

Water Industry Support and Education EOOD
Annual management report and financial statements
For the year ended 31 December 2015
With independent auditors' report

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Annual management report

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Independent Auditors' report

ANNUAL REPORT ON THE ACTIVITY OF WATER INDUSTRY SUPPORT AND EDUCATION EOOD

2015

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 design activity started in 2006. The service is provided based on the contract signed for design activity with Sofiyska Voda JSC. The work depends directly on the amount of Sofiyska Voda's investment program and the design requests on behalf of external companies. The company revenue from the design activity for 2015 is BGN 420 thousand (BGN 434 thousand in 2014). The prices agreed for the design service provided by WISE to Sofiyska Voda JSC fully comply with the market prices of similar services in the country.

The direct operating costs for 2015 for the design activity are BGN 501 thousand (BGN 432 thousand for 2014). The costs for the implementation of the design activity are mainly the staff costs – BGN 291 thousand (BGN 288 thousand in 2014) and the expenses for hired services – BGN 119 thousand in 2015 (BGN 120 thousand in 2014). In year 2015 the company generated expenses for impairment for BGN 82 thousand

As a whole the activity of WISE EOOD was again focused on providing designs for securing the investment program of the shareholder Sofiyska Voda JSC. Nevertheless, the efforts of the Company management were focused on expanding the portfolio of customers.

In 2016 the investments of Sofiyska Voda JSC under Business Plan 2016 are expected to be higher as compared to 2015 and this will lead to an increase in the revenue from design activity for the Company.

The financial result of the Company before taxes for 2015 is loss of 73 BGN 1 thousand (2014 - 1 thousand BGN) due to impairment during the year for BGN 82 thousand.

The financial result for 2014 was allocated to retained earnings 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 2015.

The development of WISE EOOD depends to a certain extent on the amount of the Investment Program of Sofiyska Voda JSC. Considering the fact that the amount of the Investment Program of Sofiyska Voda JSC is higher in 2016 and the Company works actively to attract external customers, the year 2016 is expected to be a profitable year.

As at the end of 2015 the Company had no debts 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 2015.

No events have 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 2015.

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.

The Company has a related party relationship with the parent company – Sofiyska Voda JSC 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 2015.

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	2015	2014
Assets			
Property, plant and equipment	12	13	19
Deferred tax assets	11	11	3
Total non-current assets		<u>24</u>	<u>22</u>
Receivables from related parties	19, 22	148	199
Trade and other receivables	13	26	30
Prepayments and deferred expenses	14	13	55
Income tax receivables		11	11
Cash and cash equivalents	15, 19	184	224
Total current assets		<u>382</u>	<u>519</u>
Total assets		<u>406</u>	<u>541</u>
Equity			
Share capital			
Profit or loss	16	5	5
Total equity		<u>162</u>	<u>236</u>
		<u>167</u>	<u>241</u>
Liabilities			
Employee retirement benefits			
Total non-current liabilities	21	<u>23</u>	<u>17</u>
		<u>23</u>	<u>17</u>
Payables to related parties	19,22	60	142
Trade and other payables	17,19	115	93
Payables to employees	18	40	47
Tax payables		1	1
Total current liabilities		<u>216</u>	<u>283</u>
Total liabilities		<u>239</u>	<u>300</u>
Total equity and liabilities		<u>406</u>	<u>541</u>

The notes on pages 9 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 Bulgaria OOD

Dobrina Kaloyanova
Authorised representative



Tzvetelinka Koleva
Registered Auditor


Statement of profit or loss and other comprehensive income

For the year ended 31 December


In thousands of BGN


	Note	2015	2014
Revenue	5	388	434
Other revenue	5	32	-
		<u>420</u>	<u>434</u>
Expenses for materials	6	(5)	(8)
Expenses for hired services	7	(109)	(120)
Depreciation and amortization expenses	12	(6)	(6)
Personnel expenses	8	(291)	(288)
Other operating expenses	9	(90)	(10)
		<u>(81)</u>	<u>2</u>
Profit/(loss) from operating activities			
Finance income	10	1	1
Finance expenses	10	(1)	(1)
Net finance income/(expenses)		<u>-</u>	<u>-</u>
		<u>(81)</u>	<u>2</u>
Profit/(loss) before tax			
Income tax (expense)/income, net	11	8	-
Profit/(loss) for the period		<u>(73)</u>	<u>2</u>
Items that will never be reclassified to profit or loss:			
Revaluation of defined benefit liability	21	(1)	(1)
Other comprehensive income for the year, net of tax		<u>(1)</u>	<u>(1)</u>
Total comprehensive income for the period		<u>(74)</u>	<u>1</u>

The notes on pages 9 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 Bulgaria OOD


Dobrina Kaloyanova
Authorised representative



Tzvetelinka Koleva
Registered Auditor


Statements of changes in equity

In thousands of BGN

Balance at 1 January 2014
Total comprehensive income for the period
 Profit for the year
 Other comprehensive income, net of taxes
Total comprehensive income for the period

Balance at 31 December 2014



	Share capital	Retained earnings	Total
Balance at 1 January 2014	5	235	240
Total comprehensive income for the period	-	2	2
Profit for the year	-	(1)	(1)
Other comprehensive income, net of taxes	-	1	1
Total comprehensive income for the period	-	1	1
Balance at 31 December 2014	5	236	241

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Statements of changes in equity (continued)

In thousands of BGN

	Note	Share capital	Retained earnings	Total
Balance at 1 January 2015		5	236	241
Total comprehensive income for the period		-	(73)	(73)
Loss for the year		-	(1)	(1)
Other comprehensive income, net of taxes		-	(74)	(74)
Total comprehensive income for the period		-	(74)	(74)
Balance at 31 December 2015	16	5	162	167

The notes on pages 9 to 26 are an integral part of these financial statements.

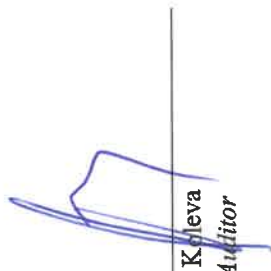

 Stanislav Stanev
 General manager


 Aneliya Ilieva
 Finance director

In accordance with an Independent Auditors' Report:

KPMG Bulgaria OOD

 Dobrina Kaloyanova
 Authorised representative


 Tzvetelinka Kuleva
 Registered Auditor



Statement of cash flows

For the year ended 31 December

In thousands of BGN

	Note	2015	2014
Cash flows from operating activities			
Net profit/(loss) for the period		(73)	2
<i>Adjustments for:</i>			
Depreciation and amortization expenses	12	6	6
Impairment of receivables and prepayments	13,14	82	1
Income tax expense/(income)	11	(8)	-
		<u>7</u>	<u>9</u>
Change in trade and other receivables		(33)	67
Change in trade and other receivables from related parties		51	(20)
Change in prepayments		(2)	12
Change in trade and other payables		15	(95)
Change in trade and other payables to related parties		(82)	87
Change in pension provision		5	(1)
Change in VAT payable/receivable		(1)	(3)
Income tax paid		-	(1)
Net cash from operating activities		<u>(40)</u>	<u>55</u>
Cash flows from financing activities			
Interest received		1	1
Other finance expenses paid		(1)	(1)
Net cash from financing activities	10	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		(40)	55
Cash and cash equivalents as at 1 January		224	169
Cash and cash equivalents as at 31 December	15,19	<u>184</u>	<u>224</u>

The notes on pages 9 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 Bulgaria OOD

Dobrina Kaloyanova
Authorised representative

Tzvetelinka Koleva
Registered auditor



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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 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 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 accompanying 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 2015 were approved by the Board of Directors of the parent company on 11 April, 2016.

(b) 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.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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. Actual results may differ from these estimates.

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

Fair values

A number 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 pricing 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.

2. Basis of preparation (continued)

(d) Use of judgements and estimates (continued)

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 at 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 accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(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, the Bulgarian Lev (BGN) rate is fixed to the Euro (EUR). The applicable exchange rate is BGN 1.95583 / EUR 1.

(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.

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

All other non-current assets, different from land and buildings, 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 or 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 or 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 expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(ii) Amortization

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

The estimated useful lives are 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 or 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 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 or loss and reflected in an allowance account. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts 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 carrying amounts of the assets in the CGU 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 measured on an undiscounted basis and 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 or 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.

(ii) 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;
- temporary 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, amendments to standards and interpretations, endorsed by the EC, are available for early adoption in the annual period ended 31 December 2015, although they are not yet mandatory until a later period. These changes to IFRS have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early.

Standards, Interpretations and amendments to published Standards that have not been early adopted – endorsed by the EC

- Amendments to IAS 27: Equity method in separate financial statements. Entities will have a choice to voluntarily apply equity method in their separate financial statements. The entity does not expect the Amendments to have any impact on the financial statements;
- Amendments to IAS 1: Disclosure initiative. It is clarified when non-significant information need not be disclosed and when significant information may not be omitted from the financial statements. The entity does not expect the Amendments to have a significant impact on the financial statements;
- Annual improvements to IFRSs 2012-2014 Cycle. The improvements introduce some non-significant amendments to a number of standards and consequential amendments to other standards and interpretations. None of these amendments are expected to have a significant impact on the financial statements of the Entity;
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation: The entity does not expect the Amendments to have any impact on the financial statements since its currently used methods of depreciation and amortization will continue to be acceptable.
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations: The entity does not expect the Amendments to have any impact on the financial statements since there have been no acquisitions of interests in joint operations.
- Amendments to IAS 16 and IAS 41: Bearer Plants: The entity does not expect the Amendments to have any impact on the financial statements since the entity does not have any bearer plants.

5. Revenue

The revenue of the Company realized during the financial year 2015 is in relation to project designing and amounts to BGN 388 thousands (in 2014 – BGN 434 thousand).

Other revenue realized during the financial year 2015 comprises revenue from default penalties amounting to BGN 32 thousand (in 2014 – BGN 0 thousand).

6. Cost of materials

In thousands of BGN

	2015	2014
Electricity	-	1
Fuels and lubricants	1	3
Others	4	4
	<u>5</u>	<u>8</u>

7. Hired services expenses

In thousands of BGN

	2015	2014
Rents	35	38
Expenses for consultancy services	55	62
Accounting services	12	12
Repair and maintenance of cars	1	1
Social expenses	2	2
Insurance	1	1
Other	3	4
	<u>109</u>	<u>120</u>

8. Personnel Expenses

In thousands of BGN

	Бел.	2015	2014
Wages and remuneration		226	233
Pensions and social security costs		42	39
Vouchers		18	17
Retirement compensation	21	5	(1)
		<u>291</u>	<u>288</u>

The average number of employees is 12 people (2014: 12 people).

9. Other operating expenses

In thousands of BGN

	2015	2014
Impairment of receivables	82	-
One-off taxes	1	1
Others	7	9
	<u>90</u>	<u>10</u>

10. Finance income and expenses

In thousands of BGN

	2015	2014
Income from interests on bank accounts	1	1
Finance expenses	(1)	(1)
Finance income (net)	<u>-</u>	<u>-</u>

11. Income tax expense

<i>In thousands of BGN</i>	2015	2014
Current income tax expense		
Current corporate tax expense	-	(1)
Deferred tax		
Origination and reversal of temporary differences	8	1
Tax expense, net	8	-

Reconciliation of effective tax rate

<i>In thousands of BGN</i>	2015	2014
Profit/(loss) for the year	(73)	2
Total income tax expense/(profit)	(8)	-
Profit/(loss) before income tax	(81)	2
Income tax using the Company's domestic tax rate	10.00%	-
Permanent differences	-	-
	(8)	-

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	
	2015	2014	2015	2014	2015	2014
Property, plant and equipment	-	-	1	1	1	1
Impairment of receivables	(8)	-	-	-	(8)	-
Employee benefits	(4)	(4)	-	-	(4)	(4)
Tax (assets) liabilities	(12)	(4)	1	1	(11)	(3)

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 2014		31 December 2014		31 December 2015
Property, plant and equipment	1	-	1	-	1
Impairment of receivables	-	-	-	(8)	(8)
Employee benefits	(3)	(1)	(4)	-	(4)
	(2)	(1)	(3)	(8)	(11)

12. Property, plant and equipment

<i>In thousands of BGN</i>	Plant and equipment	Vehicles	Leasehold improvements	Total
Balance at 1 Jan 2014	24	11	3	38
Acquisitions	-	-	-	-
Transfers	-	-	-	-
Balance at 31 Dec 2014	24	11	3	38
Balance at 1 Jan 2015	24	11	3	38
Acquisitions	-	-	-	-
Transfers	-	-	-	-
Balance at 31 Dec 2015	24	11	3	38
Depreciation				
Depreciation as at 1 Jan 2014	(5)	(7)	(1)	(13)
Depreciation charge for the year	(4)	(2)	-	(6)
Balance as at 31 Dec 2014	(9)	(9)	(1)	(19)
Depreciation as at 1 Jan 2015	(9)	(9)	(1)	(19)
Depreciation charge for the year	(4)	(2)	-	(6)
Balance as at 31 Dec 2015	(13)	(11)	(1)	(25)
As at 1 January 2014	19	4	2	25
As at 31 December 2014	15	2	2	19
As at 1 January 2015	15	2	2	19
As at 31 December 2015	11	-	2	13

13. Trade and other receivables

<i>In thousands of BGN</i>	Note	2015	2014
Trade receivables	19	59	27
Impairment of trade receivables		(38)	-
Other receivables		5	3
		26	30

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

<i>In Thousands of BGN</i>	2015	2014
Prepayments	55	53
Impairment of prepayments	(44)	-
Deferred Expenses	2	2
	13	55

15. Cash and cash equivalents

<i>In thousands of BGN</i>	Note	2015	2014
Cash in hand		20	12
Current accounts in banks		164	212
Cash and cash equivalents in the statement of cash flows	19	184	224

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>	2015	2014
Issued shares as at 1 January	500	500
Issued during the period	-	-
Total issued at period end	<u>500</u>	<u>500</u>

17. Trade and other payables

<i>In thousands of BGN</i>	Note	2015	2014
Trade payables	19	115	93
Other payables		-	-
		<u>115</u>	<u>93</u>

18. Payables to employees

<i>In thousand BGN</i>	Note	2015	2014
Payables to personnel	19	34	42
Social Security Contributions payable		6	5
		<u>40</u>	<u>47</u>

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 if 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 exposure as at the date of the statement on the financial position is:

<i>In thousands of BGN</i>	Note	2015	2014
Related parties receivables	22	148	199
Trade and other receivables	13	21	27
Cash and cash equivalents in bank accounts	15	164	212
		<u>333</u>	<u>438</u>

The movement in the allowance for impairment in respect of trade and other receivables during the year is as follows:

<i>In thousands of BGN</i>	Note	2015	2014
Balance at the beginning of the period		-	-
Impairment of trade receivables	13	38	-
Impairment of prepayments	14	44	-
Balance at the end of the period		<u>82</u>	<u>-</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 2015

<i>In thousands of BGN</i>	Carrying amount	Contractual cash flows less	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	115	(115)	(115)	-	-	-
Payables to related parties	16	(16)	(16)	-	-	-
Payables to personnel	34	(34)	(34)	-	-	-
	<u>165</u>	<u>(165)</u>	<u>(165)</u>	<u>-</u>	<u>-</u>	<u>-</u>

19. Financial instruments (continued)

Liquidity risk (continued)

31 December 2014

In thousands of BGN

	Carrying amount	Contractual cash flows less	6 months or less	6-12 months	1-2 years	2-5 years
Trade payables	93	(93)	(93)	-	-	-
Payables to related parties	97	(97)	(97)	-	-	-
Payables to personnel	42	(42)	(42)	-	-	-
	232	(232)	(232)	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while 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 revenues from operating activities in 2015 are in BGN or EUR (2014: 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	2015	2014
Financial assets	15	164	212
Financial liabilities		-	-
		164	212

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, 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 2015 is a loss of BGN (73) thousand, due to impairment of trade receivables and prepayments during the year amounting to BGN 82 thousand. The future development of the Company is directly dependent on the amount of the investment programme of Sofiyska Voda AD.

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 2015

In thousands of BGN	Carrying amount					Fair value							
	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	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value													
Trade and other receivables	13	-	-	-	-	21	-	-	21	-	-	-	21
Related party receivables	22	-	-	-	-	148	-	-	148	-	-	-	148
Cash and cash equivalents	15	-	-	-	-	184	-	-	184	-	-	-	184
						353	-	-	353	-	-	-	353
Trade and other payables	17	-	-	-	-	-	-	(115)	(115)	-	-	-	(115)
Related party payables	22	-	-	-	-	-	-	(16)	(16)	-	-	-	(16)
Payables to personnel	18	-	-	-	-	-	-	(34)	(34)	-	-	-	(34)
						-	-	(165)	(165)	-	-	-	(165)

31 December 2014

In thousands of BGN	Carrying amount					Fair value							
	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	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value													
Trade and other receivables	13	-	-	-	-	27	-	-	27	-	-	-	27
Related party receivables	22	-	-	-	-	199	-	-	199	-	-	-	199
Cash and cash equivalents	15	-	-	-	-	224	-	-	224	-	-	-	224
						450	-	-	450	-	-	-	450
Financial liabilities not measured at fair value													
Trade and other payables	17	-	-	-	-	-	-	(93)	(93)	-	-	-	(93)
Related party payables	22	-	-	-	-	-	-	(97)	(97)	-	-	-	(97)
Payables to personnel	18	-	-	-	-	-	-	(42)	(42)	-	-	-	(42)
						-	-	(232)	(232)	-	-	-	(232)

20. Operating leases**Leases as lessee**

Rental payments under operating leases are payable as follows:

<i>In thousands of BGN</i>	2015	2014
Less than 1 year	35	18
Between 1 and 2 years	6	3
	<u>41</u>	<u>21</u>

21. Defined benefit plan liabilities

The Company has the obligation to pay compensation to those employees that retire in line with the requirements in art. 222, p.3 of the Labour Code (LC) in Bulgaria. Following the LC provisions, when terminating the work contract of an employee that has acquired the retirement right, the employer pays a compensation that equals to two gross salaries. In case that the employee has gained experience of 10 or more years as at the retirement date, the compensation equals to seven gross salaries.

The approximate amount of defined benefit plan liabilities at each reporting period and the liabilities recognized in profit and loss are based on actuarial report (detailed information on the parameters and assumptions used can be found below).

<i>In thousands of BGN</i>	2015	2014
Present value of the liability on 1 January	17	17
Interest expense	-	-
Current service cost	6	(1)
Past service costs	(1)	-
Actuarial loss	1	1
Present value of the liability at the end of the period	<u>23</u>	<u>17</u>
Liability recognized in the Statement of financial position as at 31 December, including:	23	17
Short – term liabilities for retirement compensation	-	-
Long – term liabilities for retirement compensation	23	17

Expenses recognized in the income statement

<i>In thousands of BGN</i>	2015	2014
Current service cost	6	(1)
Past service costs	(1)	-
Interest expense	-	-

Actuarial assumptions

	2015	2014
Discount rate at 31 December	2.3%	2%
Salary increase (annual for 10 years)	1.75%	1.5%
Employee turnover	7.5%	9.3%

The actuarial assumptions for death rates are based on the National Statistics Institute's population mortality tables. For the purposes of the discounting effective annual interest rate $i = 2.3\%$ is used. This rate is based on analysis of the offered long-term investment instruments on the Bulgarian stock market (Government bonds, municipality bonds, etc.).

22. Related parties

"Water Industry Support and Education" EOOD (the Company) is a subsidiary of "Sofiyska Voda" AD, which is owned by Veolia Voda Sofia BV (77.1%) and Vodostnabdyavane 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 have taken place during 2015:

Related party	Relation	Transactions during the year	Balance as at 31 December 2015	
			Receivables	Payables
<i>In thousands of BGN</i>				
"Sofiyska Voda" AD	Parent company which owns 100% of the registered capital	Rents	-	10
		35		
		Complex services expenses	-	4
		12		
		Revenue from design services	148	-
		350		
		Prepaid design services	-	44
Other expenses	-	2		
6				
Recharges	-	-		
150				
Total:			<u>148</u>	<u>60</u>

The following transactions with related parties have taken place during 2014:

Related party	Relation	Transactions during the year	Balance as at 31 December 2014	
			Receivables	Payables
<i>In thousands of BGN</i>				
"Sofiyska Voda" AD	Parent company which owns 100% of the registered capital	Rents	-	10
		32		
		Complex services expenses	-	3
		12		
		Revenue from design services	199	82
		396		
		Prepaid design services	-	45
Other expenses	-	2		
10				
Recharges	-	-		
203				
Total:			<u>199</u>	<u>142</u>

Transactions with key management personnel

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

23. Subsequent events

No subsequent events, that require adjustments or disclosures in the financial statements, have occurred during the period from the reporting date to the date the financial statements were authorized for issue by the Board of Directors of the sole owner.



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INDEPENDENT AUDITORS' REPORT

To the Sole owner of
"Water Industry Support and Education" EOOD

Report on the Financial Statements

We have audited the accompanying financial statements of "Water Industry Support and Education" EOOD ("the Company") as set out on pages 1 to 26, which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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.

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Annual management report of the Company prepared in accordance with the requirements of §10, para 1 of the Accountancy Act in relation to article 33 of the Accountancy Act (Repealed, SG No. 95/08.12.2015)

As required under article 38, para 4 of the Accountancy Act (Repealed), we read the content of the annual management report of the Company. In our opinion, the historical financial information disclosed in the annual management report of the Company, prepared by Management as required under article 33 of the Accountancy Act (Repealed), is consistent, in all material aspects, with the financial information disclosed in the audited annual financial statements of the Company as of and for the year ended 31 December 2015. Management is responsible for the preparation of the annual management report, which was approved on 11 April 2016.

Dobrina Kaloyanova
Authorized representative

KPMG Bulgaria OOD
Sofia, 19 April 2016

Tzvetelinka Koleva
Registered auditor



