## 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, 2011 and 2010 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, 2011 and 2010 the Company has 710 and 992 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 IAS 24 Related Party Disclosures **-** Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on July 19, 2010 (effective for annual periods beginning on or after January 1, 2011),
- Amendments to IAS 32 Financial Instruments: Presentation– Accounting for rights issues, adopted by the EU on December 23, 2009 (effective for annual periods beginning on or after February 1, 2010),
- Amendments to IFRS 1 First-time Adoption of IFRS- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on June 30, 2010 (effective for annual periods beginning on or after July 1, 2010),
- Amendments to various standards and interpretations Improvements to IFRSs (2010) resulting from the annual improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on February 18, 2011 (amendments are to be applied for annual periods beginning on or after July 1, 2010 or January 1, 2011 depending on standard/interpretation),

## 2. Accounting policy (continued)

### 2.1 General financial reporting framework (continued)

- Amendments to IFRIC 14 IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum Funding Requirement, adopted by the EU on July 19, 2010 (effective for annual periods beginning on or after January 1, 2011),
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, adopted by the EU on July 23, 2010 (effective for annual periods beginning on or after July 1, 2010).

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:

- 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 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 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 International Accounting Standards Board (IASB) except from 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),
- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after January 1, 2013),
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after January 1, 2013),
- IFRS 12 Disclosures of Involvement with Other Entities (effective for annual periods beginning on or after January 1, 2013),
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after January 1, 2013),
- IAS 27 (revised in 2011) Separate Financial Statements (effective for annual periods beginning on or after January 1, 2013),
- IAS 28 (revised in 2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2013),

## 2. Accounting policy (continued)

### 2.1 General financial reporting framework (continued)

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

The Company expects that the adoption of these standards, amendments to existing standards and interpretations will have no material impact on the financial statements of the Company in the period of initial application, except for the noted below which might have material effect on the separate financial statements:

- IFRS 9 Financial instruments, which uses a single approach to determine whether a financial asset is measured at amortized cost or at fair value, replacing the variety of rules of IAS 39. The approach in IFRS 9 is based on how the entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the variety of rules of IAS 39.
- IFRS 12 Disclosures of Involvement with Other Entities, which requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.
- IFRS 13 Fair Value Measurement, which defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements.

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 financial statements, if applied as at the reporting date.

## 2. Accounting policy (continued)

### 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, 2011. The consolidated financial statements will be issued after 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).

### 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, 2011 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.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 2. Accounting policy (continued)

### 2.6. Property, plant and equipment (continued)

Acquisition costs for property, plant and equipment comprise of 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, 2011 and 2010 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.

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 of 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, 2011 and 2010 is as follows:

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

## 2. Accounting policy (continued)

### 2.8. Exploration for and evaluation of mineral resources

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

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

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

### 2.9. 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 in the statement of comprehensive income immediately, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease in the revaluation reserve.

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

### 2.10. Investments in subsidiaries

A subsidiary is an entity that is controlled by the Parent 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.

### 2.11. 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.

### 2.12. Inventory

Inventory consists of materials and work in progress which comprises 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.

### 2.13. 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. Accounting policy (continued)

### 2.14. Leases

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

*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 rent 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 rent 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.

### 2.15. 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 certain that the repaid amount will be received and the receivables could be measured reliably.

## 2. Accounting policy (continued)

### 2.16. 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 and amortization, provisions, shortages and penalties) in accordance with the Bulgarian tax legislation.

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

### 2.17 Financial instruments

The Company's financial instruments include the following categories: financial assets at fair value through profit or loss, 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.

#### 2.17.1. 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, 2011 and 2010 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).

## 2. Accounting policy (continued)

### 2.17 Financial instruments (continued)

### 2.17.1. Financial assets (continued)

*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 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. As of December 31, 2011 the Company recognizes financial assets held for trading.

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 at fair value through profit and loss is based on the fair value determined using active market quotes from observable market. An active market is a market on which there are regular quotations and transactions with the instrument. The market price from observable market is the closing price for non derivative financial asset. If it is not possible to determine the fair value from active market, a 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. The difference from changes in the fair value of the financial instrument is recognized in the comprehensive income for the period.

*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.

## 2. Accounting policy (continued)

### 2.17 Financial instruments (continued)

### 2.17.1. Financial assets (continued)

*Loans and receivables (continued)*

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 credit 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.

### 2.17.2. 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.

## 2. Accounting policy (continued)

## 2.17 Financial instruments (continued)

### 2.17.2. Financial liabilities and equity instruments (continued)

*Financial liabilities (continued)*

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

Loans are recognized as 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.

## 2.18 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)

### 2.19 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 decreases 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 2.18 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 informed, knowledgeable, willing parties, less the costs of disposal. Value in use is based on the discounted cash flow model. The cash flows are determined on the budget estimates for the next five years. Recoverable amount depends on the discount factor used in the discounted cash flow model and on the expected future cash flows, as well as on the growth assumption.

### 3.3. Impairment of financial assets

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

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

Other key sources of estimation uncertainty include estimation of useful lives of property, plant and equipment and intangible assets. In 2011 there are no circumstances that may trigger a change in the estimated useful lives of these assets.

### 3.5. Economic environment

In 2011 and 2010 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 2011 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 | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| *Cost* | | | | | | | |
| JANUARY 1, 2010 | 2,819 | 11,015 | 3,868 | 6,970 | 2,744 | 4,471 | 31,887 |
| Additions | - | - | 119 | 28 | 139 | 12,056 | 12,342 |
| Transfers | 2,993 | 9,103 | 8 | 6 | 5 | (12,115) | - |
| Disposals | - | (106) | (1) | (333) | (8) | - | (448) |
| DECEMBER 31, 2010 | 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 |
| *Accumulated depreciation* | | | | | | | |
| JANUARY 1, 2010 | - | 1,558 | 2,194 | 1,817 | 1,096 | - | 6,665 |
| Depreciation charge | - | 282 | 502 | 502 | 328 | - | 1,614 |
| Disposals | - | (14) | - | (133) | (3) | - | (150) |
| DECEMBER 31, 2010 | - | 1,826 | 2,696 | 2,186 | 1,421 | - | 8,129 |
| Depreciation charge | - | 401 | 495 | 482 | 322 | - | 1,700 |
| Impairment recognized in profit or loss | - | - | - | - | 11 | 24 | 35 |
| Disposals | - | (20) | (51) | (171) | (132) | - | (374) |
| DECEMBER 31, 2011 | - | 2,207 | 3,140 | 2,497 | 1,622 | 24 | 9,490 |
| *Net book value* | | | | | | | |
| JANUARY 1, 2010 | 2,819 | 9,457 | 1,674 | 5,153 | 1,648 | 4,471 | 25,222 |
| DECEMBER 31, 2010 | 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 |

As of December 31, 2011 and 2010 property, plant and equipment with carrying amount of BGN 2,885 thousand and 3,188 thousand, respectively, are leased under financial lease contract (see note 13).

As of December 31, 2011 and 2010 property, plant and equipment with carrying amount of BGN 10,626 thousand and BGN 11,648 thousand, respectively, are pledged as collateral under bank loan agreements (see note 12).

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 5.1. Intangible assets

| | Title of property | Software | Total |
|---|---|---|---|
| *Cost* | | | |
| JANUARY 1, 2010 | 1,437 | 320 | 1,757 |
| Additions | 10 | 19 | 29 |
| DECEMBER 31, 2010 | 1,447 | 339 | 1,786 |
| Disposals | - | (69) | (69) |
| DECEMBER 31, 2011 | 1,447 | 270 | 1,717 |
| | | | |
| *Accumulated amortization* | | | |
| JANUARY 1, 2010 | 704 | 194 | 898 |
| Amortization charge | 62 | 39 | 101 |
| DECEMBER 31, 2010 | 766 | 233 | 999 |
| Amortization charge | 62 | 32 | 94 |
| Disposals | - | (63) | (63) |
| DECEMBER 31, 2011 | 828 | 202 | 1,030 |
| | | | |
| *Net book value* | | | |
| JANUARY 1, 2010 | 733 | 126 | 859 |
| DECEMBER 31, 2010 | 681 | 106 | 787 |
| DECEMBER 31, 2011 | 619 | 68 | 687 |

## 5.2. Exploration for and evaluation of mineral resources

As of December 31, 2010 exploration for and evaluation of mineral resources at the amount of BGN 1,555 thousand represent capitalized expenditures on energy project Lom Lignites. The project is related to obtaining concession for lignite production from Lom Lignite field.

The project Lom Lignites started in October 2007 with a contract for prospecting and exploration between Enemona AD and Ministry of economy and energy.

On April, 21 2011 the company sold the Exploration for and evaluation of mineral resources to Artanes Mining Group AD, a subsidiary of the Company.

## 6. Investments in subsidiaries and associates

As of December 31, 2011 and 2010 investments in subsidiaries and associates consist of:

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Investments in subsidiaries | 19,430 | 19,338 |
| Impairment of investment in subsidiaries – note 6.1.1. | (2,412) | - |
| Investment in subsidiaries, net – note 6.1 | 17,018 | 19,338 |
| Investments in associates – note 6.2 | 4 | 4 |
| TOTAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES | 17,022 | 19,342 |

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, 2011 and 2010 are as follows:

| | | SHARE | | CARRYING AMOUNT | |
|---|---|---|---|---|---|
| COMPANY | ACTIVITY | As of 31.12.2011 | As of 31.12.2010 | As of 31.12.2011 | As of 31.12.2010 |
| Agro Invest Engineering AD | Cultivation of agricultural land | - | 99.98% | - | 5,499 |
| Enemona Utilities AD | Electric power trade | 99.46% | 100.00% | 1,769 | 1,781 |
| EESF SPV | Company with special investment purpose – securitization of receivables | 88.97% | 70.76% | 4,860 | 1,558 |
| 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 | 424 |
| Solar Energy OOD | Project for solar station | - | 80.00% | - | 4 |
| NEO AGRO TEH AD | Field recultivation | - | 90.00% | - | 11 |
| TFEZ Nikopol EAD | Construction of electric power plant | 100.00% | 100.00% | 1,061 | 1,536 |
| Enemona-Galabovo AD | Construction contracts | 91.13% | 91.11% | 2,050 | 2,050 |
| Nevrocop-gas AD | Gas trade | 90.00% | 90.00% | 45 | 45 |
| EMKO AD | Construction contracts | 77.36% | 77.36% | 4,613 | 5,913 |
| Artanes Mining Group AD | Opencast mining of brown and lignite coal | 100% | - | 2,000 | - |
| PPP Mladenovo EOOD | Prospecting, design, construction and assembly, commissioning, reparation, servicing and engineering works | 100% | - | 30 | - |
| Lomsko pivo AD | Beer production | - | 53.04% | - | - |
| Regionalgas AD | Gasification projects | 50.00% | 50.00% | - | - |
| TOTAL | | | | 17,018 | 19,338 |

As of December 31, 2011 Lomsko pivo AD is subsidiary of Agro Invest Engineering AD, which owns 53.04% of the shares of Lomsko pivo AD, or the direct share of the Company in Lomsko pivo AD is 53.03% (99.98% * 53.04%).

## 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, 2010 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 jointly control activity, as the Company controls the financial and operating policy of these companies.

During 2011, the Company sold its investment in Agro Invest Engineering AD. On March 31, 2011 the Company signed sales agreement with Sofia France Auto AD for the disposal of 10,497,999 shares, represented 99.98% of the capital of its subsidiary Agro Invest Engineering AD. The consideration agreed amounted to BGN 18,421,758. The transaction included a stake of 49.96% in Lomsko pivo AD.

On June, 28 2011 the Company signed a sales agreement for the disposal of 90% from the Neo Agro Tech and 80% from the Solar Energy OOD investments. The consideration agreed amounted to 49 BGN thousand.

At the Board of Directors meeting of Enemona AD, held on February 14, 2011, it was taken a decision for establishment a subsidiary Artanes Mining Group AD with a seat and management address in Sofia, equity of BGN 2,000 thousands and an option for Enemona to acquire 1,995,995 ordinary shares with voting rights with a par value of 1 BGN, representing 99.99975% of the equity of the established company.

As of December 31, 2011 the share of Enemona AD in EESF SPV increased from 70.76% or 922,201 ordinary shares to 88.97% or 3,462,201 ordinary shares with voting rights following the capital rasing done by EESF SPV during 2011.

At the Board of Directors meeting of Enemona AD, held on October 12, 2011, it was taken a decision for establishment of subsidiary PPP Mladenovo EOOD with a seat and management address in Sofia and registered capital of BGN 30 thousands.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 6. Investments in subsidiaries and associates (continued)

### 6.1.1. Impairment of investment in subsidiaries

As of December 31, 2011 as a result of the impairment review of the investments in subsidiaries, the Company considers that there are indications for impairment of the investments in EMKO AD, Esco engineering AD and TFEZ Nikopol EAD.

The Company analyzed the discounted cash flows related to the investment in EMKO AD. For the valuation of the investment in the subsidiary the Company used the method of the free cash flows to the firm and the expected future cash flows which will be generated by the entity during the next five years are discounted to their present value as of the reporting date with the weighted-average cost of capital. Due to the absence of comparative transactions in the field of operations of the entity, as well as market deals at the Bulgarian Stock Exchange, the fair value valuation is not applicable for determining the valuation of the investment. As a result of the analysis, the Company recognized an impairment loss for the investment in EMKO AD at the amount of BGN 1,300 thousand (note 23).

The Company determined the recoverable amount of the investments in Esco engineering AD and TFEZ Nikopol EAD based on its share in the individual net assets of the entities and as a result impairment losses for the investments in these subsidiaries at the amount of BGN 356 thousand and BGN 756 thousand are recognized in the statement of comprehensive income (note 23).

### 6.2 Investments in associates

The investments in associated companies as of December 31, 2011 and 2010 are as follows:

| | SHARE | | CARRYING AMOUNT | |
|---|---|---|---|---|
| COMPANY | As of 31.12.2011 | As of 31.12.2010 | As of 31.12.2011 | As of 31.12.2010 |
| 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 considers that there are no indications of impairment of investments in associated companies as of December 31, 2011 and 2010.

Summarized financial information of the associated companies as of December 31, 2011 and 2010 is as follows:

| **Alfa Enemona OOD** | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Total assets | 264 | 401 |
| Total liabilities | 58 | 60 |
| Net assets | 206 | 341 |
| Share of the Company in net assets of the associated company | 82 | 136 |

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 6. Investments in subsidiaries and associates (continued)

### 6.2 Investments in associates (continued)

| **Alfa Enemona OOD** | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Total revenue | 526 | 808 |
| Total profit for the period | 179 | 314 |
| Share of the Company in the profits of the associated company | 126 | 72 |

## 7. Current and non-current loans and advances

Current and non-current loans and advances as of December 31, 2011 and 2010 are as follows:

*Non-current loans and advances*

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Loans granted to non related parties | - | 136 |
| Loans granted to employees | 1,984 | 3,099 |
| Receivables under ESCO contracts – non-current | 18,394 | 13,837 |
| Cession receivables | 5,181 | - |
| Others | 10 | 12 |
| TOTAL NON-CURRENT LOANS AND ADVANCES | 25,569 | 17,084 |
| Impairment of loans granted to employees- note 23.1. | (973) | - |
| TOTAL NON-CURRENT LOANS AND ADVANCES, NET | 24,596 | 17,084 |

*Current loans and advances*

| | | |
|---|---|---|
| Receivables under ESCO contracts – current | 3,597 | 2,440 |
| Cession receivables | 1,845 | - |
| Loans granted to related parties | 500 | 430 |
| Loans granted to non related parties | 7,985 | 8,761 |
| TOTAL CURRENT LOANS AND ADVANCES | 13,927 | 11,631 |
| Impairment of loans granted to non related parties – note 23.1. | (4,953) | - |
| TOTAL CURRENT LOANS AND ADVANCES, NET | 8,974 | 11,631 |

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

Receivables under ESCO contracts 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.

Cession receivables as of December 31, 2011 represent the present value of a receivable under cession agreement with a local company.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 7. Current and non-current loans and advances (continued)

As a result of the impairment analysis, the Company recorded impairment of loans granted to employees at the amount of BGN 973 thousand and of loans granted to non related parties at the amount of BGN 4,953 thousand in the statement of comprehensive income.

The movement of the impairment is presented below:

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Balance at the beginning of the year | - | - |
| Recognized loss from impairment of loans granted to employees | 973 | - |
| Recognized loss from impairment of loans granted to non related parties | 4,953 | - |
| Balance at the end of the year | 5,926 | - |

## 8. Inventories

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Materials | 3,605 | 5,816 |
| Work in progress | 391 | 101 |
| TOTAL | 3,996 | 5,917 |

As of December 31, 2011 the Company recorded impairment of inventory at the amount of BGN 88 thousand (2010: BGN 48 thousand), which are recognized in the statement of comprehensive income (see note 23).

As of December 31, 2011 inventories at cost to the amount of BGN 3,912 thousand (2010: BGN 3,912 thousand) are pledged as collateral under loans (see note 12).

## 9. Trade and other receivables

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Receivables from customers | 15,550 | 22,492 |
| Retentions | 5,979 | 5,192 |
| Receivables from related parties | 7,689 | 6,142 |
| Advance payments to suppliers | 7,020 | 12,831 |
| Advances to employees | 151 | 55 |
| Other receivables | 2,477 | 979 |
| TOTAL TRADE AND OTHER RECEIVABLES | 38,866 | 47,691 |
| Impairment of receivables from customers | (5,936) | (670) |
| TOTAL TRADE AND OTHER RECEIVABLES, NET | 32,930 | 47,021 |

As of December 31, 2011 and 2010 trade and other receivables at the amount of BGN 10,209 thousand and BGN 24,945 thousand, respectively, are pledged as collateral under loan contracts (see note 12).

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 9. Trade and other receivables (continued)

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

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Balance at the beginning of the year | 670 | 534 |
| Recognized loss from impairment of receivables | 5,304 | 222 |
| Recovered during the period | (38) | (86) |
| Balance at the end of the year | 5,936 | 670 |

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.

Receivables which are overdue for less than 1 year are not considered impaired, because of the nature of the operating cycle of the Company. 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 have not deteriorated. Receivables from customers, which are overdue but not impaired, are as follows:

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| 1 - 1.5 years | 1,831 | 4,839 |
| 1.5 – 2 years | 327 | 1,029 |
| Over 2 years | 1,422 | 1,627 |
| Total | 3,580 | 7,495 |

Receivables from customers, which are overdue but not impaired, are not collateralized and the Company has no legal right to offset these receivables with its own receivables to respective counterparties.

The ageing analysis of the impaired receivables from customers as of December 31, 2011 and 2010 is as follows:

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Below 1 year | 2,050 | 356 |
| 1 - 1.5 years | 3,835 | 74 |
| 1.5 – 2 years | 318 | 69 |
| Over 2 years | 2,979 | 607 |
| Total | 9,182 | 1,106 |

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 10. Cash and cash equivalents

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Cash at banks | 3,528 | 2,600 |
| Short term deposits | 262 | - |
| Restricted cash at bank | 474 | 1,055 |
| Cash in hand | 693 | 163 |
| TOTAL CASH AND CASH EQUIVALENTS | 4,957 | 3,818 |

As of December 31, 2011 restricted cash at the amount of BGN 474 thousand represents cash in bank account restricted as a collateral under issued guarantees (also see note 30).

As of December 31, 2010 restricted cash at the amount of BGN 1,055 thousand represents cash in bank account restricted as a collateral under loan contract of the subsidiary EESF SPV for the loan period which expires on October 6, 2011.

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

## 11. Issued capital and reserves

The issued capital includes:

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| 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 | 36,262 | 36,262 |
| TOTAL ISSUED CAPITAL AND RESERVES | 49,299 | 49,299 |

### 11.1. Ordinary shares

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| 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, 2011 and 2010 the ownership over the ordinary shares is as follows:

| | As of 31.12.2011 | % | As of 31.12.2010 | % |
|---|---|---|---|---|
| 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 |

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 11. Issued capital and reserves (continued)

### 11.1. Ordinary shares (continued)

The share capital is fully paid in as of December 31, 2011 and 2010. 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.

### 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 received cash is accounted as follows:

| | At initial recognition | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|---|
| 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 | 3,747 | 4,203 |
| Dividend payables from preferred shares | - | 972 | 881 |
| TOTAL CASH RECEIVED | 10,940 | | |

### 11.3. Premium from share issuance

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Balance as of January 1 | 32,262 | 30,837 |
| Premium from preferred share issuance | - | 5,425 |
| Balance as of December 31 | 36,262 | 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

## 11. Issued capital and reserves (continued)

### 11.5. Dividends

With a decision of the General meeting on June 30, 2011 a dividend on preferred shares is distributed at the total amount of BGN 881 thousand which represents BGN 0.799111 per share. The date on which the owners of the shares have the right to receive a dividend is September 1, 2011.

## 12. Loans

### 12.1. Loans repayment terms

The loans received from the Company based on their contractual term of payment are as follows:

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Up to one year | 68,516 | 43,252 |
| Over one year | 2,781 | 17,255 |
| TOTAL LOANS | 71,297 | 60,507 |

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

As of December 31, 2011 and 2010 loans, received by the Company are as follows:

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Debenture loans – Note 12.2 | - | 2,934 |
| Borrowings from financial institutions – Note 12.3 | 58,429 | 54,443 |
| Loans from related parties – Note 27 | 2,362 | - |
| Loans from non related parties – Note 12.4 | 10,506 | 3,130 |
| TOTAL LOANS | 71,297 | 60,507 |

### 12.2. Debenture loans

Issued debenture loans as of December 31, 2011 and 2010 are as follows:

| ISIN Code | Issued debt securities | Maturity | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|---|---|
| BG2100008056 | Bonds with fixed interest rate, in BGN, secured with credit risk insurance | 2011 | - | 2,934 |
| TOTAL DEBENTURE LOANS | | | - | 2,934 |

As of December 31, 2010 all issued bonds are non convertible and are registered for trading on the Bulgarian Stock Exchange. Main parameters of issued debenture loans are as follows:

| ISIN Code | Par Value | Interest rate | Payment of interest |
|---|---|---|---|
| BG2100021067 | EUR 6,000 thousand | 6-month EURIBOR + 4.75% | 6-month |

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 12. Loans (continued)

### 12.2. Debenture loans (continued)

The principal repayment on the debenture emission BG2100021067 is due at 4 equal installments at the amount of EUR 1,500 thousand each on December 29, 2009, June 29, 2010, December 29, 2010 and June 29, 2011.

### 12.3 Borrowings from financial institutions

Borrowings from financial institutions, received by the Company as of December 2011 and 2010 are as follows:

| | Note | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|---|
| Credit line – SG Expressbank | (a) | 17,855 | 13,563 |
| Credit lines – Unicredit Bulbank | (b) | 12,921 | 12,738 |
| Investment loans – DSK Bank | (c) | 14,930 | 11,957 |
| Overdraft UBB | (d) | 4,596 | 5,982 |
| Credit line – Citibank Sofia Branch | (e) | - | 4,890 |
| Investment loan – Unicredit Bulbank | (f) | 3,442 | 4,525 |
| Credit line – ING Bank | (g) | 454 | 496 |
| Credit line – Tokuda Bank | (h) | - | 100 |
| Investment loans – Bulgarian Energy Efficiency Fund | (i) | 38 | 192 |
| Credit line – MKB Unionbank | (j) | 500 | - |
| Overdraft – First Investment Bank | (k) | 1,997 | - |
| Overdraft - Investbank | (l) | 1,696 | - |
| TOTAL LOANS FROM FINANCIAL INSTITUTIONS | | 58,429 | 54,443 |

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, 2011 BGN 13,691 thousand have been utilized. The loan maturity is on November 30, 2012.

In July 2011 the Company has signed a contract with SG Expreessbank for a credit line, limited to EUR 5,000 thousand. As of December 31, 2011 BGN 4,164 thousand have been utilized. The credit line maturity is on July 31, 2012.

(b) As of December 31, 2011 the Company has utilized BGN 12,921 thousand under four credit lines, contracted with Unicredit Bulbank. The total limit of the credit lines is EUR 12,970 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 credit lines mature in October 2011, 2015 and 2017.

## 12. Loans (continued)

### 12.3 Borrowings from financial institutions (continued)

(c) The loan from DSK Bank is granted for financing of Company's energy efficiency projects. The limit of the loan is EUR 7,750 thousand and as of December 31, 2011 the Company has utilized BGN 14,930 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. The loan contract matures in 2014.

(d) The overdraft from UBB is with limit of EUR 3,500 thousand for working capital and bank guarantees and as of December 31, 2011 the Company has utilized BGN 4,596. The overdraft matures on January 20, 2012. In order to secure the overdraft the Company has established a mortgage of land and apartments, owned by the Company and pledge of movable property.

(e) The credit line limit of the contract with Citibank Sofia Branch is EUR 9,429 thousand. The credit line matures on September 30, 2011. As of December 31, 2011 the credit line is fully repaid.

(f) 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, 2011 the utilized amount is BGN 3,442 thousand. The loan has been secured by a mortgage on the building and the adjoining land.

(g) The Company has received a loan from ING Bank with a limit of BGN 14,800 thousand and as of December 31, 2011 the amount of BGN 454 thousand has been utilized. In order to secure the loans from ING Bank the Company has issued pledge of present and future receivables from customers, mortgage on property, owned by the Company and promissory note in favour of the bank. The loan matures in August 2012.

(h) The Company has received a credit facility from Tokuda Bank with a limit of BGN 100 thousand. As of December 31, 2010 the whole principal is utilized. The Company has established a pledge of future receivables as a collateral. The credit facility matures in March 2011. As of Decemeber 31, 2011 the credit line is fully repaid.

(i) The Company has received investment loans from Bulgarian Energy Efficiency Fund for financing of projects related to energy efficiency. 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.

(j) The Company has received two credit lines from Unionbank. The first credit line has the contractual amount of BGN 300 thousand and maturity on October 6, 2011 and is fully repaid as of December 31, 2011. The second credit line has the contractual amount of BGN 500 thousand, fully utilized as of December 31, 2011. The maturity of the second credit line is on January 31, 2012. Credit lines are secured with a pledge on receivables.

(k) As of June 2, 2011 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. As of December 31, 2011 BGN 1,997 thousand has been utilized by the Company.

## 12. Loans (continued)

### 12.3 Borrowings from financial institutions (continued)

(l) The Company has signed a loan with Investbank for the amount of BGN 2,000 thousand and maturity on May 26, 2012. As of December 31, 2011 BGN 1,696 thousand has been utilized. The loan is secured with a pledge on receivables.

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, 2011 and 2010 the Company has no liabilities on loans related to the credit facility.

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, 2011 the Company is in compliance with all operational and financial covenants connected to the debenture and bank loans contractual terms.

As of December 31, 2010 the Company has not complied with the financial requirement of one of the loans. The loan has been presented as current liability in the separate financial statements.

### .12.4 Loans from non related parties

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.

As of December 31, 2010 the loans from non related parties consist from unsecured loans from Energomontag AEK AD, Enemona Start AD, Enida engineering AD and others at the total amount of BGN 1,768 thousand, BGN 950 thousand, BGN 372 thousand and BGN 40 thousand respectively. The loans have interest rates between 8% and 9% and maturity in 2011, which could be extended by one month.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 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 31.12.2011 | As of 31.12.2010 | As of 31.12.2011 | As of 31.12.2010 |
| Liabilities under finance lease with maturity: | | | | |
| Up to 1 year | 550 | 737 | 498 | 661 |
| Between 2 and 5 years | 704 | 1,161 | 672 | 1,086 |
| TOTAL LIABILITIES | 1,254 | 1,898 | 1,170 | 1,747 |
| Less: future finance charges | (84) | (151) | - | - |
| PRESENT VALUE OF LIABILITIES | 1,170 | 1,747 | 1,170 | 1,747 |

The carrying amount of assets (property, plant and equipment), acquired through finance lease as of December 31, 2011 and 2010 is BGN 2,885 thousand and BGN 3,188 thousand, respectively.

## 14. Provisions

Provisions represent accruals for unused paid leave at the amount of BGN 220 thousand and BGN 167 thousand as of December 31, 2011 and 2010, respectively.

## 15. Long-term employee benefits

In accordance with the Bulgarian Labor Code, upon termination of labor contracts, when the employee is entitled to retirement benefits, the Company owes severance payments of two gross monthly salaries. In case the employee has worked for more than 10 years with the Company, the severance payment is six gross monthly salaries. As of December 31, 2011 and 2010 the Company has accrued BGN 62 thousand and BGN 118 thousand, respectively, for provision of long-term employee benefits as the provision is calculated by a licensed actuary.

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

- Demographic assumptions
- Mortality chart
- Invalidization 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

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 15. Long-term employee benefits (continued)

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

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Opening defined benefit obligation, January 1 | 244 | 377 |
| Interest cost | 15 | 23 |
| Current service cost | 34 | 36 |
| Benefits paid | (102) | (106) |
| Actuarial (gains)/losses | 25 | (86) |
| Closing defined benefit obligation, December 31 | 216 | 244 |

As of December 31, 2011 and 2010 the Company recorded Long-term employee benefits liability as follows:

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Present value of funded defined benefit obligation | 216 | 244 |
| Unrecognized actuarial gains/(losses) | (154) | (126) |
| Net liability araising from defined benefit obligation | 62 | 118 |

Amounts recognized in the statement of comprehensive income of these defined benefit plans are as follows:

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Current service costs | 34 | 36 |
| Interest on obligation | 15 | 23 |
| Actuarial losses /(gains) recognized in the year | (3) | (8) |
| Benefits paid | (102) | (106) |
| Expense recognized in the statement of comprehensive income | (56) | (55) |

## 16. Trade and other payables

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Payables to suppliers | 6,060 | 13,008 |
| Payables to related parties | 7,154 | 9,238 |
| Payables for dividends on preferred shares | 972 | 881 |
| Payables to staff | 558 | 682 |
| Payables to social insurance organizations | 215 | 251 |
| Payables for VAT liabilities | 1,068 | 186 |
| Other payables | 1,738 | 289 |
| TOTAL TRADE AND OTHER PAYABLES | 17,765 | 24,535 |

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 17. Revenue

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Revenue from construction contracts | 78,862 | 86,300 |
| Revenue from services | 207 | 319 |
| TOTAL REVENUE | 79,069 | 86,619 |

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

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Construction costs incurred plus recognized profits less recognized losses to date | 205,451 | 170,468 |
| Less: Progress billings | (188,395) | (137,847) |
| | 17,056 | 32,621 |
| Gross amounts presented in the statement of financial position comprise: | | |
| Gross amount due from customers under construction contracts | 22,002 | 38,531 |
| Gross amount due to customers under construction contracts | (4,946) | (5,910) |
| | 17,056 | 32,621 |

Retentions held by customers for contract work amounted to BGN 5,978 thousand and BGN 5,192 thousand as of December 31, 2011 and 2010, respectively. Advances received from customers for contract work amounted to BGN 15,482 thousand and BGN 20,248 thousand as of December 31, 2011 and 2010, respectively.

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

During 2011 the Company impaired gross amount due from clients under construction contracts at the amount of BGN 22,693 thousand (see note 23.1). This amount consists mainly of impairment loss on a construction contract related to projects for renewable energy resources. Due to the significant changes related to the legal framework of RER (Renewable Energy Resources) during 2011, which the Management considers as short term events, the uncertainty related to the recoverability of the investments in equipment for generation of electricity from renewable energy resources significantly increased. Recoverability of the receivables from clients related to RER depends on the legal environment regulations. Despite the collaterals and payments received from the clients, due to the described risks above, the Company recognized impairment on the project at the amount of BGN 21,806 thousand.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 18. Investment revenue

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Interest income | 2,206 | 1,875 |
| Dividend income | 536 | 1,663 |
| Foreign exchange gains | 27 | 29 |
| Other finance income | 169 | 7 |
| TOTAL INVESTMENT REVENUE | 2,938 | 3,574 |

## 19. Materials and consumables used

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Materials for main activities | 30,623 | 21,806 |
| Expenses for instruments | 343 | 363 |
| Electric power | 95 | 95 |
| Fuels | 51 | 16 |
| Spare parts | 12 | 50 |
| Stationery | 62 | 71 |
| Other | 32 | 49 |
| TOTAL MATERIALS AND CONSUMABLES USED | 31,218 | 22,450 |

## 20. Hired services

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Under agreements with subcontractors | 21,167 | 26,545 |
| Services with mechanization | 537 | 200 |
| Transportation | 726 | 872 |
| Legal, consulting and mediatory services | 1,199 | 1,203 |
| Insurances | 1,305 | 291 |
| Advertising | 72 | 54 |
| Telecommunications | 144 | 203 |
| Rents | 719 | 709 |
| Fees, mortgage, guarantees | 1,444 | 1,003 |
| Design | 349 | 2,004 |
| Bank fees | 388 | 625 |
| Heating | 94 | 72 |
| Labor permissions and tender documentation | 14 | 22 |
| Other services | 1,911 | 2,736 |
| TOTAL HIRED SERVICES | 30,069 | 36,539 |

## 21. Employee benefits expenses

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Remunerations under labor contracts | 15,098 | 15,598 |
| Remunerations under management contracts | 351 | 330 |
| Civil contracts | 133 | 313 |
| Social and health securities | 2,300 | 2,255 |
| Other expenses | 935 | 315 |
| TOTAL EMPLOYEE BENEFITS EXPENSES | 18,817 | 18,811 |

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 22. Other expenses

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Business trips | 2,133 | 644 |
| Food vouchers | 475 | 661 |
| Expenses for one-off taxes and fees | 434 | 362 |
| Impairment of inventory | - | 50 |
| Waste on non-current assets | 57 | - |
| Entertainment expenses | 11 | 23 |
| Donations | 101 | 21 |
| Other | 323 | 230 |
| TOTAL OTHER EXPENSES | 3,534 | 1,991 |

## 23. Other gains, net

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Proceeds from sale of non-current assets | 2,197 | 208 |
| Carrying amount of sold and disposed non-current assets | (2,072) | (288) |
| Gains from sale of non-current assets | 125 | (80) |
| Proceeds from sale of materials | 1,081 | 3,433 |
| Carrying amount of sold materials | (1,002) | (3,395) |
| Gains from sale of materials | 79 | 38 |
| Revenue from sale of investments in subsidiaries | 18,471 | - |
| Costs to sell investments in subsidiaries | (180) | - |
| Carrying amount of sold investments in subsidiaries | (5,548) | - |
| Profit from sale of investments in subsidiaries – note 23.3 | 12,743 | - |
| Revenue from sale of electricity | 4,535 | - |
| Carrying amount of sold electricity | (4,533) | - |
| Profit from sale of electricity | 2 | - |
| Revenue from revaluation of financial assets held for trading – note 23.2 | 42,117 | - |
| Impairment and writing-off of receivables – note 23.1 | (36,373) | (136) |
| Loss from sale of receivables | (1,391) | - |
| Rent income | 653 | 497 |
| Financing received | 5 | 11 |
| Written-off liabilities | 25 | 140 |
| Gains from consulting services | 67 | 3 |
| Other | 429 | 52 |
| TOTAL OTHER GAINS, NET | 18,481 | 525 |

For the year ended December 31, 2010 the Company reclassified impairment of receivables at the amount of BGN 136 thousand from other expenses to other gains, net.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 23. Other gains, net (continued)

### 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, 2011 the Company analyzed total contract revenue and total estimated costs for construction contracts which are not completed as of the end of the reporting period and recognized impairment losses in the statement of comprehensive income for those construction contracts for which the total estimated profit is lower than the profit already recognized in prior reporting periods.

As of December 31, 2011 the Company reviewed for objective evidences for impairment of the current and non-current loans and receivables and investments in subsidiaries and recognized impairment losses at the amount with which the carrying amounts of the assets exceed their recoverable amount. Recoverable amount is determined as the higher of fair value less costs to sell and value in use.

| | | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|---|
| Impairment of gross amount due from clients under construction contracts – note 17 | (a) | (22,693) | - |
| Impairment of investment in subsidiaries – note 6 | (b) | (2,412) | - |
| Impairment of receivables – note 9 | (c) | (5,304) | (222) |
| Impairment of loans granted to non related parties – note 7 | (c) | (4,953) | - |
| Impairment of loans granted to employees – note 7 | (d) | (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 | 86 |
| | | (36,373) | 136 |

(a) The impairment of the gross amounts due from clients under construction contracts consists mainly of impairment loss of a construction contract related to projects for renewable energy resources. Due to the significant changes related to the legal framework of RER (Renewable Energy Resources) during 2011, which the Management considers as short term events, the uncertainty related to the recoverability of the investments in equipment for generation of electricity from renewable energy resources significantly increased. Recoverability of the receivables from clients related to RER depends on the legal environment regulations. Despite the collaterals and payments received from the clients, due to the described risks above, the Company has recognized impairment loss on the project at the amount of BGN 21,806 thousand.

## 23. Other gains, net (continued)

### 23.1. Impairment and writing off of assets (continued)

(b) During 2011 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 and the net carrying amount of the assets as of December 31, 2011. As a result of the analysis, the Company recognized impairment loss from investment in subsidiaries at the amount of BGN 2,412 thousand:

- 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 receivables. Some of the changes in the estimates are related to the following: 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 the 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 Company 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.

### 23.2. Fair value recognition and revaluation of financial assets

On December 27, 2011 Enemona AD signed a Memorandum of understanding with a public company registered on the Bulgarian Stock Exchange (the Counter party) for cooperation related to exchange of information and experience in the development of projects of renewable energy resources. As a result of the Memorandum, Enemona AD receives 15,000,000 ordinary shares, issued by the Counter party, from the biggest Counter party’s shareholder. The shares are transferred to Enemona AD on December 28, 2011 outside the regulated market. According to the agreement for the transfer of 15,000,00 ordinary shares, Enemona AD has the right to pay for the shares an amount equal to their par value in three-years-period from their acquisition or to transfer their ownership back after the expiration of that period. Enemona AD discounts its liability regarding the purchase price and recognizes liability on financial assets held for trading in the statement of financial position at the amount of BGN 11,583 thousand.

The Company classifies the acquired shares of the Counter party as financial assets held for trading. In 2011 the Company recognizes profit from revaluation of financial instrument at the amount of BGN 42,117 thousand, which is calculated as the difference between acquisition price and market value of the shares as determined by the active quotation of the Bulgarian Stock Exchange. The market price used for the revaluation is the price of the last transaction on the regulated market of the Bulgarian Stock Exchange**.** As of December 31, 2011 the Company recognizes financial asset held for trading in the statement of financial position at the amount of BGN 53,700 thousand.

## 23. Other gains, net (continued)

### 23.3. Profit from sale of investments in subsidiaries

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 Agro Invest Engineering AD. The purchase price 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 entity recognizes a profit at the amount of BGN 12,743 thousand.

On June 28, 2011 the Parent 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 49 BGN 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 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Interest expense | 3,276 | 2,932 |
| Finance costs on construction contracts | 1,207 | 338 |
| Expenses on financial liability on preferred shares | 639 | 670 |
| Foreign exchange losses | 55 | 46 |
| Other finance costs | 75 | - |
| TOTAL FINANCE COST | 5,252 | 3,986 |

## 25. Taxation

Deferred taxes are as follows:

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Deferred tax assets | | |
| Impairment of receivables | 3,373 | 67 |
| Impairment of investments in subsidiaries | 241 | - |
| Impairment of other assets | 7 | - |
| Provisions | 28 | 34 |
| TOTAL DEFERRED TAX ASSETS | 3,649 | 101 |
| | | |
| Deferred tax liabilities | | |
| Non-current assets | 1,129 | 1,120 |
| TOTAL DEFERRED TAX LIABILITIES | 1,129 | 1,120 |
| | | |
| DEFERRED TAX ASSETS/(LIABILITIES), NET | 2,520 | (1,019) |

Deferred tax assets and liabilities as of December 31, 2011 and 2010 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, 2011 and 2010 amount to BGN 557 thousand.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 25. Taxation (continued)

Income tax expenses for the year ended December 31, 2011 and 2010 are as follows:

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Current income tax expense | 845 | 436 |
| Deferred tax in relation to occurrence and reversal of temporary differences | (3,538) | 39 |
| TOTAL TAX (REVENUE) / EXPENSE | (2,693) | 475 |

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

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| Profit before taxation | 10,094 | 5,163 |
| Applicable tax rate | 10% | 10% |
| Tax by applicable tax rate | 1,009 | 516 |
| Tax effect of the non-deductable and non-taxable positions | (3,919) | (147) |
| Effect of different tax rates in other tax jurisdictions | 217 | 106 |
| TAX (REVENUE) / EXPENSE | (2,693) | 475 |
| EFFECTIVE TAX RATE | (27%) | 9% |

## 26. Basic and diluted earnings 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 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Profit for allocation between the shareholders in BGN | 12,786,665 | 4,688,114 |
| Weighted-average number of ordinary shares | 11,933,600 | 11,933,600 |
| Basic earnings per share (in BGN) | 1.07 | 0.39 |

Diluted earnings per share is calculated by adjusting the profit for the period to ordinary equity holders and weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 26. Basic and diluted earnings per share (continued)

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Profit used in the calculation of basic earnings per share (in BGN) | 12,786,665 | 4,688,114 |
| Interest on preferred shares after accounting for all dilutive potential ordinary shares for the period (in BGN) | 638,948 | - |
| Profit used in the calculation of diluted earnings per share (in BGN) | 13,425,613 | 4,688,114 |
| Weighted-average number of ordinary shares used in the calculation of basic earnings per share | 11,933,600 | 11,933,600 |
| Preferred shares convertible in ordinary shares after accounting for all dilutive potential ordinary shares for the period | 1,102,901 | - |
| Weighted-average number of ordinary shares used in the calculation of diluted earnings per share | 13,036,501 | 11,933,600 |
| Diluted earnings per share (in BGN) | 1.03 | 0.39 |

As disclosed in Note 11, as of December 31, 2011 and 2010 the Company has issued warrants which in 2011 and 2010 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 2011 and 2010 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 |
| “EMKO” AD | Subsidiary |
| “Regionalgas” AD | Subsidiary |
| "Hemusgas" AD | Subsidiary |
| “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 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|---|
| "Agroinvest engineering" AD | income from construction contracts | - | 5 |
| | income from services | - | 5 |
| | other gains | 1 | 6 |
| "Enemona Utilities" AD | revenue from sale of electricity | 4,514 | - |
| | income from services | - | 41 |
| | other gains | 52 | 29 |
| | income from dividend | 148 | 1,000 |
| "Esco engineering" AD | income from interest | - | 5 |
| “Enemona Galabovo” AD | income from interest | 10 | - |
| | other gains | 177 | 10 |
| | income from dividend | 228 | 456 |
| “EMKO” AD | income from interest | 22 | 4 |
| "Hemusgas" AD | income from interest | - | 1 |
| "FINI" REIT | income from rent | 5 | 2 |
| "TFEZ Nikopol" EAD | other gains | 3 | 11 |
| "EESF" SPV | income from dividend | 34 | 71 |
| | income from rent | 7 | 3 |
| “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 | 126 | 136 |
| “G Oil Expert” EOOD | income | 3 | 3 |
| TOTAL INCOME FROM RELATED PARTIES | | 6,907 | 1,788 |

In 2011 and 2010 the Company has signed cession agreements with EESF SPV for the sale of receivables at the amount of BGN 1,810 thousand and BGN 3,443 thousand and as of December 31, 2011 and 2010 there are no unsettled balances related to these relations.

The table below discloses the expenses for related parties transactions:

| | Year ended 31.12.2011 | Year ended 31.12.2010 |
|---|---|---|
| “Agroinvest engineering " AD | 243 | 4 |
| “Enemona Galabovo” AD | 9,918 | 11,941 |
| “EMKO” AD | 3,677 | 3,688 |
| TOTAL EXPENSES TO RELATED PARTIES | 13,838 | 15,633 |

Expenses to related parties consist mainly of expenses under agreements with subcontractors.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 27. Related parties transactions (continued)

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

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| "Enemona Utilities" AD | 4,403 | 1,736 |
| "Esco engineering" AD | 141 | 149 |
| "Agroinvest engineering" AD | - | 26 |
| "Pirin Power" AD | 4 | 4 |
| "EESF" SPV | - | 3 |
| "Nevrokop gas" AD | 15 | 15 |
| "Hemusgas" AD | 13 | 13 |
| “EMKO” AD | 1,119 | 677 |
| “Enemona Galabovo” AD” | 2,393 | 3,853 |
| “TFEZ Nikopol" EAD | 100 | 96 |
| “G Oil Expert” EOOD | 1 | - |
| TOTAL | 8,189 | 6,572 |

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 December 31, 2011 and 2010:

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| " Agroinvest engineering" AD | - | 15 |
| "Enemona Utilities" AD | 2,362 | - |
| "Esco engineering" AD | 6 | 6 |
| "Enemona Galabovo" AD | 4,547 | 7,950 |
| “EMKO” AD | 2,601 | 1,267 |
| TOTAL | 9,516 | 9,238 |

Payables to related parties include loans to 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 2011 and 2010 remuneration to the management personnel amount to BGN 231 thousand and BGN 330 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 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at fair value | 53,700 | - |
| Loans and receivables | 81,482 | 101,436 |
| Cash and cash equivalents | 4,957 | 3,818 |
| | 140,139 | 105,254 |
| **Financial liabilities** | | |
| Financial liabilities at amortized cost | 105,562 | 90,993 |

Financial assets at fair value include 15,000,000 ordinary shares of a listed company, traded at Bulgarian Stock Exchange (BSE). The Company acquired the portfolio on December 28, 2011 at Over the Counter market. The equity instruments are classified at initial recognition as held for trading. The reason for this classification is the purpose of the shares – trading for taking advantage of short term movements in the share price. As of December 31, 2011 the Company measured the portfolio at fair value, determined using active quote from observable market – Bulgarian Stock Exchange (BSE). The active quote is determined as the closing price of the last transaction with the instrument on the regulated BSE market. The shares are traded at BSE only.

Enemona AD has the right to pay for the shares an amount equal to their par value in three-years-period from their acquisition or to transfer their ownership back after the expiration of that period. The Company discounts its liability regarding the purchase price and recognizes liability on financial assets held for trading in the statement of financial position at the amount of BGN 11,583 thousand.

Loans and receivables include 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 under construction contracts and liability on financial assets held for trading.

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

### 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.

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

**Fair value of financial instruments, measured at amortized cost (continued)**

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 31.12.2011 | As of 31.12.2010 | As of 31.12.2011 | As of 31.12.2010 |
| **Financial asset** | | | | |
| Loans and receivables | 81,482 | 101,436 | 81,482 | 101,436 |
| Cash and cash equivalents | 4,957 | 3,818 | 4,957 | 3,818 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortized cost | 105,562 | 90,993 | 105,562 | 90,993 |

It is Management judgment, that the fair value of financial instruments approximates their carrying amount.

**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 represents the market estimations 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).

The table below presents information for the financial instruments designated at fair value distributed in the levels from 1 to 3:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets held for trading | - | - | - | - |
| - Equity instruments | 53,700 | - | - | 53,700 |
| Total assets | 53,700 | - | - | 53,700 |

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

## Credit risk

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

Balances with the main contractors of the Company are as follows:

| Name | Type | Carrying amount of receivable as of 31.12.2011 | Carrying amount of receivable as of 31.12.2010 |
|---|---|---|---|
| Contractor 1 | In the country | 15,106 | 18,499 |
| Contractor 2 | Abroad | 9,234 | 8,047 |
| Contractor 3 | In the country | 7,232 | 8,492 |
| Contractor 4 | In the country | 4,821 | 26,682 |
| Contractor 5 | In the country | 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 by collateral, with the exception of a receivable from Contractor 4 under a construction contract, as described in the following paragraph.

The receivables from Contractor 4 includes gross amount due from the contractor under a construction contract at the amount of BGN 441 thousand and BGN 20,836 thousand as of December 31, 2011 and 2010. The contract was signed in 2009 and is in a process as of December 31, 2011 and 2010. As of the date of these separate financial statements the parties are performing their respective obligations based on the contracted terms in order to secure the collectability of the receivable in 2010 the Company negotiated and received payment under the contract at the amount of BGN 2,500 thousand. The Company also signed a contract with the majority shareholder of the client for conditional acquisition of 98% of the shares of the client for the total amount of BGN 1, provided that the client does not settle its liabilities to the Company under the construction contract.

Due to the significant changes related to the legal framework of RER (Renewable Energy Resources) during 2011, which the Management considers as short term events, the uncertainty related to the recoverability of the investments in equipment for generation of electricity from renewable energy resources significantly increased. Recoverability of the receivables from clients related to RER depends on the legal environment regulations. Despite the collaterals and payments received from the clients, due to the described risks above, the Company recognized impairment on the projects.

### 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.

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

### Liquidity risk (continued)

As of December 31, 2011 and 2010 the undiscounted cash flows on financial liabilities of the Company, analyzed 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, 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 |
| Liability on financial assets held for trading | - | - | 15,000 | 15,000 |
| Finance liability on preferred shares | - | - | 6,792 | 6,792 |
| Total financial liabilities | 12,517 | 79,149 | 25,443 | 117,109 |

| **As of December 31, 2010** | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years | Total |
|---|---|---|---|---|
| Financial liabilities | | | | |
| Trade and other payables | 2,874 | 21,662 | - | 24,536 |
| Loans | 2,226 | 43,077 | 18,118 | 63,421 |
| Finance lease liabilities | 191 | 546 | 1,161 | 1,898 |
| Finance liability on preferred shares | - | - | 7,671 | 7,671 |
| Total financial liabilities | 5,291 | 65,285 | 26,950 | 97,526 |

Current loans of the Company include credit lines and overdraft with maturity in 2012. The Company usually renegotiates part of the credit lines and overdrafts.

The credit lines from Societe General Expressbank and Citibank Sofia Branch with total utilized amount as of December 31, 2011 and 2010 of BGN 17,855 thousand and 18,453 thousand respectively, have been granted for the purpose of carrying out specific construction contracts (see also note 12). The payment of these loans is dependent on fulfilling the obligations 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. Therefore, the management of the Company considers that the effect from possible change 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 42,829 thousand and 42,194 thousand as of December 31, 2011 and 2010 and the interest payments are based on EURIBOR and SOFIBOR plus margin. As of December 31, 2011 and 2010 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 2011 and 2010, the interest expense for the year would increase, and profit before taxation would decrease by BGN 214 thousand and BGN 211 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.

The debt ratio as of December 31, 2011 and 2010 is as follows:

| | As of 31.12.2011 | As of 31.12.2010 |
|---|---|---|
| Loans | 71,297 | 60,507 |
| Cash and cash equivalents | (4,957) | (3,818) |
| Loans net of cash | 66,340 | 56,689 |
| Equity | 95,483 | 82,696 |
| Debt ratio (loans net of cash to equity) | 0.69 | 0.69 |

## 29. Geographical information

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

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

| | Revenue from external clients | | Non current assets | |
|---|---|---|---|---|
| | Year ended 31.12.2011 | Year ended 31.12.2010 | As of 31.12.2011 | As of 31.12.2010 |
| Bulgaria | 63,312 | 76,364 | 34,934 | 35,340 |
| Slovakia | 13,591 | 9,677 | 414 | 312 |
| Germany | 1,846 | - | 34 | - |
| Other | 113 | 259 | - | - |
| | 78,862 | 86,300 | 35,382 | 35,652 |

All amounts are in thousand Bulgarian Levs, except otherwise stated

## 30. Contingent liabilities

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, 2010 the Company is a guarantor, co-debtor or avalist of promissory note on loan contracts 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 | EESF SPV | DSK Bank AD | 1,000 |
| Co-debtor | Enemona Utilities AD | Unicredit Bulbank AD | 4,528 |
| Co-debtor | Agro Invest Engineering AD | UBB AD | 4,960 |
| Co-debtor | Agro Invest Engineering AD | MKB Unionbank AD | 750 |
| Co-debtor | Lomsko Pivo AD | MKB Unionbank AD | 500 |
| Guarantor | Agro Invest Engineering AD | Emporiki Bank EAD | 332 |
| Avalist of promissory note | Lomsko Pivo AD | UBB AD | 606 |

As of the date of the preparation of the separate financial statements the subsidiaries service regularly the loans.

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

As of December 31, 2010 the financial covenants for the loans granted to subsidiaries have not been met, and as a result the repayment of the loans may be demanded in advance. The amount of these loans is BGN 10,910 thousand and they have been entirely guaranteed by Enemona AD. No provisions have been accrued in these separate financial statements in relation to this liability, because it is not probable that the Company will have outflow of economic resources.

As of December 31, 2011 and 2010 bank guarantees have been issued on behalf of the Company, at the amount of BGN 46,110 thousand and BGN 61,856 thousand, respectively, which are related mainly to the construction works, including energy and other facilities.

## 31. Events after the reporting period

On January 9, 2012 the Annual general meeting of the owners of the warrants, issued by Enemona, was held, on which a decision was taken that they should not be exercised, since the current market price of the underlying asset (ordinary shares) on the regulated market is below the exercise price of the warrants.

On March 1, 2012, the Federal state enterprise “Federal Energy Service Company” of the Ministry of Energy of the Russian Federation and Enemona AD signed a Memorandum of Understanding. The Memorandum aims to promote cooperation and realization of joint projects in the fields of energy efficiency and energy savings in the Russian Federation, Bulgaria and third countries of Russian and Bulgarian business entities, by attracting funding for projects, as well. The parties will share experience in the area of energy efficiency and energy savings, including technical solutions, organizational approaches and regulations. The Memorandum of Understanding also envisages sharing of experience in the implementation of ESCO contracts (contracts with guaranteed results) and personnel trainings.

On March 2, 2012, Enemona’s subsidiary "EESF" SPV signed a Loan Agreement with the European Bank for Reconstruction and Development amounting to EUR 10 million for securitization of receivables arising from ESCO contracts, with providing of a collateral by Enemona AD, resulting from commitments as guarantor. The term of the loan is seven years and the annual interest rate is fixed for the whole period of the loan to the amount of 6.5%.