1. Organisation and scope of activity

Enemona AD (the "Parent company") was initially registered as a partnership company in 1990 and in 1994 the Parent-company was registered as a joint-stock company. The address of the Parent-company according to the court registration is at the city of Kozlodui, Panaoit Hitov 1A. The Parent-company is a public entity and its shares are registered at the Financial Supervision Commission in order to be traded at the Bulgarian Stock Exchange. As of December 31, 2012 and 2011 the major shareholder of Enemona AD is Dichko Prokopiev Prokopiev. There have been no changes in the legal status of the Parent company during the current financial year.

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

These consolidated financial statements for the year ended December 31, 2012 include financial information about the Parent company and its subsidiaries and associates (together referred to as "the Group").

As of December 31, 2012 and 2011 the employees of the Group are 1,498 and 1,168, respectively.

As of December 31, 2012 the following subsidiaries of the Parent company have been included in the consolidation:

		Interest	
Company	Description of activities	As of 31.12.2012	As of 31.12.2011
Enemona Utilities AD	Trade in electrical power	97.24%	99.46%
FEEI ADSIP	Special investment purpose company – securitization of receivables	88.97%	88.97%
Pirin Power AD	Design and construction of energy projects	100.00%	100.00%
FINI ADSIP	Special investment purpose company – purchase of real estate	69.23%	69.23%
Hemus gas AD	Construction of compressor stations	50.00%	50.00%
Esko engineering AD	Heating and air conditioning projects	99.00%	99.00%
TFETS Nikopol EAD	Construction of electric power station	100.00%	100.00%
Enemona Galabovo AD	Construction contracts	-	91.13%
Nevrokop gas AD	Trade in gas	90.00%	90.00%
EMKO AD	Construction contracts	77.36%	77.36%
Regionalgas AD	Gasification projects	50.00%	50.00%
PPP Mladenovo EOOD	Photovoltaic power station projects	100.00%	100.00%
Artantes Mining Group AD	Exploration of mineral resources	90.00%	100.00%

The basis and principles for the preparation of the consolidated financial statements are disclosed in note 2.2. below.

In Augist 2012 the Group started the execution of construction contract in Norway due to which the Group has registered a branch office in Norway.

In May 2010 the Group registered a branch in the Republic of Slovakia, which is related to carrying out a construction contract.

1. Organisation and scope of activity (continued)

Regionalgas AD is a subsidiary of Enemona Utilities AD, which as of December 31, 2012 and 2011 holds 50% of the shares of Regionalgas or the direct interest of the Group in Regionalgas AD is 50%.

The Group's management considers the investments in Regionalgas AD and Hemusgas AD as non-controlled jointly activity since the Group does not govern the financial and operational policy of these entities.

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

On June 19, 2012 PPP Mladenovo increased its share capital by registering 300 new shares with nominal value of BGN 100 each.

On October 19, 2012 Enemona AD sold 2,050,500 ordinary registered shares representing 91,13% of the share capital of Enemona Galabovo AD. The sale price is BGN 2,900 thousand. .

On November 19, 2012 Enemona AD sold 50 ordinary registered shares representing 2,22%of the share capital of Enemona Utilities AD. After the sale the Group holds 97,24% of the share capital of Enemona Utilities AD.

Discontinued operations

In 2012 the Group sold its interest in Enemona Galabovo AD which is presented as a discontinued operations in these consolidated financial statements.

As of December 31, 2012 the current financial result of the company at transaction date and the result from the transaction are stated in the consolidated statement of comprehensive income as discontinued operations. Comparative data is reclassified according the to requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2. Accounting policy

2.1 General financial reporting framework

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

Changes in IFRS

Standards and Interpretations effective in the current period

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

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

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

2. Accounting policy (continued)

2.1 General financial reporting framework (continued)

Changes in IFRS

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

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

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 11 "Joint Arrangements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRS 13 "Fair Value Measurement", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 1 "Presentation of financial statements" -Presentation of Items of Other Comprehensive Income, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after July 1, 2012);
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on June 5, 2012 (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IAS 32 "Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on December 13, 2012 (effective for annual periods beginning on or after January 1, 2014);
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on December 11, 2012 (effective for annual periods beginning on or after January 1, 2013).

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

2. Accounting policy (continued)

2.1 General financial reporting framework (continued)

Changes in IFRS

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

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

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

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

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

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

2.2 Basis of preparation

The consolidated 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.

The consolidated financial statements have been prepared on accrual basis and the going concern assumption

2. Accounting policy (continued)

2.3 Principles of consolidation

As of December 31, 2012 and 2011 the Group consists of the Parent company and its subsidiaries listed in note 1.

A subsidiary is an entity that can be controlled by the Parent company through determining its financial and operating policies or in another manner to the extent that the Parent company can obtain benefits from its activities. Most often the exercising of control is accompanied by owning more than half of the voting rights in a given company.

The financial statements of the subsidiary are subject to full consolidation from the moment in which the Parent company obtains effective control and are excluded from the consolidated financial statements, when the company is no longer controlled by the Parent company.

When necessary, adjustments and reclassifications are made in the financial data of the separate financial statements of the subsidiaries in order to unify their accounting policies with the accounting policy of the Parent company.

All significant intra-group balances and intra-group transactions, as well as intra-group profits and losses are eliminated as a result of the consolidation procedures.

Non-controlling interests in subsidiaries are disclosed apart from the Group's equity. Interest of non-controlling shareholders is measured at initial recognition of the business combination using one of the following methods: (1) at fair value and (2) as the proportional share in non-controlling interests in the fair value of the identifiable net assets of the acquired company. The method for initial accounting of non-controlling interests is chosen separately for each business combination. Upon subsequent measurement the balance of the non-controlling interests is determined as a sum of initially recognized balance and the share of non-controlling shareholders in the equity changes of the subsidiary. Comprehensive income is distributed to non-controlling interests even when this results in negative balance of the non-controlling interests.

When acquiring investments in subsidiaries they are reported by applying the acquisition method, which includes identifying the acquirer, determining the consideration for the acquisition and allocating the consideration for the acquisition among the acquired assets, assumed liabilities and contingent liabilities. The consideration for the acquisition cost is an aggregate of the fair values, as of the date of exchange, of the assets granted, liabilities incurred or assumed and equity instruments, issued by the acquirer in exchange of control over the acquiree, as well as costs directly attributable to the transaction. The excess of acquisition price over the interest of the acquirer in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree is reported as goodwill. In cases when the acquisition price is lower than the interest of the investor in the fair value of the net assets of the acquired company, then the difference is recognized directly in the statement of comprehensive income.

Goodwill arising in business combinations is reviewed for impairment annually, or more often, if there are events or changes in circumstances, which indicate impairment.

Companies in which the Group has significant influence, but no control, are accounted for in the consolidated financial statements as associates (see note 2.13). Significant influence is the right of participation in the financial and operational decisions of the associates, but no control over these decisions.

2. Accounting policy (continued)

2.4 Business combinations

According to the requirements of IFRS 3 Business combinations, business combination is alliance of companies or businesses into a single accounting entity. In case a company obtains control over another company which does not represent separate business the alliance of these companies is not recognized as business combination. A business combination is accounted for under the purchase method according to the requirements of the applicable standards.

When changes in Parent company's interests in subsidiaries occur in reporting periods after the control was obtained and do not result in a loss of control, they are accounted for as equity transactions (i.e. transactions with shareholders in their capacity of shareholders). In such circumstances the carrying amounts of the interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and their fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent company.

When the Group loses control of a subsidiary the profit or loss on disposal is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the carrying amount of the assets (incl. goodwill), liabilities and any non-controlling interests of the sold company.

2.5 Functional currency and presentation currency

According to the Bulgarian accounting legislation the Group keeps its records and prepares 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 Group's functional currency is the Bulgarian national currency.

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

2.6 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 in the statement of comprehensive income for the period in which they arise. The monetary positions denominated in foreign currency as of December 31, 2012 are stated in these financial statements at the closing exchange rate of BNB.

2.7 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 as of the date of the 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 sources of uncertainty in making these reasonable assumptions are disclosed in note 3 below.

2. Accounting policy (continued)

2.8 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 any accumulated impairment loss.

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

Acquisition costs for property, plant and equipment comprise of non-current assets under construction and are recorded 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 placing the respective assets into operation.

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

Assets	Useful life (years)
Buildings	От 45 г. до 51 г
Machinery	От 5 г. до 7 г.
Equipment	От 5 г. до 7 г.
Fixture and fittings	От 5 г. до 10 г.

Assets acquired under finance lease are depreciated over their expected useful life on the same base as the own assets, or when the term of the lease agreement is less than the asset's 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 arising from sales of property, plant or equipment are calculated as a difference between the proceeds and the net book value of the assets sold, and are recorded in the statement of comprehensive income.

2.9 Investment properties

Investment properties of the Group consist of land and buildings owned by a special investment purpose company, which are held for generating income from rent or for selling at higher prices.

Investment properties are measured initially at cost, which includes the purchase price, as well as direct costs attributable to the acquisition of the properties. Subsequent expenses, related to the investment property, which have already been recognized, are added to the net book value of the investment property, when it is probable that future economic benefits will flow to the company that exceed the initially estimated efficiency of the existing investment property. All other subsequent expenses are recognized as expenses in the period when they arise.

Subsequent measurement of investment properties is performed by using the fair value, which measures an investment property after the initial recognition at cost. The changes in fair value are recognized in the statement of comprehensive income.

2. Accounting policy (continued)

2.10 Intangible assets

Software and licenses are the major components comprising the intangible assets. Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that economic benefits will flow to the entity as a result of owning the asset and if the value of the asset can be measured reliably. After initial recognition intangible assets are measured at cost less accumulated amortization and impairment losses. Intangible assets are amortized during the useful life by using the straight line method.

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

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

2.11 Exploration and evaluation assets

Exploration and evaluation assets comprise 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 minus accumulated amortization and impairment loss.

The Group 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 Group reclassifies exploration and evaluation assets as intangible assets and depreciates them based on their expected useful life.

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

2.12 Impairment of property, plant and equipment and intangible assets

As of each date of the consolidated statement of financial position, the Group reviews whether there is any indication for impairment of property, plant and equipment and intangible assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit, to which the asset belongs.

Intangible assets with unidentified 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.

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 is reduced to its recoverable amount. Impairment loss is recognized as an expense 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.

2. Accounting policy (continued)

2.12 Impairment of property, plant and equipment and intangible assets (continued)

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, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as an increase in the revaluation reserve.

2.13 Investments in associates

An associate is an entity over which Enemona AD, directly or indirectly through one or more subsidiaries, has significant influence, but 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.

In these consolidated financial statements Enemona AD reports investments in associates using the equity method; i. e. reports the interest in the profit and losses of the associates.

2.14 Segment reporting

Information on operating segments in these consolidated financial statements has been presented in a manner that is similar to the operational reports submitted to the management of the Group, on the basis of which decisions are taken regarding the resources, which should be allocated in segments and should measure the operating results.

2.15 Inventory

Inventory consists of materials, work in progress and finished work.

Inventories are stated at lower of cost and net realizable value. Cost comprises 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.

2.16 Employee benefits

In accordance with IAS 19 Employee Benefits the Group recognizes liabilities for retirement compensations, which are calculated by licensed actuary by using the Projected Unit Credit Method (see note 18). The amount reported in the statement of financial position, represents the current amount of the non-current liabilities of the Group for retirement compensations.

2.17 Lease

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

Finance lease

In the inception a lease contract is recognized as an asset of the Group 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.

2. Accounting policy (continued)

2.17 Lease (continued)

Finance lease (continued)

The respective liability to the lessor is reported in the 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 statement of comprehensive income.

Operating lease

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

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

2.18 Provisions

Provisions are recognised when the Group 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 repayment of current liability as of the date of the statement of financial position as liability risks and uncertainties are taken into consideration. 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 third party, the receivables are recognized as an asset, if it is sure that the repaid amount will be received and the receivables could be measured reliably.

2.19 Taxes

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

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 (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 (loss).

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

2. Accounting policy (continued)

2.20 Financial instruments

The Group's financial instruments include cash on hand and in banks, trade and other receivables, loans granted and received, trade and other payables. The Group'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 fair arm's length transaction.

Investments are recognized and disposed on the trading date where 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 by fair value in profit or loss, which are initially measured at fair value.

2.20.1 Financial assets

Financial assets are classified in the following specific categories: financial assets reported at fair value through profit or loss, held to maturity investments, available for sale financial assets 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 or determinable payments, which are not trade on active market, are classified as loans and receivables.

As of December 31, 2012 and 2011 the Group owns financial assets reported at "loans and receivables" category.

Cash and cash equivalents

Cash comprises cash on hand and in banks. The Group considers all highly liquid financial instruments with maturity 3 months or less for 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.

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.

2. Accounting policy (continued)

2.20 Financial instruments (continued)

2.20.1 Financial assets (continued)

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 Group and receivables on financing of activities for energy efficiency are reported in the statement of financial position as „Loans and advances", and other trade receivables – in "Trade and other receivables".

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

Impairment

As of the date of preparation of the financial statements financial assets with the exception of financial assets carried at fair value through profit or loss, are reviewed for indications of impairment. 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.

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

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

With the exception of the 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.

2.20.2 Issued 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 contract agreement.

Equity instruments

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

2. Accounting policy (continued)

2.20 Financial instruments (continued)

2.20.2 Issued financial liabilities and equity instruments (continued)

Financial liabilities

Financial liabilities include received loans (bank loans, debenture loans and other borrowed funds) and trade and other payables.

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 statement of comprehensive income over the period of the loan by using the effective interest method.

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

Loans are recognized as short-term, except when the Group has the unconditional right to reschedule the payment of the liability for at least 12 months after the date of the statement of financial position.

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

2.21 Income and expenses under construction contracts

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

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

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

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

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

2. Accounting policy (continued)

2.22 Other income and expenses

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

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

Expenses are recognized in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or increase in a liability has arisen and can be measured reliably. Expenses are recognized on the basis of a current 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 based on the principal due and the applicable/effective interest rate.

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

Commercial activities are analyzed by the Group in order to identify presence or absence of agency relationship. The process includes the circumstances related with the risk and rewards for the Group, when goods are sold and services are rendered. When there is no agency relationship income and expenses (or cost) for the commercial activities of the Group are presented as gross amounts in the statement for comprehensive income.

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

The preparation of 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 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 consolidated financial statements as actual results could defer from those estimates.

3.1. Revenue and expenses under construction contracts

As disclosed in note 2.21 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 Group. 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 determining the expected future cash flows, the Group analyzes the financial capabilities of its debtors and the expected period for receiving the cash flows.

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

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

3.5. Economic environment

In 2012 and 2011 as a result of the global financial crisis, a decrease in the economic development of the Bulgarian economy is perceived which affects a wide range of industrial sectors. This leads to noticeable aggravation of cash flows; decline in income and as a result to substantial worsening of the economic environment in which the Group operates. In addition the entity is exposed to significantly higher price, market, credit, liquidity, interest, operating and other risks. As a result, uncertainty for the ability of clients to settle their liabilities in accordance with contracted terms increases. Therefore, the amount of impairment losses on loans granted, receivables from clients, and the value of other accounting estimates in subsequent periods could substantially differ from those determined and recorded in this separate financial statements. The management of the Group applies all necessary procedures to control these risks.

3.6. Fair value of financial assets

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

4. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Vehicles	Other	Assets under construction	Total
Cost							
JANUARY 1, 2011	22,513	33,554	20,752	11,515	5,943	5,952	100,229
Additions	-	-	351	51	56	2,105	2,563
Transfers	207	97	2	79	2	(387)	-
Disposals	(411)	(95)	(58)	(234)	(179)	-	(977)
Derecognized on disposal of subsidiaries	(16,020)	(6,055)	(9,776)	(1,156)	(2,096)	(1,141)	(36,244)
DECEMBER 31, 2011	6,289	27,501	11,271	10,255	3,726	6,529	65,571
Additions	-	2,268	290	51	128		2,737
Transfers	-	-	1	-	-	(1)	-
Disposals	-	(583)	(260)	(375)	(212)	(21)	(1,451)
Derecognized on disposal of subsidiaries	(131)	(1,718)	(4,555)	(345)	(550)	(11)	(7,310)
DECEMBER 31, 2012	6,158	27,468	6,747	9,586	3,092	6,496	59,547
Accumulated depreciation and impairment							
JANUARY 1, 2011		4,629	9,845	3,553	2,793	-	20,820
Depreciation charge	-	548	687	797	410	-	2,442
Depreciation charge for discontinued operations	-	-	636	-	-	-	636
Impairment	-	-	-	-	11	168	179
Disposals	-	(20)	(55)	(195)	(139)	-	(409)
Derecognized on disposal of subsidiaries	-	(2,412)	(5,408)	(281)	(1,045)	-	(9,146)
DECEMBER 31, 2011	-	2,745	5,705	3,874	2,030	168	14,522
Depreciation charge	-	545	690	748	314		2,297
Depreciation charge for discontinued operations	-	26	516	26	45	-	613
Disposals	-	(177)	(231)	(280)	(135)		(823)
Reversal of impairment	-	-	-	-	(11)		(11)
Derecognized on disposal of subsidiaries	-	(99)	(2,415)	(119)	(218)		(2,851)
DECEMBER 31, 2012	-	3,040	4,265	4,249	2,025	168	(13,747)
Net book value							
December 31, 2011	6,289	24,756	5,566	6,381	1,696	6,361	51,049
December 31, 2012	6,158	24,428	2,482	5,337	1,067	6,328	45,800

4. Property, plant and equipment (continued)

As of December 31, 2012 and 2011 property, plant and equipment with carrying amount of BGN 2,391 thousand and BGN 4,871 thousand, are leased under financial lease contract (see note 16).

As of December 31, 2012 and 2011 property, plant and equipment with carrying amount of BGN 18,069 thousand and BGN 28,677 thousand, respectively, are pledged as collateral under bank loan agreements (see note 15).

5. Investment properties

	As of 31.12.2011	As of 31.12.2010
Balance at the beginning of the year	534	550
Sales	(364)	-
Impairment	(2)	(16)
Balance at the end of the year	168	534

On April 4, 2012 the Group sold 2 land properties in the town of Lom with the total area of 35,586 sq.m. and carrying amount of BGN 331 thousand. The Group sold the properties at carrying amount of BGN 331 thousand and did not recognized a financial result in the consolidated statement of comprehensive income for the year ended December 31, 2012.

In August 2012 the Group sold a land property in the town of Lom with the total area of 3,500 sq.m. and carrying amount of BGN 33 thousand. The Group sold the property at the amount of BGN 34 thousand and recognized profit of BGN 1 thousand in the consolidated statement of comprehensive income for the year ended December 31, 2012

As of December 31, 2012 and 2011 the Group performed a revaluation of investment properties to their fair value and as a result, for the year ended December 31, 2012 and 2011 an impairment at the amount of BGN 2 thousand and BGN 16 thousand, respectively, is recognized. In 2012 no investment properties have been acquired.

The investment properties of the Group are rented out. In 2012 no rent income have been reported and in 2011 the rent income reported in the consolidated statement of comprehensive income amount to BGN 67 thousand.

6. Intangible assets

	Rights	Software	Total
Cost			
JANUARY 1, 2011	2,671	394	3,065
Additions			
Disposals	-	(70)	(70)
Derecognized on disposal of subsidiaries	(1,180)	(16)	(1,196)
31 ДЕКЕМВРИ 2011	1,491	308	1,799
Additions	-	13	13
Disposals	-	(25)	(25)
Derecognized on disposal of subsidiaries	-	(9)	(9)
DECEMBER 31, 2012	1,491	287	1,778

6. Intangible assets (continued)

	Rights	Software	Total
Accumulated amortization			
JANUARY 1, 2011	920	268	1,188
Charged for the period	65	34	99
Disposals	-	(63)	(63)
Derecognized on disposal of subsidiaries	(150)	(6)	(156)
DECEMBER 31, 2011	835	233	1,068
Charged for the period	64	27	91
Disposals	-	(25)	(25)
Derecognized on disposal of subsidiaries	-	(3)	(3)
DECEMBER 31, 2012	899	232	1,131
Net book value			
December 31, 2011	656	75	731
December 31, 2012	592	55	647

7. Exploration and evaluation assets

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

Exploration and evaluation assets represent capitalized expenditures on energy project Lom Lignites. The project is related to obtaining concession for lignite production from Lom Lignite field. As of December 31, 2012 and 2011 exploration and evaluation assets amount to BGN 1,639 thousand and BGN 1,579 thousand, respectively. As of these dates the Group has not charged amortization of the assets as the technical feasibility and commercial viability of the project are not demonstrable.

As of December 31, 2012 and 2011 the Group estimated that there are no indications for impairment of the exploration and evaluation assets and no impairment has been recorded on them.

8. Investments in associates

As of December 31, 2012 and 2011 investments in associates are as follows:

			COST	
COMPANY	As of 31.12.2012	As of 31.12.2011	As of 31.12.2012	As of 31.12.2011
Alfa Enemona OOD	40%	40%	4	4
TOTAL			4	4

In these consolidated financial statements the investment in associated company is presented using the equity method, considering the share of profit and loss of the associated company.

The summarized information about the associated company as of December 31, 2012 and 2011:

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

8. Investments in associates (continued)

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

9. Current and non-current loans and receivables

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

Non-current loans and receivables	As of 31.12.2012	As of 31.12.2011
Receivables on ESCO contracts of the Group	26,067	25,537
Receivables related to securitization with counterparties outside the Group	1,898	1,890
Cession receivables	4,695	5,181
Loans granted to related parties		-
Loans granted to employees	1,086	2,060
Other assets	10	15
Discounted receivables under ESCO contracts – non-current – notes 23 and 37	(1,602)	(2,949)
TOTAL NON-CURRENT LOANS AND RECEIVABLES	32,154	31,734
Impairment of loans granted to employees (note – note 26.1.	(597)	(973)
TOTAL NON-CURRENT LOANS AND RECEIVABLES, NET	31,557	30,761

Current loans and receivables	As of 31.12.2012	As of 31.12.2011
Receivables on ESCO contracts of the Group	7,525	6,497
Receivables related to securitization with counterparties outside the Group	1,309	1,224
Cession receivables	1,303	1,845
Loans granted to non related parties	15,179	16,543
TOTAL CURRENT LOANS AND RECEIVABLES	25,316	26,109
Impairment of loans granted to non related parties (note 26.1.)	(3,782)	(4,953)
TOTAL CURRENT LOANS AND RECEIVABLES, NET	21,534	21,156

Receivables on ESCO contracts of the Group represent receivables on contracts for engineering performance with guaranteed result (ESCO contracts), under which the engineering activities are performed by the Group and deferred payment has been negotiated. Receivables under ESCO contracts are stated at amortized cost.

Receivables related to securitization represent receivables, acquired under cession contracts with companies not in the Group.

As of 31 December 2012 and 2011 cession receivables comprise present value of the transferred receivable to local company.

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

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

As of December 31, 2012 and 2011 non-current loans and receivables to the amount of BGN 24,545 thousand and BGN 8,337 thousand, respectively, are pledged as collateral under loan from the European Bank for Reconstruction and Development (EBRD) –see note 15.

The movement of the impairment allowance is presented below:

	As of 31.12.2012	As of 31.12.2011
Balance at the beginning of the year	5,926	-
Recognized impairment of non-current loans and receivables	-	973
Reversed impairment of non-current loans and receivables	(1,171)	
Recognized loss from impairment of current loans and receivables	-	4,953
Reversed loss from impairment of current loans and receivables	(376)	
BALANCE AT THE END OF THE YEAR	4,379	5,926

10. Goodwill

	As of 31.12.2012	As of 31.12.2011
Cost of goodwill	3,413	3,413
Impairment of goodwill	(1,300)	(1,300)
Carrying amount	2,113	2,113

Goodwill amounting to BGN 3,413 thousand is formed by acquiring the subsidiary EMKO AD in 2008. The amount of goodwill is determined as a difference between the acquisition cost and the acquired share of the net fair value of the identifiable assets, liabilities, and contingent liabilities of the acquired company.

As of December 31, 2012 the Group carried out an impairment review of the recoverable amount of the goodwill and ascertained impairment indicators. For the valuation of the goodwill the Group 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.

For the purposes of this analysis, the goodwill is allocated to a construction cash generating unit – subsidiary EMKO AD.

As a result of the analysis, as of December 31, 2011 the Group has provided allowance for impairment of the goodwill at the amount of BGN 1,300 thousand, which is stated as impairment loss on goodwill in 2011 (see also note 26.1)

11. Inventories

	As of 31.12.2012	As of 31.12.2011
Materials	7,120	4,262
Finished goods	-	-
Goods	11	21
Work in progress	559	391
TOTAL	7,690	4,674

11. Inventories (continued)

As of December 31, 2012 the Group has not recognized impairment of inventory. As of December 31, 2011 the Group recognized an impairment of inventory at the amount of BGN 88 thousand, presented in the consolidated statement of comprehensive income.

As of December 31, 2012 and 2011 inventories at cost to the amount of BGN 1,956 thousand and BGN 3,912 thousand are pledged as collateral under loans (see also note 15).

12. Trade and other receivables

	As of 31.12.2012	As of 31.12.2011
Receivables from customers	25,159	28,291
Advances to suppliers	14,241	9,268
Retentions	9,148	5,979
Advances to employees	166	225
Receivables from related parties	1	1
Other receivables	4,120	3,391
TOTAL TRADE AND OTHER RECEIVABLES	52,835	47,155
Impairment of receivables from customers	(5,936)	(5,941)
TOTAL TRADE AND OTHER RECEIVABLES, NET	46,899	41,214

As of December 31, 2012 and 2011 trade and other receivables at the amount of BGN 18,069 thousand and BGN 30,774 thousand, respectively, are pledged as collateral under loan contracts (see also note 15).

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

	As of 31.12.2012	As of 31.12.2011
Balance at the beginning of the year	5,941	860
Recognized loss from impairment of receivables	-	5,308
Recovered during the period	-	(44)
Reintegrated loss from impairment	-	(183)
Derecognized impairment on disposal of subsidiaries	(5)	
Balance at the end of the year	5,936	5,941

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

Receivables which are overdue for less than 1 year are not considered impaired, because of the nature of the operating cycle of the Group. Trade and other receivables include receivables, which are overdue for more than 1 year, but management considers that they are recoverable, because the customers' credit standing has not been deteriorated.

Receivables from customers, which are overdue but not impaired, are as follows:

	As of 31.12.2012	As of 31.12.2011
1 - 1.5 years	1,711	2,332
1.5 – 2 years	361	386
Over 2 years	4,451	1,621
TOTAL	6,523	4,339

12. Trade and other receivables (continued)

Receivables from customers, which are overdue but not impaired, are not secured and the Group 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, 2012 and 2011 is as follows:

	As of 31.12.2012	As of 31.12.2011
Below 1 year	-	2,065
1 - 1.5 years	315	3,843
1.5 – 2 years	190	318
Over 2 years	6,683	2,979
TOTAL	7,188	9,205

13. Cash and cash equivalents

	As of 31.12.2012	As of 31.12.2011
Cash at banks	4,063	10,272
Restricted cash at bank	395	577
Cash in hand	495	889
TOTAL CASH IN HAND AND AT BANKS	4,953	11,738

As of December 31, 2012 restricted cash represents cash in bank account restricted as a collateral under issued bank guarantees (see also note 33).

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

14. Issued share capital and reserves

Issued share capital includes:

	As of 31.12.2012	As of 31.12.2011
Ordinary shares – note 14.1	11,934	11,934
Preferred shares – note 14.2	1,103	1,103
TOTAL ISSUED SHARE CAPITAL	13,037	13,037
Premiums from share issuance – note 14.3	8,739	36,262
TOTAL ISSUED SHARE CAPITAL AND RESERVES	21,776	49,299

14.1. Ordinary shares

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

14. Issued share capital and reserves (continued)

14.1. Ordinary shares (continued)

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

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

The share capital of ordinary shares is fully paid in as of December 31, 2012 and 2011. Group's share capital includes in-kind contribution in the form of titles of property over three combined trademarks, with fair value to the amount of BGN 1,400 thousand obtained through independent appraiser's report. Titles of property are presented as intangible assets (see note 6 above).

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

14.2. Preferred shares

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

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

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

14.3. Premiums from share issuance

	As of 31.12.2012	As of 31.12.2011
Balance as of January 1	36,262	36,262
(Cover of loss from prior periods)	(27,523)	-
Balance as of December 31	8,739	36,262

14. Issued share capital and reserves (continued)

14.4. Reserves

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

In 2009 the Parent 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 Group'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 Enemona AD 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.

15. Loans

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

	As of 31.12.2012	As of 31.12.2011
Borrowings from financial institutions	106,414	74,190
Borrowings from non-related parties	1,805	10,557
TOTAL	108,219	84,747

15.1 Borrowings from financial institutions

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

		As of 31.12.2012	As of 31.12.2011
Credit line – SG Expressbank AD	(a)	17,416	17,855
Investment loans – DSK Bank AD	(б)	11,833	14,930
Credit lines – Unicredit Bulbank AD	(в)	22,332	14,501
Investment loan – Unicredit Bulbank AD	(г)	5,244	6,568
Overdraft – Unicredit Bulbank AD	(д)	1,953	1,467
Overdraft - UBB	(е)	679	4,596
Credit line – ING Bank AD	(ж)	10,133	454
Credit line – MKB Unionbank AD	(з)	3,607	1,000
Overdraft – Investbank AD	(и)	850	1,696
Investment loan - European Bank for Reconstruction and Development (EBRD)	(к)	23,187	8,350
Credit lines – Eurobank EFG	(л)	2,364	-
Corporate credit cards – Unicredit Bulbank AD	(м)	1	
Credit lines – International Asset Bank AD	(н)	6,815	-
Investment loans – „Renewable Energy and Energy Efficiency Fund"	(о)	-	38
Investment loans – EIBank		-	12
Overdraft – FIB	(п)	-	1,997
Overdraft – Alianz Bank Bulgaria	(р)	-	726
TOTAL LOANS FROM FINANCIAL INSTITUTIONS		106,414	74,190

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

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

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

15. Loans (continued)

15.1 Borrowings from financial institutions (continued)

(b) The loan from DSK Bank is granted for the purpose of financing of Group's energy efficiency projects. The limit of the loan is EUR 7,750 thousand and as of December 31, 2012 the Group has utilized 11,833 thousand. In order to secure the loan from DSK Bank Enemona AD has issued promissory note, pledge of future receivables from customers on financed projects, financial risk insurance. The loan contract matures in 2014.

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

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

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

(d) The investment loan from Unicredit Bulbank is granted for the purpose of financing the construction and operation of virtual gas line and matures in October 2016, and as of December 31, 2012 amounts to BGN 2,480 thousand. In order to secure the loan the Group has established a mortgage of land and natural gas compensation and decompensation stations built on it, pledge of equipment, and pledge of present and future receivables on the project, pledge of cash. An investment loan was granted for the purchase of an office building in Sofia. Utilized amount as of December 31, 2012 amounts to BGN 2,764 thousand. The loan is secured by a mortgage on the building and its land.

(e) Overdraft loan from UniCredit Bulbank is granted with the limit of BGN 1,000 thousand. The loan has been granted for working capital purpose and is secured by pledge of future receivables, cash and production equipment. As of December 31, 2012 BGN 1,953 thousand has been utilized

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

(g) The Group received a credit limit issued by ING Bank N.V. - Sofia branch at the amount of BGN 17,800 thousand, from which as of December 31, 2012 the utilized amount is BGN 10,133 thousand as overdraft and credit line, securing working capital needs for the implementation of specific contracts. As a security the Group has established a collateral of present and future receivables from customers, mortgage on a property owned by the Group and a promissory note in favour of the bank has been issued.

(h) The Group has received four 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 and matures on January 31, 2012. The line is fully repaid as of December 31, 2012. The third credit line has the contractual amount of BGN 500 thousand and matures on January 3, 2012. The line is fully repaid as of December 31, 2012.

15. Loans (continued)

15.1 Borrowings from financial institutions (continued)

On March 28, 2012 the Group signed a contract for a new combuned credit line for financing a certain contract. The total amount is EUR 4,800 thousand and EUR 2,500 thousand of which is for working capital. As of December 31, 2012 the utilized amount is of BGN 3,607 thousand. The loan is secured by receivables on the contract.

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

(j) Under a loan contract dated December 21, 2007 with the European Bank for Reconstruction and Development (EBRD) at total amount of EUR 7 million in 2010 and 2009 the Group received funds at the amount of EUR 1,665 thousand (2010) and EUR 2,335 thousand (2009) and EUR 3,000 thousand (2008), respectively, for the purpose of financing of completed projects for energy efficiency with guaranteed result (ESCO contracts). In 2012 applicable annual interest rate on the loan is as follows: for the first tranche – 6.45%, for the second tranche – 6.5%. In 2012 interest payments have been made under contract at the amount of BGN 478 thousand (2011: BGN 642 thousand). Principal of the loan will be repaid in equal quarterly installments (23 installments for the first tranche and 21 installments for the second tranche). The loan matures on March 4, 2015. In 2012 part of the principal has been repaid at the amount of EUR 1,312 thousand (2011: EUR 1,312 thousand).

On March 2, 2012 the Group signed a new contract with EBRD at the total amount of EUR 10 milion. According to the contract provisions the utilization term of the loan is March 3, 2013 and the first utilized amount should be not less than EUR 1,000 thousand. The loan bears a fixed interest rate of 6.50%. The principal is deferred to 25 payments and the first of which is of EUR 1,111 thousand due in March 2013 while the other 24 payments are equal quarter amounts of EUR 370 thousand. The final maturity date for loan repayment is March 4, 2019. Receivables are pledged as a collateral the securitization of which is financed by funds on the loan. Enemona AD is a garrantor under EBRD loan. In 2012 interest payments at the amount of BGN 597 thousand and management fee payments of BGN 196 thousand were made. The loan is secured by pledge of cash at bank accounts and receivables with carrying amount of BGN 18,271 thousand and BGN 8,337 thousand as of December 31, 2012 and 2011, respectively.

(k) the Group has received a credit facility from Eurobank EFG AD for working capital with total limit at the amount of EUR 1,500 thousand. The utilized amount as of December 31, 2012 is BGN 2,364 thousand. The loan payable is secured by pledge on receivables and goods.

(l) the Group has signed a contract with UniCredit Bulbank AD for issuance of corporate credit cards with limit at the amount of BGN 100 thousand. As of December 31, 2012 BGN 1 thousand is utilized.

(m) the Group has signed agreements for three credit facilities from International Asset Bank AD, which are extended for financing working capital for operations and fulfilling a specific contract. The total amount of the three credit lines is EUR 3,515 thousand, whereas the utilized amount as of December 31,2012 is BGN 6,815 thousand. The loan payables are collateralized by pledge on receivables on contracts and invoices.

(n) the Group has received investment loans from the Energy Efficiency Fund for financing energy efficiency projects of the Group. As of December 31, 2011 the utilized amount is BGN 38 thousand. The collateral is a financial risk insurance and an issued promissory note in favor of the bank. As of December 31, 2012 the loans are fully repaid.

(o) As of June 2, 2011 the Group has received an overdraft on current account at FIB- Vratsa Branch at the amount of BGN 2,000 thousand with repayment date April 30, 2012. As of December 31, 2012 the overdraft is fully repaid.

15. Loans

15.1 Borrowings from financial institutions (continued)

(p) the Group has signed a loan agreement with AllianzBank Bulgaria for the amount of BGN 300 thousand. The deadline for repayment of the loan is September 24, 2012. As of December 31, 2012 the loan is fully repaid.

The interest rates on bank loans are floating and are based on the EURIBOR and SOFIBOR with margin.

In relation to the issuance of bank guarantees, the Group has concluded a loan agreement with BNP Paribas – Sofia Branch at the amount of EUR 1,000 thousand. Pledges on current and future receivables from clients with maximum amount of EUR 2,000 thousand, pledge on goods and materials in use with limit of EUR 1,000 that cannot be decreased, pledge on goods and materials in use with limit of EUR 1,00 that cannot be decreased, are established as collateral. A promissory note in favor of the bank has also been signed. As of December 31, 2012 and December 31, 2011 the Group has no loan liabilities related to this loan agreement.

The Group has concluded a loan agreement for issuance of bank guarantees with First Investment Bank AD at the amount of EUR 1,500 thousand. Pledges on current and future receivables from clients are established, for which bank guarantees are issued. As of December 31, 2012 and December 31, 2011 the Group has no loan liabilities related to the loan agreement.

15.2 Requirements for loans from financial institutions

In accordance with the loan agreements, the Group should comply with certain operative and financial requirements.

As of December 31, 2012 the Group does not comply with a financial requirement of the bank loan from EBRD. In accordance with the provision of the contract, the breach of the requirement could result in a change in the loan and it may become due upon demand of the creditor and the whole liability may become due in a single payment. As per the provisions this is possibile after a request in writing from EBRD. As of the date of the approval of these consolidated financial statements there is no written standpoint from EBRD regarding the consequences from the non-compliance with the requirement.

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

As of December 31, 2011 the Group has complied with all the requirements of the bank loan from EBRD with carrying amount of BGN 8,350 thousand.

Ratio of overdue receivables

According to the terms of the loan contract with EBRD the Group maximum ratio of overdue receivables under ESCO contracts for over than 60 days to the total amount of the receivables, purchased with funds from the loan should not exceed 5%. In case of delay of payment of one or more monthly instalments the total receivable from the respective borrower is disclosed as overdue.

As of December 31, 2012 the ratio is 12.11%, which does not comply with the requirements of the agreements. As of December 31, 2011 there are no overdues under ESCO agreements.

The Group has signed warrant contracts for part of its liabilities with carrying amounts as of December 31, 2012 and 2011 BGN 3,558 thousand and 4,618 thousand, respectively. In accordance with the agreements the contractor becomes a co-debtor with the respective customer for part of the liabilities.

15. Loans (continued)

15.2 Requirements for loans from financial institutions (continued)

Ratio of cash flow for debt service

Under the terms of the contract with EBRD, the Group should maintain a ratio between cash flows available for serving the obligations and the amount of next payment of the principal and interest on the loan due at minimum of 1.1. As of December 31, 2012 the ratio is 0.86, which represents a breach of the requirements under the loan. As of December 31, 2011 this ratio is 1.88.

15.3 Loans from non-related parties

The loans from non-related parties as of December 31, 2012 include uncollateralized loans from Enemona Start AD, Izolko OOD, SIP OOD and others at the amount of BGN 180 thousand and BGN 956 thousand, BGN 479 thousand and BGN 190 thousand. The loans bear interest rate between 8% and 9% and maturity in 2013 and the terms for repayment could be extended.

Loans from non-related parties as of December 31, 2011 include unsecured loan from Energomontag AEK AD, Enemona Start AD, Enida Engineering AD, Izolko OOD and others at the amount of BGN 688 thousand, BGN 879 thousand, BGN 849 thousand, BGN 8,050 thousand and BGN 91 thousand. The loans have interest rates between 8% and 9% and maturity in 2012, which could be extended.

15.4 Loan repayment terms

The terms for repayment of loans received by the Group are as follows:

	As of 31.12.2012	As of 31.12.2011
Up to one year	102,054	71,114
Over one year	6,165	13,633
TOTAL LOANS	108,219	84,747

16. Finance lease

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

	Minimum lease liabilities		Present value of minimum lease liabilities	
	As of 31.12.2012	As of 31.12.2011	As of 31.12.2012	As of 31.12.2011
Liabilities under finance lease with maturity:				
Up to 1 year	589	1,111	562	1,011
Between 2 and 5 years	282	1,455	275	1,400
TOTAL LIABILITIES	871	2,566	837	2,411
Less: future finance charges	(34)	(155)	-	-
PRESENT VALUE OF LIABILITIES	837	2,411	837	2,411

The carrying amount of assets (machinery and equipment), acquired through finance lease as of December 31, 2012 and 2011 is BGN 2,391 thousand and BGN 4,871 thousand, respectively.

17. Long-term employee benefits

In accordance with the Bulgarian Labour Code, upon termination of labour contracts, when the employee is entitled to retirement benefits, the Company owes severance payments of 2 gross monthly salaries. In case the employee has worked for more than 10 years with the Company, the severance payment is 6 gross monthly salaries. As of December 31, 2012 and 2011 the Group has accrued BGN 81 thousand and BGN 108 thousand 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
- Invalidation chart
- Retirement probability
- Financial assumptions
- Salary growth
- Discount rate – due to the long-term nature of the liability, a 6% discount rate has been applied.

18. Trade and other payables

	As of 31.12.2012	As of 31.12.2011
Payables to suppliers	12,110	28,871
Payables for dividends on preferred shares	2,067	972
Payables to employees	1,775	945
Payables to social insurance organizations	1,312	356
VAT payables	416	1,182
Other payables	2,888	3,297
TOTAL	20,568	35,623

19. Provisions

Provisions represent accruals for unused paid leave and compensation at the amount of BGN 622 thousand and BGN 378 thousand, respectively as of December 31, 2012 and 2011.

20. Revenue

	Year ended 31.12.2012	Year ended 31.12.2011
Revenue from construction contracts	71,534	80,206
Revenue from sale of electricity	58,685	87,781
Revenue from sale of compressed natural gas	4,068	2,949
Revenue from services	387	328
Others	7	4
TOTAL REVENUE	134,681	171,268

20. Revenue (continued)

The following table discloses information on construction contracts in progress at the date of the consolidated statement of financial position: :

	As of 31.12.2012	As of 31.12.2011
Construction costs incurred plus recognized profits (less recognized losses) to date	192,085	218,133
Less: Progress billings	(167,682)	(201,184)
	24,403	16,949
Gross amounts stated in the statement of financial position comprise:		
Gross amount receivable from customers under construction contracts	30,146	22,090
Gross amount payable to customers under construction contracts	(5,743)	(5,141)
	24,403	16,949

Retentions held by customers under construction contracts amount to BGN 9,148 thousand and BGN 5,979 thousand (see note 11), respectively as of December 31, 2012 and 2011. Advances received from customers under construction contracts amount to BGN 16,952 thousand and BGN 16,400 thousand as of December 31, 2012 and 2011, respectively

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

In 2012 and 2011 the Group has impaired gross amount due to customers under construction contracts at the amount of 0 and BGN 1,301 thousand (see note 26.1).

21. Financial income

	Year ended 31.12.2012	Year ended 31.12.2011
Interest income	5,708	3,827
Dividend income	71	126
Foreign exchange gains	17	27
Other finance income	-	-
TOTAL FINANCIAL INCOME	5,796	3,980

For the year ended December 31, 2011, the Group reclassifies BGN 349 thousand income from penalties from Financial income in Other profit, net.

22. Materials and consumables used and cost of goods sold

	Year ended 31.12.2012	Year ended 31.12.2011
Cost of goods sold	60,043	85,408
Materials:		
Construction materials	15,585	34,438
Expenses for instruments	262	343
Electric power	248	205
Fuels	332	212
Spare parts	25	15
Stationery	143	73
Other	-	37
TOTAL MATERIALS	16,595	35,323

The cost of goods sold amounting to BGN 60,043 thousand and BGN 85,408 thousand for the year ended December 31, 2012 and 2011 respectively, is the cost of electricity and natural gas by the Group to third parties.

23. Hired services

	Year ended 31.12.2012	Year ended 31.12.2011
Under construction agreements with subcontractors	9,610	12,122
Services with mechanization	808	928
Transportation	1,594	945
Legal and consulting services	1,797	2,460
Insurances	1,090	1,357
Advertising services	14	72
Telecommunications	225	174
Rents	2,144	466
Charges for mortgages and guarantees	1713	1,444
Design services	297	349
Bank fees	144	388
Heating	41	94
Working permissions and tender documents	176	14
Starting work and control	796	407
Office maintenance cost	138	132
Security	107	138
Translation services	79	118
Courier services	72	40
Other services	264	835
TOTAL HIRED SERVICES	21,109	22,483

24. Employee benefit expenses

	As of 31.12.2012	As of 31.12.2011
Remunerations	25,434	21,706
Social security and health insurance	3,357	3,397
Food vouchers	782	671
Compensations	657	958
TOTAL EMPLOYEE BENEFITS EXPENSES	30,230	26,732

For the year ended December 31, 2011, the Group reclassifies BGN 671 thousand food vouchers from Other expenses to Employee benefit expenses.

25. Other expenses

	Year ended 31.12.2012	Year ended 31.12.2011
Business trips	2,629	2,369
Storage of equipment	420	-
Expenses for one-off taxes and fees	551	458
Waste on non-current assets	273	57
Other	451	579
TOTAL OTHER EXPENSES	4,324	3,463

26. Other gains /(loss), net

	Year ended 31.12.2012	Year ended 31.12.2011
Proceedings from sale of non-current assets	867	620
Carrying amount of sold and written-off non-current assets	(802)	(495)
Gains on sale of non-current assets	65	125
Proceedings from sale of materials	100	1,228
Carrying amount of materials sold	(76)	(1,077)
Gains on sale of materials	24	151
Rent income	402	413
Gains on financing	106	111
Gain on reintegrated impairment allowance on loans	1,589	-
Income from consulting services	32	67
Impairment and write-off of assets – note 26.1.		(14,030)
Loss on discounting of receivables under ESCO agreements – note 9	(1,831)	(2,949)
Loss on sale of receivables	(862)	(1,391)
Other losses on esimates	(170)	-
Profit/(loss) on penalties, net	588	349
Other	349	500
TOTAL OTHER GAINS, NET	292	(16,654)

For the year ended December 31, 2011, the Group reclassified BGN 349 thousand income from penalties from Finance income in Other gains, net.

26.1 Impairment and writing off of assets

Complying with the requirements of IAS 39, the Group developed qualitative and quantitative indicators for the valuation of the risks related to its exposures to clients and for determining 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 Group operates.

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

As of December 31, 2012 the Group 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, 2012 the Group 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.

26. Other gains /(loss), net (continued)

26.1 Impairment and writing off of assets (continued)

		Year ended 31.12.2011	Year ended 31.12.2010
Impairment of gross amount due from clients under construction contracts– note 20	(a)	-	(1,301)
Impairment of receivables – note 12	(в)	-	(5,308)
Impairment of current loans and receivables – note 9	(в)	-	(4,953)
Impairment of goodwill	(б)	-	(1,300)
Impairment of non-current loans and receivables –note 9	(в)	-	(973)
Impairment of inventory – note 11		-	(88)
Impairment of property, plant and equipment – note 4		-	(179)
Impairment of investment property		-	(16)
Impairment of investments		-	(2)
Reversal of impairment of inventory – note 11		-	47
Reversal of impairment of receivables –note 12		-	43
		-	(14,030)

(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.

(b) In 2012 the Group performed an impairment testing of the goodwill, recognized at the acquisition of investment in EMKO AD. The analysis is performed based on the expected discounted future cash flows of the subsidiary for 5 years. As a result of the analysis performed the management of the Group considers that there are no objective indicators for impairment and therefore no additional impairment allowance on goodwill is charged, whereas for 2011 the Group recognized impairment loss at the amount of BGN 1,300 thousand.

(c) As a result of the global financial crisis the uncertainty regarding the recoverability of the receivables due from the clients according to the initially contracted terms increases. Therefore, the Group 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 Group recognized additional impairment as indicated in the table above. Nevertheless, the Management continues the efforts for collection of the receivables.

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

27. Finance costs

	Year ended 31.12.2012	Year ended 31.12.2011
Interest expense	4,640	4,772
Finance costs on construction contracts	1,533	1,207
Expenses on financial liability on preferred shares	570	639
Foreign exchange losses	60	74
Other finance cost	426	301
TOTAL FINANCE COST	7,229	6,993

28. Discontinued operations

On October 19, 2012 the Parent company signed an agreement for sale of 2,050,500 ordinary registered shares representing 91,13% of the share capital of Enemona Gulabovo AD. The sale price is BGN 2,900 thousand. The results of the operations of Enemona Gulabovo for 2011 are reclassified in discontinued operations in accordance with the requirements of IFRS 5.

On March 31, 2011 the Parent company 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.

On June 28, 2011 the Parent Company signed contracts for sale of 90% of the share capital of Neo Agro Tech AD for the amount of BGN 45 thousand and 80% of the share capital of Solar Energy OOD for the amount of BGN 4 thousand.

The combined results from discontinued operations for the periods ending December 31, 2012 and 2011, are presented below:

	Year ended 31.12.2012	Year ended 31.12.2011
Revenue	6,398	6,795
Finance income	2	7
Changes in inventories in finished goods and work in progress	-	275
Expenses	(6,493)	(10,200)
Loss before taxation	(93)	(3,123)
Tax expense	-	-
Profit / (loss) on disposal of operations	374	(4,561)
(Loss)/ profit after taxation of discontinued operations	281	(7,684)

Cash flows from discontinued operations are presented as follows:

	Year ended 31.12.2012	Year ended 31.12.2011
Cash flows from operating activities	(1,867)	1,041
Cash outflows from investing activities	(1)	(171)
Cash flows from financing activities	1,792	(1,024)
Net (decrease) in cash and cash equivalents	(76)	(154)

Profit from /(loss on) sale of investments, is as follows:

	Year ended 31.12.2012	Year ended 31.12.2011
Consideration	2,900	18,470
Direct expenses	-	(180)
Net value of the assets sold	(2,809)	(26,861)
Non controlling interests written off	283	4,010
Profit on / (loss from) sale of investments in subsidiaries	374	(4,561)

Profit on /(loss from) sale of investments in subsidiaries is presented in profit/(loss) from discontinued operations in the consolidated statement of comprehensive income.

Net cash inflow on disposal of subsidiaries reported in the consolidated statement of cash flows consists of the following:

	Year ended 31.12.2012	Year ended 31.12.2011
Proceeds from sale of subsidiaries	-	10,471
Decreased by: Cash and cash equivalents of the disposed subsidiaries	(26)	(133)
Net cash flows sale of investments in subsidiaries	(26)	10,338

29. Taxation

Deferred taxes are as follows:

	As of 31.12.2012	As of 31.12.2011
Deferred tax assets		
Impairment of receivables	3,260	3,483
Impairment of investments	241	245
Deductable tax loss	117	
Provisions	74	137
Other	2	-
Non-current assets	(1,094)	(1,198)
	2,600	2,667
TOTAL DEFERRED TAX ASSETS	2,600	2,667
TOTAL DEFERRED TAX LIABILITIES	(69)	(69)
TOTAL DEFERRED TAX ASSETS, NET	2,531	2,598

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

As of December 31, 2012 a tax asset from discontinued operations amounting to BGN 92 thousand was written-off and as of December 31, 2011 the amount of BGN 944 thousand from the deferred tax liability is related to discontinued operations.

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

	Year ended 31.12.2012	Year ended 31.12.2011
Current income tax expense	(155)	(622)
Deferred tax in relation to occurrence and reversal of temporary differences	25	1,347
TOTAL TAX INCOME/(EXPENSE)	(130)	725

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

	Year ended 31.12.2012	Year ended 31.12.2011
Loss before taxation	(981)	(23,817)
Applicable tax rate	10%	10%
Tax by applicable tax rate	(98)	(2,382)
Tax effect of the non-deductable and non-taxable positions	116	1,440
Effect of different tax rates in other tax jurisdictions	112	217
TAX (INCOME)/EXPENSE	130	(725)
EFFECTIVE TAX RATE	13%	(3%)

30. Earnings per / (loss from) share

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

	As of 31.12.2012	As of 31.12.2011
Continuing and discontinued operations		
Share of net (loss) / profit from continuing and discontinued operations for the shareholders of the Parent company in BGN	(766,000)	(30,346,000)
Weighted-average number of ordinary shares	11,933,600	11,933,600
Loss per share (in BGN) – basic and diluted	(0.06)	(2.54)

	As of 31.12.2012	As of 31.12.2011
Continuing operations		
Share of net loss from continuing and discontinued operations for the shareholders of the Parent company in BGN	(766,000)	(30,346,000)
Loss/(profit) from discontinued operations in BGN	(281,000)	7,684,000
Share of net loss from continuing operations for the shareholders of the Parent company in BGN	(1,047,000)	(22,662,000)
Weighted-average number of ordinary shares	11,933,600	11,933,600
(Loss) per share (in BGN) – basic and diluted	(0.09)	(1.90)

The diluted earnings per share are equal to the basic earnings per share, due to the fact that, there are no ordinary shares with diluted value.

As disclosed in note 15 as of December 31, 2012 and 2011 the Parent company has issued warrants and preferred shares, which in 2012 and 2011 do not influence diluted earnings per share as their conversion to ordinary shares would not have dilutive effect on basic earnings per share.

31. Related parties transactions

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

RELATED PARTY	TYPE OF RELATION
"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
"Svilengrad-gas AD	Associated company as of December 31, 2009

The table below discloses income received from related parties:

	Year ended 31.12.2012	Year ended 31.12.2011
"ALfa Enemona" OOD	72	152
"Eco Invest Holding" AD	1	-
"G Oil Expert" EOOD	3	3
TOTAL	76	155

31. Related parties transactions (continued)

Income from related parties represent mainly income from dividends.

In 2012 and 2011 the Group does not have costs for related party transactions.

The table below discloses the balances of receivables from related parties as of December 31, 2012 and 2011:

	As of 31.12.2012	As of 31.12.2011
"G Oil Expert" EOOD	1	1
TOTAL	1	1

Receivables from related parties consist of trade receivables (note 12).

The table below discloses the balances of liabilities to related parties as of December 31, 2012 and 2011:

	As of 31.12.2012	As of 31.12.2011
Alfa Enemona OOD	7	7
TOTAL	7	7

Payables to related parties consist of a gross amount due to customers under construction contracts.

In 2012 and 2011 remuneration to the management personnel amount to BGN 1,286 thousand and BGN 2,548 thousand, respectively.

32. Financial instruments, financial risk and capital management

32.1 Categories of financial instruments

	As of 31.12.2012	As of 31.12.2011
Financial assets		
Loans and receivables	130,136	109,379
Cash and cash equivalents	4,953	11,738
Financial liabilities		
Financial liabilities at amortized cost	132,083	125,680

Loans and receivables include granted by the Group, including trade and other receivables and gross amounts due from customers under construction contracts.

Financial liabilities at amortized cost include loans received by the Group, lease liabilities, as well as trade and other liabilities for preferred shares dividends.

32.2 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.

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

32.2 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 31.12.2012	As of 31.12.2011	As of 31.12.2012	As of 31.12.2011
Financial asset				
Loans and receivables	130,136	109,379	130,136	106,016
Cash and cash equivalents	4,953	11,738	4,953	11,738
Financial liabilities				
Financial liabilities at amortized cost	132,083	125,680	132,083	125,680

Management considers that the fair value of financial instruments approximates their carrying amount.

32.3 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 Group. 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 observable 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).

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

As of December 31 the management considers that the fair value of the financial instruments measured at fair value of Level 3, is nil.

32. Fair value estimation of financial instruments, measured at fair value (continued)

32.4 Management of risks related to financial instruments

Credit risk

The Group is exposed to credit risk in case the customers fail to meet their obligations.

Transactions with the main contractors of the Group are as follows:

Name	Type	Carrying amount of receivable as of 31.12.2012	Carrying amount of receivable as of 31.12.2011
Contractor 1	Abroad	18,525	9,234
Contractor 2	In the country	6,619	15,106
Contractor	In the country	4,578	7,426
Contractor 4	In the country	2,149	885
Contractor 5	In the country	1,992	3,496

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

Liquidity risk

Liquidity risk is the risk that the Group 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 Group in terms due.

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

As of December 31, 2012	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years.	Total
Financial liabilities				
Trade and other payables	12,738	9,641	-	22,379
Loans	8,506	103,028	6,538	118,072
Finance lease liabilities	141	421	275	837
Finance liability on preferred shares	-	-	4,604	4,604
Total financial liabilities	21,385	113,090	11,417	145,892

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

32.4 Management of risks related to financial instruments (continued)

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	20,476	14,126	184	34,786
Loans	4,706	74,536	11,882	91,124
Finance lease liabilities	155	956	1,455	2,566
Finance liability on preferred shares	-	-	6,792	6,792
Total financial liabilities	25,337	89,618	25,313	135,268

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

The Group has obtained credit lines from Societe General Expressbank, Unicredit Bulbank, MKB Unionbank and International Asset Bank for the purpose of carrying out specific construction contracts (see note 15). The payment of these loans is dependent on fulfilling the obligations of the Group under the respective contract and the cash flows generated by the specific construction contract.

Foreign currency risk

As the Group 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 Group considers that the effect from possible change in exchange rates would not have significant effect on profit or loss.

Interest rate risk

The Group is exposed to interest rate risk fluctuation mainly from received bank loans with with floating interest rate which are at the amount of BGN 83,227 thousand and BGN 50,228 thousand as of December 31, 2012 and 2011 and the interest payments are based on EURIBOR and SOFIBOR plus margin. As of December 31, 2012 and 2011 the Group has not used instruments for compensating the potential changes of the EURIBOR levels.

If the interest rates for these loans with floating interest rate increased by 0.5% in 2012 and 2011, the interest expense for the year would increase, and profit after taxation would decrease by BGN 416 thousand and BGN 251 thousand, respectively, and vice versa, if the interest rate decreases by 0.5%.

32.5 Capital management

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

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

32.5 Capital management (continued)

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

	As of 31.12.2012	As of 31.12.2011
Loans	108,219	84,747
Cash and cash equivalents	(4,953)	(11,738)
Loans net of cash and cash equivalents	103,266	73,009
Equity	57,239	57,917
Gearing ratio (loans net of cash and cash equivalents to equity)	1.80	1.26

33. Contingent liabilities

As of December 31, 2012 and 2011 bank guarantees on behalf of companies within the Group have been issued at the amount of BGN 40,977 thousand and BGN 48,053 thousand, that are maily related to the construction of sites, energy and other equipment.

34. Segment reporting

Information regarding operating segments in these consolidated financial statements has been presented in a manner which is similar to the reports intended for the management of the Group, based on which decisions are taken for the resources, which should be allocated to the segment and on which assessments are made for its operating results.

The operating segments in the Group are as follows:

- Engineering, construction and assembly works (including energy-efficiency activities);
- Trade with electricity;
- Other segments, which include – trade in compressed natural gas, asset management and others.

The table below includes revenue, expenses and results of the Group from continuing operations:

34. Segment reporting (continued)

	Segment revenue		Segment expenses		Segment profit /(loss) from segment	
	Year ended 31.12.2012	Year ended 31.12.2011	Year ended 31.12.2012	Year ended 31.12.2011	Year ended 31.12.2012	Year ended 31.12.2011
Engineering, construction and assembly work	71,850	85,400	(69,403)	(90,909)	2,447	(5,509)
Electricity trading	58,687	87,794	(58,672)	(85,564)	15	2,230
Other segments	4,144	3,061	(4,060)	(3,131)	84	(70)
Total	134,681	176,255	(132,135)	(179,604)	2,546	(3,349)
Other gains /(loss), net					292	(16,988)
Depreciation					(2,386)	(3,177)
Financial income					5,796	4,329
Finance cost					(7,229)	(6,993)
Loss before tax					(981)	(26,178)
Corporate tax income/(expenses)					(130)	724
Net loss for the year					(1,111)	(25,454)

	Financial income		Finance cost		Depreciation	
	Year ended 31.12.2012	Year ended 31.12.2011	Year ended 31.12.2012	Year ended 31.12.2011	Year ended 31.12.2012	Year ended 31.12.2011
Engineering, construction and assembly work	2,745	2,676	(5,053)	(5,566)	(1,972)	(2,758)
Electricity trading	343	148	(480)	(424)	(7)	(7)
Other segments	2,708	1,505	(1,696)	(1,003)	(407)	(412)
Total	5.796	4,329	(7,229)	(6,993)	(2,386)	(3,177)

34. Segment reporting (continued)

Income and expenses presented above include revenue from and expenses for outside clients and do not include sales between segments.

As of 31 December 2011 the expenses of "Engineering, construction and assembly work" segment include the impairment of goodwill at the amount of BGN 1,300 thousand. The impairment loss is presented as "Other gains, net" in the segment information.

Assets and liabilities by segments:

	Segment Assets		Segment Liabilities	
	Year ended 31.12.2012	Year ended 31.12.2011	Year ended 31.12.2012	Year ended 31.12.2011
Engineering, construction and assembly work	142,235	152,769	101,044	112,973
Electricity trading	9,853	22,556	10,935	18,717
Other	44,451	26,636	27,321	12,354
Total	196,539	201,961	139,300	144,044

Geographical distribution

The Group operates in four main countries – Bulgaria, Germany, Slovakia and Norway. The Group has revenues from sales in Greece, Turkey, Slovenia, Estonia and other countries.

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

	Revenue from external clients		Property, plant and equipment	
	Year ended 31.12.2012	Year ended 31.12.2011	As of 31.12.2012	As of 31.12.2011
Bulgaria	88,159	143,239	45,277	79,097
Serbia	-	14,289	-	-
Slovakia	18,501	13,591	406	312
Germany	17,492	1,877	112	-
Norway	491		5	
Other	10,038	3,259	-	-
	134,681	176,255	45,800	79,409

In 2012 the Group started operations in Norway by establishing a branch.

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

In 2010 the Group opened a branch in the Rpublic of Slovakia.

35. Events after the reporting period

A General meeting of the shareholders of the Parent company was held on January 25, 2013, which decided that the loss amounting to BGN 27,523 thousand, which was found should be covered by the premium reserves. As of December 31, 2012 the cover of the loss is presented in the statement of changes in shareholder's equity.