
Water Industry Support and Education EOOD
Annual management report and financial statements
For the year ended 31 December 2017
With independent auditors' report

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Annual management report

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Independent Auditors' report

ANNUAL REPORT ON THE ACTIVITY WATER INDUSTRY SUPPORT AND EDUCATION EOOD

2017

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

Water Industry Support and Education EOOD (WISE) is a subsidiary of Sofiyska Voda JSC. It was incorporated at the beginning of 2006 by virtue of the contract for the provision of design services. Its business involves design preparation in reference to the investment program of the company. Another reason for WISE incorporation as a separate company is the willingness of the company to extend the opportunities for the business, i.e. to enable the design team to provide design services to external contracting authorities.

The Company's revenues for 2017 were in the size of 7 thousand BGN (2016 – 455 thousand BGN). For 2017 the direct operating costs/ revenues for design activities were 9 thousand BGN (405 thousand BGN for 2016). In 2017 the Company has not conducted commercial activity.

The financial result for 2017 is profit to the amount of BGN 5 thousand (2016 – BGN 45 thousand).

The financial result for 2016 was allocated to retained earnings and loss and there were no dividends paid.

The Company policy in terms of the financial risk and its exposition regarding the price, credit and liquidity risk are given in detail in the notes to the Financial Statements for 2017.

In 2018 the Company does not plan to carry out commercial activity.

As at the end of 2017 the Company did not have any liabilities under credits to external financial institutions or enterprises from the Group.

The Company has no research and development activity.

The Company did not transfer or acquire any shares in the reviewed 2017.

In 2017 events and indicators of unusual nature did not took place in the company.

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

There were no unpaid remunerations to the Company Manager in the financial 2017.

The Company Manager has no share in trade companies as a partner with unlimited liability, does not own more than 25% of the capital of other company and does not participate in the management of other companies or associations as Commercial Proxy, Manager of Board Member.

There are no substantial transactions concluded.

There are no transactions in the Company recorded off-balance sheet.

The Company has no shareholdings in other companies.

Assessment of the capacity to implement the investment intentions and specifying the amount of the available resources and reflecting the possible changes in the funding structure for this activity:

Water Industry Support and Education EOOD does not invest in fixed assets.

Information about changes that occurred during the reviewed period in the main governance principles of the issuer and its business group:

No changes occurred in the main governance principles of the issuer.

Information about the main characteristics of the internal control system and risk management system applied by the issuer, respectively the person under § 1e of the additional provisions of the Law on Public Offering of Securities, in the process of preparing the financial statements

Water Industry Support and Education EOOD, being a subsidiary of Sofiyska Voda, follows the control principles developed and implemented in Sofiyska Voda AD.

In 2017 there were no arrangements in the Company (including after the close of the financial year), as a result of which a change might be possible to occur in the future in the relative shares or bonds held by the present shareholders or debenture holders.

The Company commenced three lawsuits in the Sofia Regional Court under the enforcement procedure against Prima Invest Consult EOOD for the return of an advance payment under a terminated contract to the total amount of BGN 57,150, default and statutory interest. Each procedure concerns a principal of BGN 19,050 (1/3 of a total of BGN 57,150 – part of the advance payment subject to return under the contract terminated due to non-fulfilment on behalf of the defendant); default interest of BGN 943.28 from 23.03.2015 to 16.09.2015; statutory interest on overdue principal from the date of depositing the claim till the date of payment of the sum.

Writs of execution were issued under two of the proceedings and the debtor filed objections against them. Claims were filed within the statutory deadlines by WISE EOOD. The company was informed about an appeal filed also against the third issued writ of execution in 2017. Claim was duly filed by WISE EOOD. Sofia Regional Court is expected to consider the three lawsuits in 2018.

The Company has a related party relationship with the parent company – Sofiyska Voda AD and the latter has 100% share in Water Industry Support and Education EOOD. The amount of the transactions and the sum of the receivables and payables to the related parties are disclosed in Note 22 of the separate financial statements of the company for 2017.

The Company has no branches in the country and abroad.


Anelia Ilieva

/Financial Director/


Stanislav Stanev

/Manager/



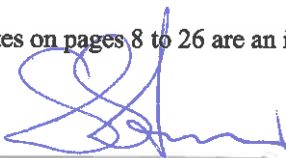
Statement of financial position


As at 31 December

In thousands of BGN

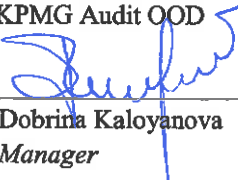
	Note	2017	2016
Assets			
Property, plant and equipment	12	-	6
Deferred tax assets	11	-	13
Total non-current assets		-	19
Receivables from related parties	19, 22	1	89
Trade and other receivables	13	9	13
Prepayments and deferred expenses	14	-	2
Income tax receivables		12	5
Cash and cash equivalents	15, 19	202	277
Total current assets		224	386
Total assets		224	405
Equity			
Share capital	16	5	5
Profit or loss		215	206
Total equity		220	211
Liabilities			
Payables to related parties	19,22	-	55
Trade and other payables	17,19	4	52
Payables to employees	18	-	47
Employee benefits	21	-	32
Tax payables		-	8
Total current liabilities		4	194
Total liabilities		4	194
Total equity and liabilities		224	405

The notes on pages 8 to 26 are an integral part of these financial statements.



Stanislav Stanev
General Manager


Aneliya Ilieva
Finance director

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


Dobrina Kaloyanova
Manager




Tzvetelinka Koleva
Registered Auditor
responsible for the audit

Statement of profit or loss and other comprehensive income

For the year ended 31 December

In thousands of BGN

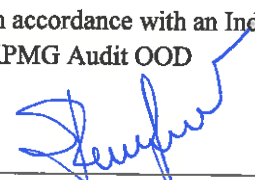
	Note	2017	2016
Revenue	5	1	454
Other revenue	5	6	1
		7	455
Expenses for materials	6	-	(4)
Expenses for hired services	7	(10)	(81)
Depreciation and amortization expenses	12	-	(5)
Revenue/(expenses) for personnel	8	30	(297)
Other operating expenses	9	(11)	(18)
Profit from operating activities		16	50
Finance income	10	1	1
Finance expenses	10	1	(1)
Net finance income/(expenses)		2	-
Profit before tax		18	50
Income tax (expense)	11	(13)	(5)
Profit for the period		5	45
Items that will never be reclassified to profit or loss:			
Revaluation of defined benefit liability	21	4	(1)
Other comprehensive income for the year, net of tax		4	(1)
Total comprehensive income for the period		9	44

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Stanislav Stanev
General manager



Aneliya Ilieva
Finance director
In accordance with an Independent Auditors' Report:
KPMG Audit OOD


Dobrina Kaloyanova
Manager



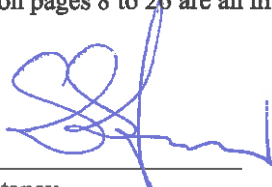
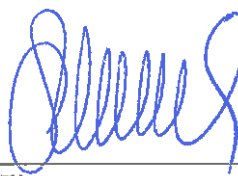
Tzvetelinka Koleva
Registered Auditor
responsible for the audit

Statements of changes in equity

In thousands of BGN

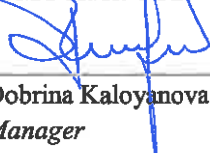
	Note	Share capital	Profit or Loss	Total
Balance at 1 January 2016		5	162	167
Total comprehensive income for the period				
Profit for the year		-	45	45
Other comprehensive income, net of taxes		-	(1)	(1)
Total comprehensive income for the period		-	44	44
Balance at 31 December 2016	16	5	206	211
Balance at 1 January 2017		5	206	211
Total comprehensive income for the period				
Profit for the year		-	5	5
Other comprehensive income, net of taxes		-	4	4
Total comprehensive income for the period		-	9	9
Balance at 31 December 2017	16	5	215	220

The notes on pages 8 to 26 are an integral part of these financial statements.


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General manager

Aneliya Ilieva
Finance director

In accordance with an Independent Auditors' Report:

KPMG Audit OOD


Dobrina Kaloyanova
Manager

Tzvetelinka Koleva
Registered Auditor
responsible for the audit


Statement of cash flows

For the year ended 31 December

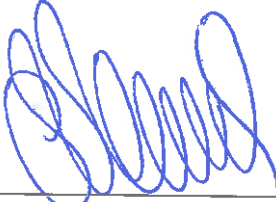
In thousands of BGN

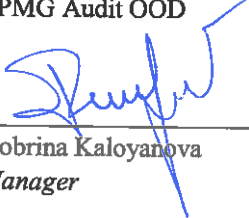
	Note	2017	2016
Cash flows from operating activities			
Net profit for the period		5	45
<i>Adjustments for:</i>			
Depreciation and amortization expenses	12	-	5
Written off assets		6	2
Income tax expense	11	13	5
		<u>24</u>	<u>57</u>
Change in trade and other receivables		4	13
Change in trade and other receivables from related parties		81	59
Change in prepayments		2	11
Change in trade and other payables		(95)	(56)
Change in trade and other payables to related parties		(55)	(5)
Change in pension provision		(28)	8
Change in VAT payable/receivable		(8)	7
		<u>(75)</u>	<u>94</u>
Income tax paid		(6)	(1)
Net cash from (for) operating activities		<u>(81)</u>	<u>93</u>
Cash flows from investment activities			
Proceeds from the sale of assets		6	-
Net cash from investment activities	10	<u>6</u>	<u>-</u>
Cash flows from financing activities			
Interest received		-	1
Other finance expenses paid		-	(1)
Net cash from financing activities	10	<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		<u>(75)</u>	<u>93</u>
Cash and cash equivalents as at 1 January		<u>277</u>	<u>184</u>
Cash and cash equivalents as at 31 December	15,19	<u>202</u>	<u>277</u>

The notes on pages 8 to 26 are an integral part of these financial statements.




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General manager



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Finance director
In accordance with an Independent Auditors' Report:
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Notes to the Financial Statements

1. Reporting Entity

Water Industry Support and Education EOOD is a commercial entity registered in Bulgaria under Sofia City Court decision No: 9889/2000. volume 633, p. 29, lot No: 57546. The Company is registered with the Commercial Register at the Bulgarian Registry Agency with ID code 130337729.

Water Industry Support and Education EOOD (the Company) is a 100% subsidiary of Sofiyska Voda AD, which is owned by Veolia Voda Sofia BV (77.1%) and Vodospobdyavane i kanalizatsiya EAD (22.9%). The ultimate parent company is Veolia Environment SA.

The address of the registered office of the Company is Bulgaria, Sofia, Mladost 4 residential area, Business Park Sofia, Building 2A. The Company's business involves project measurement, maintenance and design.

2. Basis of preparation

(a) Statement of compliance

The present financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Commission (EC).

The financial statements for the year ended 31 December 2017 were approved by the Board of Directors of the parent company on 26 March 2018.

(b) Going concern

The present financial statements have been prepared on the assumption that the Company will continue to operate as a going concern.

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

The Company will continue as a going concern at least, but not limited to twelve months after the end of the reporting period, and the intention of the parent company is to assign to the Company project activities in the future in case of need.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis, excluding defined benefit obligation, stated at the present value of the defined benefit obligation.

(d) Functional and presentation currency

The financial statements have been prepared in Bulgarian leva (BGN), which is the Company's functional currency. The entire financial information presented in BGN has been rounded to the nearest thousand (BGN).

2. Basis of preparation (continued)**(e) Use of judgements and estimates in the preparation of the financial statements**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Fair values

Some of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

The financial department regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or similar services is used to measure fair values, then the financial department assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the General manager.

When measuring the fair value of an asset or liability, the Company uses observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices, included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 19 – Financial instruments.

3. Significant accounting policies

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

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Effective 1 January 1999 up until the reporting date for the financial statements, the Bulgarian Lev (BGN) rate is fixed to the Euro (EUR). The applicable exchange rate is BGN 1.95583 / EUR 1.0.

(b) Financial instruments

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

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and liabilities - recognition and derecognition

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

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

(ii) Non-derivative financial assets - measurement***Loans and receivables***

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

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

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Share capital

The equity of the Company is presented at historical cost at the date of registration.

3. Significant accounting policies (continued)**(c) Property, plant and equipment****(i) Recognition and measurement***Initial recognition*

Items of property, plant and equipment are initially measured at the acquisition cost, which includes the costs directly related to the asset acquisition. The cost of assets acquired in the course of construction includes as follows:

- Costs for materials and directly used labour;
- Costs directly related to setting the asset in a condition corresponding to the one for use;
- When the Company is obliged to dismantle the asset or restore the terrain, the approximate evaluation of the costs for dismantling and restoring the site where the asset is located;
- Capitalized interest costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

All property, plant and equipment and assets under construction are presented in statement of financial position at their historical cost less accumulated depreciation and impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment (determined as the difference between the proceeds from the sale and the carrying amount of the asset) is recognized on net basis in other income or other expenses in profit and loss.

(ii) Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are accounted at acquisition cost less the accumulated depreciation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Entity. Maintenance expenses are recognized as current year expense at the moment they are incurred.

(iv) Depreciation

Depreciation is recognized in profit and loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment.

The depreciation rates used are based on the estimated useful lives as follows:

Fixtures and fittings	10 years
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(d) Intangible assets**(i) Recognition and measurement**

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

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including goodwill and brands, is recognized in profit and loss as incurred.

(ii) Amortization

Amortization is charged in profit and loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful life of intangible assets is as follows:

Software	5 years
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3. Significant accounting policies (continued)**(e) Leased assets**

Lease contracts, under the provisions of which the Company acquires all the significant risk and rewards of the ownership, are classified as finance lease. Initially the leased assets are recognized at lower of the fair value and the present value of the minimal lease payments. Subsequent to initial recognition the asset is measured in accordance with the relevant accounting policy.

Other than the aforementioned leases are classified as operating leases and are not recognised in the Company's statement of financial position.

(f) Impairment of Assets**(i) Non-derivative financial assets**

A financial asset that is not accounted at fair value in profit and loss, is assessed at each reporting date to determine whether there is any objective evidence for impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset and the effect can be reliably evaluated.

Objective evidence that financial asset is impaired includes default or delay on behalf of the debtor, restructuring of his debt to the Company under condition which the Company would not consider under other circumstances, indications that the debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and borrowings) at both an individual asset and a collective level. All individually significant borrowings are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of defaults, timing of recoveries and the amount of loss incurred, and management makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss for a financial asset, carried at amortised cost, is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit and loss and reflected in an allowance account. If the amount of impairment loss subsequently decreases due to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit and loss.

(ii) Non-financial assets

The book values of the Company's non-financial assets other than investment property, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not available for use yet, the recoverable amount is estimated annually at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

3. Significant accounting policies (continued)**(f) Impairment of assets (continued)****(ii) Non-financial assets (continued)**

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

Impairment losses are recognised in profit and losses. Impairment losses recognised in respect of CGUs are allocated to reduce the book values of the assets in the site on a *pro rata* basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits***Defined Contribution Plans***

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined Benefit Plans

The Company's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and that amount is discounted.

The calculation is performed annually by a qualified actuary using the projected unit credit method. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

Revaluation arising from defined benefit plans comprise actuarial gains and losses and are recognised in OCI. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

(h) Revenue from services rendered

The Company recognizes revenue from services rendered in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

(i) Leases

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

3. Significant accounting policies (continued)**(j) Finance income and expenses**

Finance income comprises interest income on funds invested. Interest income is recognized as it is accrued, using the effective interest method.

Finance expenses comprise foreign exchange losses.

Foreign currency gains and losses are reported on a net basis in the financial statements.

(k) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Current tax also includes any tax arising from dividends.

(i) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company assesses the accrued tax liabilities for all not closed for tax purposes prior accounting periods as adequate considering many factors such as interpretation of legal framework and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4. New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations, approved by the EC for application, may be earlier applied in the annual period, beginning on 1 January 2017 and their subsequent application is permitted. Nevertheless, these changes in the IFRS have not been earlier applied in the preparation of the present financial statements and the Company does not plan to apply these standards earlier.

(a) Assessment of the effect of the implementation of IFRS 9

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

(i) Classification – financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

(ii) Impairment – Financial assets and assets under contracts

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

On the basis of its assessment, based on the circumstances for activity decrease, the Company does not consider that the new requirements for classification and impairment would have a substantial impact on the accounting of the trade and other receivables, loans and cash, owned by the Company, in the near future.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

4. New standards and interpretations not yet adopted (continued)**(b) IFRS 15 Revenue from contracts with customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers*, as well as SIC 31 *Revenue- barter transactions, involving advertising services*.

(i) Rendering of services

To date the Company does not provide services of substantial value and respectively does not expect an effect from the implementation of IFRS 15.

(ii) Transition

The Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Company/Group will not apply the requirements of IFRS 15 to the comparative period presented.

In general, the Company does not expect an effect from the initial implementation of IFRS 15 due to the circumstances specified under Note 2.(b).

(c) IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

(d) Other amendments

The following changes are not expected to have a significant impact on the Company's financial statements.

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IAS 40 *Transfers of Investment Property*
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation*
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to IFRS 2015-2017 Cycle
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*
- Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture*.

5. Revenue

The revenue of the Company realized during the financial year 2017 is in relation to project designing and amounts to BGN 1 thousand (in 2016 – BGN 454 thousand).

Other revenue realized during the financial year 2017 amounts to BGN 6 thousand (in 2016 – BGN 1 thousand).

6. Cost of materials

<i>In thousands of BGN</i>	2017	2016
Fuels and lubricants	-	2
Others	-	2
	<u>-</u>	<u>4</u>

7. Hired services expenses

<i>In thousands of BGN</i>	2017	2016
Rents	-	35
Expenses for consultancy services	4	27
Accounting services	4	12
Repair and maintenance of cars	-	1
Social expenses	-	2
Insurance	1	1
Other	1	3
	<u>10</u>	<u>81</u>

8. Personnel Expenses/(revenue)

<i>In thousands of BGN</i>	Note	2017	2016
Wages and remuneration		(6)	232
Pensions and social security costs		2	42
Vouchers		-	16
Retirement and transfer of staff compensation	21	(26)	7
		<u>(30)</u>	<u>297</u>

9. Other operating expenses

<i>In thousands of BGN</i>	2017	2016
Costs for penalties	4	-
One-off taxes	-	1
Scrapping of non-current assets	-	2
Others	6	15
	<u>10</u>	<u>18</u>

10. Finance income and expenses

<i>In thousands of BGN</i>	2017	2016
Income from interests on bank accounts	1	1
Finance expenses	1	(1)
Finance income (net)	<u>2</u>	<u>-</u>

11. Income tax expense*In thousands of BGN*

	2017	2016
Current income tax expense		
Current corporate tax expense	-	(7)
Deferred tax		
Origination and reversal of temporary differences	(13)	2
Tax expense, net	<u>(13)</u>	<u>(5)</u>

Reconciliation of effective tax rate*In thousands of BGN*

	2017		2016
Profit for the year	5		45
Total income tax expense	13		5
Profit before income tax	<u>18</u>		<u>50</u>
Corporate tax, based on domestic tax rate	10.0%	(2)	10.0%
Permanent differences	-	-	-
Derecognition of unrealized deferred tax assets	61.1%	(11)	-
	71.1%	<u>(13)</u>	10.0%
			<u>(5)</u>

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of BGN</i>	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Property, plant and equipment	-	-	-	1	-	1
Impairment of receivables	-	(8)	-	-	-	(8)
Employee benefits	-	(6)	-	-	-	(6)
Tax (assets) liabilities	<u>-</u>	<u>(14)</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>(13)</u>

Movement in deferred tax throughout the year

<i>In thousands of BGN</i>	Balance	Recognized in profit or loss	Balance	Recognized in profit or loss	Balance
	1 January 2016		31 December 2016		31 December 2017
Property, plant and equipment	1	-	1	(1)	-
Impairment of receivables	(8)	-	(8)	8	-
Employee benefits	(4)	(2)	(6)	6	-
	<u>(11)</u>	<u>(2)</u>	<u>(13)</u>	<u>13</u>	<u>-</u>

Unrecognised deferred tax assets

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

<i>In thousands of BGN</i>	Assets	
	2017	2016
Impairment of receivables	8	-
Tax loss (expires in 2022)	5	-
Unrecognised tax assets	<u>13</u>	<u>-</u>

12. Property, plant and equipment*In thousands of BGN*

	Plant and equipment	Vehicles	Leasehold improvements	Total
Balance at 1 Jan 2016	24	11	3	38
Acquisitions	-	-	-	-
Written-off assets	-	-	(2)	(2)
Transfers	-	-	-	-
Balance at 31 Dec 2016	24	11	1	36
Balance at 1 Jan 2017	24	11	1	36
Acquisitions	-	-	-	-
Written-off assets	(6)	-	-	(6)
Transfers	-	-	-	-
Balance at 31 Dec 2017	18	11	1	30
Depreciation				
Depreciation as at 1 Jan 2016	(13)	(11)	(1)	(25)
Depreciation charge for the year	(5)	-	-	(5)
Balance as at 31 Dec 2016	(18)	(11)	(1)	(30)
Depreciation as at 1 Jan 2017	(18)	(11)	(1)	(30)
Depreciation charge for the year	-	-	-	-
Balance as at 31 Dec 2017	(18)	(11)	(1)	(30)
As at 1 January 2016	11	-	2	13
As at 31 December 2016	6	-	-	6
As at 1 January 2017	6	-	-	6
As at 31 December 2017	-	-	-	-

13. Trade and other receivables*In thousands of BGN*

	Note	2017	2016
Trade receivables	19	41	51
Impairment of trade receivables		(38)	(38)
Other receivables		6	-
		<u>9</u>	<u>13</u>

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

14. Prepayments and deferred expenses*In thousands of BGN*

	2017	2016
Prepayments	44	44
Impairment of prepayments	(44)	(44)
Deferred Expenses	-	2
	<u>-</u>	<u>2</u>

15. Cash and cash equivalents*In thousands of BGN*

	2017	2016
Cash in hand	4	13
Current accounts in banks	198	264
Cash and cash equivalents in the statement of cash flows	<u>202</u>	<u>277</u>

16. Share capital and reserves

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

<i>In shares</i>	2017	2016
Issued shares as at 1 January	500	500
Issued during the period	-	-
Total issued at period end	500	500

17. Trade and other payables

<i>In thousands of BGN</i>	2017	2016
Trade payables	4	52
	4	52

18. Payables to employees

<i>In thousands of BGN</i>	2017	2016
Payables to personnel	-	40
Social Security Contributions payable	-	7
	-	47

19. Financial instruments**Financial risk management****Overview**

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

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

19. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Company in a situation where a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Exposure to credit risk

The carrying amount of the financial assets is the maximum credit exposure. The maximum credit exposure as at the date of the statement on the financial position is:

<i>In thousands of BGN</i>	Note	2017	2016
Related parties receivables	22	1	89
Trade and other receivables	13	9	13
Cash and cash equivalents in bank accounts	15	198	264
		<u>208</u>	<u>366</u>

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

<i>In thousands of BGN</i>	Note	2017	2016
Balance at the beginning of the period		82	82
Impairment of trade receivables	13	-	-
Impairment of prepayments	14	-	-
Balance at the end of the period		<u>82</u>	<u>82</u>

(i) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As far as the Company mostly delivers services to related parties, the credit risk is minimised.

Liquidity risk

Liquidity risk occurs if The Company fails to meet its obligations at the moment of their settlement. The Company's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. The Company has a finance plan, prepared to meet the operating expenses of its current liabilities for a period of 30 days, including servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Below are presented the contracted maturity dates of the financial liabilities, including the expected interest payments, and excluding the effect of contracted obligations for mutual cross-deductions:

31 December 2017

<i>In thousands of BGN</i>	Book value	Contractual Cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	4	(4)	(4)	-	-	-
Payables to related parties	-	-	-	-	-	-
Payables to personnel	-	-	-	-	-	-
	<u>4</u>	<u>(4)</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>

19. Financial instruments (continued)

Liquidity risk (continued)

31 December 2016

In thousands of BGN

	Book value	Contractual Cash flows	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	52	(52)	(52)	-	-	-
Payables to related parties	55	(55)	(55)	-	-	-
Payables to personnel	40	(40)	(40)	-	-	-
	147	(147)	(147)	-	-	-

Market risk

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

The Company undertakes analyses over the macro-economic environment in the country on a regular basis, as well as a detailed analysis of the specific macro- indicators. The Director is the one responsible for the assessment of the future risks that The Company faces, including the foreign currency risks.

Currency risk

Exposure to currency risk

Company's exposure to a currency risk is low, since 100% of the deals in 2017 are at the local market in BGN or EUR (2016: 100%).

Sensitivity analysis

The sensitivity analysis of the exchange rate of the BGN / EUR and other currencies shows there are no effects on the Company's financial statements due to the circumstances stated above

Interest risk

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments is:

In thousands of BGN	Note	2017	2016
Financial assets	15	198	264
Financial liabilities		-	-
		198	264

Fair value sensitivity analysis for fixed rate instruments

The Company has not accounted for any fixed rate financial assets and liabilities at fair value through profit or loss in the comprehensive income statement, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Capital management

The financial result for 2017 is a profit of BGN 5 thousand.

19. Financial instruments (continued)

Accounting classifications and fair values

The table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. Information about the fair values is not included if the carrying amount is reasonably approximate to the fair value.

		31 December 2017					Fair value		
		Carrying amount					Fair value		
		In thousands of BGN							
	Note	Held for Trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available for-sale	Other financial liabilities	Total
Financial assets not measured at fair value									
Trade and other receivables	13	-	-	-	-	9	-	-	9
Related party receivables	22	-	-	-	-	1	-	-	1
Cash and cash equivalents	15	-	-	-	-	202	-	-	202
		-	-	-	-	212	-	-	212
Financial liabilities not measured at fair value									
Trade and other payables	17	-	-	-	-	-	-	(4)	(4)
Related party payables	22	-	-	-	-	-	-	-	-
Payables to personnel	18	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	(4)	(4)
31 December 2016									
		Carrying amount					Fair value		
		In thousands of BGN							
	Note	Held for Trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available for-sale	Other financial liabilities	Total
Financial assets not measured at fair value									
Trade and other receivables	13	-	-	-	-	13	-	-	13
Related party receivables	22	-	-	-	-	89	-	-	89
Cash and cash equivalents	15	-	-	-	-	277	-	-	277
		-	-	-	-	379	-	-	379
Financial liabilities not measured at fair value									
Trade and other payables	17	-	-	-	-	-	-	(52)	(52)
Related party payables	22	-	-	-	-	-	-	(11)	(11)
Payables to personnel	18	-	-	-	-	-	-	(40)	(40)
		-	-	-	-	-	-	(103)	(103)

20. Operating leases

In 2017 the Company was not a party to operating lease contract.

21. Defined benefit plan liabilities

As at 31 December 2017 the Company had no obligation to pay compensation to those employees that retire in line with the requirements in art. 222, p.3 of the Labor Code (LC) in Bulgaria.

<i>In thousands of BGN</i>	2017	2016
Present value of the liability on 1 January	32	23
Interest expense	(2)	1
Current service cost	(26)	10
Past service costs	-	(3)
Actuarial loss	(4)	1
Present value of the liability at the end of the period	<u>-</u>	<u>32</u>
Liability recognized in the Statement of financial position as at 31 December, including:		
Short-term liabilities for retirement compensation	-	32
Long-term liabilities for retirement compensation	-	-
Expenses recognized in the income statement		
<i>In thousands of BGN</i>	2017	2016
Current service cost	-	10
Past service costs	-	(3)
Interest expense	-	1
Actuarial assumptions		
	2017	2016
Discount rate at 31 December	-	1.2%
Salary increase (annual for 10 years)	-	2.50%
Employee turnover	-	7%

22. Related parties

"Water Industry Support and Education" EOOD (the Company) is 100% a subsidiary of "Sofiyska Voda" AD, which is owned by Veolia Voda Sofia BV (77.1%) and Vodospobdyavane i kanalizatsiya EAD (22.9%).

The related parties of the Company are the ultimate parent company – Veolia Environment SA and all companies under common control, as well as, companies controlled by the minority shareholder and key management personnel. As the minority shareholder is solely owned by Sofia Municipality, the Company has a related party relationship with all companies under the control of Sofia Municipality.

WISE EOOD has performed analysis over the individually and collectively significant transactions with companies under the control of Sofia Municipality and concluded that there are no transactions that meet the criteria for additional disclosure.

The following transactions with related parties took place in 2017.

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

The following transactions with related parties took place in 2016.

Related party	Relation	Transactions during the year	Balance as at 31 December 2016	
			Receivables	Payables
<i>In thousands of BGN</i>				
Sofiyska Voda AD	Parent company which owns 100% of the registered capital	Rents 35	-	7
		Complex services expenses 12	-	3
		Revenue from design services 397	89	-
		Prepaid design services	-	44
		Other expenses 6	-	1
		Recharges 183	-	-
Total:			<u>89</u>	<u>55</u>

Transactions with key management personnel

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

23. Subsequent events

There were no significant events requiring adjustments or disclosures in the present financial statements after the reporting date.



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INDEPENDENT AUDITORS' REPORT

To the sole owner of
Water Industry Support and Education EOOD

Opinion

We have audited the financial statements of Water Industry Support and Education EOOD (the Company) as set out on pages 3 to 26, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditors' Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the management report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditors' report thereon.

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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the New and enhanced auditor's reports and auditor's communication Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

- a) The information included in the management report for the financial year for which the financial statements have been prepared is consistent with those financial statements.
- b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITORS' REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Audit OOD

Dobrina Kaloyanova
Authorised representative

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

27 March 2018

Tzvetelinka Koleva
*Registered auditor,
responsible for the audit*



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