

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AT
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 Kozlodui, Panait Hitov 1A. 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 December 31, 2012 the major shareholder of Enemona AD is Dichko Prokopiev Dichkov. There have been no changes in the legal status of the Parent company during the current financial year.

The scope of activity of the Parent Company is construction works, which includes all stages from design to assembly and construction.

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

Company	Description of activities	Interest	
		As of 31.12.2013	As of 31.12.2012
Enemona Utilities AD	Trade in electrical power	92.25%	97.24%
FEEI ADSIP	Special investment purpose company – securitization of receivables	88.20%	88.97%
Pirin Power AD	Design and construction of energy projects	100.00%	100.00%
FINI ADSIP	Special investment purpose company – purchase of real estate	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%
Nevrokokop 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%
PPPMladenovo EOOD	Prospecting, design, construction and assembly, commissioning, reparation, servicing and engineering works	100.00%	100.00%
Artanes Mining Group AD	Exploration of mineral resources	90.00%	90.00%

2. Accounting policy**2.1 General financial reporting framework**

These consolidated financial statements are prepared in all material respects 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.

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2. Accounting policy (continued)

2.1 General financial reporting framework (continued)

Standards and Interpretations effective in the current period

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

- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Transfers of Financial Assets, adopted by the EU on November 22, 2011 (effective for annual periods beginning on or after July 1, 2011).

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

Changes in IFRS

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, revisions and interpretations 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);
- IFRS 13 "Fair Value Measurement", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);
- 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 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 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 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);

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2. Accounting policy (continued)

2.1 General financial reporting framework (continued)

Changes in IFRS (continued)

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

- 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 Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the consolidated financial statements of the Group in the period of initial application.

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

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

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2015);
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Government Loans (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosures;
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" - Transition Guidance (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities (effective for annual periods beginning on or after January 1, 2014);
- Amendments to various standards "Improvements to IFRSs (2012)" resulting from the annual improvement project of IFRS published on May 17, 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2013).

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.

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

3.1. Revenue 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.

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. Recoverable amount depends on the discount factor used in the discounted cash flow model and on the expected future cash flows, as well as on the growth assumption.

3.3. Impairment of financial assets

Impairment of financial assets is determined based on the expected future cash flows discounted at the initial effective interest rate. When determining the expected future cash flows, the Group analyzes 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

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

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

3.5. Economic environment

During 2013 and 2012 year as a result of the global financial 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 control these risks.

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4. **Property, plant and equipment**

	Land	Buildings	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	1,555
Disposals	-	(4,919)	(265)	(1,703)	(17)	(1)	(6,905)
DECEMBER 31, 2013	6,158	22,549	7,685	7,886	3,312	6,607	54,197
<i>Accumulated depreciation</i>							
JANUARY 1, 2012	-	2,745	5,705	3,874	2,030	168	14,522
Depreciation charge	-	545	690	748	314	-	2,297
Impairment	-	26	516	26	45	-	613
Disposals	-	(177)	(231)	(280)	(135)	-	(823)
Derecognized on disposal of subsidiaries	-	-	-	-	(11)	-	(11)
DECEMBER 31, 2012	-	3,040	4,265	4,249	2,025	168	13,747
Depreciation charge	-	540	714	640	293	-	2,187
Disposals	-	(1,004)	(153)	(490)	(14)	-	(1,661)
DECEMBER 31, 2013	-	2,576	4,826	4,399	2,304	168	14,273
<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	6,158	19,973	2,859	3,487	1,008	6,439	39,924

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5.1. Intangible assets

	<u>Title of property</u>	<u>Software</u>	<u>Total</u>
<i>Cost</i>			
JANUARY 1, 2012	1,491	308	1,799
Disposals	-	13	13
Derecognized on disposal of subsidiaries	-	(25)	(25)
DECEMBER 31, 2012	-	(9)	(9)
Additions	1,491	287	1,778
DECEMBER 31, 2013	-	-	-
	1,491	287	1,778
<i>Accumulated amortization</i>			
JANUARY 1, 2012	835	233	1,068
Charged for the period	64	27	91
Disposals	-	(25)	(25)
Derecognized on disposal of subsidiaries	-	(3)	(3)
DECEMBER 31, 2012	899	232	1,131
Charged for the period	64	21	85
DECEMBER 31, 2013	951	248	1,195
<i>Net book value</i>			
DECEMBER 31, 2012	592	55	647
DECEMBER 31, 2013	528	34	562

5.2. Exploration and evaluation assets

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

The project Lom Lignites started in October 2007 with a contract for prospecting and exploration between Enemona AD and Ministry of economy and energy. As of December 31, 2013 and December 31, 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 December 31, 2012 the Group estimated that there are no indications for impairment of the exploration and evaluation assets and no impairment has been charged.

6. Investments in associates

As of December 31, 2013 and December 31, 2012 the Group has an investment in associate Alfa Enemona OOD which is valued at BGN 4 thousand, whereas the share in the investment's equity is 40%.

In these consolidated financial statements the investments in associated companies are presented using the equity method, considering the share of profit and loss of the associated companies.

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7. Current and non-current loans and receivables

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

<i>Non-current loans and receivables</i>	As of 31.12.2013	As of 31.12.2012
Receivables on ESCO contracts of the Group	20,621	26,067
Receivables related to securitization with counterparties outside the Group		1,898
Cession receivables	3,195	4,695
Loans granted to non related parties	1,082	1,086
Loans granted to employees	10	10
Other assets		
	(1,101)	(1,602)
TOTALNON-CURRENT LOANS AND RECEIVABLES	23,807	32,154
Impairment of loans granted to employees	(597)	(597)
TOTALNON-CURRENT LOANS AND RECEIVABLES, NET	23,210	31,557
 <i>Current loans and receivables</i>	 As of 31.12.2013	 As of 31.12.2012
Receivables on ESCO contracts of the Group	9,934	7,525
Receivables related to securitization with counterparties outside the Group		1,309
Cession receivables	3,208	1,303
Loans granted to non related parties	15,085	15,179
TOTALCURRENT LOANS AND RECEIVABLES	28,227	25,316
Impairment of loans granted to non related parties (note 27.1)	(3,782)	(3,782)
TOTALCURRENT LOANS AND RECEIVABLES, NET	24,445	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 related to securitization represent receivables, acquired under cession contracts with companies not in the Group.

As of 31 December 2013 cession receivables comprise present value of the transferred receivable to local company.

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

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7. Current and non-current loans and receivables (continued)

The movement of the impairment allowance is presented below:

	As of 31.12.2013	As of 31.12.2012
Balance at the beginning of the year	4,379	5,926
Reversed impairment of non-current loans and receivables		(1,171)
Reversed impairment of current loans and receivables		(376)
Balance at the end of the year	4,379	4,379

8. Inventories

	As of 31.12.2013	As of 31.12.2012
Materials	8,720	7,120
Finished goods	655	-
Goods	11	11
Work in progress	953	559
TOTAL	10,339	7,690

9. Trade and other receivables

	As of 31.12.2013	As of 31.12.2012
Receivables from customers	51,177	25,159
Advances to suppliers	6,133	14,241
Retentions	9,866	9,148
Advances to employees	444	166
Receivables from related parties	-	1
Other receivables	3,187	4,120
TOTAL TRADE AND OTHER RECEIVABLES	70,807	52,835
Impairment of receivables from customers	(5,813)	(5,936)
TOTAL TRADE AND OTHER RECEIVABLES, NET	64,994	46,899

The Group has exposure to the credit risk of state institution at the amount of EUR 21,800 thousand.

The movement of the allowance for impairment of uncollectable 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
Recognized loss from impairment of receivables	-	(5)
Reversals of impairment losses on receivables	(123)	
Balance at the end of the year	5,813	5,936

When determining the recoverability of the receivables the Group considers the changes in the credit risk of the trade and other receivables as of the date of origination until the end of the reporting period.

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10. Cash

	As of 31.12.2013	As of 31.12.2012
Cash at banks	868	4,063
Restricted cash at bank	454	395
Cash in hand	121	495
TOTAL CASH IN HAND AND AT BANKS	1,443	4,953

As of December 31, 2013 and December 31, 2012 restricted cash represents cash in bank account restricted as a collateral under issued guarantees .

For the consolidated cash flow statement purposes restricted cash is not included in cash.

11. Issued share capital and reserves

Issued share capital includes:

	As of 31.12.2013	As of 31.12.2012
Ordinary shares – note 11.1	11,934	11,934
Preferred shares – note 11.2	1,103	1,103
TOTAL SHARE CAPITAL	13,037	13,037
Premiums from share issuance – note 11.3	8,739	8,739
TOTAL ISSUED SHARE CAPITAL	21,776	21,776

11.1. 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

The share capital of ordinary shares is fully paid in as of December 31, 2013 and December 31, 2012 . Group's share capital includes in-kind contribution 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 5 above).

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

11.2. Preferred shares

On April 2, 2010 the Financial Supervision Commission registered for trading on a regulated market the issuance of the Parent-company's preferred shares. The issue is realized in the amount of BGN 1,103 thousand, divided into 1,102,901 preferred shares without voting rights with a guaranteed dividend, guaranteed liquidation share portion, convertible into ordinary shares in March 2017 with a nominal value of BGN 1 each. The preferred shares carry out a guaranteed cumulative dividend of BGN 0.992 per share over the next 7 years.

11. Issued share capital and reserves (continued)

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11.2. Preferred shares (continued)

Upon initial recognition the Parent-company has accounted for the issued preference shares as compound financial instrument and has distanced a financial liability in respect to the obligation for dividends' payment, and the residual value is recorded as an increase in equity. The total value of funds received is distributed as follows:

	Upon initial recognition	As of 31.12.2012	As of 31.12.2013
Preferred shares – par value	1,103	1,103	1,103
Premiums 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	10,940	11,818	11,346

11.3. Premiums from share issuance

	As of 31.12.2013	As of 31.12.2012
Balance as of January 1	8,739	36,262
Premiums from preferred shares issuance	-	(27,523)
Balance as of March 31	8,739	8,739

11.4. 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.

12. Loans

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

	As of 31.12.2013	As of 31.12.2012
Borrowings from financial institutions	93,055	106,414
Borrowings from not related parties	2,242	1,805
TOTAL	95,297	108,219

12.1 Maturity of the loans

The loans received by the Group according to their contracted repayment term are as follows

	As of 31.12.2013	As of 31.12.2012
Up to one year	81,778	102,054
Over 1 year	13,519	6,165
TOTAL LOANS	95,297	108,219

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12. Loans (continued)**12.2 Borrowings from financial institutions**

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

		As of 31.12.2013	As of 31.12.2012
Credit lines – SG Expressbank	(a)	18,296	17,416
Investment loans – DSK Bank	(b)	10,227	11,833
Credit lines – UniCreditBulbank	(c)	19,199	22,332
Investment loans – UniCreditBulbank	(d)	3,920	5,244
Overdraft – UniCreditBulbank	(e)	1,955	1,953
OverdraftUBB	(f)	-	679
Credit line – ING Bank	(g)	7,507	10,133
Credit line – MKBUnion Bank	(h)	1,181	3,607
Overdraft - Investbank	(i)	4,409	850
Investment loans – European Bank for Reconstruction and Development (EBRD)	(j)	17,502	23,187
Credit line – Eurobank EFG	(k)	2,275	2,364
Credit line – International Asset Bank	(l)	2,772	6,815
Credit line – Alpha bank	(m)	1,196	-
Credit line – D bank	(n)	1,412	-
Corporate Credit card – UniCredit Bulbank	(o)	2	1
Non-bank financial institution		1,202	-
TOTAL LOANS FROM FINANCIAL INSTITUTIONS		93,055	106,414

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

(a) In May 2010 a revolving credit line from Societe Generale Expressbank has granted at the amount of EUR 15,325 thousand for the purpose of financing of a project for wiring and installation of control-measurement instrumentation and automation in the third and fourth blocks of NPP - Mochovce, Slovak Republic. The loan is secured with a pledge on receivables from contract for execution, pledge of materials and equipment. As of December 31, 2013 funds utilized amount to BGN 13,691 thousand.

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

(b) The loan from DSK Bank is granted for the purpose of financing of Group's energy efficiency projects. The limit of the loan is EUR 7,750 thousand and as of December 31, 2013 the Group has utilized BGN 10,227 thousand. In order to secure the loan from DSK Bank Enemona AD has issued promissory note, pledge of future receivables from customers on financed projects, financial risk insurance.

(c) As of December 31, 2013 the Group has utilized BGN 15,728 thousand under two credit lines agreed with Unicredit Bulbank. The limit under the credit lines totals at EUR 8,500 thousand. The Group has pledged as a collateral mortgage on land and buildings and present and future receivables from a customer.

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12. Loans (continued)

12.2 Borrowings from financial institutions (continued)

(c) The Group has received the following combined type credit lines from UniCreditBulbank AD to finance specific contracts, secured by present and future receivables from contracting parties under those contracts. The main parameters of the credit lines are as follows:

- Total amount of EUR 297 thousand of which EUR 250 thousand - for working capital. The amount utilised as of December 31, 2013 is BGN 157 thousand
- Total amount of EUR 600 thousand, of which EUR 500 thousand - for working capital. The amount utilised as of December 31, 2013 is BGN 731 thousand.
- Total amount of BGN 2,910 thousand Levs, of which BGN 2,500 thousand – for working capital. The amount utilised as of December 31, 2013 is BGN 1,887 thousand
- Total amount of BGN 2,100 thousand, of which BGN 2,000 thousand – for working capital. The amount utilised as of December 31, 2013 is BGN 696 thousand.

(d) The Investment loan from Unicredit Bulbank is granted for the purpose of financing the construction and operation of virtual gas line and matures in October 2016, and as of December 31, 2013 amounts to BGN 1,833 thousand. In order to secure the loan the Group has established a mortgage of land and natural gas compensation and decompensation stations built on it, pledge of equipment, and pledge of present and future receivables on the project, pledge of cash. An investment loan was granted for the purchase of an office building in Sofia. Utilized amount as of December 31, 2013 amounts to BGN 2,087 thousand. The loan is secured by a mortgage on the building and its land.

(e) Overdraft loan from UniCreditBulbank is granted with the limit of EUR 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 BGN1,955 thousand has been utilized.

(f) The overdraft loan from UBB has the limit of EUR 1,450 thousand and is granted for the purpose of working capital and bank guarantees and as of December 31, 2013 the loan is fully repaid.

(g) The Group has received a combined credit limit from ING Bank at the amount of BGN 17,800 thousand, of which as of December 31, 2013 BGN 7,507 thousand has been utilized in the form of credit lines and overdraft. The Group has pledged as collateral present and future receivables from customers, mortgage on property belonging to the Group and has been issued a promissory note in favor of the Bank.

(h) The Group has received two credit lines from Unionbank fully repaid as of 31 March 2012. On 28 March 2012 the Group signing a new contract for new credit lines with credit limit EUR 4,800 thousand, from which EUR 2,500 are designated for working capital. As of December 31, 2013 the utilized amount is BGN 1,181 thousand. The loan is granted from same contract receivables.

(i)) The Group has signed a loan agreement for working capital financing and bank guarantees with Investbank AD for the amount of BGN 8,151 thousand from which BGN 4,409 are utilized. The loan is secured by pledge of current and future receivables and promissory note in the favour of the bank is signed.

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12. Loans (continued)

12.2 Borrowings from financial institutions (continued)

(j) 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 received funds at the amount of EUR 1,665 thousand (2010), EUR 2,335 thousand (2009) and EUR 3,000 thousand (2008) 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%. During the year ended at December 31, 2013 interest payments have been made under contract at the amount of BGN 312 thousand (2012 : 478 thousand) . Principal of the loan will be repaid in equal quarterly installments (23 installments for the first tranche and 21 installments for the second tranche). The loan matures on March 4, 2015. During the period, ending on December 31, 2013 part of the principal has been repaid at the amount of EUR 1,312 thousand (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, which is prolonged to 3 December 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 payments and the first of which is of EUR 1,111 thousand due in March 2013 while the other 24 payments are equal quarter amounts of EUR 370 thousand. The final maturity date for loan repayment is March 4, 2019. Receivables are pledged as a collateral the securitization of which is financed by funds on the loan. Enemona AD is a garrantor under EBRD loan. For the period ended on December 31, 2013 interest payments at the amount of BGN 1,036 thousand (2012: 597 thousand) and payment of principal at the amount of EUR 1,366 (2012: 0) were made.

As of December 31, 2013 the utilized amount of those loans is BGN 17,502 thousand (2012: BGN 23,187 thousand).

(k) The Group has received from Eurobank EFG a credit line with limit of EUR 1,500 thousand. The utilized amount as of December 31 2013 is BGN 2,275 thousand. The credit is secured from client receivables and goods.

(l) The Group has signed a new three credit lines with International Asset Bank AD, which are taken for funding specific contract. The total amount for those three credit lines is EUR 3,873 thousand and the utilized amount as of December 31, 2013 is BGN 2,772 thousand. Those credits are secured with receivables based on contracts and invoices.

(m) On 26 February 2013 a new contract is signed with Alpha Bank for new credit line from mixed kind for funding specific contract. The total amount is EUR 1,667 and as of December 31, 2013 the utilized amount is BGN 1,196 thousand. This credit is secured with receivables based on specific contract.

(n) On October 4, 2013 The Group has signed contract with D bank to obtain new credit line for mixed financing of a specific contract. The total size of the line is 2,351 thousand, of which 1,820 thousand for working capital. As of December 31, 2013 the utilized amount is BGN 1,412 thousand. The loan is secured with pledge on receivables from contractor.

(o) The Group signed a contract with UniCredit Bulbank for corporate credit cards with total limit of BGN 100 thousand. As of December 31, 2013 are utilized BGN 2 thousand.

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12. Loans (continued)

12.2 Borrowings from financial institutions (continued)

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 are established as collateral. A promissory note in favor of the bank has also been signed. 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.

12.3 Bank loans covenants

According to the terms of the loans, the Group should comply with certain operational and financial covenants.

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 December 31, 2012 the loan is presented as a current liability.

As of September 30, 2013 and December 31, 2012 the Group is in compliance with all operational and financial covenants connected to the other debenture and bank loans contractual terms.

12.4 Loans from non-related parties

Loans from non-related parties as of December 31, 2013 comprise non-secured loans from Enidna Engineering AD, Izolko OOD, SIP OOD and others at the amount of BGN 10 thousand, BGN 1,608 thousand, BGN 527 thousand and BGN 97 thousand, respectively. The loans are with interest rates between 8% and 9% and mature in 2013 as the repayment term may be prolonged with 1 month.

The loans from non-related parties as of December 31, 2012 include uncollateralized loans from EnemonaStart 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.

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13. Financial lease

Part of the tangible fixed assets has been leased under finance lease contract. 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 Group approximates their carrying amount.

	Minimal lease payments		Present value of minimal lease payments	
	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 AMOUNT OF LIABILITIES	212	837	212	837

14. Trade and other payables

	As of 31.12.2013	As of 31.12.2012
Payables to suppliers	22,707	12,110
Payables for dividends on preferred shares	2,199	2,067
Payables to employees	3,335	1,775
Payables to social insurance organizations	4,662	1,312
VAT payables	2,052	416
Other payables	8,525	2,888
TOTAL	43,480	20,568

15. Revenue

	Year ended 31.12.2013	Year ended 31.12.2012
Revenue from construction contracts	88,467	71,534
Revenue from sale of electricity	52,717	58,685
Revenue from sale of compressed natural gas	4,949	4,068
Revenue from services	336	387
Others	-	7
TOTAL REVENUE	146,469	134,681

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15. Revenue (continued)

The following table discloses information on construction contracts in progress at the date of the 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	275,054	192,085
Less: Progress billings	(247,560)	(167,682)
	<u>27,494</u>	<u>24,403</u>
Gross amounts stated in the statement of financial position comprise of:		
Gross amount receivable from customers under construction contracts	30,759	30,146
Gross amount payable to customers under construction contracts	(3,265)	(5,743)
	<u>27,494</u>	<u>24,403</u>

Retentions held by customers under construction contracts amount to BGN 6,133 thousand and BGN 9,148 thousand as of December 31, 2013 and December 31, 2012, respectively. Advances received from customers under construction contracts amount to BGN 14,199 and BGN 16,952 thousand as of December 31, 2013 and December 31, 2012, respectively.

As of December 31, 2013 and December 31, 2012 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.

16. Financial income

	Year ended 31.12.2013	Year ended 31.12.2012
Interest income	6,167	5,708
Dividends	104	71
Foreign exchange gains	8	17
TOTAL FINANCIAL INCOME	<u>6,279</u>	<u>5,796</u>

17. Materials and consumables used

	Year ended 31.12.2013	Year ended 31.12.2012
Current value for sold goods	54,402	60,043
Raw material costs:		
Construction materials	26,814	15,585
Expenses for instruments	326	262
Electric power	302	248
Fuels	295	332
Spare parts	49	25
Stationery	206	143
TOTAL MATERIALS	<u>27,992</u>	<u>16,595</u>

During the year ended 31 December 2013 materials and equipment at the amount of EUR 8,685 thousand are utilized in realization of main construction contract in Germany.

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18. Hired services

	Year ended 31.12.2013	Year ended 31.12.2012
Under construction agreements with subcontractors	10,277	9,610
Services with mechanization	1,234	808
Transportation	1,868	1,594
Legal and consulting services	1,829	1,797
Insurances	351	1,090
Advertising	7	14
Telecommunications	206	225
Rents	2,771	2,144
Taxes, mortgages, guarantees	2,152	1,713
Design services	775	297
Bank fees and commissions	271	144
Heating	51	41
Working permissions and tender documents	63	176
Starting work and control	1,082	796
Office maintenance cost	223	138
Security	34	107
Translation services	123	79
Courier services	129	72
Other services	142	264
TOTAL HIRED SERVICES	23,588	21,109

19. Employee benefit expenses

	Year ended 31.12.2013	Year ended 31.12.2012
Remunerations	24,462	25,434
Social security and health insurance	4,134	3,357
Food Vouchers	1,005	782
Compensations	290	657
TOTAL EMPLOYEE BENEFITS EXPENSES	29,891	30,230

For the year ending at December 31, 2013, the Group reclassified 368 thousand leva (food vouchers) from other expenses to employee benefit expenses.

20. Other expenses

	Year ended 31.12.2013	Year ended 31.12.2012
Business trips	2,721	2,629
Storage of equipment	-	420
Expenses for one-off taxes and fees	953	551
Entertainment allowances	15	273
Waste on non-current assets	61	451
Donations	60	-
Other	79	-
TOTAL OTHER EXPENSES	3,889	4,324

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21. Other gains, net

	Year ended 31.12.2013	Year ended 31.12.2012
Proceedings from sale of non-current assets	6,208	867
Carrying amount of sold and written-off non-current assets	(5,244)	(802)
Gains on sale of non-current assets	964	65
Proceedings from sale of materials	104	100
Carrying amount of materials sold	(36)	(76)
Gains on sale of materials	68	24
Proceeds from sale of investments in subsidiaries	120	-
Carrying amount of investments sold	(120)	-
Profit from sale of investments in subsidiaries	0	-
Premium from sale of investments in subsidiaries	120	-
Rent income	251	402
Gains on financing	106	106
Loss on loans impairment	(1,035)	-
Loss on investment properties revaluation	(5)	-
Reversal of impairment loss of receivables	217	1,589
Income from consulting services	304	32
Loss on discounting of receivables under ESCO agreements	-	(1,831)
Discount on securitization of receivables	(247)	(862)
Profit/(loss) on penalties and others, net	(1,255)	937
Other losses on estimates	-	(170)
One-off expenses	(3,008)	-
TOTAL OTHER GAINS, NET	(3,520)	292

22. Finance costs

	Year ended 31.12.2013	Year ended 31.12.2012
Interest expense	4,968	4,640
Expenses on financial liability on preferred shares	490	1,533
Foreign exchange losses	91	570
Finance costs on construction contracts	2,107	60
Other finance cost	-	426
TOTAL FINANCE COST	7,656	7,229

23. Taxation

Deferred taxes are as follows:

	As of 31.12.2013	As of 31.12.2012
Deferred tax assets		
Impairment of receivables	3,260	3,260
Impairment of investments	241	241
Deducted Tax loss	117	117
Provisions	74	74
Non-current assets	2	2
	(1,094)	(1,094)
	2,600	2,600
TOTAL DEFERRED TAX ASSETS	3,260	3,260
TOTAL DEFERRED TAX LIABILITIES	(69)	(69)
TOTAL DEFERRED TAX, NETTO	2,531	2,531

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23. Taxation (continued)

Deferred tax assets and liabilities as of December 31, 2013 and December 31, 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 December 31, 2012 are as follows:

	Year ended 31.12.2013	Year ended 31.12.2012
Current income tax expense	(38)	(155)
Deferred tax in relation to occurrence and reversal of temporary differences	-	25
TOTAL TAX EXPENSE	(38)	(130)

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

	Year ended 31.12.2013	Year ended 31.12.2012
Profit before taxation	588	(981)
Applicable tax rate	10%	10%
	59	(98)
Tax by applicable tax rate	(21)	116
Tax effect of the non-deductable and non-taxable positions		112
Effect of different tax rates in other tax jurisdictions	38	130
EFFECTIVE TAX RATE	6%	13%

24. Earning per share

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 for Parent Company shareholders	726,000	(766,000)
Weighted-average number of ordinary shares	11,933,600	11,933,600
Earnings per share (in BGN) – basic and diluted	0.06	(0.06)

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

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25. Related parties transactions

The related parties within the Group with transactions performed in the periods ending December 31, 2013 and December 31, 2012 are as follows:

RELATED PARTY	TYPE OF RELATIONSHIP
Alfa Enemona OOD	Associated company
Global Capital OOD	Company under common control
G Oil Expert EOOD	Company under common control
Eco Invest Holding AD	Company under common control
Resource Engineering EOOD	Company under common control
Softgeo-Lint 2006 OOD	Company under common control

The table below discloses income received from related parties:

	Year ended 31.12.2013	Year ended 31.12.2012
Alfa Enemona OOD	104	72
Eco Invest Holding AD	1	1
G Oil Expert EOOD	5	3
TOTAL INCOME FROM RELATED PARTIES	110	76

During the periods ending December 31, 2013 and December 31, 2012 the Group has no expenses on related parties transactions.

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

	As of 31.12.2013	As of 31.12.2012
G Oil Expert EOOD	1	1
TOTAL	1	1

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 December 31, 2012:

	As of 31.12.2013	As of 31.12.2012
Alfa Enemona OOD	7	7
TOTAL	7	7

Liabilities to related parties consist of gross amount due to clients under construction contracts.

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27. Geographical distribution

The Group operates in four basic geographical areas – Bulgaria, Serbia, Germany, Slovakia and Norway.

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	96,878	88,159	39,196	45,277
Slovakia	20,962	18,501	452	406
Germany	15,278	17,492	265	112
Norway	490	491	5	5
UK	183	-	6	-
Other	12,678	10,038	-	-
	<u>146,469</u>	<u>134,681</u>	<u>39,924</u>	<u>45,800</u>

During 2013, the Group started its activity in United Kingdom opening a branch there.

In 2012 the Group opened a branch in Norway.

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

In 2010 the Group opened a branch in Slovakia.