1. Organization and main activity

Enemona AD („The Company") was initially registered as a partnership company in 1990 and in 1994 the Company was registered as a joint-stock company. According to the court registration the address of the Company is in the town of Kozloduy, 1A Panayot Hitov Str. The Company is a public entity and its shares are registered at the Financial Supervision Commission to be traded at the Bulgarian Stock Exchange. As of December 31, 2012 and 2011 the major shareholder of the Company is Dichko Prokopiev Prokopiev. During the financial year there were no changes in the Company's legal status.

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

As of December 31, 2012 and 2011 the Company has 1,145 and 710 employees, respectively.

2. Accounting policy

2.1. General financial reporting framework

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

Changes in IFRS

Standards and Interpretations effective in the current period

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

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

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

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

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

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 11 "Joint Arrangements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 13 "Fair Value Measurement", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);

2. Accounting policy (continued)

2.1. General financial reporting framework (continued)

Changes in IFRS (continued)

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

- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 1 "Presentation of financial statements" -Presentation of Items of Other Comprehensive Income, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after July 1, 2012);
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 32 "Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013).

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

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

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

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2015);
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Government Loans (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosures;
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" - Transition Guidance (effective for annual periods beginning on or after January 1, 2013);

2. Accounting policy (continued)

2.1. General financial reporting framework (continued)

Changes in IFRS (continued)

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

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities (effective for annual periods beginning on or after January 1, 2014);
- Amendments to various standards "Improvements to IFRSs (2012)" resulting from the annual improvement project of IFRS published on May 17, 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2013).

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

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

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

2.2. Basis of preparation

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

These separate financial statements have been prepared on accrual basis, under the going concern assumption.

These separate financial statements should be considered together with the Company's consolidated financial statements for the year ended December 31, 2012. The consolidated financial statements will be issued after the date of issuance of these separate financial statements.

2.3. Functional currency and presentation currency

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

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

2. Accounting policy (continued)

2.4. Foreign currency transactions

Transactions in foreign currency are initially recorded at the official rate of exchange of the Bulgarian National Bank (BNB) as of the date of the transaction. The foreign exchange rate differences, arising upon the settlement of these monetary positions or at restatement of these positions at rates, different from those when initially recorded, are reported as financial income or expense for the period in which they arise. The monetary positions denominated in foreign currency as of December 31, 2012 are stated in these financial statements at the closing exchange rate of BNB.

2.5. Accounting estimates and accounting assumptions

The preparation of the financial statements in accordance with IFRS requires management to make certain accounting estimates and reasonable assumptions that affect some of the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of these separate financial statements and the revenues and expenses during the reporting period. Although these estimates and assumptions are based on the best estimate of management, taking into account historical experience the actual results could differ from those estimates.

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

2.6. Property, plant and equipment

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

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

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

The Company's assets are depreciated using the straight-line method. The useful life of the main categories of assets as of December 31, 2012 and 2011 is as follows:

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

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

2. Accounting policy (continued)

2.6. Property, plant and equipment (continued))

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

2.7. Intangible assets

Software and licenses comprise the main components of the intangible assets. Initially, intangible assets are measured at cost. Intangible assets are recognized if it is probable that future economic benefits will flow to the Company as a result of the ownership of the asset and the asset fair value can be reliably measured. After initial recognition intangible assets are measured at cost less accumulated amortization and any impairment loss. Intangible assets are amortized over their useful lives by applying the straight-line method.

The useful life of the main categories of assets as of December 31, 2012 and 2011 is as follows:

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

2.8. Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the management reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication for impairment of these assets. If any such indication exists, the recoverable amount of the respective asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit, to which the asset belongs.

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

The recoverable amount is the higher of the asset's fair value less costs to sell the asset and its value in use. Upon measuring the value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment loss is recognized immediately as expense.

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

2. Accounting policy (continued)

2.9. Investments in subsidiaries

A subsidiary is an entity that is controlled by the Company. Control is the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities.

The Company has reported in these separate financial statements the investments in subsidiary companies at cost, less impairment loss, if any.

2.10. Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the right of participation in, but not control over the financial and operating policy decisions of the investee.

The Company has reported in these separate financial statements the investments in associates at cost, less impairment loss, if any.

2.11. Inventory

Inventory consists of materials and work in progress which comprise of construction in progress under contracts including construction works and materials ("materials") and hired services related to the non-completed stages of the contract execution.

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

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

2.12. Employee benefits

In accordance with IAS 19 Employee Benefits the Company recognizes liabilities for retirement compensations, which are calculated by licensed actuary by using the Projected Unit Credit Method (see note 15). The amount reported in the separate statement of financial position represents the current amount of the non-current liabilities of the Company for retirement compensations.

2.13. Leases

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

Finance lease

At the inception a lease contract is recognized as an asset of the Company at the amount which at the inception of the lease term is equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The respective liability to the lessor is reported in the separate statement of financial position as a finance lease liability.

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

2. Accounting policy (continued)

2.13. Leases (continued)

Operating lease

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

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

2.14. Provisions

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

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

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

2.15. Taxation

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

Taxes due for activities abroad are calculated in accordance with the local legislation of the country in which the income is realized. Income tax is calculated in compliance with the local laws and over the size of the yield realised in the respective country.

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

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

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

2. Accounting policy (continued)

2.16. Financial instruments

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

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

2.16.1. Financial assets

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

Trade receivables, loans and other receivables which have fixed and determinable payments which are not traded on an active market are classified as "loans and receivables." As of December 31, 2012 and 2011 the Company does not hold "held-to-maturity investments" and "financial assets available for sale". Investments in subsidiaries and associated companies are reported in accordance with IAS 27 "Consolidated and Separate Financial Statements" (note. 2.9 above) and IAS 28 "Investments in Associated Companies" (note 2.10 above).

Cash and cash equivalents

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

Financial assets at fair value through profit or loss

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

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

Regular transactions with financial instruments measured at fair value through profit or loss are recognized initially at trade date. The trade date is the date of the commitment to buy or sell the financial asset. On the settlement date the right over the asset is transferred. No derivative is recognized for the changes in the fair value in the time period between trade and settlement date.

Financial assets are initially measured at fair value. The fair value should normally be equal to the fair value of consideration given or received ("the transaction price"), when the transaction is conducted on arm's length terms between informed and knowledgeable parties. The subsequent measurement of the financial assets is based on the fair value determined using active market quotes.

2. Accounting policy (continued)

2.16. Financial instruments (continued)

2.16.1. Financial assets (continued)

An active market is a market on which there are regular quotations and transactions with the instrument. The price of the closing deal for the day for a non-derivative financial instrument is adopted as the fair value from regulated market.

If it is not possible to determine the fair value from active market, reliable valuation techniques are used, which are based on the information which all market participants would consider in the valuation of this financial instrument. The information from observable and not observable sources could be used in the valuation technique. If it is not possible to determine the fair value through measurement techniques, based on information, which all market participants would take into consideration when measuring a financial instrument, the transaction price for the acquisition of the financial asset is used as fair value.

The difference from changes in the fair value of the financial instrument is recognized in current profit or loss.

Loans and receivables

Loans and receivables are measured at amortized cost through the effective interest rate method except for current receivables where the recognition of the interest would be insignificant. Loans granted by the Company are reported in the separate statement of financial position as "Loans and advances" and trade receivables – in "Trade and other receivables".

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

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

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

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

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

The Company does not have exposition to Greek sovereign debt and does not have sovereign debt.

2. Accounting policy (continued)

2.16. Financial instruments (continued)

2.16.2. Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

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

Loans are recognized as current liabilities, except when the Company has the unconditional right to reschedule the payment of the liability for at least 12 months after the date of the separate statement of financial position.

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

2.17. Revenue and expenses under construction contracts

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

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

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

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

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

2. Accounting policy (continued)

2.18. Other income and expenses

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

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

Expenses are recorded in the separate statement of comprehensive income when a decrease in economic benefits has occurred during the reporting period in the form of outflows or depletion of assets, or liabilities incurred that can be measured reliably. The recognition of expenses is affected by any direct association between the costs incurred and the earnings of specific items of income. When economic benefits are expected to arise over several accounting periods and the association with the income can only be broadly or indirectly determined, expenses are recognized in the statement of comprehensive income on the basis of systematic and rational allocation procedures.

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

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

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

The preparation of separate financial statements in accordance with IFRS requires management to make certain accounting estimates and assumptions that affect some of the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the date of the separate statement of financial position and the reported revenues and expenses during the reporting period.

These estimates and assumptions are based on the available information as of the date of preparation of the separate financial statements as actual results could defer from those estimates.

3.1. Revenue and expenses under construction contracts

As disclosed in note 2.17 recognition of revenue from construction contracts requires the determination of a stage of completion for each construction contract. This stage is defined on the basis of available information for the total amount of the revenue receivable and total costs for the respective contract. The total amount of expenses under construction contracts depends on the volume and amount of construction activities to be performed to meet the obligations of the Company. The volume and amount of future activities depend on future factors which may defer from the management's estimations.

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

3.2. Impairment of non-financial assets

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

3.3. Impairment of financial assets

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

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

Other key sources of estimation uncertainty include estimation of useful lives of property, plant and equipment and intangible assets. In 2012 there are no circumstances that may trigger a change in the estimated useful lives of these assets.

3.5. Economic environment

In 2012 and 2011 as a result of the global financial crisis, a decrease in the economic development of the Bulgarian economy is perceived which affects a wide range of industrial sectors. This leads to noticeable aggravation of cash flows; decline in income and as a result to substantial worsening of the economic environment in which the Company operates.

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

3.6. Fair value of financial assets

During 2012 the Bulgarian Stock Exchange market was not quite active. In case that the market does not recover, this may cause difficulties in realizing assets at the current active quotations.

All amounts are in thousand Bulgarian Levs, except otherwise stated

4. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Vehicles	Other	Acquisition cost of fixed assets	Total
Cost							
JANUARY 1, 2011	5,812	20,012	3,994	6,671	2,880	4,412	43,781
Additions	-	-	292	44	35	1,657	2,028
Transfers	207	97	2	68	2	(376)	-
Disposals	(411)	(95)	(54)	(205)	(172)	-	(937)
DECEMBER 31, 2011	5,608	20,014	4,234	6,578	2,745	5,693	44,872
Additions	-	2,268	202	48	126	-	2,644
Transfers			1			(1)	
Disposals	-	(569)	(260)	(377)	(212)	(10)	(1,428)
DECEMBER 31, 2012	5,608	21,713	4,177	6,249	2,659	5,682	46,088
Accumulated depreciation and impairment							
JANUARY 1, 2011	-	1,826	2,696	2,186	1,421	-	8,129
Depreciation charge	-	401	495	482	322	-	1,700
Impairment recognized in the separate statement of comprehensive income	-	-	-	-	11	24	35
Disposals	-	(20)	(51)	(171)	(132)	-	(374)
DECEMBER 31, 2011	-	2,207	3,140	2,497	1,622	24	9,490
Depreciation charge	-	433	490	469	287	-	1,679
Disposals	-	(177)	(231)	(280)	(135)	-	(823)
Reversal of impairment recognized in the separate statement of comprehensive income	-	-	-	-	(11)	-	(11)
DECEMBER 31, 2012	-	2,463	3,399	2,686	1,763	24	10,335
Net book value							
JANUARY 1, 2011	5,812	18,186	1,298	4,485	1,459	4,412	35,652
DECEMBER 31, 2011	5,608	17,807	1,094	4,081	1,123	5,669	35,382
DECEMBER 31, 2012	5,608	19,250	778	3,563	896	5,658	35,753

As of December 31, 2012 and 2011 property, plant and equipment with carrying amount of BGN 2,007 thousand and BGN 2,885 thousand, respectively, are leased under financial lease contract (see note 13).

As of December 31, 2012 and 2011 property, plant and equipment with carrying amount of BGN 18,993 thousand and BGN 18,337 thousand, respectively, are pledged as collateral under bank loan agreements (see note 12).

All amounts are in thousand Bulgarian Levs, except otherwise stated

5. Intangible assets

	Property rights	Software	Total
Cost			
JANUARY 1, 2011	1,447	339	1,786
Disposals	-	(69)	(69)
DECEMBER 31, 2011	1,447	270	1,717
Additions	-	13	13
Disposals	-	(25)	(25)
DECEMBER 31, 2012	1,447	258	1,705
Accumulated amortization			
JANUARY 1, 2011	766	233	999
Amortization charge	62	32	94
Disposals	-	(63)	(63)
DECEMBER 31, 2011	828	202	1,030
Amortization charge	62	27	89
Disposals		(25)	(25)
DECEMBER 31, 2012	890	204	1,094
Net book value			
JANUARY 1, 2011	681	106	787
DECEMBER 31, 2011	619	68	687
DECEMBER 31, 2012	557	54	611

6. Investments in subsidiaries and associates

As of December 31, 2012 and 2011 investments in subsidiaries and associates consist of:

	As of 31.12.2012	As of 31.12.2011
Investments in subsidiaries	17,218	19,430
Impairment of investment in subsidiaries – note 6.1 and 23	(2,412)	(2,412)
Investment in subsidiaries, net – note 6.1	14,806	17,018
Investments in associates – note 6.2	4	4
TOTAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES	14,810	17,022

All amounts are in thousand Bulgarian Levs, except otherwise stated

6. Investments in subsidiaries and associates (continued)

6.1. Investments in subsidiaries

Investments in subsidiaries as of December 31, 2012 and 2011 are as follows:

		SHARE		CARRYING AMOUNT	
COMPANY	DESCRIPTION OF ACTIVITY	As of 31.12.2012	As of 31.12.2011	As of 31.12.2012	As of 31.12.2011
Enemona Utilities AD	Electricity trading	97,24%	99.46%	1,719	1,769
EESF REIT	Company with special investment purpose – securitization of receivables	88.97%	88.97%	4,860	4,860
Pirin Power AD	Designing and building of projects in energy sector	84.00%	84.00%	42	42
FINI REIT	Company with special investment purpose – real estate purchase	69.23%	69.23%	450	450
Hemusgas AD	Construction of compressor houses	50.00%	50.00%	25	25
Esco engineering AD	Heating and climatization projects	99.00%	99.00%	73	73
TFEZ Nikopol EAD	Construction of electric power plant	100.00%	100.00%	1,119	1,061
Enemona-Galabovo AD	Construction contracts	-	91.13%	-	2,050
Nevrocop-gas AD	Gas trading	90.00%	90.00%	45	45
EMKO AD	Construction contracts	77.36%	77.36%	4,613	4,613
Artanes Mining Group AD	Opencast mining of brown and lignite coal	90.00%	100.00%	1,800	2,000
FEZ Mladenovo EOOD	Prospecting, design, construction and assembly, commissioning, reparation, servicing and engineering works	100.00%	100.00%	60	30
Regionalgas AD	Gasification projects	50.00%	50.00%	-	-
TOTAL				14,806	17,018

All amounts are in thousand Bulgarian Levs, except otherwise stated

6. Investments in subsidiaries and associates (continued)

6.1. Investments in subsidiaries (continued)

Regionalgas AD is subsidiary of Enemona Utilities AD, which as of December 31, 2012 and 2011 owns 50% of the shares of Regionalgas AD, or the direct share of the Company in Regionalgas AD is 50%.

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

On May 31, 2012 Enemona AD sold 200,000 ordinary shares, representing 10% of the share capital of Artanes Mining Group AD. After the sale Enemona AD owns 89.99975% of the share capital of Artanes Mining Group AD.

On June 19, 2012 FEZ Mladenov increased its share capital through the subscription of 300 shares with a nominal value of BGN 100 each.

On October 19, 2012 Enemona AD sold 2,050,500 ordinary registered shares, representing 91.13% of the share capital of Enemona Galabovo AD. The selling price is BGN 2,900 thousand, the carrying amount of the investment is BGN 2,050 thousand and gain from the sale of a subsidiary at the amount of BGN 850 thousand is recognised in the separate statement of comprehensive income (see Note 23.2).

On November 19, 2012 Enemona AD sold 50 ordinary shares, representing 2.22% of the share capital of Enemona Utilities AD. The investment was sold at net book value and no effect from the sale is recognised in in the statement of comprehensive income. After the sale, Enemona AD owns 97,24% of the share capital of Enemona Utilities AD.

As of December 31, 2012 as a result of the review for impairment of investments in subsidiaries, the Company considers that no indication of impairment of investments in subsidiaries exists. As of December 31, 2011 the allowance for impairment of investments in subsidiaries amounted to BGN 2,412 thousand (note 23).

6.2. Investments in associates

The investments in associated companies as of December 31, 2012 and 2011 are as follows:

	SHARE		CARRYING AMOUNT	
COMPANY	As of 31.12.2012	As of 31.12.2011	As of 31.12.2012	As of 31.12.2011
Alfa Enemona OOD	40%	40%	4	4
TOTAL			4	4

In these separate financial statements the investments in associated companies are presented at carrying amount (cost), as the management of the Company estimated that there are no indications of impairment of investments in associated companies as of December 31, 2012 and 2011.

All amounts are in thousand Bulgarian Levs, except otherwise stated

6. Investments in subsidiaries and associates (continued)

6.2. Investments in associates (continued)

Summarized financial information of the associated companies as of December 31, 2012 and 2011 is as follows:

Alfa Enemona OOD	As of 31.12.2012	As of 31.12.2011
Total assets	349	264
Total liabilities	63	58
Net assets	286	206
Share of the Company in net assets of the associated company	114	82

Alfa Enemona OOD	Year ended 31.12.2012	Year ended 31.12.2011
Total revenue	704	526
Profit for the period	259	179
Share of the Company in the profits of the associated company	104	72

7. Loans granted and advances

Current and non-current loans and advances as of December 31, 2012 and 2011 are as follows:

	As of 31.12.2012	As of 31.12.2011
Non-current loans and advances		
Loans granted to employees	1,071	1,984
Receivables on ESCO contracts – non-current portion	5,504	18,394
Cessions receivables	4,695	5,181
Other assets	10	10
Discount of receivables under ESCO contracts – non-current portion – notes 23 and 29	(1,602)	(2,949)
TOTAL NON CURRENT LOANS AND ADVANCES	9,678	22,620
Impairment of loans granted to employees- note 23.1.	(597)	(973)
TOTAL NON CURRENT LOANS AND ADVANCES, NET	9,081	21,647
Current loans and advances		
Receivables on ESCO contracts – current portion	2,573	3,597
Cessions receivables	1,303	1,845
Loans granted to related parties	325	500
Loans granted to non-related parties	11,237	7,985
TOTAL CURRENT LOANS AND ADVANCES	15,438	13,927
Impairment of loans granted to non-related parties - note 23.1.	(3,782)	(4,953)
TOTAL CURRENT LOANS AND ADVANCES, NET	11,656	8,974

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

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

7. Loans and advances (continued)

Cession receivables as of December 31, 2012 and 2011 represent the value of a cessed receivable to a local company.

As a result of the analysis of loans repaid in 2012, the Company recovered a provision of loans to employees at the amount of BGN 376 thousand and loans to non-related parties at the amount of BGN 1,171 thousand, which are presented in the separate statement of comprehensive income in note 23.

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

	As of 31.12.2012	As of 31.12.2011
BALANCE AT THE BEGINNING OF THE YEAR	5,926	-
Recognized loss from impairment of non-current loans and advances	-	973
Reversals of impairment losses on non-current loans and receivables	(1,171)	
Recognized loss from impairment of current loans and advances	-	4,953
Reversals of impairment losses on current loans and receivables	(376)	
BALANCE AT THE END OF THE YEAR	4,379	5,926

8. Inventories

	As of 31.12.2012	As of 31.12.2011
Materials	5,681	3,605
Work in progress	559	391
TOTAL INVENTORIES	6,240	3,996

As of December 31, 2012 the Company has not accrued impairment of inventory.
As of December 31, 2011 impairment is at the amount of BGN 88 thousand and is recognized in the separate statement of comprehensive income.

As of December 31, 2012 inventories at cost to the amount of BGN 1,956 thousand (2011: BGN 3,912 thousand) are pledged as collateral under a loan (see also note 12).

9. Trade and other receivables

	As of 31.12.2012	As of 31.12.2011
Receivables from customers	17,478	15,550
Retentions	8,930	5,979
Receivables from related parties	2,655	7,689
Advance payments to suppliers	12,366	7,020
Advances to employees	166	151
Other receivables	3,599	2,477
TOTAL TRADE AND OTHER RECEIVABLES	45,194	38,866
Impairment of receivables from customers	(5,936)	(5,936)
TOTAL TRADE AND OTHER RECEIVABLES, NET	38,896	32,930

All amounts are in thousand Bulgarian Levs, except otherwise stated

9. Trade and other receivables (continued)

As of December 31, 2012 and 2011 trade and other receivables are at the amount of BGN 13,337 thousand and BGN 10,209 thousand are pledged as collateral under loan agreements (see note 12).

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

	As of 31.12.2012	As of 31.12.2011
BALANCE AT THE BEGINNING OF THE YEAR	5,936	670
Recognized loss from impairment of receivables	-	5,304
Recovered during the period	-	(38)
BALANCE AT THE END OF THE YEAR	5,936	5,936

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

Trade and other receivables include receivables, which are overdue for more than 1 year, but management considers that they are recoverable, because the customers' credit standing has not deteriorated. Receivables from customers, which are overdue but not impaired, are as follows:

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

	As of 31.12.2012	As of 31.12.2011
1 – 1,5 years	1,510	1,831
1,5 – 2 years	172	327
Over 2 years	3,353	1,422
TOTAL	5,034	3,580

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

The ageing analysis of the impaired receivables from customers as of December 31, 2012 and 2011 is as follows:

	As of 31.12.2012	As of 31.12.2011
Up to 1year	-	2,050
1 - 1.5 years	315	3,835
1.5 – 2 years	190	318
Over 2 years	6,682	2,979
Total	7,188	9,182

All amounts are in thousand Bulgarian Levs, except otherwise stated

10. Cash and cash equivalents

	As of 31.12.2012	As of 31.12.2011
Cash at banks	1,057	3,528
Short term deposits	-	262
Restricted cash at bank	290	474
Cash in hand	475	693
TOTAL CASH AND CASH EQUIVALENTS	1,822	4,957

As of December 31, 2012 restricted cash at the amount of BGN 290 thousand (2011: BGN 474 thousand) represents cash in bank account restricted as collateral under guarantees issued.

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

11. Issued capital and premium reserves

The issued capital includes:

	As of 31.12.2012	As of 31.12.2011
Ordinary shares – note 11.1	11,934	11,934
Preferred shares – note 11.2	1,103	1,103
TOTAL ISSUED CAPITAL	13,037	13,037
Premium from share issuance – note 11.3	8,739	36,262
TOTAL ISSUED CAPITAL AND PREMIUM RESERVES	21,776	49,299

11.1. Ordinary shares

	As of 31.12.2012	As of 31.12.2011
Number of shares	11,933,600	11,933,600
Nominal value per share in BGN	1	1
SHARE CAPITAL – ORDINARY SHARES	11,934	11,934

As of December 31, 2012 and 2011 the ownership over the ordinary shares is as follows:

	As of 31.12.2012	%	As of 31.12.2011	%
Dichko Prokopiev Prokopiev	7,176,153	60.13	7,176,153	60.13
Other shareholders	4,757,447	39.87	4,757,447	39.87
TOTAL ORDINARY SHARES	11,933,600	100.00	11,933,600	100.00

The share capital of ordinary shares is fully paid in as of December 31, 2012 and 2011. The Company's share capital includes in-kind contribution in the form of title of property over three combined trademarks with fair value at the amount of BGN 1,400 thousand, obtained through independent appraiser's report. Titles of property are presented as intangible assets (see note 5, above).

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

11. Issued capital and premium reserves (continued)

11.2. Preferred shares

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

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

	Upon initial recognition	As of 31.12.2012	As of 31.12.2011
Preferred shares – nominal value	1,103	1,103	1,103
Premium from share issuance	5,425	5,425	5,425
Financial liability on preferred shares	4,412	3,223	3,747
Dividend payables on preferred shares	-	2,067	972
TOTAL CASH RECEIVED	10,940	11,818	11,247

11.3. Premium from share issuance

	As of 31.12.2012	As of 31.12.2011
Balance as of January 1	36,262	36,262
(Prior period loss coverage)	(27,523)	-
Balance as of December 31	8,739	36,262

11.4. Reserves

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

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

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

12. Loans

12.1. Loans repayment terms

As of December 31, 2012 and 2011 the carrying amount of loans received from the Company based on their contractual term of payment are as follows:

	As of 31.12.2012	As of 31.12.2011
Up to one year	65,683	68,516
Over one year	4,332	2,781
TOTAL LOANS	70,015	71,297

Credit lines and overdrafts are presented as due up to one year. The Company usually renegotiates its credit lines and overdrafts (see also note 28).

Loans received by the Company as of December 31, 2012 and 2011 are as follows:

	As of 31.12.2012	As of 31.12.2011
Borrowings from financial institutions – Note 12.2	68,421	58,429
Loans from related parties – Note 27	-	2,362
Loans from non-related parties – Note 12.3	1,594	10,506
TOTAL LOANS	70,015	71,297

12.2. Borrowings from financial institutions

Borrowings from financial institutions, received by the Company as of December 2012 and 2011 are as follows:

	Note	As of 31.12.2012	As of 31.12.2011
Credit line – SG Expressbank AD	(a)	17,416	17,855
Credit lines – Unicredit Bulbank AD	(b)	22,332	12,921
Investment loans – DSK Bank AD	(c)	11,833	14,930
Credit lines and overdraft UBB AD	(d)	679	4,596
Investment loan – Unicredit Bulbank AD	(f)	2,764	3,442
Credit line – ING Bank AD	(g)	2,124	454
Credit line – MKB Unionbank AD	(h)	3,607	500
Credit lines– International Asset Bank AD	(i)	6,815	-
Overdraft – Investbank AD	(j)	850	1,696
Investment loans – „Renewable Energy and Energy Efficiency Fund"	(k)	-	38
Overdraft – First Investment Bank	(l)	-	1,997
Corporate credit cards – Unicredit Bulbank AD	(m)	1	-
TOTAL LOANS FROM FINANCIAL INSTITUTIONS		68,421	58,429

12. Loans (continued)

12.2. Borrowings from financial institutions (continued)

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

(a) In May 2010 the Company has received a revolving loan from SG Expressbank at the amount of EUR 15,325 thousand to finance a project for cabling and installing of measuring equipment and automation in Units 3 and 4 of Mochovce Nuclear Power Plant, Slovak Republic. The loan is collaterized by a pledge of receivables under the contract, pledge of materials and equipment. As of December 31, 2012 BGN 13,691 thousand have been utilized.

In July 2011 the Company has signed a contract for financing of construction and assembly activities, at total limited of EUR 5,000 thousand. As of December 31, 2012 BGN 3,725 thousand have been utilized.

(b) As of December 31, 2012 the Company has utilized BGN 16,786 thousand under two combined credit lines, contracted with Unicredit Bulbank. The total limit of the credit lines is EUR 9,750 thousand. In order to secure the loans from Unicredit Bulbank the Company has established a mortgage of land and buildings and pledge of present and future receivables from a customer.

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

- Total amount of EUR 297 thousand of which EUR 250 thousand - for working capital. The amount utilised as of December 31, 2012 is BGN 482 thousand
- Total amount of EUR 600 thousand, of which EUR 500 thousand - for working capital. The amount utilised as of December 31, 2012 is BGN 784 thousand.
- Total amount of BGN 2,910 thousand Levs, of which BGN 2,500 thousand – for working capital. The amount utilised as of December 31, 2012 is BGN 2,500 thousand
- Total amount of BGN 2,100 thousand, of which BGN 2,000 thousand – for working capital. The amount utilised as of December 31, 2012 is BGN 1,779 thousand.

(c) Loans from DSK Bank are granted for financing of Company's energy efficiency projects. Limits of the loans are EUR 7,750 thousand and as of December 31, 2012 the Company has utilized BGN 11,833 thousand. In order to secure the loans from DSK Bank the Company has issued promissory note, pledge of future receivables from customers under financed projects and finance risk insurance.

(d) The overdraft from UBB is with limit of EUR 1,450 thousand for working capital and bank guarantees and as of December 31, 2012 the Company has utilized BGN 683 thousand. In order to secure the overdraft the Company has established a mortgage of land and apartments, owned by Enemona AD.

(e) The Company has received an investment loan from Unicredit Bulbank for the purchase of the office building of the Company in Sofia. As of December 31, 2012 the utilized amount is BGN 2,764 thousand. The loan has been secured by a mortgage on the building and the adjoining land.

(f) The Company received a credit limit for working capital financing and bank guarantees issued by ING Bank N.V. - Sofia branch at the amount of BGN 17,800 thousand, from which as of December 31, 2012 the utilized amount is BGN 2,124 thousand as overdraft and credit line, securing working capital needs for the implementation of specific contracts. As a security the Company has established a collateral of present and future receivables from a customer, owned by the Company and a promissory note in favour of the bank has been issued.

12. Loans (continued)

12.2. Borrowings from financial institutions (continued)

(g) The Company has received two credit lines from MKB Unionbank AD, which are fully repaid as of December 31, 2012. On March 28, 2012 the Company has signed a new credit line agreement for financing a certain contract. The total amount is EUR 4,800 thousand and EUR 2,500 thousand of which is for working capital. As of December 31, 2012 the utilized amount is BGN 3,607 thousand. The loans are secured by pledge on receivables of the contract.

(h) The Company has received three credit lines from International Asset Bank AD intended to provide working capital and finance the execution of a certain contract. The total amount of the three credit facilities is EUR 3,515 thousand and as of December 31, 2012 the utilized amount is BGN 6,815 thousand. The loans are secured by pledge on contracted receivables and invoices.

(i) The Company has concluded a loan agreement with Investbank AD for the amount of BGN 2,000 thousand. The loan matures on June 26, 2013. As of December 31, 2012 the amount of BGN 850 thousand is utilized. The loan is secured with pledge on receivables from contractor.

(j) The Company has received investment loans from Bulgarian Energy Efficiency Fund for financing of projects related to energy efficiency. As of December 31, 2012 the loans are fully repaid. As of December 31, 2011 the utilized amount is BGN 38 thousand. The loans are secured with credit risk insurance and promissory note in the favour of the Fund.

(k) The Company has received an overdraft from First Investment Bank Vratsa Branch at the amount of BGN 2,000 thousand and maturity term on April 30, 2012 and as of maturity date the overdraft is repaid

(l) The Company has signed a contract with UniCredit Bulbak AD for issuance of corporate credit cards with BGN 100 thousand limit. As of December 31, 2012 the amount of BGN 10 thousand is utilized.

(m) In 2012 the Company has signed a new credit line agreement through Eurobank EFG for financing a certain contract. The total amount is BGN 4,785 thousand and BGN 4,000 thousand of which is for working capital. As of December 31, 2012 the credit line is fully repaid.

In relation to the issue of bank guarantees the Company has received credit facilities from BNP Paribas – Sofia branch at the amount of EUR 1,000 thousand. Current and future receivables from customer with maximum amount of EUR 1,000 thousand, goods and materials with obligatory minimum of EUR 1,000 thousand are pledged as collateral and a promissory note is signed in favour of the bank. As of December 31, 2012 and 2011 the Company has no liabilities on loans related to the credit facility.

The Company has signed a loan agreements for issuance of bank guarantee with First Investment Bank AD at the amount of EUR 1,500 thousand. The loan is secured with a pledge on future receivables from clients for which the bank guarantees have been issued. As of December 31, 2012 and 2011 the Company has no liabilities on loans related to the credit facility.

In relation to the issue of bank guarantees the Company has received credit facilities from BNP Paribas – Sofia branch at the amount of EUR 1,000 thousand. Current and future receivables from customer with maximum amount of EUR 2,000 thousand, goods and materials with obligatory minimum of EUR 2,000 thousand are pledged as collateral and a promissory note is signed in favour of the bank. As of December 31, 2012 and 2011 the Company has no liabilities on loans related to the credit facility.

All amounts are in thousand Bulgarian Levs, except otherwise stated

12. Loans (continued)

12.2. Borrowings from financial institutions (continued)

Covenants under loan contracts

In accordance with the provisions of the debenture and bank loans, the Company should comply with a number of operational and financial covenants. As of December 31, 2012 and 2011 the Company is in compliance with all operational and financial covenants connected to the debenture and bank loans contractual terms.

12.3. Loans from non-related parties

In accordance with the provisions of the loans, the Company should comply with a number of operational and financial covenants. As of December 31, 2012 and 2011 the Company is in compliance with all operational and financial covenants related to the debenture and bank loans contractual terms.

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

As of December 31, 2011 the loans from non-related parties consist from unsecured loans from Izolko OOD, Energomontag AEK AD, Enemona Start AD, Enida Engineering AD and others at the total amount of BGN 8,050 thousand, BGN 688 thousand, BGN 879 thousand, BGN 849 thousand and BGN 40 thousand respectively. The loans have interest rates between 8% and 9% and maturity in 2012, which could be extended by one month.

13. Finance lease

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

	Minimum lease liabilities		Present value of minimum lease liabilities	
	As of 31.12.2012	As of 31.12.2011	As of 31.12.2012	As of 31.12.2011
Liabilities under finance lease with maturity:				
Up to 1 year	471	550	444	498
Between 2 and 5 years	235	704	228	672
TOTAL LIABILITIES	706	1,254	672	1,170
Less: future finance charges	(34)	(84)	-	-
PRESENT VALUE OF LIABILITIES	672	1,170	672	1,170

The carrying amount of assets (machinery and equipment), acquired through finance lease as of December 31, 2012 and 2011 is BGN 2,007 thousand and BGN 2,885 thousand, respectively.

All amounts are in thousand Bulgarian Levs, except otherwise stated

14. Provisions

Provisions represent accruals for unused paid leave at the amount of BGN 470 thousand and BGN 220 thousand as of December 31, 2012 and 2011, respectively.

15. Long-term employee benefits

In accordance with the Bulgarian Labour Code, upon termination of labour contracts, when the employee is entitled to retirement benefits, the Company owes severance payments of 2 gross monthly salaries. In case the employee has worked for more than 10 years with the Company, the severance payment is 6 gross monthly salaries. As of December 31, 2011 the Company has accrued BGN 62 thousand for provision of long-term employee benefits as the provision is calculated by a licensed actuary. There is no change in the amount of the provision for long-term employee benefits as of December 31, 2012.

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

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

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

	Year ended 31.12.2012	Year ended 31.12.2011
AS OF JANUARY 1	216	244
Interest cost	-	15
Current service cost	-	34
Benefits paid	-	(102)
Actuarial losses	-	25
AS OF DECEMBER 31	216	216

As of December 31, 2012 and 2011 the Company recorded Long-term employee benefits liability as follows:

	As of 31.12.2012	As of 31.12.2011
Benefit liability as of January 1	62	216
Unrecognized actuarial losses	-	(154)
Benefit liability as of December 31, reported in the separate stamen of financial position	62	62

All amounts are in thousand Bulgarian Levs, except otherwise stated

15. Long-term employee benefits (continued)

The table below summarizes the component of the net expense for employee benefits, recognized in the separate statement of comprehensive income:

	Year ended 31.12.2012	Year ended 31.12.2011
Current service costs	-	34
Interest expense	-	15
Actuarial (gains) recognized in the year	-	(3)
Benefits paid	-	(102)
Expense recognized in the separate statement of comprehensive income	-	(56)

16. Trade and other payables

	As of 31.12.2012	As of 31.12.2011
Payables to suppliers	7,297	6,060
Payables to related parties	2,554	7,154
Payables for dividends on preferred shares	2,067	972
Payables to staff	1,513	558
Payables to social insurance organizations	1,235	215
Payables for VAT liabilities	416	1,068
Other payables	2,155	1,738
TOTAL TRADE AND OTHER PAYABLES	17,237	17,765

17. Revenue

	Year ended 31.12.2012	Year ended 31.12.2011
Revenue from construction contracts	65,130	78,862
Revenue from services	322	207
TOTAL REVENUE	65,452	79,069

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

	As of 31.12.2012	As of 31.12.2011
Construction costs incurred plus recognized profits less recognized losses to date	184,942	205,037
Less: Progress billings	(163,257)	(188,395)
	21,685	16,642
Gross amounts presented in the separate statement of financial position comprise:		
Gross amount due from customers under construction contracts	27,428	21,588
Gross amount due to customers under construction contracts	(5,743)	(4,946)
	21,685	16,642

All amounts are in thousand Bulgarian Levs, except otherwise stated

17. Revenue (continued)

Retentions held by customers for contract work amounted to BGN8,930 thousand and BGN 5,978 thousand for December 31, 2012 and 2011, respectively. Advances received from customers for contract work amount to BGN 13,171 thousand and BGN 15,482 thousand for December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011 the Company reviewed for objective evidences for impairment of the gross amount due from clients on construction contracts in order to ensure that the carrying amount of the asset does not exceed the present value of the expected future cash flows.

In 2012 and 2011 the Company has impaired gross amount due from customers on construction contracts at the amount of BGN 0 thousand and BGN 1,301 thousand see note 23.1).

18. Investment revenue

	Year ended 31.12.2012	Year ended 31.12.2011
Interest income	2,567	2,206
Dividend income	3,151	536
Foreign exchange gains	17	27
TOTAL INVESTMENT REVENUE	5,735	2,769

As of December 31, 2012 the Company has reclassified for the year ended December 31, 2011 BGN 169 thousand from Other investment revenue to Other gains/ losses, net (see note 23).

19. Materials and consumables used

	Year ended 31.12.2012	Year ended 31.12.2011
Materials for main activities	10,965	30,623
Expenses for instruments	262	343
Electric power	102	95
Fuels	181	51
Spare parts	17	12
Stationery	135	62
Other	-	32
TOTAL MATERIALS AND CONSUMABLES USED	11,662	31,218

All amounts are in thousand Bulgarian Levs, except otherwise stated

20. Hired services

	Year ended 31.12.2012	Year ended 31.12.2011
Under agreements with subcontractors	11,212	21,292
Services with mechanization	872	715
Transportation	1,438	906
Legal, consulting and mediatory services	1,093	1,420
Insurances	1,040	1,305
Advertising	11	72
Telecommunications	203	144
Rents	2,175	719
Fees, mortgage, guarantees	1,561	1,444
Design	297	349
Bank fees	134	388
Heating	41	94
Working permissions and tender documentation	175	14
Start-up and commissioning works and control	796	282
Software licenses and maintenance of hardware	137	-
Security	107	146
Translations	79	118
Courier services	69	40
Other services	116	621
TOTAL HIRED SERVICES	21,556	30,069

21. Employee benefits expenses

	Year ended 31.12.2012	Year ended 31.12.2011
Remunerations under labour contracts	21,367	15,098
Remunerations under management contracts	256	351
Civil contracts	226	133
Social and health securities	2,898	2,300
Food	782	475
Compensated leaves	216	42
Other expenses	426	893
TOTAL EMPLOYEE BENEFITS EXPENSES	26,171	19,292

22. Other expenses

	Year ended 31.12.2012	Year ended 31.12.2011
Business trips	2,616	2,133
Storage of equipment	420	-
Expenses for one-off taxes and fees	474	434
Impairment of inventory	212	-
Waste on non-current assets	45	57
Entertainment expenses	15	11
Other	390	424
TOTAL OTHER EXPENSES	4,172	3,059

All amounts are in thousand Bulgarian Levs, except otherwise stated

23. Other gains / (losses), net

	Year ended 31.12.2012	Year ended 31.12.2011
Proceeds from sale of non-current assets	502	2,197
Carrying amount of sold and disposed non-current assets	(438)	(2,072)
Gains from sale of non-current assets	64	125
Proceeds from sale of materials	91	1,081
Carrying amount of sold materials	(69)	(1,002)
Gains from sale of materials	22	79
Revenue from sale of investments in subsidiaries	3,100	18,471
Costs to sell investments in subsidiaries	-	(180)
Carrying amount of sold investments in subsidiaries	(2,250)	(5,548)
Profit from sale of investments in subsidiaries – note 23.3	850	12,743
Revenue from sale of electricity	-	4,535
Carrying amount of sold electricity	-	(4,533)
Profit from sale of electricity	-	2
Impairment and writing off of assets– note 23.1	-	(14,981)
Loss from sale of receivables	(862)	(1,391)
Loss from discounting of receivables on ESCO contracts – note 7	(1,831)	(2,949)
Reversal of allowance for impairment of receivables	1,589	-
Rent income	469	653
Income from penalties, net	405	169
Financing received	-	5
Written-off liabilities	1	25
Gains from consulting services	32	67
Other income	127	429
Other losses from accounting estimates	(170)	-
TOTAL OTHER GAINS/ (LOSSES), NET	696	(5,024)

For the year ended December 31, 2012 the Company reclassified impairment of receivables at the amount of BGN 136 thousand from other expenses to other gains, net.

23.1 Impairment and writing off of assets

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

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

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

As of December 31, 2012 the Company analysed total contract revenue and total estimated costs for construction contracts which are not completed as of the end of the reporting period and recognized impairment losses in the statement of comprehensive income for those construction contracts for which the total estimated profit is lower than the profit already recognized in prior reporting periods.

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

23.1 Impairment and writing off of assets (continued)

Recoverable amount is determined as the higher of fair value less costs to sell and value in use.

		Year ended 31.12.2012	Year ended 31.12.2011
Impairment of gross amount due from clients on construction contracts – note 17	(a)	-	(1,301)
Impairment of investment in subsidiaries – note 6	(б)	-	(2,412)
Impairment of receivables – note 9	(в)	-	(5,304)
Impairment of loans granted to non-related parties – note 7	(в)	-	(4,953)
Impairment of loans granted to employees – note 7	(г)	-	(973)
Impairment of inventory – note 8		-	(88)
Impairment of property, plant and equipment – note 4		-	(35)
Reversal of impairment of inventory – note 8		-	47
Reversal of impairment of receivables – note 9		-	38
		-	(14,981)

(a) The impairment of the gross amounts due from clients on construction contracts consists mainly of impairment loss of a construction contract.

(b) During 2012 the Company performed an impairment testing of the investment in subsidiaries. The analysis is performed based on the expected discounted future cash flows of the subsidiaries in next five years and the net carrying amount of the assets as of December 31, 2012. As a result of the analysis the Company has estimated that there are no indications for impairment and has not accrued additional impairment of investments in subsidiaries. For 2011 the Company recognized impairment loss at the amount of BGN 2,412 thousand as follows:

- EMKO AD - BGN 1,300 thousand;
- TFEZ Nikopol EAD - BGN 756 thousand;
- Esco Engineering AD - BGN 356 thousand.

(c) As a result of the global financial crisis the uncertainty regarding the recoverability of the receivables due to from the clients according to the initially contracted terms increases. Therefore, the Company changed its accounting estimates when determining the impairment of trade and other receivables and loans and advances. Some of the changes in the estimates include receiving of report for the credit rating of the clients from a reputable agency, analysis of the financial performance of the clients and others. As a result, during 2011 the Company recognized additional impairment as indicated in the table above. Nevertheless, the Management continues the efforts for collecting the receivables.

(d) In the past the Company has granted loans without collaterals to its employees related to the necessity to relocate, due to the relocation of the business between Sofia, Kozloduy and Galabovo. From 2010 the amount of loans granted decreased. By the end of 2011 due to the restructuring of the Group and centralization of the supervisors and administration personnel in Sofia, the maturity of some of the loans granted is prolonged with the other terms not changed. As a result, additional impairment was recognized for these loans granted.

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

23.2. Profit from sale of investments in subsidiaries

On October 19, 2012 Enemona AD signed agreement for the sale of 2,050,500 ordinary shares by name which represents 91.13% of the share capital of Enemona Galabovo AD. The sale price is BGN 2,900 thousand the carrying amount of the investment is BGN 2,050 thousand and gain from sale of subsidiary at the amount of BGN 850 thousand has been recognized in the separate statement of comprehensive income.

On May 31, 2012 Enemona AD sold 200,000 ordinary shares which represent 10% of the share capital of Artanes Mining Group AD. After the sale Enemona AD owns 89.99975% of the share capital of Artanes Mining Group AD. The gains for this transaction are at nominal value of shares and no result has been recognized in the separate statement of comprehensive income.

On November 19, 2012 Enemona AD sold at nominal value 50 ordinary shares which represent 2,22% of the share capital of Enemona Utilities AD. The investment is made at carrying amount and no result from the sale has been recognized in the separate statement of comprehensive income. After the sale Enemona AD owns 97,24% of the share capital of Enemona Utilities AD. No result from this transaction has been recognized in the separate statement of comprehensive income.

On March 31, 2011 Enemona AD signed a sale agreement with Sofia France Auto AD for 10,497,999 ordinary registered shares being 99.98% of the share capital of the subsidiary Agri Invest Engineering AD. The income from the investment sale is at the amount of BGN 18,421,758. The transaction includes also a package of 49.96% of the shares of Lomsko pivo AD. As a result from this transaction the Company recognizes a profit at the amount of BGN 12,743 thousand.

On June 28, 2011 the Company signed contracts for sale of 90% of the share capital of Neo Agro Tech AD and for sale of 80% of the share capital of Solar Energy OOD. The consideration agreed amounted to BGN 49 thousand and the net carrying amount of the assets as of the date of the transaction is BGN 49 thousand.

24. Finance cost

	Year ended 31.12.2012	Year ended 31.12.2011
Interest expense	2,737	3,276
Finance costs on construction contracts	1,533	1,207
Expenses on financial liability on preferred shares	570	639
Foreign exchange losses	38	55
Other finance costs	-	75
TOTAL FINANCE COST	4,878	5,252

All amounts are in thousand Bulgarian Levs, except otherwise stated

25. Taxation

Deferred taxes are as follows:

	As of 31.12.2012	As of 31.12.2011
Deferred tax assets		
Impairment of receivables	3,260	3,414
Deductible tax loss	117	
Impairment of investments in subsidiaries	241	241
Impairment of other assets	2	7
Provisions	53	28
TOTAL DEFERRED TAX ASSETS	3,673	3,690
Deferred tax liabilities		
Non-current assets	1,094	1,129
TOTAL DEFERRED TAX LIABILITIES	1,094	1,129
DEFERRED TAX ASSETS, NET	2,579	2,561

Deferred tax assets and liabilities as of December 31, 2012 and 2011 are calculated by applying tax rate of 10% according to the Corporate Income Taxation Act and applicable for the periods in which the temporary differences will be realized.

Deferred tax liabilities recognized in equity as of December 31, 2012 and 2011 amount to BGN 557 thousand.

Income tax expenses for the year ended December 31, 2012 and 2011 are as follows:

	Year ended 31.12.2012	Year ended 31.12.2011
Current income tax expense	125	404
Deferred tax in relation to occurrence and reversal of temporary differences	(18)	(1,399)
TOTAL TAX (BENEFIT) / EXPENSE	107	(995)

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

	Year ended 31.12.2012	Year ended 31.12.2011
Profit / (loss) before taxation	1,843	(13,580)
Applicable tax rate	10%	10%
Tax by applicable tax rate	184	(1,358)
Tax effect of the non-deductible and non-taxable positions	(189)	146
Effect of different tax rates in other tax jurisdictions	112	217
TAX (BENEFIT) / EXPENSE	107	(995)
EFFECTIVE TAX RATE	6%	(7%)

As of December 31, 2012 the Company has receivables on corporate income tax at the amount of BGN 405 thousand. As of December 31, 2011 the Company has payables on corporate income tax at the amount of BGN 52 thousand.

All amounts are in thousand Bulgarian Levs, except otherwise stated

26. Basic and diluted earnings (loss) per share

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

	As of 31.12.2012	As of 31.12.2011
(Loss) / profit for allocation between the shareholders in BGN	1,735,571	(12,584,875)
Weighted-average number of ordinary shares	11,933,600	11,933,600
(Loss from) / Basic earnings per share (in BGN)	0.15	(1.05)

Diluted earnings per share equal basic earnings per share due to the fact that no dilutive ordinary shares exist.

As disclosed in Note 11, as of December 31, 2012 and 2011 the Company has issued preferred shares and warrants which in 2012 and 2011 do not influence diluted earnings per share as their conversion to ordinary shares would not have dilutive effect on basic earnings per share.

27. Related parties transactions

The Company's related parties with which it has performed transactions in 2012 and 2011 are as follows:

RELATED PARTY	TYPE OF RELATION
"Agroinvest engineering " AD	Subsidiary until March 31, 2011
"Enemona Utilities" AD	Subsidiary
"Esco Engineering" AD	Subsidiary
"Lomsko pivo" AD	Subsidiary until March 31, 2011
"EESF" SPV	Subsidiary
"Pirin Power" AD	Subsidiary
"Hemusgas" AD	Subsidiary
"Neo Agro Tech" AD	Subsidiary until June 28, 2011
"FINI" REIT	Subsidiary
"TFEZ Nikopol" EAD	Subsidiary
"Nevrokop gas" AD	Subsidiary
"Solar energy" OOD	Subsidiary until June 28, 2011
"Enemona Galabovo" AD	Subsidiary until October 19, 2012
"EMKO" AD	Subsidiary
"Regionalgas" AD	Subsidiary
"Hemusgas" AD	"Hemusgas" AD
"Artanes Mining Group" AD	Subsidiary
"PPP Mladenovo" EOOD	Subsidiary
"Alfa Enemona" OOD	Associated company
"Global Capital" OOD	Company under common control
"G Oil Expert" EOOD	Company under common control
"Eco Invest Holding" AD	Company under common control
"Resource Engineering" EOOD	Company under common control
"Softgeo-Lint 2006" OOD	Company under common control

All amounts are in thousand Bulgarian Levs, except otherwise stated

27. Related parties transactions (continued)

The table below discloses the transactions performed with related parties:

Related party	Type of transaction	Year ended 31.12.2012	Year ended 31.12.2011
"Agroinvest engineering" AD	income from construction contracts	-	-
	income from services	-	-
	other gains	-	1
Enemona Utilities" AD	revenue from sale of electricity	-	4,514
	income from services	10	-
	Income from rent	51	52
	income from dividend	1,945	148
	income from interest	2	
"Esco Engineering" AD	income from interest		-
"Enemona Galabovo" AD	income from interest	13	10
	other gains	-	177
	income from dividend	-	228
	income from services	2	-
	income from construction contracts	134	-
"EMKO" AD	income from interest	31	22
	rent of machinery	4	
"Hemusgas" AD	income from interest		-
"FINI" REIT	income from rent	2	5
"TFEZ Nikopol" EAD	other gains		3
"EESF" SPV	income from dividend	1,134	34
	income from rent	8	7
"Artanes Mining Group" AD	revenue from sale of exploration for and evaluation of mineral resources	-	1,555
"PPP Mladenovo" EOOD	revenue from sale of property, plant and equipment	-	22
"Alfa Enemona" OOD	income from dividend	72	126
„Eco Invest Holding "	income from services	1	-
FINI REIT	income from rent	5	
"G Oil Expert" EOOD	income from rent	3	3
TOTAL INCOME FROM RELATED PARTIES		3,417	6,907

In 2012 and 2011 the Company has signed cession agreements with EESF SPV for the sale of receivables at the amount of BGN 19,192 thousand and BGN 1,810 thousand and as of December 31, 2012 the unsettled balances are at the amount of BGN 1,233 thousand receivables, and as of December 31, 2011 - 0.

The table below discloses the expenses for related party transactions:

	Year ended 31.12.2012	Year ended 31.12.2011
"Agroinvest engineering " AD	-	243
"Enemona Galabovo" AD	265	9,918
"EMKO" AD	1,941	3,677
„Enemona Utilities "AD	40	
TOTAL EXPENSES TO RELATED PARTIES	2.246	13,838

All amounts are in thousand Bulgarian Levs, except otherwise stated

27. Related parties transactions (continued)

Related parties transaction costs represent mainly costs on subcontractors' agreements.

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

	As of 31.12.2012	As of 31.12.2012
"Enemona Utilities" AD	96	4,403
„Lomsko Pivo" AD	-	-
"Esco Engineering" AD	38	141
" Agroinvest engineering" AD	-	-
"Pirin Power" AD	4	4
"EESF" SPV	2,077	-
"Nevrokop gas" AD	15	15
"Hemusgas" AD	13	13
"EMKO" AD	634	1,119
"Enemona Galabovo" AD"		2,393
"TFEZ Nikopol" EAD	103	100
"G Oil Expert" EOOD	-	1
TOTAL RECEIVABLES FROM RELATED PARTIES	2,980	8,189

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

The table below discloses the balances of liabilities to related parties:

	As of 31.12.2012	As of 31.12.2012
" Agroinvest engineering" AD	-	-
"Enemona Utilities" AD	331	2,362
"Esco Engineering" AD	4	6
"Enemona Galabovo" AD		4,547
"EMKO" AD	2,219	2,601
TOTAL PAYABLES TO RELATED PARTIES	2,554	9,516

Payables to related parties include loans from related parties (note 12) and trade payables (note 16).

Receivables and payables with related parties are unsecured and will be settled in cash. No guarantees have been given or received with respect to these balances. No impairment has been accrued to receivables from related parties.

In 2012 and 2011 remuneration to the management personnel amount to BGN 231 thousand, BGN 255 thousand and BGN 231 thousand, respectively.

All amounts are in thousand Bulgarian Levs, except otherwise stated

28. Financial instruments, financial risk and capital management

Categories of financial instruments

	As of 31.12.2012	As of 31.12.2011
Financial assets		
Loans and receivables	87,423	78,533
Cash and cash equivalents	1,822	4,957
	89,245	83,490
Financial liabilities		
Financial liabilities at amortized cost	90,380	93,979

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

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

Fair value of financial instruments, measured at amortized cost

IFRS 7 "Financial instruments-disclosures" sets out the requirement regarding disclosures to the financial statements to contain information about the methods used to determine the fair value of financial assets and liabilities, which are not presented at fair value in the statement of financial position.

Information about the carrying amount and fair value of financial assets and liabilities is presented in the following table:

	Carrying amount		Fair value	
	As of 31.12.2012	As of 31.12.2011	As of 31.12.2012	As of 31.12.2011
Financial assets				
Loans and receivables	87,423	78,533	87,423	78,533
Cash and cash equivalents	1,822	4,957	1,822	4,957
Financial liabilities				
Financial liabilities at amortized cost	90,380	93,979	90,380	93,979

It is a management's judgment, that the fair value of financial instruments approximates their carrying amount.

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

Fair value estimation of financial instruments, measured at fair value

IFRS 7 sets out the requirement to disclose the valuation techniques used to determine the fair value of financial instruments, measured at fair value after initial recognition in the statement of financial position. IFRS 7 introduces hierarchy of methods used in fair value determination, based on the level of observation of the input data utilized in the fair value estimation. Observable data meet the market assumption of the Company. The both data – observable and unobservable set up the following three hierarchy levels of the fair values:

Level 1 – Fair value estimation, based directly on the active market quotes for identical assets or liabilities

Level 2 – Fair value estimation, based on the unobservable data, which differ from the values determined in Level 1, but are directly or indirectly based on them and in correlation with the asset or liability.

Level 3 – Fair value estimation using valuation technique, which inputs are not based on the market information (unobservable data) for the asset or liability.

If the fair value is impossible to be determined through estimation techniques based on information which all market participants would take into consideration when estimating financial instrument the acquisition transaction cost of financial asset is used as fair value.

As of December 31, management estimated the fair value of financial instruments at fair value from level 3 amounts to BGN zero.

Credit risk

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

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

Name	Type	Carrying amount of receivable as of 31.12.2012	Carrying amount of receivable as of 31.12.2011
Contractor 1	Abroad	4,286	8,047
Contractor 2	In the country	2,398	18,499
Contractor 3	In the country	1,030	8,492
Contractor 4	In the country	1,013	3,014
Contractor 5	In the country	670	4,561

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

Liquidity risk

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

As of December 31, 2012 and 2011 undiscounted cash flows on financial liabilities of the Company, analysed by residual term as of the date of the separate statement of financial position until the date of subsequent negotiating or maturity are, as follows:

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

As of December 31, 2011	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Total
Financial liabilities				
Trade and other payables	7,634	10,131	-	17,765
Loans	4,758	68,644	2,979	76,381
Finance lease liabilities	125	374	672	1,171
Finance liability on preferred shares	-	-	6,792	6,792
Total financial liabilities	12,517	79,149	10,443	102,109

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

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

Foreign currency risk

As the Company operates in the country and in the EU it is exposed to insignificant foreign currency risk. A small percentage of income/expenses are generated in foreign currency different from the Bulgarian lev and Euro. The Company implement a contract in Norway, whose active phase will start in 2013.Therefore, the management of the Company considers that the effect from possible changes in exchange rates would not have significant effect on profit or loss.

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

Interest rate risk

The Company is exposed to interest rate risk fluctuation mainly from received bank and debenture loans with floating interest rate which are at the amount of BGN 68,421 and 42,829 thousand as of December 31, 2012 and 2011 and the interest payments are based on EURIBOR and SOFIBOR plus margin. As of December 31, 2012 and 2011 the Company has not used instruments for compensating the potential changes of the EURIBOR levels.

If the interest rates for these loans increased by 0.5% in 2012 and 2011, the interest expense for the year would increase, and profit after taxation would decrease by BGN 342 thousand and BGN 214 thousand, respectively, and vice versa, if the interest rate decreases by 0.5%.

Capital management

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

Gearing ratio as of December 31, 2012 and 2011 is as follows:

	As of 31.12.2012	As of 31.12.2011
Loans	70,015	71,297
Cash and cash equivalents	(1,822)	(4,957)
Loans net of cash and cash equivalents	68,193	66,340
Equity	52,221	50,485
Gearing ratio (loans net of cash and cash equivalents to equity)	1.31	1.31

29. Geographical information

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

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

	Revenue from external clients		Non-current assets	
	Year ended 31.12.2012	Year ended 31.12.2011	As of 31.12.2012	As of 31.12.2011
Bulgaria	27,137	63,312	35,230	34,934
Slovakia	18,501	13,591	406	414
Germany	17,492	1,846	112	34
Norway	491	-	5	-
Other	1,509	113	-	-
	65,130	78,862	35,753	35,382

All amounts are in thousand Bulgarian Levs, except otherwise stated

30. Contingent liabilities

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

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

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

As of December 31, 2011 the Company is a guarantor, co-debtor or avalist of promissory note on loan contract for loans granted to the subsidiaries by Bulgarian banks, as follows:

Type of contingent liability	Borrower	Bank	Amount of loan
Guarantor	EESF SPV	EBRD	13,691
Co-debtor	Enemona Utilities AD	Unicredit Bulbank AD	4,528

As of December 31, 2012 and 2011 the Company is in compliance with all covenants of the loans granted to subsidiaries.

As of December 31, 2012 and 2011 bank guarantees have been issued on behalf of the Company, at the amount of BGN 33,660 thousand and BGN 46,110 thousand, respectively, which are related mainly to the construction works, including energy and other facilities.

As of December 31, 2012 a bank guarantees has been issued on the name of the Company in the account of a subsidiary at the amount of BGN 58 thousand which is related to construction of facilities.

31. Events after the reporting period

On January 25, 2013 was held a General Shareholders' meeting, which took a decision the reported loss at the amount of BGN 27,523 thousand to be covered by Premium Reserves. The loss coverage is presented in the Statement of Changes in Shareholders' Equity as of December 31, 2012.