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),
- **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 Group’s accounting policies.

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

At the date of authorisation of these consolidated 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),
- **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).

2. Accounting policy (continued)

2.1 General financial reporting framework (continued)

Changes in IFRS (continued)

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 consolidated 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 Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the consolidated financial statements of the Group 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 Group’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 consolidated financial statements, if applied as at the reporting date.

2.2 Basis of preparation

The consolidated 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 consolidated financial statements have been prepared on accrual basis and the going concern assumption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

All amounts are in thousand Bulgarian Levs, except otherwise stated

2. Accounting policy (continued)

2.3 Principles of consolidation

As of December 31, 2013 and 2012 the Group consists of the Parent company and its subsidiaries listed in note 1.

A subsidiary is an entity that can be controlled by the Parent company through determining its financial and operating policies or in another manner to the extent that the Parent company can obtain benefits from its activities. Most often the exercising of control is accompanied by owning more than half of the voting rights in a given company.

The financial statements of the subsidiary are subject to full consolidation from the moment in which the Parent company obtains effective control and are excluded from the consolidated financial statements, when the company is no longer controlled by the Parent company.

When necessary, adjustments and reclassifications are made in the financial data of the separate financial statements of the subsidiaries in order to unify their accounting policies with the accounting policy of the Parent company.

All significant intra-group balances and intra-group transactions, as well as intra-group profits and losses are eliminated as a result of the consolidation procedures.

Non-controlling interests in subsidiaries are disclosed apart from the Group's equity. Interest of non-controlling shareholders is measured at initial recognition of the business combination using one of the following methods: (1) at fair value and (2) as the proportional share in non-controlling interests in the fair value of the identifiable net assets of the acquired company. The method for initial accounting of non-controlling interests is chosen separately for each business combination. Upon subsequent measurement the balance of the non-controlling interests is determined as a sum of initially recognized balance and the share of non-controlling shareholders in the equity changes of the subsidiary. Comprehensive income is distributed to non-controlling interests even when this results in negative balance of the non-controlling interests.

When acquiring investments in subsidiaries they are reported by applying the acquisition method, which includes identifying the acquirer, determining the consideration for the acquisition and allocating the consideration for the acquisition among the acquired assets, assumed liabilities and contingent liabilities. The consideration for the acquisition cost is an aggregate of the fair values, as of the date of exchange, of the assets granted, liabilities incurred or assumed and equity instruments, issued by the acquirer in exchange of control over the acquiree, as well as costs directly attributable to the transaction. The excess of acquisition price over the interest of the acquirer in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree is reported as goodwill. In cases when the acquisition price is lower than the interest of the investor in the fair value of the net assets of the acquired company, then the difference is recognized directly in the statement of comprehensive income.

Goodwill arising in business combinations is reviewed for impairment annually, or more often, if there are events or changes in circumstances, which indicate that it may be impaired.

Companies in which the Group has significant influence, but no control, are accounted for in the consolidated financial statements as associates (see note 2.13). Significant influence is the right of participation in the financial and operational decisions of the associates, but no control over these decisions.

2. Accounting policy (continued)

2.4 Business combinations

According to the requirements of IFRS 3 Business combinations, business combination is alliance of companies or businesses into a single accounting entity. In case a company obtains control over another company which does not represent separate business the alliance of these companies is not recognized as business combination. A business combination is accounted for under the purchase method according to the requirements of the applicable standards.

When changes in Parent company's interests in subsidiaries occur in reporting periods after the control was obtained and do not result in a loss of control, they are accounted for as equity transactions (i.e. transactions with shareholders in their capacity of shareholders). In such circumstances the carrying amounts of the interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and their fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent company.

When the Group loses control of a subsidiary the profit or loss on disposal is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the carrying amount of the assets (incl. goodwill), liabilities and any non-controlling interests of the sold company.

2.5 Functional currency and presentation currency

According to the Bulgarian accounting legislation the Group keeps its records and prepares 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 Group's functional currency is the Bulgarian national currency.

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

2.6 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 in the statement of comprehensive income 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.

2.7 Accounting estimates and accounting assumptions

The preparation of the 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 as of the date of the financial statements and the revenues and expenses during the reporting period. Although these estimates and assumptions are based on the best estimate of management, taking into account historical experience the actual results could differ from those estimates.

The critical accounting estimates and main sources of uncertainty in making these reasonable assumptions are disclosed in note 3 below.

2. Accounting policy (continued)

2.8 Property, plant and equipment

Property, plant and equipment are initially measured at cost being purchase price and directly attributable costs, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and any accumulated impairment loss.

Expenses incurred after the assets were put into operation, such as repairs and maintenance, are reported in the statement of comprehensive income in the period in which they arise, except for when they increase the useful life of the assets.

Acquisition costs for property, plant and equipment comprise of non-current assets under construction and are recorded at cost. Such costs include expenses for construction of the property and equipment and other direct expenses. Acquisition costs are not subject to depreciation until the completion and placing the respective assets into operation.

The Group's assets are depreciated using the straight-line method. The useful life of the main categories of assets as of December 31, 2013 and 2012 is as follows:

| Assets | Useful life (years) |
|----------------------|---------------------------|
| Buildings | From 45 years to 51 years |
| Machinery | From 5 years to 7 years |
| Equipment | From 5 years to 7 years |
| Fixture and fittings | From 5 years to 10 years |

Assets acquired under finance lease are depreciated over their expected useful life on the same base as the own assets, or when the term of the lease agreement is less than the asset's useful life – over the term of the respective lease agreement, if there are no reasonable grounds to believe that the ownership will be acquired at the end of the lease term.

Gains or losses arising from sales of property, plant or equipment are calculated as a difference between the proceeds and the net book value of the assets sold, and are recorded in the statement of comprehensive income.

2.9 Investment property

Investment property of the Group consist of land and buildings owned by a special investment purpose company, which are held for generating income from rent or for selling at higher prices.

Investment property is measured initially at cost, which includes the purchase price, as well as direct costs attributable to the acquisition of the properties. Subsequent expenses, related to the investment property, which have already been recognized, are added to the net book value of the investment property, when it is probable that future economic benefits will flow to the company that exceed the initially estimated efficiency of the existing investment property. All other subsequent expenses are recognized as expenses in the period when they arise.

Subsequent measurement of investment property is performed by using the fair value, which measures an investment property after the initial recognition at cost. The changes in fair value are recognized in the statement of comprehensive income.

2. Accounting policy (continued)**2.10 Intangible assets**

Software and licenses are the major components comprising the intangible assets. Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that economic benefits will flow to the entity as a result of owning the asset and if the value of the asset can be measured reliably. After initial recognition intangible assets are measured at cost less accumulated amortization and impairment losses. Intangible assets are amortized during the useful life by using the straight line method.

The useful life of the main categories of intangible assets as of December 31, 2013 and 2012 is as follows:

| Intangible assets | Useful life (years) |
|--|------------------------|
| Software | 7 |
| Licenses, patents, trademarks and rights | 17 |

2.11 Exploration and evaluation assets

Exploration and evaluation assets comprise of expenditures on exploration for and evaluation of mineral resources and are accounted in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources. These assets are measured at cost less accumulated amortization and impairment loss.

The Group capitalizes the expenditures for exploration and evaluation assets from the date of receiving the right for exploration until it is possible to prove the technical feasibility and commercial viability of the mineral resource. Subsequently, the Group reclassifies exploration and evaluation assets as intangible assets and depreciates them based on their expected useful life.

Exploration and evaluation assets are assessed for impairment when facts and circumstances show that the carrying amount of the exploration and evaluation assets may exceed their recoverable amount.

2.12 Impairment of property, plant and equipment and intangible assets

As of each date of the consolidated statement of financial position, the Group reviews whether there is any indication for impairment of property, plant and equipment and intangible assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit, to which the asset belongs.

Intangible assets with unidentified useful life and intangible assets that are not available for use are tested for impairment on an annual basis and also when there are any indications for impairment of the asset.

The recoverable amount is the higher of the asset's fair value less costs to sell the asset and its value in use. Upon measuring the value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease in the revaluation reserve.

2. Accounting policy (continued)

2.12 Impairment of property, plant and equipment and intangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as an increase in the revaluation reserve.

2.13 Investments in associates

An associate is an entity over which Enemona AD, directly or indirectly through one or more subsidiaries, has significant influence, but is neither a subsidiary nor an interest in a joint venture. Significant influence is the right of participation in, but not control over the financial and operating policy decisions of the investee.

In these consolidated financial statements Enemona AD reports investments in associates using the equity method; i.e. reports the interest in the profit and losses of the associates.

2.14 Segment reporting

Information on operating segments in these consolidated financial statements has been presented in a manner that is similar to the operational reports submitted to the management of the Group, on the basis of which decisions are taken regarding the resources, which should be allocated in segments and should measure the operating results.

2.15 Inventory

Inventory consists of materials, work in progress and finished work.

Inventories are stated at lower of cost and net realizable value. Cost comprises purchase price, manufacturing expenses and any other costs directly attributable to bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less the completion costs and all estimated costs to be incurred in marketing, selling and distribution. Upon consumption, the cost of inventories is calculated using the First in – first out method.

When materials are imported the exchange rate at the date of the invoice is used.

2.16 Employee benefits

In accordance with IAS 19 Employee Benefits the Group recognizes liabilities for retirement compensations, which are calculated by licensed actuary by using the Projected Unit Credit Method (see note 17). The amount reported in the statement of financial position, represents the current amount of the non-current liabilities of the Group for retirement compensations.

2.17 Lease

A given lease contract is classified as finance lease, if it transfers substantially all the risks and rewards incidental to ownership of an asset. All other leases are classified as operating lease.

Finance lease

In the inception a lease contract is recognized as an asset of the Group at the amount which at the inception of the lease term is equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments.

2. Accounting policy (continued)

2.17 Lease(continued)

Finance lease (continued)

The respective liability to the lessor is reported in the statement of financial position as a finance lease liability.

Lease payments are apportioned between the finance cost and the decreased unpaid liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized directly in the statement of comprehensive income.

Operating lease

Lease payments under operating lease are recognized as an expense in the statement of comprehensive income on a straight line basis over the lease term, except when another system basis is representative of the time when the lessee uses the rewards of the leased asset. Contingent costs for lease are recognized as an expense in the period when they arise.

When incentives are received in negotiating operating lease, they are recognized as a liability. The total reward of the incentives is recognized as a decrease of the costs for lease on a straight line basis over the lease term, except when another system basis represents the allocation of the rewards for the lessor for the use of the leased asset over time.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as provision is the best estimate of expenses, needed for repayment of current liability as of the date of the statement of financial position as liability risks and uncertainties are taken into consideration. When a provision is measured by the cash flows, set for settling the current liability, the carrying amount of the provision represents the present amount of the cash flows.

When certain or all economic benefits, related to settling a liability, are expected to be repaid by third party, the receivables are recognized as an asset, if it is sure that the repaid amount will be received and the receivables could be measured reliably.

2.19 Taxes

Taxes due are calculated in accordance with the Bulgarian legislation. Income tax is calculated on the basis of taxable profit, whereby the financial result is transformed for certain income and expense items (as depreciation, provisions, shortages and penalties) in accordance with the Bulgarian tax legislation.

Deferred tax liability is recognized for all taxable temporary differences, unless it arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affected neither the accounting profit nor taxable profit (loss).

Deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. However, this principle does not apply when such differences arise from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affected neither the accounting profit nor taxable profit (loss).

Current and deferred taxes are recognized as income or expense and are included in the net profit for the period except to the extent that the tax arises from a transaction or event that is recognized in the same or different period, directly in equity. Current and deferred taxes are charged or credited directly to equity when the tax relates to items that are credited or charged directly to equity.

2. Accounting policy (continued)

2.20 Financial instruments

The Group's financial instruments include cash on hand and in banks, trade and other receivables, loans granted and received, trade and other payables. The Group's management considers that the fair value of financial instruments approximates their carrying amount. Fair value is the value for which an asset can be exchanged or a liability can be settled between informed and independent parties in fair arm's length transaction.

Investments are recognized and disposed on the trading date where the sale or purchase of investment is performed by a contract which demands the delivery of the investment within the terms of the respective market and are initially measured at fair value, net of transaction costs, except for those financial assets classified by fair value in profit or loss, which are initially measured at fair value.

2.20.1 Financial assets

Financial assets are classified in the following specific categories: financial assets reported at fair value through profit or loss, held to maturity investments, available for sale financial assets and loans and receivables. The classification depends on the type and purpose of financial assets and is defined upon their initial recognition.

Trade receivables, loans and other receivables, which have fixed or determinable payments, which are not trade on active market, are classified as loans and receivables.

As of December 31, 2013 and 2012 the Group owns financial assets reported at "loans and receivables" category.

Cash and cash equivalents

Cash comprises cash on hand and in banks. The Group considers all highly liquid financial instruments with maturity 3 months or less for cash equivalents. For the purpose of the cash flow statement cash and equivalents include cash and cash equivalents as described above.

Financial assets at fair value through profit or loss

A financial asset is classified as financial asset at fair value through profit or loss when the asset is held for trading or is designated as an instrument for accounting through profit or loss.

A financial asset is classified as held for trading when the asset is acquired mainly for the purpose of short-term sale or is part of a trading portfolio or is a derivative contract which is not used for hedging.

Loans and receivables

Loans and receivables are measured at amortized cost through the effective interest rate method except for current receivables where the recognition of the interest would be insignificant. Loans granted by the Group and receivables on financing of activities for energy efficiency are reported in the statement of financial position as „Loans and advances”, and other trade receivables – in “Trade and other receivables”.

Trade and other receivables are presented at nominal value less impairment loss, if any. An estimate for impairment and uncollectibility loss is performed as of the end of each year based on review of receivables.

2. Accounting policy (continued)

2.20 Financial instruments (continued)

2.20.1 Financial assets (continued)

Impairment

As of the date of preparation of the financial statements financial assets with the exception of financial assets carried at fair value through profit or loss, are reviewed for indications of impairment. A financial asset is considered to be impaired only if objective evidence exists that as a result of one or more events, which have occurred after its initial recognition, the expected cash flows have been reduced.

For certain categories of financial assets, such as trade receivables and assets, which are considered not to be impaired separately, are subsequently reviewed for impairment on a collective basis. Objective evidence for impairment of a portfolio of receivables can include the past experience of the Company regarding the collection of payments, increase of the number of the overdue payments in the portfolio for more than the average loan period of 180 days, as well as observed changes in the national and local economic conditions, which are related to the overdue receivables.

For financial assets, measured at amortized cost, the amount of the impairment loss is the difference between the carrying amount of the assets and the present amount of the expected future cash flows, discounted by the initial effective interest rate.

With the exception of the financial assets available for sale, if in a subsequent period the amount of the impairment loss is reduced or the decrease can be objectively attributed to an event after the recognition of the impairment, the prior impairment loss is recognized in the statement of comprehensive income to the extent that the carrying amount of the investment at the date on which the impairment is reported, does not exceed the amount which the amortized cost would have if no impairment had been recognized.

2.20.2 Issued financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or equity depending on the nature of the contract agreement.

Equity instruments

Equity instrument is every contract, evidencing residual interest in Group's assets after deduction of all its liabilities. Equity instruments are reported by receipts, net of expenses for their issuance.

Financial liabilities

Financial liabilities include received loans (bank loans, debenture loans and other borrowed funds), trade and other payables and a financial liability on preferred shares.

Loans are initially measured at fair value, net of transaction costs. Subsequently loans are measured at amortized cost and the difference between due payments (net of transaction costs) and the amortized cost is recognized in the statement of comprehensive income over the period of the loan by using the effective interest method.

2. Accounting policy (continued)

2.20 Financial instruments (continued)

2.20.2 Issued financial liabilities and equity instruments (continued)

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating income/expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash receipts or payments (including all received fees and other margins or discounts) through the expected life of the financial instrument or, when appropriate for a shorter period, to its carrying amount.

Loans are recognized as short-term, except when the Group has the unconditional right to reschedule the payment of the liability for at least 12 months after the date of the consolidated statement of financial position.

Trade and other payables are valued at the amount they are expected to be settled in the future.

2.21 Income and expenses under construction contracts

The Group classifies as construction contract each contract in which it is specifically agreed that the construction of an asset or a number of assets, which are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contract revenue is measured at the fair value of the consideration received or receivable. Contract costs include all direct costs, attributable to the contract. Costs that are not attributable to the contract such as administrative expenses and selling costs are recognized during the reporting period regardless of the stage of completion of the contract.

When the result of a construction contract can be reliably measured, contract revenue and expenses are recognized by reference to the stage of completion of the contract as of the date of the statement of financial position, calculated as a ratio between the up-to-date contract expenses and the expected total amount of expenses under the contract. Expected loss under the construction contract is recognized as expense in the statement of comprehensive income.

Changes in construction works, payment of claims and incentives are recognized to the amount to which it is probable that they will lead to income realization and they can be reliably measured.

When the outcome of a construction cost cannot be reliably measured, contract revenue is recognized to the extent of contract costs incurred, if it is probable that they will be recovered by the customer.

2.22 Other income and expenses

Income from sales of finished goods is recognized when risks and benefits from ownership of the finished goods are transferred to the buyer and the transaction related costs can be measured reliably.

Income from sales of goods and services is recognized when it arises, independently of the cash receipts and payments, when the Group complies with the terms of sales and the significant risks and benefits, related to ownership of goods are transferred to the buyer.

2. Accounting policy (continued)

2.22 Other income and expenses (continued)

Expenses are recognized in the statement of comprehensive income when decrease in future economic benefits related to a decrease in an asset or increase in a liability has arisen and can be measured reliably. Expenses are recognized on the basis of a current association between the costs incurred and the earnings of specific items of income. When economic benefits are expected to arise over several accounting periods and the association with the income can only be broadly or indirectly determined, expenses are recognized in the statement of comprehensive income on the basis of systematic and rational allocation procedures.

Interest income and expense are accrued on a time basis based on the principal due and the applicable/effective interest rate.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, are capitalized as part of the cost of this asset. Qualifying asset is the asset, which necessarily takes substantial period of time to get ready for its intended use or sale. Investment income earned on the temporary investment of specific borrowings granted explicitly for a qualifying asset decrease the borrowing costs eligible for capitalization.

Commercial activities are analysed by the Group in order to identify presence or absence of agency relationship. The process includes the circumstances related with the risk and rewards for the Group, when goods are sold and services are rendered. When there is no agency relationship income and expenses (or cost) for the commercial activities of the Group are presented as gross amounts in the statement for comprehensive income.

3. Critical accounting estimates and main sources of uncertainty at making accounting assumptions

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

3.1. Revenue and expenses under construction contracts

As disclosed in note 2.21 recognition of revenue from construction contracts requires the determination of a stage of completion for each construction contract. This stage is defined on the basis of available information for the total amount of the revenue receivable and total costs for the respective contract. 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 Group. The volume and amount of future activities depend on future factors which may differ from the management's estimations.

3. Critical accounting estimates and main sources of uncertainty at making accounting assumptions (continued)

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 informed, 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.

3.3. Impairment of financial assets

Impairment of financial assets is determined based on the expected future cash flows discounted at the initial effective interest rate. When determining the expected future cash flows, the Group analyses the financial capabilities of its debtors and the expected period for receiving the cash flows.

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 aggravation of cash flows; decline in income and as a result to substantial worsening of the economic environment in which the Group operates. In addition the entity is exposed to significantly higher price, market, credit, liquidity, interest, operating and other risks. As a result, uncertainty for the ability of clients to settle their liabilities in accordance with contracted terms increases. Therefore, the amount of impairment losses on loans granted, receivables from clients, and the value of other accounting estimates in subsequent periods could substantially differ from those determined and recorded in this separate financial statements. The management of the Group applies all necessary procedures to manage these risks.

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4. **Property, plant and equipment**

| | Land | Building s | Machinery and equipment | Vehicles | Other | Assets under construction | Total |
|--|-------|---------------|-------------------------------|----------|-------|------------------------------|----------|
| <i>Cost</i> | | | | | | | |
| JANUARY 1, 2012 | 6,289 | 27,501 | 11,271 | 10,255 | 3,726 | 6,529 | 65,571 |
| Additions | - | 2,268 | 290 | 51 | 128 | - | 2,737 |
| Transfers | - | - | 1 | - | - | (1) | - |
| Disposals | - | (583) | (260) | (375) | (212) | (21) | (1,451) |
| Derecognized on disposal of subsidiaries | (131) | (1,718) | (4,555) | (345) | (550) | (11) | (7,310) |
| DECEMBER 31, 2012 | 6,158 | 27,468 | 6,747 | 9,586 | 3,092 | 6,496 | 59,547 |
| Additions | - | - | 1,203 | 3 | 237 | 112 | 1,556 |
| Disposals | - | (4,919) | (265) | (1,705) | (18) | (1) | (6,908) |
| Reclassified to held for sale | (358) | (5,780) | (1,883) | (2,232) | (3) | - | (10,256) |
| DECEMBER 31, 2013 | 5,800 | 16,769 | 5,803 | 5,652 | 3,308 | 6,607 | 43,939 |
| <i>Accumulated depreciation and impairment</i> | | | | | | | |
| JANUARY 1, 2012 | - | 2,745 | 5,705 | 3,874 | 2,030 | 168 | 14,522 |
| Depreciation charge | - | 545 | 690 | 748 | 314 | - | 2,297 |
| Depreciation charge for discontinued operations | - | 26 | 516 | 26 | 45 | - | 613 |
| Disposals | - | (177) | (231) | (280) | (135) | - | (823) |
| Reversal of impairment | - | - | - | - | (11) | - | (11) |
| Derecognized on disposal of subsidiaries | - | (99) | (2,415) | (119) | (218) | - | (2,851) |
| DECEMBER 31, 2012 | - | 3,040 | 4,265 | 4,249 | 2,025 | 168 | 13,747 |
| Depreciation charge | - | 539 | 714 | 640 | 292 | - | 2,185 |
| Disposals | - | (1,004) | (153) | (490) | (14) | - | (1,660) |
| Impairment | - | - | 5 | - | - | - | 5 |
| Reclassified to held for sale | - | (679) | (681) | (1,226) | (1) | - | (2,587) |
| DECEMBER 31, 2013 | - | 1,896 | 4,152 | 3,172 | 2,302 | 168 | 11,690 |
| <i>Net book value</i> | | | | | | | |
| DECEMBER 31, 2012 | 6,158 | 24,428 | 2,482 | 5,337 | 1,067 | 6,328 | 45,800 |
| DECEMBER 31, 2013 | 5,800 | 14,873 | 1,651 | 2,480 | 1,006 | 6,439 | 32,249 |

As of December 31, 2013 and 2012 property, plant and equipment with carrying amount of BGN 1,092 thousand and BGN 2,391 thousand, respectively are leased under financial lease contract (see note 16).

As of December 31, 2013 and 2012 property, plant and equipment with carrying amount of BGN 21,951 thousand and BGN 18,069 thousand, respectively, are pledged as collateral under bank loan agreements (see note 15).

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5. **Investment property**

| | As of 31.12.2013 | As of 31.12.2012 |
|--------------------------------------|---------------------|---------------------|
| Balance at the beginning of the year | 168 | 534 |
| Sales | - | (364) |
| Impairment | (5) | (2) |
| Balance at the end of the year | <u>163</u> | <u>168</u> |

On April 4, 2012 the Group has sold 2 land properties in the town of Lom with the total area of 35,586 sq.m. and carrying amount of BGN 331 thousand. The Group has sold the properties at carrying amount of BGN 331 thousand and has not recognized a financial result in the consolidated statement of comprehensive income for the year ended December 31, 2012.

In August 2012 the Group has sold a land property in the town of Lom with the total area of 3,500 sq.m. and carrying amount of BGN 33 thousand. The Group has sold the property at the amount of BGN 34 thousand and recognized profit of BGN 1 thousand in the consolidated statement of comprehensive income for the year ended December 31, 2012

As of December 31, 2013 and 2012 the Group has revalued its investment property to fair value and as a result, for the year ended December 31, 2013 and 2012 an impairment at the amount of BGN 5 thousand and BGN 2 thousand, respectively has been recognized. In 2013 no investment property has been acquired.

The investment properties of the Group are rented out. In 2013 and 2012 no rental income has been reported in the consolidated statement of comprehensive income.

6. **Intangible assets**

| <i>Cost</i> | <u>Rights</u> | <u>Software</u> | <u>Total</u> |
|--|---------------|-----------------|--------------|
| JANUARY 1, 2012 | 1,491 | 308 | 1,799 |
| Additions | - | 13 | 13 |
| Disposals | - | (25) | (25) |
| Derecognized on disposal of subsidiaries | - | (9) | (9) |
| DECEMBER 31, 2012 | <u>1,491</u> | <u>287</u> | <u>1,778</u> |
| Additions | - | - | - |
| Reclassified to held for sale | (30) | - | (30) |
| DECEMBER 31, 2013 | <u>1,461</u> | <u>287</u> | <u>1,748</u> |
| <i>Accumulated amortization</i> | | | |
| JANUARY 1, 2012 | 835 | 233 | 1,068 |
| Amortization charge | 64 | 27 | 91 |
| Disposals | - | (25) | (25) |
| Derecognized on disposal of subsidiaries | - | (3) | (3) |
| DECEMBER 31, 2012 | <u>899</u> | <u>232</u> | <u>1,131</u> |
| Amortization charge | 64 | 21 | 85 |
| Reclassified to held for sale | (4) | - | (4) |
| DECEMBER 31, 2013 | <u>959</u> | <u>253</u> | <u>1,212</u> |
| <i>Net book value</i> | | | |
| DECEMBER 31, 2012 | <u>592</u> | <u>55</u> | <u>647</u> |
| DECEMBER 31, 2013 | <u>502</u> | <u>34</u> | <u>536</u> |

7. Exploration and evaluation assets

Exploration and evaluation assets represent capitalized expenditures on energy project LomLignites. The project is related to obtaining concession for lignite production from Lom Lignite field.

LomLignites project been launched in October 2007 with a contract for prospecting and exploration signed between the Parent company and the Ministry of Economy and Energy. As of December 31, 2013 and 2012 exploration and evaluation assets amount to BGN 1,674 thousand and BGN 1,639 thousand, respectively. As of these dates the Group has not charged amortization of the assets as the technical feasibility and commercial viability of the project are not demonstrable.

As of December 31, 2013 and 2012 the Group estimated that there are no indications for impairment of the exploration and evaluation assets and no impairment has been recorded on them.

8. Investments in associates

As of December 31, 2013 and 2012 the Group has an investment in an associate AlfaEnemona at the amount of BGN 4 thousand, and the share in the company's equity is 40%.

Investment in associates are reported at cost (acquisition cost) in these consolidated financial statement as the Group's management has concluded that there are no indications of impairment of investments in associates as of December 31, 2013 and December 31, 2012.

The summarized information about the associate as of December 31, 2013 and 2012 is as follows:

| AlfaEnemonaOOD | As of 31.12.2013 | As of 31.12.2012 |
|--|---------------------|---------------------|
| Total assets | | |
| Total liabilities | 359 | 349 |
| Net assets | (50) | (63) |
| Group's share of the net assets of the associate | 309 | 286 |
| | 124 | 114 |

| AlfaEnemona OOD | Year ended 31.12.2013 | Year ended 31.12.2012 |
|--|--------------------------|--------------------------|
| Total income | 814 | 704 |
| Profit for the period | 282 | 259 |
| Company's share in the profit of the associate | 113 | 104 |

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9. **Current and non-current loans and receivables**

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

Non-current loans and receivables

| | As of 31.12.2013 | As of 31.12.2012 |
|---|---------------------|---------------------|
| Receivables on ESCO contracts of the Group, net of impairment | 19,410 | 26,067 |
| Receivables related to securitization with counterparties outside the Group | 1,211 | 1,898 |
| Cession receivables | 3,268 | 4,695 |
| Loans granted to employees | 1,082 | 1,086 |
| Other asset | 10 | 10 |
| Discounted receivables under ESCO contracts – non-current | (1,101) | (1,602) |
| TOTAL NON-CURRENT LOANS AND RECEIVABLES | 23,880 | 32,154 |
| Impairment of loans granted to employees | (597) | (597) |
| TOTAL NON-CURRENT LOANS AND RECEIVABLES, NET | 23,283 | 31,557 |

Current loans and receivables

| | As of 31.12.2013 | As of 31.12.2012 |
|---|---------------------|---------------------|
| Receivables on ESCO contracts of the Group, net of impairment | 7,846 | 7,525 |
| Receivables related to securitization with counterparties outside the Group | 2,088 | 1,309 |
| Cession receivables | 3,135 | 1,303 |
| Loans granted to non-related parties | 15,086 | 15,179 |
| TOTAL CURRENT LOANS AND RECEIVABLES | 28,155 | 25,316 |
| Impairment of loans granted to non-related parties | (3,782) | (3,782) |
| TOTAL CURRENT LOANS AND RECEIVABLES, NET | 24,373 | 21,534 |

Receivables on ESCO contracts of the Group represent receivables on contracts for engineering performance with guaranteed result (ESCO contracts), under which the engineering activities are performed by the Group and deferred payment has been negotiated. Receivables under ESCO contracts are stated at amortized cost, net of impairment.

Receivables related to securitization represent receivables, acquired under cession contracts with counterparties outside the Group.

As of 31 December 2013 and 2012 cession receivables comprise present value of the receivable ceded to a local company.

Loans granted to non-related parties and employees are not secured and bear interest rate of 6% to 10%.

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9. **Current and non-current loans and receivables (continued)**

As of December 31, 2013 and 2012 non-current loans and receivables to the amount of BGN 20,056 thousand and BGN 24,545 thousand, respectively, are pledged as collateral under loan from the European Bank for Reconstruction and Development (EBRD) –see note 15.

The movement of the impairment allowance on loans granted is presented below:

| | As of 31.12.2013 | As of 31.12.2012 |
|--|---------------------|---------------------|
| Balance at the beginning of the year | 4,379 | 5,926 |
| Reversal of impairment loss of non-current loans | - | (1,171) |
| Reversal of impairment loss of current loans | - | (376) |
| BALANCE AT THE END OF THE YEAR | 4,379 | 4,379 |

The movement of the impairment allowance on ESCO receivables is presented in the table below:

| | As of 31.12.2013 | As of 31.12.2012 |
|--|---------------------|---------------------|
| Balance at the beginning of the year | 460 | 80 |
| Recognized loss from impairment of receivables | 1,035 | 414 |
| Reversal of impairment loss during the year | (94) | (34) |
| BALANCE AT THE END OF THE YEAR | 1,401 | 460 |

10. **Goodwill**

| | As of 31.12.2013 | As of 31.12.2012 |
|------------------------|---------------------|---------------------|
| Cost of goodwill | 3,413 | 3,413 |
| Impairment of goodwill | (1,300) | (1,300) |
| CARRYING AMOUNT | 2,113 | 2,113 |

Goodwill amounting to BGN 3,413 thousand is formed by acquiring the subsidiary EMKO AD in 2008. The amount of goodwill is determined as a difference between the acquisition cost and the acquired share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the acquired company.

As of December 31, 2013 the Group has carried out an impairment review of the recoverable amount of the goodwill and has not identified indicators for impairment. For the valuation of the goodwill the Group used the method of the free cash flows to the firm and the expected future cash flows which will be generated by the entity during the next five years are discounted to their present value as of the reporting date with the weighted-average cost of capital. Due to the absence of comparative transactions in the field of operations of the entity, as well as market deals at the Bulgarian Stock Exchange, the fair value valuation technique is not applicable for valuation of the company. For the purposes of the impairment analysis, goodwill is determined to the construction unit, generating cash flows - subsidiary EMCO.

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11. Inventories

| | As of 31.12.2013 | As of 31.12.2012 |
|--------------------------|---------------------|---------------------|
| Materials | 8,561 | 7,120 |
| Finished goods | 1,452 | - |
| Goods | 11 | 11 |
| Work on progress | 156 | 559 |
| TOTAL INVENTORIES | 10,180 | 7,690 |

As of December 31, 2013 and 2012 the Group has recognized impairment of inventory at the amount of BGN 118 thousand and BGN 108 thousand, respectively presented in the consolidated statement of comprehensive income.

As of December 31, 2013 and 2012 inventories at cost to the amount of BGN 8,488 thousand and BGN 1,956 thousand are pledged as collateral under loans (see also note 15).

12. Trade and other receivables

| | As of 31.12.2013 | As of 31.12.2012 |
|---|---------------------|---------------------|
| Receivables from customers | 29,917 | 25,159 |
| Advances to suppliers | 9,034 | 9,148 |
| Retentions | 6,116 | 14,241 |
| Advances to employees | 328 | 166 |
| Receivables from related parties | 1 | 1 |
| Other receivables | 4,688 | 4,120 |
| TOTAL TRADE AND OTHER RECEIVABLES | 50,083 | 52,835 |
| impairment of receivables from customers | (5,870) | (5,936) |
| TOTAL TRADE AND OTHER RECEIVABLES, NET | 44,213 | 46,899 |

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

| | As of 31.12.2013 | As of 31.12.2012 |
|---|---------------------|---------------------|
| Balance at the beginning of the year | 5,936 | 5,941 |
| Derecognized impairment upon sale of subsidiaries | 57 | (5) |
| Reversal of impairment during the year | (123) | - |
| BALANCE AT THE END OF THE YEAR | 5,870 | 5,936 |

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12. Trade and other receivables (continued)

Following the requirements of IAS 39, the Group 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 Group 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.

Receivables which are overdue less than 1 year are not considered impaired due to the nature of the operating cycle of the Group. 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 31.12.2013 | As of 31.12.2012 |
|---------------|---------------------|---------------------|
| 1 – 1,5 years | 818 | 1,711 |
| 1,5 – 2 years | 1,357 | 361 |
| Over 2 years | 4,329 | 4,451 |
| TOTAL | 6,504 | 6,523 |

Receivables from customers, which are overdue but not impaired, are not collateralized and the Group 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 31.12.2013 | As of 31.12.2012 |
|---------------|---------------------|---------------------|
| Up to 1 year | - | - |
| 1 - 1.5 years | 2 | 315 |
| 1.5 – 2 years | 420 | 190 |
| Over 2 years | 7,434 | 6,683 |
| Total | 7,856 | 7,188 |

As of December 31, 2013 and 2012 trade and other receivables at the amount of BGN 24,804 thousand and BGN 18,069 thousand, respectively, are pledged as collateral under loan agreements (see note 15).

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13. Cash and cash equivalents

| | As of 31.12.2013 | As of 31.12.2012 |
|--|---------------------|---------------------|
| Cash at banks | 767 | 4,063 |
| Restricted cash at banks | 220 | 395 |
| Cash in hand | 452 | 495 |
| TOTAL CASH AND CASH EQUIVALENTS | 1,439 | 4,953 |

Restricted cash as of December 31, 2013 includes cash at bank account, restricted as collateral under guarantees issued.

For the purpose of the consolidated statement of cash flows, restricted cash is not included in cash.

For the year ended December 31, 2013 and 2012, payments at the amount of BGN 2,196 thousand and BGN 1,857 thousand, respectively are reclassified from Operating activities, Payments to suppliers to Financing activities, Bank charges, mortgage fees and guarantees payments to achieve better presentation of cash flows from financing activities.

14. Issued share capital and reserves

Issued share capital includes:

| | As of 31.12.2013 | As of 31.12.2012 |
|---|---------------------|---------------------|
| Ordinary shares – note14.1 | 11,934 | 11,934 |
| Preferred shares – note14.2 | 1,103 | 1,103 |
| TOTAL REGISTERED SHARES | 13,037 | 13,037 |
| Premiums from share issuance – note14.3 | 8,739 | 8,739 |
| TOTAL SHARE CAPITAL ISSUED | 21,776 | 21,776 |

14.1. Ordinary shares

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

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

| | As of 31.12.2013 | % | As of 31.12.2012 | % |
|------------------------------|---------------------|---------------|---------------------|---------------|
| DichkoProkopievProkopiev | 5,916,518 | 49.58 | 7,176,153 | 60.13 |
| Other shareholders | 6,017,082 | 50.42 | 4,757,447 | 39.87 |
| TOTAL ORDINARY SHARES | 11,933,600 | 100.00 | 11,933,600 | 100.00 |

The share capital of ordinary shares is fully paid in as of December 31, 2013 and 2012. Group's share capital includes contribution in-kind in the form of titles of property over three combined trademarks, with fair value to the amount of BGN 1,400 thousand obtained through independent appraiser's report. Titles of property are presented as intangible assets (see note 6 above). As of December 31, 2013 subject to repo deals were 2,226,247 ordinary shares with voting rights, owned by DichkoProkopiev.

14. Issued share capital and reserves(continued)**14.1. Ordinary shares(continued)**

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

14.2. Preferred shares

On April 2, 2010 Financial Supervision Commission registered an emission of Parent 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.

Upon initial recognition, the Company has reported 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 cash received is allocated as follows:

| | Upon initial recognition | As of 31.12.2012 | As of 31.12.2013 |
|---|-----------------------------|---------------------|---------------------|
| 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 | 3,223 | 2,619 |
| Dividend payables on preferred shares | - | 2,067 | 2,199 |
| TOTAL CASH RECEIVED | <u>10,940</u> | <u>11,818</u> | <u>11,346</u> |

14.3. Premium from share issuance

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

14.4. Reserves

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

In 2009 the Parent company has issued 5,966,800 warrants with an issue value of BGN 0.17, each and total issue value of BGN 1,014 thousand. The total emission value is reported in the Group's reserves.

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

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15. Loans

Loans, received by the Group as of December 31, 2013 and December 31, 2012 areas follows:

| | As of 31.12.2013 | As of 31.12.2012 |
|----------------------------------|---------------------|---------------------|
| Loans from financial institution | 91,222 | 106,414 |
| Loans from non-related parties | 2,146 | 1,805 |
| TOTAL LOANS | 93,368 | 108,219 |

15.1 Loans repayment term

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

| | As of 31.12.2013 | As of 31.12.2012 |
|--------------------|---------------------|---------------------|
| Up to 1 year | 86,643 | 102,054 |
| Over one year | 6,725 | 6,165 |
| TOTAL LOANS | 93,368 | 108,219 |

15.2 Loans from financial institutions

Loans from financial institutions received by the Group as of December 31, 2013 and 2012 are as follows:

| | As of 31.12.2013 | As of 31.12.2012 |
|--|---------------------|---------------------|
| Credit line – SG Expressbank | (a) 18,296 | 17,416 |
| Investment credits – DSK Bank | (b) 10,227 | 11,833 |
| Credit lines – UniCreditBulbank | (c) 19,199 | 22,332 |
| Investment credits – UniCreditBulbank | (d) 2,087 | 5,244 |
| Overdraft – UniCreditBulbank | (e) 1,955 | 1,953 |
| Overdraft UBB | (f) - | 679 |
| Credit line – ING Bank | (g) 7,507 | 10,133 |
| Credit line – MKB Unionbank | (h) 1,181 | 3,607 |
| Overdraft – Investbank | (i) 4,409 | 850 |
| Investment credit from European Bank for Reconstruction and Development (EBRD) | (j) 17,502 | 23,187 |
| Credit lines – Eurobank EFG | (k) 2,275 | 2,364 |
| Credit lines – International Asset Bank AD | (l) 2,772 | 6,815 |
| Credit line – Alfa Bank | (m) 1,196 | - |
| Credit line – D Bank | (o) 1,412 | - |
| Corporate credit cards – UniCreditBulbank | (p) 2 | 1 |
| Nonbank financial institutions | 1,202 | - |
| TOTAL LOANS FROM FINANCIAL INSTITUTIONS | 91,222 | 106,414 |

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

- (a) In May 2010 the Group has been granted a revolving credit line from SG Expressbank AD 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 a contract for financing of construction and assembly activities has been signed, at total limited of EUR 5,000 thousand. As of December 31, 2013 the amount of BGN 4,605 thousand have been utilized.

15. Loans (continued)**15.2 Loans from financial institutions (continued)**

- (b) Loans from DSK Bank are granted for financing of Parent 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.
- (c) As of December 31, 2013 the Group has utilized BGN 15,728 thousand of a combined credit line, contracted with UniCreditBulbank. The credit line limit is EUR 8,500 thousand. In order to secure the loans from UniCreditBulbank the Group has established a mortgage of land and buildings and pledge of present and future receivables from a customer.
- (d) The Group has received the following combined credit lines from UniCreditBulbank AD to finance specific contracts, secured by present and future receivables from contracting parties under these 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.
- (e) The investment credit from UniCreditBulbank has been granted for the purchase of the office building of the Parent 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. For the year ended December 31, 2013, the Group has reclassified an investment credit from UniCreditBulbank at the amount of BGN 1,833 thousand as a liability related to the gas assets available for sale. The credit has been granted for the construction and commissioning of a virtual pipeline maturing in October 2016. The credit is secured by a mortgage on the land and natural gas compression and decompression stations built on it, a pledge of equipment, a pledge of present and future receivables under the project, a pledge on cash.
- (f) Overdraft loan from UniCreditBulbank is granted with the limit of BGN 1,000 thousand. The loan has been granted for working capital purpose and is secured by pledge of future receivables, cash and production equipment. As of December 31, 2013 the amount of BGN 1,955 thousand has been utilized.
- (g) The overdraft from UBB has limit of EUR 1,450 thousand for working capital and bank guarantees and as of December 31, 2013 the overdraft has been fully repaid.
- (h) The Group has received a credit limit issued by ING Bank N.V. - Sofia branch at the amount of BGN 17,800 thousand, of which as of December 31, 2012 the utilized amount is BGN 7,507 thousand in the form of credit line and overdraft, securing working capital needs for the implementation of certain contracts. As a security the Group has established a pledge of present and future receivables from customers, mortgage on a property owned by the Group and a promissory note in favour of the bank has been issued.
- (i) The Group has received two credit lines from MKB Unionbank AD, which have been fully repaid as of March 31, 2012. On March 28, 2012 the Group has signed a contract for a new combined credit line for financing a certain contract. The total amount is EUR 4,800 thousand and EUR 2,500 thousand of which is for working capital. As of December 31, 2013 the utilized amount is of BGN 1,181 thousand. The loan payables are secured by receivables on the contract.

15. Loans (continued)**15.2 Loans from financial institutions (continued)**

- (j) The Group has received a credit limit for working capital financing and issuance of bank guarantees from Investbank AD at the amount of BGN 8,151 thousand in the form of overdraft and credit line. As of December 31, 2013 the amount of BGN 4,409 thousand has been utilised, securing the working capital needs for the implementation of certain contracts. To secure the frame the Group has established a mortgage of land, pledge of current and future receivables from customers, owned by the Company and a promissory note in favour of the bank have been issued.
- (k) Under a loan contract dated December 21, 2007 with the European Bank for Reconstruction and Development (EBRD) at total amount of EUR 7 million in 2010, 2009 and 2008 the Group has received funds at the amount of EUR 1,665 thousand (2010) and EUR 2,335 thousand (2009) under the second tranche and EUR 3,000 thousand under the first tranche (2008), respectively, for the purpose of financing of completed projects for energy efficiency with guaranteed result (ESCO contracts). In 2012 applicable annual interest rate on the loan is as follows: for the first tranche – 6.45%, for the second tranche – 6.5%. Interest payments for the year ended December 31, 2013 have been made under contract at the amount of BGN 312 thousand (2012: BGN 478 thousand). Principal on the loan is repayable in equal quarterly instalments (23 instalments for the first tranche and 21 instalments for the second tranche). The loan matures on March 4, 2015. Part of the principal at the amount of EUR 1,312 thousand has been repaid for the year ended December 31, 2013 (2012: EUR 1,312 thousand).

On March 2, 2012 the Group signed a new contract with EBRD at the total amount of EUR 10 million. According to the contract provisions the utilization term of the loan is March 3, 2013, but it has been extended with the agreement between the two parties to December 3, 2013. The first utilized amount should be not less than EUR 1,000 thousand. The loan bears a fixed interest rate of 6.50%. The principal is deferred to 25 instalments and the first of which is of EUR 1,111 thousand due in March 2013 while the other 24 instalments are equal quarter amounts of EUR 370 thousand. The final maturity date for loan repayment is March 4, 2019. Due to the change in the utilized amount of the loan, the principal repayment schedule by the period end has been changed. Principal should be repaid at 25 instalments, the first of which at the amount of BGN 1,024 thousand, paid in March 2013, while the remaining 24 equal quarterly instalments are at the amount of BGN 341 thousand. Loan is secured by a pledge of the receivables, securitization of which is financed by the loan. EnemonaAD is a guarantor under the loan agreement with the EBRD.

For the year ended December 31, 2013, interest payments under the contract have been made at the amount of BGN 1,036 thousand (2012: BGN 597 thousand) and payments on principal at the amount of BGN 1,366 thousand (2012: 0).

As of December 31, 2013 funds utilized under the loan agreements amounted to BGN 17,502 thousand (2012: BGN 23,187 thousand).

- (l) The Group has received a credit line from Eurobank EFG AD for working capital with total limit at the amount of EUR 1,500 thousand. The amount utilized as of December 31, 2013 is BGN 2,275 thousand. The loan payable is secured by pledge on receivables and goods.
- (m) The Group has signed agreements for three credit lines from International Asset Bank AD with the purpose of financing working capital for operations and fulfilling a certain contract. The total amount of the three credit lines is EUR 3,515 thousand, whereas the utilized amount as of December 31, 2013 is BGN 2,772 thousand. The loan payables are collateralized by pledge on receivables on contracts and invoices.

15. Loans (continued)

15.2 Loans from financial institutions (continued)

- (n) On February 26, 2013 an agreement with Alpha Bank has been signed regarding a new combined credit line for the purpose of financing of a certain contract. Total amount of the credit line is EUR 1,667 thousand, of which EUR 1,607 thousand – for working capital. The amount utilized as of December 31, 2013 is BGN 1,196 thousand. Loan payables are secured by a pledge of receivables under the contract.
- (o) On October 4, 2013 an agreement with D Bank has been signed regarding a new combined credit line for the purpose of financing of a certain contract. The total amount of the credit line is BGN 2,351 thousand, of which BGN 1,820 thousand – for working capital. The amount utilized as of December 31, 2013 is BGN 1,412 thousand. Loan payables are secured by a pledge of receivables under the contract.
- (p) The Group has signed an agreement with UniCreditBulbank AD for the issue of corporate credit cards with a limit of BGN 100 thousand. As of December 31, 2013 the amount of BGN 2 thousand has been utilized.

The interest rates on bank loans are floating and are based on the EURIBOR and SOFIBOR with margin.

In relation to the issuance of bank guarantees, the Group has concluded a loan agreement with BNP Paribas – Sofia Branch at the amount of EUR 1,000 thousand. Pledges on current and future receivables from clients with maximum amount of EUR 1,000 thousand and a promissory note is signed in favour of the bank. As of December 31, 2013 and December 31, 2012 the Group has no loan liabilities related to this loan agreement.

The Group has concluded a loan agreement for issuance of bank guarantees with First Investment Bank AD at the amount of EUR 1,500 thousand. Pledges on current and future receivables from clients are established, for which bank guarantees are issued. As of December 31, 2013 and December 31, 2012 the Group has no loan liabilities related to the loan agreement.

15.3. Requirements for loans from financial institutions

In accordance with the loan agreements, the Group should comply with certain operative and financial requirements.

As of December 31, 2013 the Group does not comply with a financial requirement of the bank loan from EBRD. In accordance with the provision of the contract, the breach of the requirement could result in a change in the loan and it may become due upon demand of the creditor and the whole liability may become due in a single payment. As per the provisions this is possible after a request in writing from EBRD. As of the date of the approval of these consolidated financial statements there is no written standpoint from EBRD regarding the consequences from the non-compliance with the requirement.

As of December 31, 2013 and 2012 the loan is presented as a current liability.

As of December 31, 2013 and 2012 the Group has complied with the requirements of the remaining bank loans.

15. Loans (continued)

15.4 Loans from non-related parties

The loans from non-related parties as of December 31, 2013 include uncollateralized loans from Izolko OOD and SIP OOD and at the amount of BGN 1,169 thousand and BGN 527 thousand. The loans bear interest rate between 8% and 9% and maturity in 2013 and the terms for repayment could be extended by 1 month.

The loans from non-related parties as of December 31, 2012 include uncollateralized loans from Enemona Start AD, Izolko OOD, SIP OOD and others at the amount of BGN 180 thousand and BGN 956 thousand, BGN 479 thousand and BGN 190 thousand. The loans bear interest rate between 8% and 9% and maturity in 2013 and the terms for repayment could be extended.

16. 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 31.12.2013 | As of 31.12.2012 | As of 31.12.2013 | As of 31.12.2012 |
| Liabilities under finance lease with maturity: | | | | |
| Up to 1 year | 127 | 589 | 125 | 562 |
| Between 2 and 5 years | 95 | 282 | 87 | 275 |
| TOTAL LIABILITIES | 222 | 871 | 212 | 837 |
| Less: future finance charges | (10) | (34) | - | - |
| PRESENT VALUE OF LIABILITIES | 212 | 837 | 212 | 837 |

17. 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 and 2012 the Group has accrued BGN 389 thousand and BGN 81 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 4% discount rate has been applied.

17. Long-term employee benefits (continued)

Change in the present value of defined income payable is as follows:

| | Year ended 31.12.2013 | Year ended 31.12.2012 |
|--|--------------------------|--------------------------|
| PAYABLE AS OF JANUARY 1 | 81 | 81 |
| Interest expense | 19 | - |
| Expenses for current length of service | 155 | - |
| Remuneration paid | (80) | - |
| Actuarial loss on obligation | 244 | - |
| PAYABLE AS OF DECEMBER 31 | <u>470</u> | <u>81</u> |

18. Trade and other payables

| | As of 31.12.2013 | As of 31.12.2012 |
|--|---------------------|---------------------|
| Payables to suppliers | 23,369 | 12,110 |
| Payables for dividends on preferred shares | 2,199 | 2,067 |
| Payables to employees | 2,386 | 1,775 |
| Payables to social insurance organizations | 4,803 | 1,312 |
| VAT payables in Bulgaria and abroad | 4,479 | 416 |
| Personal income tax payable in Bulgaria and abroad | 2,302 | 1,152 |
| Other payables | 3,387 | 1,736 |
| TOTAL | <u>42,925</u> | <u>20,568</u> |

Other payables comprise received deposit at the amount of BGN 1 500 thousand for the sale of the interest in Nevrokop gas AD.

19. Provisions

Provisions represent accruals for unused paid leave and compensation at the amount of BGN 490 thousand and BGN 622 thousand, respectively as of December 31, 2013 and 2012, and provision at the amount of BGN 1,450 thousand for the execution of a contractual obligation as of December 31, 2013 (2012: none) which should be executed in 2014.

20. Revenue

| | Year ended 31.12.2013 | Year ended 31.12.2012 |
|---|--------------------------|--------------------------|
| Revenue from construction contracts | 65,793 | 66,907 |
| Revenue from sale of electricity | 52,717 | 58,685 |
| Revenue from sale of compressed natural gas | 4,949 | 4,068 |
| Revenue from services | 326 | 387 |
| Others | - | 7 |
| TOTAL REVENUE | <u>123,785</u> | <u>130,054</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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All amounts are in thousand Bulgarian Levs, except otherwise stated

20. Revenue (continued)

The following table discloses information on construction contracts in progress at the date of the consolidated statement of financial position:

| | As of 31.12.2013 | As of 31.12.2012 |
|--|---------------------|---------------------|
| Construction costs incurred plus recognized profits (less recognized losses) to date | 256,064 | 187,458 |
| Less: Progress billings | (234,551) | (167,682) |
| | <u>21,513</u> | <u>19,776</u> |
| Gross amounts stated in the statement of financial position comprise: | | |
| Gross amount receivable from customers under construction contracts | 24,007 | 26,558 |
| Gross amount payable to customers under construction contracts | (2,494) | (6,782) |
| | <u>21,513</u> | <u>19,776</u> |

Retentions held by customers under construction contracts amount to BGN 6,116 thousand and BGN 9,148 thousand as of December 31, 2013 and 2012, respectively. Advances received from customers under construction contracts amount to BGN 14,565 thousand and BGN 16,952 thousand as of December 31, 2013 and 2012, respectively.

As of December 31, 2013 the Group reviewed for objective evidences for impairment of the gross amount due from clients under 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.

21. Financial income

| | Year ended 31.12.2013 | Year ended 31.12.2013 |
|------------------------|--------------------------|--------------------------|
| Interest income | 6,302 | 5,708 |
| Dividend income | 104 | 71 |
| Foreign exchange gains | 9 | 17 |
| TOTAL FINANCIAL INCOME | <u>6,415</u> | <u>5,796</u> |

22. Materials and consumables

| | Year ended31.12.2013 | Year ended31.12.2012 |
|--------------------------|-------------------------|-------------------------|
| Cost of goods sold | 54,422 | 60,043 |
| Materials: | | |
| Construction materials | 27,512 | 15,585 |
| Expenses for instruments | 372 | 262 |
| Electric power | 305 | 248 |
| Fuels | 300 | 332 |
| Spare parts | 49 | 25 |
| Stationery | 211 | 143 |
| TOTAL MATERIALS | <u>28,749</u> | <u>16,595</u> |

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

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

23. Hired services

| | Year ended 31.12.2013 | Year ended 31.12.2012 |
|---|--------------------------|--------------------------|
| Under construction agreements with subcontractors | 11,014 | 9,610 |
| Services with mechanization | 1,508 | 808 |
| Transportation | 1,939 | 1,594 |
| Legal and consulting services | 2,414 | 1,797 |
| Insurances | 776 | 1,090 |
| Advertising services | 7 | 14 |
| Telecommunications | 200 | 225 |
| Rents | 2,954 | 2,144 |
| Design services | 842 | 297 |
| Heating | 51 | 41 |
| Working permissions and tender documents | 63 | 176 |
| Starting work and control | 1,086 | 796 |
| Office maintenance cost | 250 | 138 |
| Security | 59 | 107 |
| Translation services | 124 | 79 |
| Courier services | 129 | 72 |
| Other services | 151 | 264 |
| TOTAL HIRED SERVICES | <u>23,567</u> | <u>19,252</u> |

In the statement of comprehensive income for the year ended December 31, 2013 expenses for fees, mortgages, guarantees at the amount of BGN 1,781 thousand and bank fees at the amount of BGN 415 thousand are transferred in finance costs in note 27 Finance costs on construction agreements at the amount of 1,332 thousand and Fees, mortgages, guarantees at the amount of BGN 864 thousand. The comparative information for the year ended December 31, 2012 is updated and expenses for fees, mortgages, guarantees at the amount of BGN 1,713 thousand and bank fees at the amount of BGN 144 thousand are reported as finance costs in note 27 Finance costs on construction contracts at the amount of BGN 1,112 thousand and Fees, mortgages, guarantees at the amount of BGN 745 thousand. Adjustments are made for better presentation of finance costs in the consolidated statement of comprehensive income.

24. Employee benefit expenses

| | Year ended 31.12.201 3 | Year ended 31.12.201 2 |
|---|------------------------------|------------------------------|
| Remunerations | 24,639 | 25,434 |
| Social security and health insurance | 3,794 | 3,357 |
| Food vouchers | 814 | 782 |
| Compensations | 1,015 | 657 |
| TOTAL EMPLOYEE BENEFITS EXPENSES | <u>30,262</u> | <u>30,230</u> |

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

25. Other expenses

| | Year ended 31.12.2013 | Year ended 31.12.2012 |
|-------------------------------------|--------------------------|--------------------------|
| Business trips | 3,158 | 2,629 |
| Storage of equipment | - | 420 |
| Expenses for one-off taxes and fees | 390 | 551 |
| Entertainment expenses | 15 | 273 |
| Waste on non-current assets | 155 | 451 |
| Donations | 60 | - |
| Other | 81 | - |
| TOTAL OTHER EXPENSES | 3,859 | 4,324 |

26. Other gains, net

| | Year ended 31.12.2013 | Year ended 31.12.2012 |
|--|--------------------------|--------------------------|
| Proceeds from sale of non-current assets | 6,208 | 867 |
| Carrying amount of sold and disposed non-current assets | (5,244) | (802) |
| Gains from sale of non-current assets | 964 | 65 |
| Proceeds from sale of materials | 103 | 100 |
| Carrying amount of sold materials | (71) | (76) |
| Gains from sale of materials | 32 | 24 |
| Subsequent premiums from sale of investments | 120 | - |
| Rent income | 252 | 402 |
| Income from financing | 105 | 106 |
| Income from consulting services | 304 | 32 |
| <i>Income/(costs) from revaluation and impairment of assets:</i> | | |
| Impairment expenses for ESCO receivables | (1,035) | - |
| Revaluation of investment properties | (5) | - |
| Revenue from reintegrated provision from impairment of loans and receivables | - | 1,589 |
| Expenses for impairment of receivables | (114) | - |
| Revenue from reversed impairment of receivables | 213 | - |
| Loss from discounting of receivables on ESCO contracts | - | (1,831) |
| Discount from ceded receivables | (247) | (862) |
| Impairment of assets classified in declared for sale to the net realizable value | (1,089) | - |
| <i>Provisions</i> | | |
| Provision for contractual obligation | (3,035) | (294) |
| Loss recognized for written off gross amount on construction contracts – note 20 | (2) | (170) |
| Gains/(losses) from penalties, net and other | (1,448) | 937 |
| TOTAL OTHER GAINS, NET | (4,985) | (2) |

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.

26. Other gains, net (continued)

Impairment and disposal of assets

Complying with the requirements of IAS 39, the Group developed qualitative and quantitative indicators for the valuation of the risks related to its exposures to clients and for determining the amount of impairment for accounting purposes on an individual basis.

Qualitative and quantitative indicators for valuation of risks include overdue payments, credit rating, deterioration of the market positions of the client and change of the legal environment in which the Group operates.

Each exposition is separately valued and if the risks described above are identified, an impairment loss is recognized. Determining the amount of impairment includes consideration of the expected future cash flows under the identified circumstances.

As of December 31, 2013 the Group analysed total contract revenue and total estimated costs for construction contracts which are not completed as of the end of the reporting period and recognized impairment losses in the statement of comprehensive income for those construction contracts for which the total estimated profit is lower than the profit already recognized in prior reporting periods.

As of December 31, 2013 the Group reviewed for objective evidences for impairment of the current and non-current loans and receivables and investments in subsidiaries and recognized impairment losses at the amount with which the carrying amounts of the assets exceed their recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use.

27. Finance costs

| | Year ended 31.12.2013 | Year ended 31.12.2012 |
|--|--------------------------|--------------------------|
| Interest expense | 5,014 | 4,640 |
| Costs for financial liability for preferred shares | 490 | 570 |
| Foreign exchange losses | 92 | 60 |
| Finance costs on construction contracts | 3,297 | 2,645 |
| Fees, mortgages, guarantees | 864 | 745 |
| Other finance costs | - | 426 |
| TOTAL FINANCE COST | 9,757 | 9,086 |

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All amounts are in thousand Bulgarian Levs, except otherwise stated

28. Assets classified as held for sale

As of December 31, 2013 the group is in negotiation process for the sale of its gas business which is structured in 100% of the subsidiary's capital Nevrokop gas AD and gas assets ownership of the subsidiary Enemona Utilities AD. As of December 31, 2013 the group is in negotiation with an exclusive buyer. On January 30, 2014 the parent company signed an agreement for the sale of the group's gas business at total amount of BGN 6,000 thousand. The net realizable value of the gas assets for sale exceeds the price of the transaction which results to a reported loss of BGN 1,089 thousand in the statement of comprehensive income for the year ended December 31, 2013 (see note 26).

Assets classified as held for sale are as follows:

| | As of 31.12.2013 | As of 31.12.2012 |
|--|---------------------|---------------------|
| Property, plant and equipment | 7,669 | - |
| Impairment of property, plant and equipment | (1,089) | - |
| Net realizable value | <u>6,580</u> | - |
| Intangible assets | 26 | - |
| | <u>6,606</u> | - |
| Liabilities related to assets for sale (note 15.2) | <u>2,494</u> | - |

29. Taxation

Deferred taxes are as follows:

| | As of 31.12.2013 | As of 31.12.2012 |
|--------------------------------|---------------------|---------------------|
| Deferred tax assets | | |
| Impairment of receivables | 1,025 | 3,260 |
| Impairment of investments | 166 | 241 |
| Deductible tax loss | - | 117 |
| Provisions | 211 | 74 |
| Other | 15 | 2 |
| Non-current assets | <u>(898)</u> | <u>(1,094)</u> |
| TOTAL DEFERRED TAX ASSETS | <u>519</u> | <u>2,600</u> |
| TOTAL DEFERRED TAX LIABILITIES | <u>-</u> | <u>(69)</u> |

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.

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

| | Year ended 31.12.2013 | Year ended 31.12.2012 |
|--|--------------------------|--------------------------|
| Current income tax expense | (39) | (155) |
| Deferred tax in relation to occurrence and reversal of temporary differences | (2012) | 25 |
| TOTAL TAX EXPENSE | <u>(2,051)</u> | <u>(130)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

All amounts are in thousand Bulgarian Levs, except otherwise stated

29. Taxation (continued)

The calculations for the effective interest rate are as follows:

| | Year ended 31.12.2013 | Year ended 31.12.2012 |
|--|--------------------------|--------------------------|
| Loss before taxation | (26,624) | (5,902) |
| Applicable tax rate | 10% | 10% |
| Tax by applicable tax rate | (2,662) | (590) |
| Tax effect of the non-deductible and non-taxable positions | 4,713 | 608 |
| Effect of different tax rates in other tax jurisdictions | - | 112 |
| TAX EXPENSE | 2,051 | 130 |
| EFFECTIVE TAX RATE | 8% | 2% |

30. Earnings per

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

| | Year ended 31.12.2013 | Year ended 31.12.2012 |
|---|--------------------------|--------------------------|
| Continuing and discontinued operations | | |
| Share of net profit / (loss) from continuing and discontinued operations for the shareholders of the Parent company in BGN | (28,474,000) | (5,687,000) |
| Weighted-average number of ordinary shares | 11,933,600 | 11,933,600 |
| Loss per share (in BGN) – basic and diluted | (2.39) | (0.48) |

The diluted earnings per share are equal to the basic earnings per share, due to the fact that, there are no ordinary shares with diluted value.

As disclosed in note 14 as of December 31, 2013 and 2012 the Parent company has issued warrants and preferred shares, which do not influence diluted earnings per share for the years ended December 31, 2013 and 2012 as their conversion to ordinary shares would not have dilutive effect on basic earnings per share.

31. Related parties transactions

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

| RELATED PARTY | ОПИСАНИЕ НА ВИДА НА ВЗАИМООТНОШЕНИЕТО |
|-----------------------------|---------------------------------------|
| "AlfaEnemona" 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 CONSOLIDATED FINANCIAL STATEMENTS
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All amounts are in thousand Bulgarian Levs, except otherwise stated

31. Related parties transactions (continued)

The table below discloses income received from related parties:

| | Year ended 31.12.2013 | Year ended 31.12.2012 |
|-------------------------|--------------------------|--------------------------|
| "ALfaEnemona" OOD | 104 | 72 |
| "Eco Invest Holding" AD | 1 | 1 |
| "G Oil Expert" EOOD | 5 | 3 |
| TOTAL | <u>110</u> | <u>76</u> |

For the years ended December 31, 2013 and 2012 the group has no costs for related party transactions.

The table below discloses the balances of receivables from related parties as of December 31, 2013 and 2012:

| | As of 31.12.2013 | As of 31.12.2012 |
|---------------------|---------------------|---------------------|
| "G Oil Expert" EOOD | <u>1</u> | <u>1</u> |
| TOTAL | <u>1</u> | <u>1</u> |

Receivables from related parties consist of trade receivables.

The table below discloses the balances of liabilities to related parties as of December 31, 2013 and 2012:

| | As of 31.12.2013 | As of 31.12.2012 |
|------------------|---------------------|---------------------|
| Alfa Enemona OOD | <u>-</u> | <u>7</u> |
| TOTAL | <u>-</u> | <u>7</u> |

Payables to related parties consist of a gross amount due to customers under construction contracts.

32. Financial instruments, financial risk and capital management

32.1 Categories of financial instruments

| | As of 31.12.2013 | As of 31.12.2012 |
|---|---------------------|---------------------|
| Financial assets | | |
| Loans and receivables | 115,876 | 126,548 |
| Cash and cash equivalents | 1,439 | 4,953 |
| Financial liabilities | | |
| Financial liabilities at amortized cost | 139,124 | 132,105 |

Loans and receivables include granted by the Group, including trade and other receivables and gross amounts due from customers under construction contracts.

Financial liabilities at amortized cost include loans received by the Group, lease liabilities, as well as trade and other liabilities for preferred shares dividends.

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All amounts are in thousand Bulgarian Levs, except otherwise stated

32. Fair value estimation of financial instruments, measured at fair value (continued)

32.2 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 31.12.2013 | As of 31.12.2012 | As of 31.12.2013 | As of 31.12.2012 |
| Financial assets | | | | |
| Loans and borrowings | 115,876 | 126,548 | 115,876 | 126,548 |
| Cash and cash equivalents | 1,439 | 4,953 | 1,439 | 4,953 |
| Financial liabilities | | | | |
| Financial liabilities at amortized cost | 139,124 | 132,105 | 139,124 | 132,105 |

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

32.3 Management of risks related to financial instruments

Credit risk

The Group is exposed to credit risk in case the customers fail to meet their obligations.

Transactions with the main contractors of the Group are as follows:

| Name | Type | Carrying amount of receivable as of 31.12.2013 | Carrying amount of receivable as of 31.12.2012 |
|--------------|----------------|--|--|
| Contractor 1 | Abroad | 6,916 | 4,286 |
| Contractor 2 | In the country | 3,727 | 4,578 |
| Contractor 3 | In the country | 2,499 | 2,392 |
| Contractor 4 | In the country | 2,140 | 2,402 |
| Contractor 5 | In the country | 1,970 | - |

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The trade and other receivables and the gross amount due from customers on construction contracts are not collateralized.

Net exposure of receivables from customers and loans and advances at the amount to BGN 16,958 thousand is secured in favor of bank loans for land, real estates and a receivable to a total collateral amount of BGN 11,945 thousand.

Liquidity risk

Liquidity risk is the risk that the Group 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 Group in terms due.

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

32.3 Management of risks related to financial instruments (continued)

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

| As of December 31, 2013 | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years. | Total |
|---------------------------------------|-----------------------|-------------------------------|-------------------------------|----------------|
| <i>Financial liabilities</i> | | | | |
| Trade and other payable | 22,616 | 22,981 | - | 45,597 |
| Loans | 5,613 | 85,968 | 14,451 | 106,032 |
| Finance lease liabilities | 19 | 110 | 95 | 224 |
| Finance liability on preferred shares | - | - | 3,510 | 3,510 |
| Total financial liabilities | 28,248 | 109,059 | 18,056 | 155,363 |
| | | | | |
| As of December 31, 2012 | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years. | Total |
| <i>Financial liabilities</i> | | | | |
| Trade and other payables | 12,738 | 9,641 | - | 22,379 |
| Loans | 8,506 | 103,028 | 6,538 | 118,072 |
| Finance lease liabilities | 141 | 421 | 275 | 837 |
| Finance liability on preferred shares | - | - | 4,604 | 4,604 |
| Total financial liabilities | 21,385 | 113,090 | 11,417 | 145,892 |

Current loans of the Group include credit lines and overdraft with maturity in 2013. The Group usually renegotiates part of the credit lines and overdrafts.

The Group has obtained credit lines from Societe General Expressbank, UniCreditBulbank, MKB Unionbank and International Asset Bank for the purpose of carrying out specific construction contracts (see note 15). The payment of these loans is dependent on fulfilling the obligations of the Group under the respective contract and the cash flows generated by the specific construction contract.

Foreign currency risk

As the Group 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. Therefore, the management of the Group considers that the effect from possible change in exchange rates would not have significant effect on profit or loss.

Interest rate risk

The Group is exposed to interest rate risk fluctuation mainly from received bank loans with floating interest rate which are at the amount of BGN 84,974 thousand and BGN 83,227 thousand as of December 31, 2013 and 2012 and the interest payments are based on EURIBOR and SOFIBOR plus margin. . As of December 31, 2013 and 2012 the Group has not used instruments for compensating the potential changes of the EURIBOR levels.

If the interest rates for these loans with floating interest rate increased by 0.5% in 2013 and 2012, the interest expense for the year would increase, and profit after taxation would decrease by BGN 425 thousand and BGN 416 thousand, respectively, and vice versa, if the interest rate decreases by 0.5%.

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FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

32.4 Capital management

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

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

| | As of 31.12.2013 | As of 31.12.2012 |
|--|---------------------|---------------------|
| Loans | 93,368 | 108,219 |
| Cash and cash equivalents | (1,439) | (4,953) |
| Loans net of cash and cash equivalents | 91,929 | 103,266 |
| Equity | 23,458 | 52,318 |
| Gearing ratio (loans net of cash and cash equivalents to equity) | 3.92 | 1.97 |

33. Contingent liabilities

As of December 31, 2013 and 2012 bank guarantees on behalf of companies within the Group have been issued at the amount of BGN 33,146 thousand and BGN 40,997 thousand that are mainly related to the construction of sites, energy and other equipment.

34. Segment reporting

Information regarding operating segments in these consolidated financial statements has been presented in a manner which is similar to the reports intended for the management of the Group, based on which decisions are taken for the resources, which should be allocated to the segment and on which assessments are made for its operating results.

The operating segments in the Group are as follows:

- Engineering, construction and assembly works (including energy-efficiency activities);
- Trade with electricity;
- Other segments, which include – trade in compressed natural gas, asset management and others.

The table below includes revenue, expenses and results of the Group from continuing operations based on identified segments:

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34. Segment reporting (continued)

| | Segment revenue | | Segment expenses | | Segment profit/(loss) from segment | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|------------------------------------|--------------------------|
| | Year ended 31.12.2013 | Year ended 31.12.2012 | Year ended 31.12.2013 | Year ended 31.12.2012 | Year ended 31.12.2013 | Year ended 31.12.2012 |
| Engineering, construction and assembly work | 65,980 | 67,223 | (82,937) | (67,546) | (16,957) | 2,447 |
| Electricity trading | 52,748 | 58,687 | (52,030) | (58,672) | 718 | 15 |
| Other segments | 5,057 | 4,144 | (4,844) | (4,060) | 213 | 84 |
| Total | 123,785 | 130,054 | (139,811) | (130,278) | (16,026) | (224) |
| Other gains/(loss), net | | | | | (4,985) | (2) |
| Depreciation | | | | | (2,271) | (2,386) |
| Financial income | | | | | 6,415 | 5,796 |
| Finance cost | | | | | (9,757) | (9,086) |
| Loss before tax | | | | | (26,624) | (5,902) |
| Corporate tax income/(expenses) | | | | | (2,051) | (130) |
| Net loss for the year | | | | | (28,675) | (6,032) |
| | Financial income | | Finance cost | | Depreciation | |
| | Year ended 31.12.2013 | Year ended 31.12.2012 | Year ended 31.12.2013 | Year ended 31.12.2012 | Year ended 31.12.2013 | Year ended 31.12.2012 |
| Engineering, construction and assembly work | 3,535 | 2,745 | (7,762) | (6,910) | (1,854) | (1,972) |
| Electricity trading | 146 | 343 | (525) | (480) | (7) | (7) |
| Other segments | 2,734 | 2,708 | (1,470) | (1,696) | (410) | (407) |
| Total | 6,415 | 5,796 | (9,757) | (9,086) | (2,271) | (2,386) |

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34. **Segment reporting (continued)**

Income and expenses presented above include revenue from and expenses for outside clients and do not include sales between segments.

Allocation of assets and liabilities by segments is as follows:

| | Segment Assets | | Segment Liabilities | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | Year ended 31.12.2013 | Year ended 31.12.2012 | Year ended 31.12.2013 | Year ended 31.12.2012 |
| Engineering, construction and assembly work | 125,192 | 138,647 | 115,267 | 102,377 |
| Electricity trading | 10,426 | 9,853 | 11,324 | 10,935 |
| Other | 29,694 | 44,451 | 19,375 | 27,321 |
| Total | 165,312 | 192,951 | 145,966 | 140,633 |

Geographical distribution

The Group operates in five main countries – Bulgaria, Germany, Slovakia, Great Britain and Norway. The Group has revenues from sales in Turkey, Macedonia, Slovenia, Estonia and other countries.

The Group'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 | | Property, plant and equipment | |
|---------------|-------------------------------|--------------------------|-------------------------------|---------------------|
| | Year ended 31.12.2013 | Year ended 31.12.2012 | As of 31.12.2013 | As of 31.12.2012 |
| Bulgaria | 74,345 | 83,532 | 31,456 | 45,277 |
| Slovakia | 19,809 | 18,501 | 452 | 406 |
| Germany | 15,938 | 17,492 | 330 | 112 |
| Norway | 743 | 491 | 5 | 5 |
| Great Britain | 272 | - | 6 | - |
| Other | 12,678 | 10,038 | - | - |
| | 123,785 | 130,054 | 32,249 | 45,800 |

In 2013 the Group started operations in Great Britain by establishing a branch.

In 2012 the Group started operations in Norway by establishing a branch.

In 2011 the Group started activity in Germany through place of activity there.

In 2010 the Group opened a branch in the Slovak Republic.

35. Reissuance of the consolidated financial statements for 2013

These financial statements include correction of errors detected after the separate financial statements for the year ended December 31, 2013 had been issued on August 4, 2014.

The errors are related to:

a) The Group has reconsidered the application of the requirements of IAS 11 Construction contracts with regards to income from default on contract at the amount of BGN 23,100 thousand. As of December 31, 2013 and the date of preparation of the accompanying separate financial statements, the customer has not confirmed that they accept the default claim of the Company and has not made a payment as claimed by the Company. As per the requirements of IAS 11 Construction contracts income from claims should be included in the contract revenue only when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Despite the fact that the Company has filed a court claim against the customer in 2014, no income from default has been reported in these separate financial statements.

b) As of December 31, 2013 and 2012, the Group has reconsidered the calculation of the stage of completion of several construction contracts and the provisions for future losses on these contracts as a result of which revenue and expenses have been accounted for in the correct period. As a result, for the year ended December 31, 2012 revenue has decreased by BGN 4,627 thousand, expenses for provisions on construction contracts have increased by BGN 294 thousand, hereby the financial result of the Company has decreased by BGN 4,921 thousand, the net gross amount due from customers has decreased by BGN 4,627 thousand, constructive obligations of BGN 294 thousand have been recognised and retained earnings have decreased by BGN 4,921 thousand.

For the year ended December 31, 2013 revenue has decreased by BGN 1,708 thousand, expenses for provisions on construction contracts have increased by BGN 1,585 thousand, financial expenses related to construction contracts have increased by BGN 133 thousand, hereby the financial result of the Company has decreased by BGN 3,426 thousand, gross amount due from customers has decreased by BGN 1,709 thousand, additional constructive obligations of BGN 1,585 thousand have been recognised, trade and other payables have increased by BGN 133 thousand and the cumulative effect on retained earnings as of December 31, 2013 is a decrease of BGN 8,347 thousand.

As a result of the above described errors the financial statements for the year ended December 31, 2013 issued on June 17, 2014 has been corrected as the effect on the respective items in these financial statements is as follows:

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All amounts are in thousand Bulgarian Levs, except otherwise stated

35. **Reissuance of the separate financial statements for 2013 (continued)**

Separate statement of comprehensive income for the year ended December 31, 2013

| | Year ended 31.12.2013 | Effect of correction | Restated for 2013 |
|----------------------------------|--------------------------|-------------------------|----------------------|
| Revenue | | | |
| Other gains / (losses), net | 148,593 | (24,808) | 123,785 |
| Finance costs | (3,400) | (1,585) | (4,985) |
| (Loss) / profit before tax | (9,624) | (133) | (9,757) |
| Net (loss) / profit for the year | (98) | (26,526) | (26,624) |
| Tax expense | (2,150) | (26,525) | (28,675) |
| | (2,052) | 1 | (2,051) |

Separate statement of financial position as of December 31, 2013

| | As of 31.12.2013 | Effect of correction | Restated as of 31.12.2013 |
|--|---------------------|-------------------------|------------------------------|
| <u>Assets</u> | | | |
| Trade and other receivables | 67,313 | (23,100) | 44,213 |
| Gross amount due from customers on construction contracts | 30,342 | (6,335) | 24,007 |
| <u>Equity</u> | | | |
| Retained earnings / (uncovered loss) | (8,376) | (31,446) | (39,822) |
| <u>Liabilities</u> | | | |
| Trade and other payables | 42,792 | 133 | 42,925 |
| Provisions | 1,940 | 1,879 | 3,819 |

The changes in comparative information related to the above described corrections are as follows:

Separate statement of comprehensive income for the year ended December 31, 2012

| | Year ended 31.12.2012 | Effect of correction | Restated for 2012 |
|----------------------------------|--------------------------|-------------------------|----------------------|
| Revenue | | | |
| Other gains / (losses), net | 134,681 | (4,627) | 130,054 |
| (Loss) / profit before tax | 292 | (294) | (2) |
| Net (loss) / profit for the year | (981) | (4,921) | (5,902) |
| | (830) | (4,921) | (5,751) |

35. Reissuance of the separate financial statements for 2013 (continued)

Separate statement of financial position as of December 31, 2012

| <u>Assets</u> | As of 31.12.2012 | Effect of correction | Restated as of 31.12.2012 |
|---|---------------------|-------------------------|------------------------------|
| Gross amount due from customers on construction contracts | 30,146 | (3,588) | 26,558 |
| <u>Equity</u> | | | |
| Retained earnings / (uncovered loss) | (5,828) | (4,921) | (10,749) |
| <u>Liabilities</u> | | | |
| Gross amounts due to customers under construction contracts | 5,743 | 1,039 | 6,782 |
| Provisions | 622 | 294 | 916 |

36. Events after the reporting period

Sale of the Group's gas business:

On January 16, 2014 are signed preliminary agreements for the sale of gas assets ownership of the subsidiary Enemona Utilities AD. The remuneration for this transaction is BGN 5,600 thousand. As of the date of preparation of these financial statements assets amounting to BGN 3,100 thousand have been transferred.

On January 30, 2014 is signed an agreement for the sale of 45 000 shares representing 90% of the share capital of the subsidiary Nevrokop gas AD. The agreed remuneration for the transaction is EUR 400 thousand.

On January 8, 2014 the Financial Supervision Commission approves Prospect for public offering of shares of the subsidiary EESF ADSIC.

On April 16, 2014 was completed the subscription for capital increase with the subscribed 562 704 registered ordinary dematerialized shares, each with voting right and nominal value of BGN 1 (one). The issuing value per share is BGN 1,80 (one lev and eighty) and the attracted funds from the emission are BGN 1 012 867,20. As a result from the capital increase the participation of Enemona AD decreases from 88.20% to 77.06%.

On July 15, 2014 a regular general meeting of the shareholders of the subsidiary EESF REIT was held, on which it was voted that the profit for 2013 at the amount of BGN 953,612.04 be distributed to the shareholders as dividend amounting to BGN 858,250.84, with the residual BGN 95,361.20 to be transferred to Reserves. The dividend of Enemona AD is amounting to BGN 756,977.24.

36. Events after the reporting period (continued)

On August 20, 2014 an agreement for the sale of 1,143,000 shares, representing 25.66% of the capital of EESF REIT was signed. The Company has the right to buy back the shares within a 3-year period and agrees to buy back the shares after the expiration of the 3-year term at fixed price. The Company has committed to securing a minimum fixed return on the shares for the investor. The Company believes it holds control provided that it performs its obligations under the agreement.

On August 5, 2014 the Company signed an agreement for the sale of 89,466 shares representing 13.76% of the capital of FINI REIT. The market price is BGN 1 per share and the Company does not report a financial result from the transaction.

In 2014 the Company sells fixed assets with net book value of BGN 2,881 thousand for a total consideration of BGN 10,182 thousand, recognising a gain of BGN 7,301 thousand.

During 2014 the Company considered that buildings with net book value of BGN 4,008 thousand have been insignificantly used in its business activity, therefore the Company elected to reclassify them as investment property held with the purpose of capital gain or renting out. As of December 31, 2014 the investment property has been revalued at fair value.

On March 7, 2014 the Company signed a loan agreement with Investbank AD with a total limit of BGN 7,735 thousand for financing of a construction contract, of which:

- BGN 395 thousand limit for bank guarantees, fully utilised as of the date of these separate financial statements;
- BGN 3,000 thousand for working capital, utilised for the performance of the contract, out of which BGN 478 thousand are due as of the date of the approval of these separate financial statements;
- BGN 4,160 thousand letter of credit for supply of equipment related to the performance under the construction contract, fully utilised and repaid as of the date of the approval of these separate financial statements.

On April 28, 2014 the Company signed a loan agreement with International Asset Bank with a total limit of BGN 3,050 thousand for the financing of an ESCO contract, of which BGN 150 thousand for bank guarantees and BGN 2,900 thousand for working capital. As of the date of the approval of these separate financial statements the Company has outstanding liability of BGN 148 thousand for issued guarantees and BGN 1,931 thousand for working capital.

In 2014 the Company brought a lawsuit against a customer related to a default claim under a contract signed in 2008 at the amount of BGN 154,000 thousand under which the Company was assigned the drafting of feasibility studies, design, construction and putting into operation of certain buildings. An advance payment of BGN 5,250 thousand has been received by the Company under the contract. The first stage, including feasibility studies and design has been completed and handed over to the Assignor in 2009. The Assignor did not undertake any subsequent actions, therefore the performance under the contract was stopped. In 2012 the Company filed a written notice of unilateral termination of the agreement, thus claiming the default payment of BGN 23,100 thousand as set out in the agreement.