Grant Thornton

Annual Individual Management Report
Independent Auditor's Report
Individual Financial Statements

KOZLODUY NPP EAD

31 December 2014

"АЕЦ КОЗЛОДУЙ" ЕАД

Contents

GENERAL INFORMATION

Board of Directors at the reporting date:

Jacklen Cohen – Chairmen of the Board of Directors;

Dimitar Angelov – Member of the Board of Directors and Executive Director;

Ivan Ionchev – Member of the Board of Directors.

Address:

Bulgaria

Kozloduy, P.O. 3321, Vratsa Region

Servicing banks:

TB DSK Bank, Kozloduy

Citybank N.A

TB Allianz Bank Bulgaria AD

TB UBB

TB Municipal Bank

Alpha Bank

TB PIB

TB C-Bank

TB Unicredit Bulbank

TB Eurobank EFG Bulgaria

Auditor:

Grant Thornton OOD

Annual individual management report

This annual individual management report of the Company represents comment and analysis of the financial statements and other significant information about the financial statements and the business results of the Company for the period from 1 January 2014 until 31 December 2014.

The annual individual management report is prepared according to the requirements of Art. 33, paragraph 1 and 2 of the Accountancy Act and Art. 187d and Art. 247 of the Trade Law.

1. General information

Firm name	**Kozloduy NPP EAD**
UIC	**106513772**
Address	**Bulgaria** **Vratsa region** **Kozloduy, 3321**
Activity	- Use of nuclear energy for the production of electrical and heat energy, which activity is carried out through: valid license for the production of the electrical and heat energy from a set in it electrical power, valid licenses for the use of nuclear equipment under the Act of Safe Use of Nuclear Energy (ASUNE), provided by the Agency of Nuclear Regulation (valid license for the conduct of production activity following the inspection on the safe use of nuclear energy for peaceful purposes from the said production facility); - Import and export of fresh nuclear fuel; - Investment activity in connection with the company's activity stated in the subject of activity; - Construction, maintenance and upkeep activity in the electricity and heat production; - Sale of electrical energy of high and medium voltage and heat energy; - Operation of facilities for radioactive waste management in the

presence of a valid license pursuant to the safe use of nuclear energy (ASUNE).

Directors

As of December 31, 2014 the Company is managed by a Board of Directors (BD) composed of:

Jacklen Cohen – Chairmen of the Board of Directors;

Dimitar Angelov – Member of the Board of Directors and Executive Director;

Ivan Ionchev – Member of the Board of Directors.

Management

"Kozloduy NPP" EAD is a joint stock company established by Decision № 582 of 2000 of Vratsa Regional Court, with headquarters: Kozloduy, District Vratsa, Bulgaria. The Company was incorporated on April 28, 2000 as a joint stock company with a sole owner - the Republic of Bulgaria by separation from the "National Electricity Company" EAD (NEK). The Company is the successor of the respective part of the assets and liabilities of NEK EAD, Sofia according to the separation protocol of branch NPP "Kozloduy" and GRA "Atomenergoinvest" based on accounting records as at April 28, 2000.

As of 31 December 2014 the sole owner of the share capital of the Company is "Bulgarian Energy Holding" AD. The ultimate parent of the Company is the Bulgarian State, through the Ministry of Energy.

Kozloduy NPP EAD has one-tier management system and is managed by a Board of Directors consisting of three members.

As of 31 December 2014 the share capital is BGN 165 606 860, divided into 16 560 686 ordinary registered shares with voting right and a nominal value of BGN 10 each. All ordinary shares are fully paid.

Licenses

The Company has the following licenses:

- Issued by the Nuclear Regulatory Agency operating license for a nuclear facility - Registration № 03000 dated 2 October 2009 for the operation of the fifth unit of the NPP "Kozloduy". Term of license - 05/11/2017;

- Issued by the Nuclear Regulatory Agency operating license for a nuclear facility - Registration № 03001 dated 2 October 2009 for the operation of the sixth unit of "Kozloduy NPP". Term of license - 02/10/2019;

- License for production of electricity and heat Registration № L-049-03 /11.12.2000;

- License for transferring heat Registration № 050-05 /11.12.2000;

- Issued license by the Nuclear Regulatory Agency serial number E-11024, Registration № 04358 from 01.04.2014 by which the license serial number E-11024, Registration № 02599 for use of sources of ionizing radiation for business purposes for a period of ten years – until 31.03.2024;

- Issued license by the Nuclear Regulatory Agency, serial number E-1708, Registration № 04366 from 08.04.2014 by which the license serial number E-1708, Registration № 02610 for use of sources of ionizing radiation for business purposes for a period of ten years – until 07.04.2024;

- Issued license by the Nuclear Regulatory Agency for transport of radioactive substances, serial number T-14002, Registration № 04435 from 30.06.2014, by which the license serial number T-14002, Registration № 02823 has been renewed since 12.07.2014 for a period of 10 years – until 11.07.2024;

- License for electricity trading Registration № L-216-15 /18.12.2006;

- Issued license by the Nuclear Regulatory Agency for specialized training performed by Directorate "Personnel and Training Centre", Series CA Reg. № 03803 dated 05.10.2011, for a period of five years - until 05.10.2016;

- Issued license by the Nuclear Regulatory Agency to operate a repository for the spent nuclear fuel of "Kozloduy NPP" Registration № 01032/24.06.2004 for a period of ten years – until 25.06.2024.

Auditor	**Grant Thornton OOD**
Basis for the preparation of the individual financial statements	- The individual financial statements are presented in The Bulgarian leva (BGN). All amounts are presented in thousand Bulgarian leva (TBGN) unless otherwise stated. - The individual financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union (EU) until 31 March of the next year. - The Company also prepares consolidated financial statements in accordance with Art. 37 of the Accountancy Act and published them till 31 July of the next year. - Kozloduy NPP EAD carries out its activities under adherence to the Bulgarian legislation.

1.1. Management responsibilities

The management confirms that appropriate accounting policies have been applied and the individual financial statements as at 31 December 2014 have been prepared on a going concern basis.

The management is responsible for keeping proper accounting records, for safeguarding the assets and for taking the necessary measures for the prevention and detection of fraud and other irregularities.

1.2. Information on the remuneration of the Board of Directors of "Kozloduy NPP" EAD according to management contracts

In BGN thousands	FS 31.12.2014	FS 31.12.2013
Wages including bonuses	130	78
Social security expenses	18	11
Social costs	27	13
Tantiems	-	7
Compensation	1	7
Total remuneration	**176**	**116**

1.3. Information on the acquisition and holding of shares of the Company by the members of the Board of Directors

Members of the Board of Directors do not hold shares of the Company. They have not been provided privileges or exclusive rights to acquire shares or debentures of the Company.

1.4. Information on the shareholdings of members of the Board of directors in corporations as shareholder with unlimited responsibility, on the shareholdings of more than 25 % in the share capital of another entity, as well as their participation in the management of another entities or co-operations as procurators, managers or members of boards (in accordance with Art. 247, paragraph 2, p. 4 of the Trade law)

Members of the Board of Directors did not declare any circumstances according to Art. 247, paragraph 2, p. 4 of the Trade law.

1.5. Information on the contracts according to Art. 240b of the Trade Law signed during the year

There are no acquisitions and transfers under members of the Board of Directors of shares and debentures of the Company.

During the reporting period there were no contracts with the members of Board of Directors or related parties that go beyond the ordinary business of the Company or deviating from market conditions.

1.6. Personnel

As of 31 December 2014 the average number of employees of the Company in employment is 3 677.

Total number of hired employees under labor contracts	FS 31.12.2014	FS 31.12.2013	% change
Managers	451	444	1.58%
Specialists	972	963	0.93%
Technicians and associate professionals	882	896	-1.56%
Clerical support workers	270	278	-2.88%
Personnel services for the population, trade and security	83	76	9.21%
Skilled and related to them craftsmen	797	843	-5.46%
Machine operators and assemblers	155	171	-9.36%
Occupations that do not require special qualifications	67	69	-2.90%
Total	**3 677**	**3 740**	**-1.68%**

1.7. Subsidiaries

Kozloduy NPP EAD has the following investments in subsidiaries:

The Company is the sole owner of the capital (100%) of the "Kozloduy HPP" EAD, consisting of 1 082 ordinary shares, with par value of BGN 1 000 each.

"Kozloduy HPP" EAD is registered in the Vratsa Regional Court with company case № 495/2004 to build a hydroelectric plant, production and distribution of electricity from small hydropower plant to absorb the remaining lifetime of spent water from "Kozloduy NPP" EAD.

"Kozloduy NPP" EAD has obligations under the contract № 880080 from 07.11.2008 with "Kozloduy HPP" EAD to provide a credit line of BGN 20 000 thousand with a deadline for repayment in 2020. According to Decision tons. II.15.1 dated 12.07.2012 the Board of Directors of BEH EAD has authorized "Kozloduy NPP" EAD to renegotiate the terms of a credit line contract № 880080 from 07.11.2008 and 06.11.2011 of Annex №810000003, and on 26.09.2012 an annex to the contract for credit granting more BGN 2 000 thousand was signed. As at 31.12.2013 the non-current liabilities in the above loan amounted to BGN 19 180 thousand and the current liabilities amounted to BGN 2 670 thousand. The agreed interest rate is the base rate + 2.50%. The obligation of the loan to "Kozloduy NPP" EAD is guaranteed by a promissory note.

"Kozloduy NPP" EAD is the sole owner of the capital (100%) of the "Kozloduy NPP – New Builds" EAD, consisting of 1 400 000 ordinary, registered and rightly aloud shares with nominal value of BGN 10 each.

"Kozloduy NPP – New Builds" EAD is a joint stock company registered in the Commercial Register to the Registry Agency with UIC 202058513, registered office: city of Kozloduy, Kozloduy NPP site on 09.05.2012. The registered capital of the company is TBGN 14 000 in shares with par value per share BGN 10.

The Company has controlling interest of 63.96% in "Interpriborservice" OOD, Kozloduy, owning seventy-one shares of its capital, which comprises of 111 shares of BGN 100 each share. The cost of investment is TBGN 79 as 41 shares were acquired for TBGN 4 and in 2001 other 30 shares were acquired from DZU Stara Zagora for TBGN 75. Transactions with this company represent asset deliveries, modernization and reconstruction of assets and purchases of materials and external services.

The Company was established by Decision № 55 dated 13.04.1988 of the Government, as a specialized company for installation, commissioning, repair and maintenance of automated process control, supply of instruments, equipment and spare parts for NPP, TPP and others. Shareholders in the established company are Russian and Ukrainian companies working in the energy sector.

The Company has a shareholding of 1.12 % in ZAD Energia at cost of TBGN 232.

Other related parties:

"National Electricity Company" EAD (NEK EAD), "TPP Maritsa – Iztok 2" EAD, "Mines Maritsa Iztok" EAD, "Bulgargas" EAD, "Bulgartransgas" EAD, "Bulgartel" EAD, "Electricity System Operator" EAD (ESO EAD), "Insurance joint stock company Energia" AD (ZAD Energia) and "Kozloduy NPP" EAD are related parties since they are under the common control of "Bulgarian Energy Holding" AD.

2. Overview of the activity

In 2014 "Kozloduy NPP" EAD achieved very good production and economic ratios.

Financing of the safety use of the nuclear energy units, realization of the investment projects for prolongation of the useful life of the units and for increase of their power was assured with own funds without external financing

During 2014, the following changes in the regulative environment taking direct influence on the business results of the Company occurred:

➢ The regulated price for availability of the Company is decreased twice by deicsions of EWRC as follows:

- by Decision C-43/30.12.2013 from BGN 22.45 to BGN 22.11/MWh (decrease by BGN 0.34/MWh);

- by Decision C-12/30.06.2014 from BGN 22.11 to BGN 13.73/MWh (decrease by BGN 8.38/MWh);

➢ The achieved average sales price is by BGN 1.11/MWh higher than the average price in 2013;

➢ The quota for supply of energy at regulated prices to the public supplier determined by a decision of EWRC № TE-023/29.05.2014 is significantly reduced in comparison with the preceding regulative period;

➢ The regulated prices for transmission and access to the electricity grid were changed;

➢ New trading rules were adopted (in force since 09.05.2014).

➢ The new market model starts its functions by introducing of the balancing market since 01.06.2014 г. As a result "Kozloduy NPP" EAD realised expenses for compensating of imbalances as a trading participant on the balancing market.

Production and realisation of electricity power

The achieved production results of "Kozloduy NPP" EAD in 2014 were superb due to the work of the nuclear energy units under optimal operating conditions, the significantly lower portion of dispatching limitations than in 2013 г. and the lack of unplanned downtimes.

During 2014, "Kozloduy NPP" EAD produced electricity quantity (brutto) of 15 866 652 MWh that is more by 1 695 430 MWh (12 %) in comparison to 2013.

The work of the production units under optimal operating conditions led to decrease of the portion of CH by 0.7 % in comparison to 2013.

The actual availability of the production units is the maximum possible for the period and is by 3.2 % more than the quantity for 2013 due to the high operating reliability of the units without unplanned downtimes.

The net active energy supplied to the electricity grid of the country is by 1 697 873 (13 %) more than the realisation for 2013, which led to increase of the sales revenue by 16%.

The main part of the electricity power of 9 009 844 MWh for 2014 was supplied at market prices. 91.5 % from the electricity sales were made to traders, and the direct supplies to end consumers were 8.5 %. During the last year there was an increase of the market demand for electricity in the country as a result from the increased interest of the business consumers, joined to grids CH after the price regulation of this segment has been reversed since August 2013 and the high prices of energy from suppliers of the highest instance.

According to the legislation in force in 2014 NPP "Kozloduy" has supplied to NEK EAD as the public supplier an electricity energy of 5 968 431 MWh at regulated prices by 19% under the recorded quantities in the previous year. During the accounting period supplies at market prices were agreed at quantity of 1 966 400 MWh according to the needs of the public supplier, the production capacity and the shown trading interest of NEK EAD.

The ratio between the sales at regulated prices and the sales at market prices in 2014 was respectively 40%/60% contrary to the trend for 2013.

According to the principles of the balancing market the reported energy quantity over the agreed net positions in the trade schedules for the period June-December is 37 625 MWh, and the shortage is 1 909 MWh. The reported shortage is in the months with planned transitional periods (start/stop of unit). Keeping in mind the project tolerance for maintaining the required power (± 20 MW of unit), the amount of imbalances is on a very good level.

Production, sales quantity of energy, brutto availability and sales revenue for 2014 are summarised in the table below:

Indicator	FS 31.12.2014	FS 31.12.2013	% change
Total MWh			
Brutto production	15 866 652	14 171 222	12%
CH	852 661	855 104	0%
Net energy	15 013 991	13 316 118	13%
Brutto availability	15 706 155	15 221 396	3%
Sales of electricity at regulated prices, MWh			
Net energy	5 968 431	7 406 650	-19%
Brutto availability	6 302 403	7 876 737	-20%
Sales of electricity at market prices, MWh			
Net energy	9 009 845	5 909 467	52%
Balancing market	35 716	-	-
Surplus	37 625		
Shortage	-1 909		
Revenue from sale of electricity, in TBGN:			
At regulated prices	**205 542**	**313 490**	**-34%**
Net AE	91 317	113 322	-19%
Availability	114 225	200 168	-43%
At market prices	**624 601**	**403 100**	**55%**
Direct prices	54 218	58 058	-7%
Traders – home market	340 775	216 708	57%
Export (by traders)	229 608	128 334	79%
Balancing market	**(173)**	-	-
Surplus	203	-	-
Shortage	(376)	-	-
Total revenue from sale of electricity	**829 970**	**716 590**	**16%**

For the accounting period there are significant changes in the sales structure due to the increased quantity of the realised electricity at market prices.

The volume of transactions with traders is increased by 63%. There is decrease by ~9% (smaller number of participants in tender procedures) in the direct supplies to end consumers as result of the various services offered by the traders as coordinators of balancing for purpose of minimising of their imbalances. As compared to 2013 the sales at market prices are increased by 42%, and for the foreign markets – by 75%.

Indicator	**FS 31.12.2014**	**FS 31.12.2013**	**% change**
Sales – clients at market prices, MWh			
Total quantity	**9 009 845**	**5 909 467**	**52%**
End consumers	**766 612**	**838 997**	**-9%**
Traders	**8 243 233**	**5 070 470**	**63%**
home market	4 889 418	3 156 110	55%
export	3 353 815	1 914 360	75%
Share of consumers, %	8.5	14.2	-40%
Share of traders, %	91.5	85.8	7%
Structure of the sales at market prices, MWh			
Home market	5 656 030	3 995 107	42%
Export by traders	3 353 815	1 914 360	75%
Share of home market, %	62.8	67.6	-7%
Share of export, %	37.2	32.4	15%

Production and realisation of heat energy

In 2014, the Company generated 167 642 MWh heat energy. The total quantity of realised heat energy is 77 960 MWh, by 2 307 MWh (-3%) less than the quantity in the prior year. The demand deviation is due to the temperature differences in the respective heat seasons.

Program for safety maintenance and increase

A leading priority in the business activities of "Kozloduy NPP" EAD is the maintenance and increase of the safety. The actions in this regard are carried out in the following directions: nuclear safety, exploitation experience, radioactive protection, actions in the field of the radio protection, actions in the field of the break-down alert, actions in the field of the management of radioactive waste, radio-ecological monitoring, not radioactive monitoring and environment protection.

The nuclear facilities of NPP "Kozloduy" are used in accordance with the conditions of the licensed issued by the Nuclear Regulatory Agency for exploitation of the 5th and 6th and the repository for the spent nuclear fuel. The license for the use of the repository for the spent nuclear fuel is renewed for a period of 10 years. The licenses for ionizing radiation for business purposes and transportation of radioactive substances are also renewed for a period of 10 years.

The exploitation of the nuclear plant is carried out under adherence to the principles of the radioactive protection defined in ONRZ-2004 и BSS -115 of MAAE, as well as the principle AAAPA (receiving less as possible of dose loading of the personnel, but reasonable achievable).

In 2014, there were in NPP "Kozloduy" two exploitation events which were reported to the Nuclear Regulatory Agency according to the criteria of the "Ordinance for the conditions and order for the reporting to the Nuclear Regulatory Agency for events in the nuclear facilities and objects with sources of ionizing radiation". During 2014, there was no switching-on of the break-down protection systems of the 5th and 6th unit.

In 2014, "Kozloduy NPP" EAD carried out various actions and measures in relation to the break-down planning and readiness in accordance with the Law for Safety Use of Nuclear Energy and the Ordinance for break-down planning and readiness in case of nuclear and radioactive break-down. A contract with the Kozloduy hospital for making available of 10 patient beds as urgent protective measures and providing medical aid to the personnel of "Kozloduy NPP" EAD in case of a break-down and a contract for design of new centre for management of the break-downs in the city of Kozloduy were signed.

The safety management of the radioactive waste in "Kozloduy NPP" EAD is carried out in accordance with the National policy and Strategy for management of spent nuclear fuel and nuclear waste until 2030, as well as the "Complex program for management of radioactive waste in "Kozloduy NPP" EAD. The actions performed in the last year aimed to minimising of the nuclear waste in the process of its generation, as well as during its recycling and ensuring of the safety storage of conditioning nuclear waste in the facilities for temporary storage on the site of NPP.

The company's radioactive monitoring of the environment is regulated through the long term program of "Kozloduy NPP" EAD for radioactive monitoring of the environment. The results achieved for 2014 presented that the power of the equivalent dose of gamma-radiation varies in the limits of the natural radioactive background (0,05÷0,13) μSv/h. The values measured at the boundaries of the industrial site and in the towns and villages in the 100-km zone are completely comparable.

"Kozloduy NPP" EAD works very active for the environment protection in all aspects. The nuclear plant as operating organisation owns 10 licenses issued by the Ministry of Environment and Water of Bulgaria and its institutions. The annual report for carbon emissions during 2013 was prepared and submitted to the Executive Environment Agency according to the requirements of the license for carbon emissions. The due quotes for carbon emissions were acquired.

Completion of the overhaul program

The completion of the overhaul program aims to ensure the timely, qualitative and effective conduct of the necessary actions for the maintenance of the equipment for guaranteeing of the safety use of the nuclear plant and prevention of downtimes and damages during operations.

The overhaul program of "Kozloduy NPP" EAD is conducted according to the license liabilities of the Company for use of nuclear facilities on the base of the requirements of the project, legal-technical and exploitation documentation in regard to the type, volume and regularity of the conducted overhaul activities.

The overhaul program aims to ensure the safety of the nuclear facilities, the sufficiency of the project work resources of the equipment, the reliable electricity production according to the agreed schedule with the ESO for the load of the production power and the reliable heat supply to the consumers.

The overhaul program of "Kozloduy NPP" EAD comprise activities foreseen in the long term perspective schedule for preventive technical service and repair of constructions and components of the technological systems of the 5th and 6th unit and in the schedules for the overhaul of the general station objects including.

During 2014, the planned annual overhauls with nuclear fuel loading into the 5th and 6th unit are conducted with minimal downtime of the production capacity - respectively 35 and 37 days from the date of stopping until the date of connection to the electricity grid. During the last years a steady trend for minimising the planned downtimes of the production facilities during the annual overhauls by optimising of the organisation and coordination during the conduct of the necessary volume of activities for support, repairs and modernisation of the equipment was established.

In 2014, the following main activities are conducted which were foreseen in the overhaul program according to the license liabilities of the Company for use of nuclear facilities:

- Technical service and preventive repair of components, systems and constructions (CSC) - Technical service, inspection and preventive repair of the main and accessary equipment (CSC of the safety systems and the systems important for the safety and the production) of the 5th and 6th unit.

- Corrective repairs – the defects of equipment and components, arising during the time of use, periodical examinations and tests, reviews during each shift, periodical observations a. o., are removed in due time according to the technological conditions and limitations.

- Repair of the general station objects – The planned measures for preventive maintenance and technical service of the general station equipment were conducted according to the approved schedules in the separate departments.

The completed overhaul program of "Kozloduy NPP" EAD for 2014 led to expenditure at amount of BGN 58 million, including BGN 8 million for overhaul activites with investment character (overhaul, replacement of main significant spare parts).

Completion of the investment program with own funds

The completion of the projects from the investment program of the Company is one of the precondition for guaranteeing the rhythmical and safety use of the nuclear power plant as a reliable source of electricity and available power.

In 2014, the recorded investment expenditure amounted to BGN 186 million. Significant part of the investments is for the realisation of the strategic objectives for prolongation of the useful life of 5th and 6th unit, increase of their project power until 104%. In accordance with the requirements of the Law for safety use of nuclear energy and the licenses for exploitation a number of projects for maintaining and increasing of the safety in the "Kozloduy NPP" EAD has been completed.

In 2014, the following significant investment projects were completed:

- Project for the prolongation of the useful life of 5th and 6th unit

The incurred expenses for projects of the program for the prolongation of the useful life of 5th and 6th unit for 2014 are at amount of BGN 54 million. The most significant projects are as follows:

- Complex monitoring of the actual state and assessment of the rest resources of the facilities of the 5th and 6th unit of "Kozloduy NPP" EAD that is a license condition for the use of the nuclear energy units and is completed according to the approved time schedule. The total expenditure on the project as at 31.12.2014 is BGN 31 million.

- Design, supply and assembly of power leading lockers 0.4кV, replacing those of type RTZO of the safety systems of the 5th and 6th unit и those in the general station objects. The purpose of this is to increase the safety, to improve their exploitation mode и to improve the reliability of the protective installations through putting into use of new modern installations.

- Modernisation and supply of spare parts for main circulating pumps – the delivery according to the contract for "Production and supply of modified corpus for extractable parts of main circulating pumps type GCN195-M" was completed.

- Modernisation of systems for management and control SK-3 – The realisation of this project will lead to the prolongation of the useful life of the system for management and control of SBO with not less than 30 years; improvement or retention as result of the replacement of all functional means and technical features, which were foreseen in the original project, increase of the use reliability, improvement of the use conditions of SKU and of the metrological features of the equipment a. o.

➢ Project for the increase of the heat power of the nuclear energy units to 104%

The recorded expenditure for the project completion are at amount of BGN 74 million. Main actions completed in 2014 in relation to this project are as follows:

- Modernisation of the system for inner-reactor control (IRC) in relation to conducting of activities for increase of the power heat of the unit VVER-1000/V320. The contract for replacement of the equipment and software of the Program Technical Complex upper level IRC of the 5th and 6th unit is completed.

- Supply of a new stator, reconstruction of the rotor of the generator type TVV-1000-4 UZ and reconstruction of the exciter BVD-4600-1500 UZ to ensure the work at 1100 MW. The stator for the 6th unit is delivered and all preparatory operations in regard to the assembly during the next planned overhaul of the 6th unit.

- Modernisation of the separation of the steam generators of the 5th and 6th unit. It is conducted in accordance with the actual regulative and monitoring requirements. The purpose of the modernisations is to increase the exploitation reliability and to ensure the resource of the steam generator.

➢ Program for the maintenance and increase of the safety of "Kozloduy NPP" EAD including actions according to the Program for compliance with the recommendations from the conducted "stress tests" of the nuclear facilities in "Kozloduy NPP" EAD.

During the reporting period, total expenditure at amount of BGN 58 million were incurred for completion of the Program for maintenance and increase of the safety and of the Program for compliance with the recommendations from the conducted "stress tests".

The following actions were carried out:

- Supply of pneumonic cylinders for localizing pneumonic fixtures of the 5[th] and 6[th] unit – their installing is forthcoming;

- Project for Modernisation and Integration of the National system for early warning and reporting and of the systems for warning and reporting of Kozloduy in the frames of the urgent protective measures;

- Design, production and assembly of the technological caps from high temperature steady material for prevention of early by-pass of the hermetic cover in case of serious damages.

The cost of the non-current assets put into use during 2014 is BGN 117 million.

Financial results for 2014

In 2014, "Kozloduy NPP" EAD realised successfully its priority business objectives and reported enhanced financial figures and ratios as compared to 2013: sales revenue and annual net financial result.

The Company's net financial result for 2014 is profit at amount of BGN 78 million, and for 2013 – BGN 42 million.

During the current financial year the operating revenue from the business activities of the Company reached BGN 850 million – increasing by BGN 115 million (16 %) than in the prior year 2013. Revenue from sale of electricity amounted to BGN 830 million (98 % of all revenue) with increase of BGN 113 million (16 %) than 2013. The increase in the revenue is mainly due to two factors:

1. Increase of the realised electricity as compared to 2013–1 697 873 MWh (12.75 %);
2. By Decision № TE–023/29.05.2014, the EWRC reduced the quote for sales at regulated prices for the regulating period from 01.07.2014 – 30.06.2015 in comparison with the prior regulating period and further reduced the cost of availability that led to increase in the sales revenue. The effect from the sales increase at market prices was increase of BGN 222 million (55 %) as compared to 2013 and compensated many times the decrease of BGN 108 million (34 %) in the revenue from sales at regulated prices.

The operating expenses of the Company from continued activities for 2014 are at amount of BGN 700 million increasing by BGN 73 million (12%) as compared to 2013. More significant deviations are within: depreciation and amortisation expenses – increase by BGN 14 million (11 %) as result of the putting into use of new items of property, plant and equipment. The increase of the production led to increase of the contributions to the fund Decommissioning for Nuclear Facilities and to the fund Radioactive Waste by BGN 12 million and increase of the expenses for nuclear fuel by BGN 20 million.

In accordance to the requirements of the Bulgarian legislation during the last year the liabilities to the state and local budget as well as to the personnel and social security organisations and state funds were settled.

The safety use of the nuclear facilities, the execution of the priority investment projects for prolongation of the useful life of the 5^{th} and 6^{th} unit and the increase of the heat power were financed.

"Kozloduy NPP" EAD has paid in time its loan liabilities on the Programme for modernisation of the 5^{th} and 6^{th} unit to European Atomic Energy Community (EURATOM) according to the agreed amounts, maturity dates and terms of the loan contract from 29.05.2000.

In the table below key figures and ratios are listed which represent the achieved results from the business activities and measure the financial statement and performance of the Company during 2014 as compared to the prior year:

№	In thousand BGN	FS 31.12.2014	FS 31.12.2013	Change 2014/2013 (%)
c.1	c.2	c.3	c.4	c.5=(c.3/c.4)-1
1	Total operating revenue	850 413	735 057	15.69%
2	Total operating expenses	(700 423)	(627 752)	11.58%
3	EBITDA [1]	303 329	245 917	23.35%
4	EBIT [2]	149 990	107 305	39.78%
5	EBT [3]	146 103	110 095	32.71%
6	EBIT margin	17.6%	14.6%	20.82%
7	EBITDA margin	35.7%	33.5%	6.61%
8	Total assets	2 380 591	2 360 461	0.85%
9	PPE [4]	1 791 039	1 792 859	-0.10%
10	Working capital [5]	332 132	313 614	5.90%
11	Cash	18 920	45 322	-58.25%
12	Equity	1 679 489	1 628 054	3.16%
13	Return on equity	8.70%	6.76%	28.64%
14	Return on assets	6.14%	4.66%	31.59%

1) EBITDA – Earnings before interest, tax, depreciation and amortization;
2) EBIT – Earnings before interest and tax;
3) EBT – Earnings before tax;
4) PPE – property, plant and equipment and assets under construction;
5) Working capital – current assets minus current liabilities

3. Risk factors

The Company is exposed to various risks in relation to financial instruments. The most significant financial risks to which the Company is exposed are - market risk, credit risk and liquidity risk.

Market risk

Through the use of financial instruments the Company is exposed to market risk, and in particular to the risk of changes in exchange rates, interest rate risk and the risk of certain other price, due to operating and investing activities of the Company.

Currency risk

The Company makes purchases, sales, deliveries and borrowings in foreign currencies - EUR, USD and GBP. Most of these operations are carried out in euros. Since the exchange rate BGN/EUR was fixed at 1.95583, the currency risk arising from the Company's euro-denominated exposures is minimal.

The Company performs various transactions in USD, purchase of basic materials and services. As a result, it is exposed to currency risk related to exchange rate changes BGN to USD.

Interest risk

The Company's policy is to minimize interest rate risk on long-term financing. At 31 December 2014 the Company is exposed to the risk of changes in market interest rates on bank loans at variable interest rates. All other financial assets and liabilities of the Company are at fixed rates.

Liquidity risk

Liquidity risk is the situation, the Company will not be able to meet unconditionally all its obligations at their maturity. For liquidity risk management the Company collects its receivables, control money spending and thus provides sufficient working capital.

Credit risk

Credit risk is the risk that a counterparty cannot fulfil its obligation under a financial instrument or customer contract, leading to a financial loss to the Company. Negative impact on the credit risk of the Company makes the fact that the Company's receivables are concentrated in a related party "NEK" EAD (related party under common control of "BEH" EAD) from sales of electricity at regulated and market prices that are at net amount of TBGN 169 000 as at 31 December 2014.

4. Post-reporting date events

By decision t. II.6.1 from 12.01.2015 the Board of directors of BEH EAD authorized Kozloduy NPP EAD to sign an annex № 4 with Kozloduy HPP EAD according to which the following loan contract terms were changed: the maturity date was delayed till 15.01.2024; the number of instalments was increased to 22; maturity and amount of instalments were changed.

On 03.02.2015, an agreement is concluded with "NEK" EAD to reschedule the debts of "NEK" EAD arisen from sale of electricity in the amount of TBGN 132 014. The deadline for repayment by "NEK" EAD under this agreement is 20.12.2015 which begins on 10.01.2015. The interest rate is Base Interest Rate in Bulgaria (BIR) + 2.5%.

On 27.01.2015, an agreement to defer the liabilities of Interpriborservice OOD to Kozloduy NPP EAD was signed. The liabilities have been arisen from dividend due for 2010 at amount of BGN 666. The maturity is till 31.05.2016. The repayment begins on 31.01.2015, the interest rate is Base Interest Rate in Bulgaria (BIR) + 2%.

5. Future development during 2015

The economic policy of the Company planned for 2015 is in accordance with an approved Decision II2.1./13.01.2014 of the Board of Directors of BEH EAD five year business program for the period 2015-2019.

The priorities of the future development of Kozloduy NPP EAD are as follows: to ensure the highest level of safety, flawless and economic effective work of the nuclear plant and successful and effective completion in time of the project "Lifetime extension of the 5th and 6th

unit" together with the increase in the production capacity.

Along with the abovementioned strategic projects carrying out of all reconstructions and modernisations of the main facilities is going to be secured which arise in the process of their use or as result of analysis of the use experience.

The main objective in the short term of the management is to ensure the financial stability and to improve the liquidity of the Company in conditions of the unfavourable business environment, the getting worse crisis in the energy sector and the high intercompany indebtedness For this purpose significant cash flows from various sources need to be accumulated: collection of the receivables of the Company or their sale to third parties and raising debt in a form of trade or bank borrowings.

In 2015, the business of the Company will be directed to ensure maximum realization of the electricity produced, stable market presence and maintain competitive prices.

A long-term priority of the Company's management is to maintain sufficient, qualified, competent and motivated staff.

Dimitar Angelov

Executive director
"Kozloduy NPP" EAD
Kozloduy

"АЕЦ Козлодуй" ЕАД
гр. Козлодуй

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INDEPENDENT AUDITOR'S REPORT

To the sole shareholder of
Kozloduy NPP EAD

Report on the Individual Financial Statements

We have audited the accompanying individual financial statements of Kozloduy NPP EAD as of 31 December 2014, which comprise the statement of financial position as of 31 December 2014, and the statement for profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Individual Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The Company does not account for expenses and provisions for the decommissioning of nuclear facilities and the storage and management of radioactive wastes arising from its activities. According to the legislation currently in force and other international agreements, the Company has the right to receive reimbursement for a portion of these costs from national and international funds. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Company should recognize provisions for the decommissioning and other obligations arising from its nuclear power generation activities and a separate asset for its right to receive reimbursements in the event that its value cannot be reliably determined. As of the date of this audit opinion the Company is in the process of evaluating the amount of the provisions and the possible related reimbursements. Consequently, we were not able to satisfy ourselves as to the measurement and completeness of the provisions and the related reimbursement assets as at 31 December 2014 and 31 December 2013.

As disclosed in note 17 *Loans* to the individual financial statements as of 31 December 2014, the Company reports bank loans payable, which are guaranteed by the Bulgarian Government. In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, the loans should have been presented at fair value upon initial recognition. We were not provided with an estimate of the fair value of the loans at inception. As a result, we were unable to satisfy ourselves as to the amortised cost of bank loans payable as at 31 December 2014 and 31 December 2013 with carrying amounts as at these dates of BGN 236 289 thousand and BGN 280 539 thousand, respectively.

As disclosed in note 8 *Receivables from KTB AD* to the individual financial statements, the Company has long-term receivables from Corporate Commercial Bank AD (KTB AD) at carrying amount of BGN 4 618 thousands as at 31 December 2014. Although the management has undertaken the necessary actions to protect the legal and financial interests of the Company, as of the auditor's report date the possible effects of the existing uncertainty in regard to the recoverability of the receivables from KTB AD could not be measured. Therefore we were unable to obtain sufficient and appropriate audit evidence regarding the amount of the receivables disclosed in note 8 to the individual financial statements and we were unable to determine what adjustments to this amount are needed.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for qualified opinion" paragraph, the individual financial statements give a true and fair view of the financial position of Kozloduy NPP EAD as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by EU and Bulgarian legislation.

Emphasis of matter

We draw attention to note 5 "Property, plant and equipment" to the financial statements, according to which as at 31 December 2012, the Company has revaluated the main part of the property, plant and equipment, using independent certified appraisers in accordance with its accounting policies. As at 31 December 2014 the management performed test and found no indications that their carrying amount differs significantly from the fair value. The specifics of the Company's assets and the dynamic economic environment in the energy sector could lead to variations in the assumptions and judgments used in determining the fair value. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements – Management's report for the year ended 31 December 2014

We have reviewed the management's report for the year ended 31 December 2014 of Kozloduy NPP EAD, which is not part of the financial statements. The historical financial information in the management's report complies in its main aspects with the financial information, presented in the financial statements for the year ended 31 December 2014, prepared in accordance with International Financial Reporting Standards, as adopted by EU and Bulgarian legislation. The preparation of the management's report is responsibility of the management.

Mariy Apostolov
Registered auditor responsible for the audit
Managing partner

Специализирано одиторско предприятие
София
Рег. №032
"Грант - Торнтон" ООД

Grant Thornton Ltd.
Auditing Company

14 April 2015
Bulgaria, Sofia

Statement of financial position

	Note	31 December 2014	31 December 2013
Assets		**TBGN**	**TBGN**
Non-current assets			
Property, plant and equipment	5	1 791 039	1 792 859
Intangible assets	6	7 118	4 354
Investments in subsidiaries	7	15 161	15 161
Loans to related parties	30.2	18 990	19 180
Receivables from KTB AD	8	4 618	-
Available-for-sale financial assets	9	232	232
Non-current assets		**1 837 158**	**1 831 786**
Current assets			
Nuclear fuel	11	247 184	263 396
Inventories	12	59 324	57 458
Trade and other receivables	13	45 497	35 315
Loans to related parties	30.2	2 367	2 930
Related party receivables	30.1	170 141	123 966
Income tax receivable		-	288
Cash and cash equivalents	14	18 920	45 322
Current assets		**543 433**	**528 675**
Total assets		**2 380 591**	**2 360 461**

Prepared by: /Margarita Mankova/

Executive director: /Dimitar Angelov/

Date: 24 March 2015

Audited according to the auditor's report dated 14 April 2015:

Mariy Apostolov
Registered auditor responsible for the audit
Managing partner

Grant Thornton Ltd.
Auditing Company

Statement of financial position (continued)

	Note	31 December 2014	31 December 2013
		TBGN	TBGN
Equity and liabilities			
Equity			
Share capital	16.1	165 607	153 855
Legal reserves	16.2	15 385	12 454
Revaluation reserve of non-financial assets	16.3	429 303	432 750
Reserve from remeasurements of defined benefit liability		(5 961)	(6 423)
Other reserves	16.4	984 126	984 126
Retained earnings		91 029	51 292
Total equity		**1 679 489**	**1 628 054**
Liabilities			
Non-current liabilities			
Loans	17	192 038	236 289
Retentions on construction contracts	18	1 393	5 847
Financing	19	190 737	173 055
Liabilities for retirement employee benefits	20	16 062	10 528
Deferred tax liabilities	10	89 571	91 627
Non-current liabilities		**489 801**	**517 346**
Current liabilities			
Trade and other payables	21	142 222	127 183
Related party payables	30.1	2 265	21 296
Loans	17	46 491	46 880
Financing	19	1 456	1 524
Retentions on construction contracts	18	5 742	4 706
Liabilities for retirement employee benefits	20	12 029	13 472
Income tax liabilities		1 096	-
Current liabilities		**211 301**	**215 061**
Total liabilities		**701 102**	**732 407**
Total equity and liabilities		**2 380 591**	**2 360 461**

Prepared by: /Margarita Mankova/

Executive director: /Dimitar Angelov/

АЕЦ „Козлодуй" ЕАД * гр. Козлодуй

Date: 24 March 2015

Audited according to the auditor's report dated 14 April 2015:

Mariy Apostolov

Registered auditor responsible for the audit **Grant Thornton Ltd.**

Managing partner **Auditing Company**

Специализирано одиторско предприятие София Рег. №032 "Грант - Торнтон" ООД

The accompanying notes on pages from 7 to 57 form an integral part of the individual financial statements.

Statement of profit or loss and other comprehensive income for the year ended 31 December

	Note	2014	2013
		TBGN	TBGN
Revenue from sale of electricity		829 970	716 590
Revenue from sale of heat		2 037	2 051
Sales revenue	22	**832 007**	**718 641**
Financing income		1 213	1 739
Revenue from sale of services, goods and other sales	23	17 193	14 677
Cost of materials	24	(154 579)	(151 244)
Hired services expenses	25	(92 973)	(100 072)
Employee benefits expenses	26	(187 882)	(168 218)
Depreciation and amortisation	5, 6	(153 339)	(138 612)
Other expenses	27	(101 105)	(77 384)
Change in work in progress and other		(10 856)	7 674
Capitalized expenses		311	104
Operating profit		**149 990**	**107 305**
Finance costs	28	(5 983)	(9 139)
Finance income	28	2 096	11 929
Profit before tax		**146 103**	**110 095**
Income tax expense	29	(9 179)	(4 747)
Profit for the year from continuing operations		**136 924**	**105 348**
Loss for the year from discontinued operations	15	(58 532)	(63 246)
Profit for the year		**78 392**	**42 102**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liability	20	513	(1 618)
Income tax relating to items not reclassified	10	(51)	162
Other comprehensive income/(loss) for the year, net of tax		**462**	**(1 456)**
Total comprehensive income for the year		**78 854**	**40 646**

Prepared by: ______________ **Executive director:** ______________
/Margarita Mankova/ **/Dimitar Angelov/**

Date: 24 March 2015

Audited according to the auditor's report dated 14 April 2015:

Mariy Apostolov
Registered auditor responsible for the audit **Grant Thornton Ltd.**
Managing partner **Auditing Company**

София
Рег. №032
"Грант - Торнтон" ООД

АЕЦ Козлодуй ЕАД
гр. Козлодуй

The accompanying notes on pages from 7 to 57 form an integral part of the individual financial statements.

Statement of changes in equity for the year ended 31 December

All amounts are presented in TBGN	Share capital	Legal reserves	Revaluation reserve of non-financial assets	Reserve from remeasurements of defined benefit liability	Other reserves	Retained earnings	Total equity
Balance at 1 January 2014	**153 855**	**12 454**	**432 750**	**(6 423)**	**984 126**	**51 292**	**1 628 054**
Distribution of dividends	-	-	-	-	-	(27 419)	(27 419)
Transactions with the sole owner	**-**	**-**	**-**	**-**	**-**	**(27 419)**	**(27 419)**
Profit for the year	-	-	-	-	-	78 392	78 392
Other comprehensive loss	-	-	-	462	-	-	462
Total comprehensive income for the year	**-**	**-**	**-**	**462**	**-**	**78 392**	**78 854**
Transfer of retained earnings to share capital	11 752	-	-	-	-	(11 752)	-
Transfer of retained earnings to reserves	-	2 931	-	-	-	(2 931)	-
Transfer of revaluation reserve of non-current assets to retained earnings	-	-	(3 447)	-	-	3 447	-
Balance at 31 December 2014	**165 607**	**15 385**	**429 303**	**(5 961)**	**984 126**	**91 029**	**1 679 489**

Prepared by: ______
/Margarita Mankova/

Executive director: ______
/Dimitar Angelov/

АЕЦ „Козлодуй" ЕАД * гр. Козлодуй

Date: 24 March 2015
Audited according to the auditor's report dated 14 April 2015:
Mariy Apostolov
Registered auditor responsible for the audit
Managing partner

Grant Thornton Ltd.
Auditing Company

Специализирано одиторско предприятие „Грант Торнтон" ООД София Рег. №032

Statement of changes in equity for the year ended 31 December (continued)

All amounts are presented in TBGN	Share capital	Legal reserves	Revaluation reserve of non-financial assets	Reserve from remeasurements of defined benefit liability	Other reserves	Retained earnings	Total equity
Balance at 1 January 2013 (restated)	**124 546**	**20 376**	**433 462**	**(4 967)**	**976 842**	**155 061**	**1 705 320**
Distribution of dividends	-	-	-	-	-	(117 267)	(117 267)
Non-current assets distributed to the sole owner	(25 411)	-	-	-	-	-	(25 411)
Transactions with the sole owner	**(25 411)**	**-**	**-**	**-**	**-**	**(117 267)**	**(142 678)**
Profit for the year	-	-	-	-	-	42 102	42 102
Other comprehensive loss	-	-	-	(1 456)	-	-	(1 456)
Total comprehensive income for the year	**-**	**-**	**-**	**(1 456)**	**-**	**42 102**	**40 646**
Transfer of retained earnings to share capital	29 309	-	-	-	-	(29 309)	-
Transfer of reserves to share capital	25 411	(7 922)	-	-	(17 489)	-	-
Transfer of revaluation reserve of non-current assets to retained earnings	-	-	(712)	-	-	712	-
Derecognition of financing related to non-current assets distributed to the sole owner	-	-	-	-	24 773	-	24 773
Tantieme	-	-	-	-	-	(7)	(7)
Balance at 31 December 2013	**153 855**	**12 454**	**432 750**	**(6 423)**	**984 126**	**51 292**	**1 628 054**

Prepared by: ______________ **Executive director:** ______________
/Margarita Mankova/ **/Dimitar Angelov/**

Date: 24 March 2015

Audited according to the auditor's report dated 14 April 2015:

Mariy Apostolov **Grant Thornton Ltd.**
Registered auditor responsible for the audit **Auditing Company**
Managing partner

София
Рег. №032
"Грант - Торнтон" ООД

"АЕЦ Козлодуй" ЕАД
гр. Козлодуй

Statement of cash flows for the year ended 31 December

	Note	2014	2013
		TBGN	TBGN
Operating activities			
Cash receipts from customers		917 405	869 445
Cash paid to suppliers		(251 493)	(295 330)
Cash paid to employees and social security institutions		(169 843)	(165 002)
Payments for fees, commissions and others		(51)	(62)
Payments to state funds		(85 939)	(76 030)
Income taxes (paid)/received		(9 901)	347
Payments for other taxes and to the budget		(129 060)	(116 943)
Insurance payments		(9 901)	(9 129)
Other (payments)/proceeds		(9 441)	56 317
Net cash flows from continuing operations		251 776	263 613
Net cash flows from discontinued operations	15	(28 812)	(65 363)
Net cash flows from operating activities		**222 964**	**198 250**
Cash flows from investing activities			
Purchase of property, plant and equipment		(157 272)	(120 749)
Proceeds from disposals of property, plant and equipment		18	259
Acquisition of subsidiaries	7	-	(12 000)
Loans granted	30.2	-	(1 061)
Loan repayments received	30.2	754	150
Interest received		1 721	1 438
Dividends received	9	255	262
Net cash flows from investing activities		**(154 524)**	**(131 701)**
Cash flows from financing activities			
Repayments of loans		(44 251)	(38 750)
Interest paid		(5 449)	(8 200)
Dividends paid	16.5	(45 142)	(53 262)
Net cash flows from financing activities		**(94 842)**	**(100 212)**
Reclassification into „Receivables from KTB AD“	8	**(4 618)**	**-**
Net change in cash and cash equivalents		**(26 402)**	**(33 663)**
Cash and cash equivalents, beginning of year		45 322	78 985
Cash and cash equivalents, end of year	14	**18 920**	**45 322**

Prepared by: ______ **/Margarita Mankova/**

Executive director: ______ **/Dimitar Angelov/**

АЕЦ "Козлодуй" ЕАД гр. Козлодуй

Date: 24 March 2015

Audited according to the auditor's report dated 14 April 2015:

Mariy Apostolov

Registered auditor responsible for the audit **Grant Thornton Ltd.**

Managing partner **Auditing Company**

специализирано одиторско предприятие София Рег. №032 "Грант - Торнтон" ООД

The accompanying notes on pages from 7 to 57 form an integral part of the individual financial statements.

Notes to the individual financial statements

1. Nature of operations

"Kozloduy NPP" EAD is a joint stock company established with decision № 582 from 2000 of Vratsa Regional Court, with headquarters and registered office in Kozloduy, Region Vratsa, Bulgaria, PO Box 3321. The Company was incorporated on 28 April 2000 as a joint stock company with a sole owner the state - the Republic of Bulgaria by separation from the "National Electric Company" EAD ("NEK" EAD). The Company is the successor of that part of the assets and liabilities of the "NEK" EAD, Sofia under a separation protocol in Sofia branch NPP "Kozloduy" and GRA "Atomenergoinvest" Kozloduy. The rights of the sole shareholder are drawn from accounting records as at 28 April 2000. The rights of the sole shareholder have been exercised by the Ministry of Energy since 18.09.2008 by the created "Bulgarian Energy Holding" EAD.

The financial year of the Company ends on December 31.

The main activities of the Company include the use of nuclear energy to produce electricity and heat.

As of 31 December 2014 the sole owner of the Company is "Bulgarian Energy Holding" EAD. The ultimate parent of the Company is Bulgarian State through the Ministry of Energy.

Kozloduy NPP EAD has one-tier management system and is managed by a Board of Directors consisting of the following members as at 31 December 2014:

- Jacklen Cohen
- Dimitar Angelov
- Ivan Ionchev

The Company is represented by its executive director Dimitar Angelov as at 31 December 2014.

The number of employees as at 31 December 2014 is 3 677.

2. Basis for the preparation of the individual financial statements

The individual financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union (EU).

The individual financial statements are presented in Bulgarian leva (BGN), which is also the functional currency of the Company. All amounts are presented in thousand Bulgarian leva (TBGN) (including comparative information for 2013) unless otherwise stated.

These financial statements are individual financial statements. The Company also prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and approved by EU. Investments in subsidiaries are accounted for and disclosed in accordance with IFRS 10 "Consolidated Financial Statements".

The individual financial statements are prepared under the going concern principle.

At the date of preparation of these individual financial statements the management has made an assessment of the Company's ability to continue as a going concern on the basis of the available information for the foreseeable future.

The forecasts and budgets for the future development of the Company provide significant investments, leading to a shortage of funds in the period 2015 ÷ 2019 by significant amount of about BGN 250 million. At present, the Company is unable to finance its own means of the realization of the envisaged investment projects over the forecast period, which requires the use of external funding or financial support from the sole owner. The main tool that is intended to be used during the planning period to cover future deficits is an investment loan. As a result of the activity review and possible additional funding management expects that the Company will have sufficient resources to continue its operational activities in the near future and believes that the going concern assumption is appropriately used in preparing these individual financial statements.

3. Changes in accounting policies

3.1. New and revised standards that are effective for annual periods beginning on or after 1 January 2014

The Company has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 January 2014:

IFRS 10 "Consolidated Financial Statements" effective from 1 January 2014, adopted by the EU on 11 December 2012
IFRS 10 "Consolidated Financial Statements" introduces a new, principle-based definition of control which will apply to all investees to determine the scope of consolidation. IFRS 10 did not change the classification of any of the existing investees at 31 December 2014.

IFRS 11 "Joint Arrangements" effective from 1 January 2014, adopted by the EU on 11 December 2012
IFRS 11 "Joint Arrangements" supersedes IAS 31 "Interests in Joint Ventures". It replaces IAS 31's three categories of 'jointly controlled entities', 'jointly controlled operations' and 'jointly controlled assets' with two new categories - 'joint operations' and 'joint ventures'. The option of using proportionate consolidation for joint ventures that was previously included in IAS 31 has been eliminated (equity accounting is now required for all joint ventures). There was no material impact on the Company's net assets or profits in the individual financial statements. No such changes are expected in the consolidated financial statements either.

IFRS 12 "Disclosure of Interests in Other Entities" effective from 1 January 2014, adopted by the EU on 11 December 2012
IFRS 12 "Disclosure of Interests in Other Entities" is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

IFRS 10, IFRS 11, IFRS 12 – Transition Guidance, effective from 1 January 2013, adopted by the EU on 16 April 2013
The guidance confirms that the entity is not required to apply IFRS 10 retrospectively in certain circumstances and provides additional transition relief in IFRSs 10, 11, 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Further, it provides additional relief by removing the requirement to present comparatives for the disclosures related to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.

IAS 27 "Separate Financial Statements" (Revised) effective from 1 January 2014, adopted by the EU on 11 December 2012
IAS 27 "Separate Financial Statements" (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged.

IFRS 10, IFRS 12, IAS 27 (amendments) – Investment Entities, effective from 1 January 2014, adopted by the EU in November 2013

The amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss.

IAS 28 "Investments in Associates and Joint Ventures" (Revised) effective from 1 January 2014, adopted by the EU on 11 December 2012

IAS 28 "Investments in Associates and Joint Ventures" (Revised) continues to prescribe the mechanics of equity accounting. Changes to its scope have however been made as a result of the publication of IFRS 11"Joint Arrangements".

IAS 32 "Financial Instruments: Presentation" (amended) effective from 1 January 2014, adopted by the EU on 13 December 2012

The amendment clarifies that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.

IAS 36 "Impairment of assets" (amended) effective from 1 January 2014, adopted by the EU in December 2013

The amendment requires the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. It should be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted provided the entity has already adopted IFRS 13.

IAS 39 "Financial Instruments: Recognition and Measurement" (amended) effective from 1 January 2014, adopted by the EU in December 2013

The amendments to IAS 39 allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

IFRIC 21 "Levies" effective from 1 January 2014, adopted by the EU in June 2014

IFRIC 21 considers how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. IFRIC 21 also clarifies that an entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

The following new standards, amendments and interpretations to existing standards have been issued, but are not effective for the financial year beginning 1 January 2014 and have not been early adopted by the Company:

IFRS 9 "Financial Instruments" effective from 1 January 2018, not yet adopted by the EU

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Company's management have yet to assess the impact of IFRS 9 on these individual financial statements.

IFRS 9 "Financial Instruments" (amended) – Hedge accounting, effective from 1 January 2018, not yet adopted by the EU

These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

IFRS 10 "Consolidated financial statements" and IAS 28 „Investments in associates and joint ventures" (amended), effective from 1 January 2016, not yet adopted by the EU

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

IFRS 11 "Joint Arrangements" (amended) – Acquisition of an Interest in a Joint Operation, effective from 1 January 2016, not yet adopted by the EU

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not yet adopted by the EU

IFRS 14, 'Regulatory deferral accounts' permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2017, not yet adopted by the EU

IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and some revenue-related Interpretations and establishes a new control-based revenue recognition model. It changes the basis for deciding whether revenue is recognised at a point in time or over time and expands and improves disclosures about revenue. IFRS 15 is based on a core principle that requires an entity to recognise revenue in a manner that depicts the transfer of goods or services to customers and at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. Early adoption is permitted. Entities are required to apply the new revenue Standard either retrospectively to each prior period presented, subject to some practical expedients or retrospectively, with the cumulative effect of initial application recognized in the current period.

IAS 16 "Property, plant and equipment" and IAS 38 "Intangible Assets" (amended), effective from 1 January 2016, not yet adopted by the EU

In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" (amended) - Bearer Plants, effective from 1 January 2016, not yet adopted by the EU

These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

IAS 19 "Employee Benefits" (amended) – Employee Contributions, effective from 1 July 2014, not yet adopted by the EU

The amendments to IAS 19 clarify the requirements of IAS 19 relating to contributions from employees or third parties and introduce a practical expedient such that contributions that are independent of the number of years of service may be treated as a reduction in the service cost in the period in which the related service is rendered.

IAS 27 "Separate financial statements" (amended), effective from 1 January 2016, not yet adopted by the EU

These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Annual Improvements to IFRSs 2012 effective from 1 July 2014, not yet adopted by the EU

These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:

• IFRS 2, 'Share-based payment'
• IFRS 3, 'Business Combinations'
• IFRS 8, 'Operating segments'
• IFRS 13, 'Fair value measurement'
• IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'
• Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and
• IAS 39, Financial instruments – Recognition and measurement'.

Annual Improvements to IFRSs 2013 effective from 1 July 2014, not yet adopted by the EU

The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:

• IFRS 1, 'First time adoption'
• IFRS 3, 'Business combinations'
• IFRS 13, 'Fair value measurement' and
• IAS 40, 'Investment property'.

Annual Improvements to IFRSs 2014 effective from 1 January 2016, not yet adopted by the EU

These set of amendments impacts 4 standards:

• IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
• IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
• IAS 19, 'Employee benefits' regarding discount rates.
• IAS 34, 'Interim financial reporting' regarding disclosure of information.

4. Summary of accounting policies

4.1. Overall considerations

The significant accounting policies that have been used in the preparation of these individual financial statements are summarized below.

The individual financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the individual financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2. Presentation of individual financial statements

The individual financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements" (revised 2007). The Company has elected to present the statement of profit or loss and other comprehensive income as a single statement.

Two comparative periods are presented for the statement of financial position when the Company:

(i) applies an accounting policy retrospectively,

(ii) makes a retrospective restatement of items in its financial statements, or

(iii) reclassifies items in the financial statements.

and this has a material impact on the statement of financial position at the beginning of the preceding period.

4.3. Investments in subsidiaries

Subsidiaries are firms under the control of the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the financial statements of the Company investment in subsidiaries is accounted at cost of the investment.

The Company recognizes a dividend from a subsidiary in profit or loss in its individual financial statements when its right to receive the dividend is established.

4.4. Foreign currency translation

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.5. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment was received. Revenue is measured at the fair value the received or due receivable on the basis of the agreed terms of payment, excluding discounts, rebates and other sales taxes or duties.

The Company analyzes arrangements for sales by specific criteria to determine whether it acts as principal or agent.

It reached to the conclusion that it is acting as a principal in all such arrangements. Before revenue is recognized following specific recognition criteria must also be met:

Sale of electrical energy
Revenue is recognized in the statement of profit or loss and other comprehensive income for the carried out supply to customers with electricity, whose facilities are connected to the electricity grid - public service provider, end users and traders on the electricity market. Revenue from sales is recognized on the basis of evidence of consumed electricity measured with means for commercial measurement on a monthly basis.
The generated electricity for the period is realized and regulated by the Energy and Water Regulatory Commission (EWRC) and freely negotiated with clients (traders and consumers) prices. The electricity for personal needs for units 5 and 6 is included into their cost.

Rendering of services
Revenue from services is recognized based on the stage of completion of the transaction at the reporting date. When the outcome of the transaction (contract) cannot be estimated reliably, revenue is recognized only to the extent incurred expenses recoverable.

Interest income
Interest income is accounted for by using the effective interest rate representing the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset. Interest income is included within 'finance income' in the statement of profit or loss and other comprehensive income.

Dividend income
Dividend income is recognized when it is established right to receive.

Government grants
Government grants relating to the acquisition of non-current assets are initially shown in the statement of financial position as deferred income when there is reasonable certainty that they will be received and that the Company will be able to fulfil all related requirements. Income from financing for non-current assets is recognized in profit or loss on a systematic basis over the useful life of the asset.
Government grants for the financing of current activities are recognized on a systematic basis in profit or loss over the periods in which they are incurred related costs to be offset by donations.

4.6. Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin in accordance with the accrual and matching principle.

Expenses for electrical energy
The cost of electricity production includes costs directly related to production in accordance to the "Regulation on the formation and application of electricity prices" of the Energy and Water Regulatory Commission (EWRC).

The cost of nuclear fuel is accounted for in accordance with approved methodology of the Company. The cost of nuclear fuel for generated electricity is obtained by multiplying the fuel component, calculated according to the methodology and the estimated gross amount of electricity produced by units.
Cost of funds "Decommissioning of Nuclear Facilities" (DNF) and "Radioactive Waste" (RAW) is calculated according to decrees and regulations of the Council of Ministers and are recognized as other expense according to the Ordinance for pricing electrical energy and the Energy Law.

Costs for available capacity
The cost of the available capacity is formed by the fixed expenses from operating activities, which include:

- Cost of materials other than nuclear fuel, reagents and diesel fuel;
- Hired service expenses;
- Wages and benefits;
- Depreciation costs;
- Other costs without the expenses for "DNF" and "RAW" funds.
- The cost of own transport;
- Indirect costs allocated on base of the receiving protocols for the work performed by other service activities.

Cost of production and transportation of heat energy
The direct cost of heat energy is formed by the costs of generation and transmission. In the cost of generating heat energy conditional fixed and variable (fuel) costs of electricity-2 multiplied by the reduction factor are included. The reduction factor represents the proportion of the unfinished electricity to gross electricity production from Power Generation-2 (EP-2). The unfinished production is calculated monthly from the Engineering Support Department. The costs of producing electrical energy and available capacity of the EP-2 are also reduced. These costs relate to the cost of the heat produced and the cost of the generated heat allocated to other sectors of the facility.
For "Production and transportation of heat energy" activity:

- The cost of producing heat energy includes conditional fixed and variable costs of electricity-2;
- The cost of transport of heat energy includes all variable and conditional fixed expenses of the workshop "Heating Plant".

The heat energy for own facilities of Kozloduy NPP is recognized as an expense in the current year at a sale price of heat energy, and at the end of the year is matched with the actual cost.

Cost of supporting and auxiliary activities
The costs of supporting and auxiliary activities are recorded on separate accounts and include direct and indirect costs. Bases for allocating indirect technological costs are as follows:

- Upkeep activity:
    - External sites – work hours on projects and orders
    - For NPP sites – Inputted materials on sites and orders;
- For cars – fuel consumption
- For the main activities – production of electricity as follows;

Social expenses are allocated to the coefficient method based on the number of staff employed under the "Electricity production" and "Transfer of heat energy" activities.
Administrative costs are reported as current expenditures. This concerns also the accrued "tax expenditures" under the Law on Corporate Income Tax.
Cost of local taxes is included in "Hired services expenses" in the statement of profit or loss and other comprehensive income.

4.7. Interest expenses and borrowing costs

Interest expenses are recorded on an accrual basis using the effective interest method.

Borrowing costs primarily comprise interest on the Company's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, excluding loans made specifically for the purpose of obtaining a qualifying asset.

Other borrowing costs should be expensed in the period in which they are incurred in the statement of profit or loss and other comprehensive income within 'Finance costs".

4.8. Profit or loss from discontinued operations

A discontinued operation is a component of the Company that either has been disposed or is classified as held for sale or distribution to the owner and:

• represents a certain type of main activity or activities covers a specific geographical area;

• is part of a single coordinated plan to sell a kind of main activity or activities of a specific geographical area; or

• constitute a subsidiary acquired for subsequent sale.

Profit or loss from discontinued operations, as well as the components of profit or loss from previous periods are presented as a single amount in the statement of profit or loss and other comprehensive income, which is analyzed in note 15.

Disclosure of discontinued operations for the previous year is associated with all the activities that have been discontinued as of the date of the individual financial statements for the latest period presented. If the activities that have been presented as discontinued in the previous period are renewed for the current year, the relevant disclosures for the preceding period should be changed.

4.9. Intangible assets

Intangible assets acquired separately are measured initially at cost, including any import duties and non-refundable purchase taxes and any directly attributable expenditure on preparing the asset for use where the capitalized costs are amortized on a straight-line basis over the estimated useful life of the assets as it believes that it is limited.

After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized in the statement of profit or loss and other comprehensive income for the respective period.

Intangible assets with limited useful life are amortized over their useful lives and tested for impairment whenever there is an indication that the asset may be impaired. The amortization period and method of amortization of intangible assets with limited useful life are reviewed at least at each financial year. Changes in the expected useful life or pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, and treated as changes in accounting estimates.

Subsequent expenditure on an intangible asset after its purchase or its completion is expensed as incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives are reviewed at each reporting date.

Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

Program products	2-10 years
Licenses	For the licenses period
Others	3-10 years
Development products	5-20 years

Amortization costs are included in the statement of profit or loss and other comprehensive income within 'Depreciation and amortization expense'.

Gains or losses arising from derecognition of an intangible asset, representing the difference between the net disposal proceeds and the carrying amount of the asset is included in the statement of profit or loss and other comprehensive income when the asset is derecognized.

The internally generated intangible assets as a result of development activities are recognized as assets of the expert committee appointed by the Company according to the stage of creating the intangible asset if the following conditions are met:

- the availability of technical ability to complete the asset;
- the intention to complete the asset;
- ability to use or sell the asset, including the existence of a market or utility in a group internal use;
- ability to assess the cost during the development of the asset.

Scientific research activity
Research expenditure incurred for the acquisition of new scientific or technical knowledge shall be recognized in profit or loss when incurred.
Expenditure on research and development incurred in connection with external orders in case of contracts with clients are recognized for an asset to be divested.
Indirect technological production costs are allocated based on work and together with direct costs form the cost of the created asset.

Development activity
Development activities include a plan or design for the production of new or substantially improved products and processes. Development costs are capitalized only if such costs can be measured reliably, the product or process is technically and commercially viable, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Capitalized costs include materials, labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized interest costs. Other development expenditure is recognized in profit or loss when incurred. Capitalized development costs are measured at cost less accumulated amortization and impairment losses.

Costs of developing intangible assets that do not meet these criteria for capitalization are recognized when incurred.

The selected threshold for intangible assets of the Company amounts to BGN 700.

4.10. Property, plant and equipment

Property, plant and equipment (PPE) are initially measured at cost, which comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Subsequent revaluation of PPE is applied to an entire class of identical assets as follows:

No	Group PPE	Method of subsequent measurement
1	Land	Revaluation model
2	Improvements of land and locations	Revaluation model
3	Buildings and structures	
	• massive	Revaluation model
	• non-massive	Acquisition cost
4	Machinery and equipment	Revaluation model
5	Computer systems	Acquisition cost
6	Vehicles	
	• freight vehicles	Revaluation model
	• cars	Acquisition cost
	• specialized vehicles	Revaluation model
7	Fixtures and fittings	Acquisition cost
8	Spare parts, classified as PPE	Revaluation model
9	Other PPE	Acquisition cost

Property, plant and equipment, which are reported in subsequent revaluation model, are measured at revalued amount, which is equal to the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Reassess presented in the statement of profit or loss and other comprehensive income and expense are recognized in equity (revaluation reserve), if not accrued before costs. Upon sale or disposal of the revalued asset remaining revaluation reserve reflects the expense of retained earnings.

Revaluations are carried out according to the following frequency of revaluation:

- if the fair value of assets undergoes only minor changes, the revaluation is done every three years;
- if the fair value of assets is changing significantly revaluation is carried out at shorter intervals so that the carrying amount of the asset does not differ materially from its fair value.

The frequency of subsequent revaluations of PPE in the application of the revaluation model depends on whether the carrying value materially differs from the fair value of a revalued asset at the end of the reporting period.

In this regard, in carrying out the annual inventory at the end of the reporting period the Company reviews for any indications that the carrying value differs materially from fair value.

A deviation of the carrying amount of the asset's fair value at the date of the individual financial statements over 5% is accepted as a significant deviation, as well as when it is below 5%, but the cumulative difference between the carrying value and fair value of PPE is material for the purposes of the individual financial statements.

Other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Impairment losses are recognized as an expense and are recognized in the statement of profit or loss and other comprehensive income for the period.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset. All other subsequent expenditure is recognized as an expense in the period in which they are made.

The residual values and useful lives of property, plant and equipment are reviewed at each reporting date.

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives of assets as follows:

Plants	15-50 years
Machines, equipment	10-50 years
Mobile phones	3 years
Lifting equipment	10-30 years
Portable tools	5-15 years
Control and instrumentation systems	5-30 years
Cars	5-30 years
Vehicles	5-20 years
Computer equipment	2-10 years
Fixtures	5-20 years

Gain or loss on sale of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset.

The recognition threshold for property, plant and equipment of the Company amounts to BGN 700.

4.11. Impairment testing of investments in subsidiaries, intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount

4.12. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All financial assets are recognized on their settlement date.

Financial assets and financial liabilities are subsequently measured as described below.

4.12.1. Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets are assigned to the different categories, depending on the purpose for which the investments were acquired. The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'Finance costs', 'Finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'Other expenses'.

The Company has the following financial asset categories:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Any change in their value is recognized in profit or loss. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Evidence of impairment may include indications that the debtors or groups of debtors experiencing serious financial difficulties or are in default or delinquency in payment of interest or principal, or is likely to declare insolvency / debt loads, or take financial reorganization, or when observed data indicate a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that are associated with defaults by debtors. . Impairment of trade receivables are presented in the statement of profit or loss and other comprehensive income within 'Other expenses.

Where the information available to determine the amount of impairment is limited, then the assessment of impairment is justified by historical experience of the Company relating to trade relations with such debtors or other reliable basis for judging.

The degree of impairment is determined using the age analysis of receivables and is consistent with the number of days in arrears (excluding bulk batch of sales heat of individuals).

Degree of impairment of receivables from sales of heat by individuals is made based on average rate of collection for the previous five years.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Financial assets within this category are subsequently measured at fair value, unless there is no market value at active markets present and hence their fair value cannot be measured reliably. Those without quoted market prices are measured at amortized cost using the effective interest method or at cost in cases when they do not have fixed date of payment. Changes in fair value are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, net of income taxes, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income'. Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

4.12.2. Financial liabilities

Financial liabilities of the Company include bank loans, trade and other payables.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements for payment of cash amounts or another financial asset to another company or contractual liability for exchange of financial instruments with another company under unfavorable terms. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'Finance costs' or 'Finance income'.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Bank loans are raised for support of long-term funding of the Company's operations. They are recognized in the statement of financial position of the Company, net of any costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the statement of profit or loss and other comprehensive income on an accrual basis using the effective interest method and are added to the carrying amount of the financial liability to the extent that they are not settled in the period in which they arise.

Trade payables are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Dividends payable to the shareholder are recognized when the dividends are approved at the general meeting of the sole owner.

4.13. Inventories

Inventories include raw materials, work in progress and goods. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value.

Net realizable value is the estimated selling price of the inventories less any cost of completion and applicable selling expenses. A new assessment is made of net realizable value in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value. The reversal of the write-down is accounted for as decrease in inventory expenses for the period in which the reversal takes place.

The Company determines the cost of inventories by using the weighted average cost.

On sale of inventories, their carrying amount is expensed in the period in which the related revenue is recognized.

Nuclear fuel

The fuel fed to the reactor represents the rest value (residual resource) of nuclear fuel contained in the reactors at the reporting date.

Calculations are based on established "Methodology for assessing supplies, chargers and cost of fresh nuclear fuel" taking into account the value of loaded fresh fuel during the fuel cycle and the estimated fuel component that is determined by dividing the value of loaded nuclear fuel in reactors by the estimated electricity production for the period in KWh. The product of the generated gross energy of the relating unit during the fuel cycle and the fuel component represents the cost of nuclear fuel for the period.

4.14. Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.21.1.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4.15. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash in bank accounts, demand deposits and short-term deposits to 12 months.

4.16. Non-current assets and liabilities, classified as held for distribution to the owner

When the Company is committed to distribute the asset (or group of alienable elements) to the owner, the asset or disposal group are classified as held for distribution to owners and are presented separately in the statement of financial position. For this purpose, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For distribution to be highly probable, there has to be initiated actions to complete the distribution and must be expected to be completed within one year from the date of classification. Actions required to complete the distribution should indicate that it is unlikely that the distribution be made substantially or to be withdrawn.

Liabilities are classified as held for distribution to the owner and are presented as such in the statement of financial position only if they are directly related to disposal group.

Assets classified as held for distribution to the owner shall be measured at the lower of their carrying amount immediately after their designation as held for distribution to owners and their fair value less costs to their distribution. Assets classified as held for distribution to the owner are not subject to depreciation after their classification as held for distribution to the owner.

4.17. Equity, reserves and dividend payments

Share capital represents the nominal value of shares of the Company that have been issued.

Legal reserves are formed from profit distribution in accordance with the Commercial Law.

Revaluation reserve of non-financial assets is formed by the difference between the carrying amount and fair value of items of property, plant and equipment at the date of revaluation less the corresponding deferred tax liability.

The reserve from remeasurements of defined benefit liability includes actuarial gains or losses from determining the amount of the defined benefit obligations.

Other reserves are formed from profit distribution in accordance with decisions of the owner.

Retained earnings include the current financial result and retained earnings and accumulated losses from previous years.

Liabilities for the payment of dividends to the sole shareholder are included within "Payables to Related party payables" in the statement of financial position when the dividends are approved for distribution by the sole owner before the end of the reporting period.

All transactions with the owner of the Company are presented separately in the statement of changes in equity.

4.18. Post-employment benefits and short term employee benefits

The Company reports short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected the leaves to occur within 12 months after the end of the accounting period during which the employees have performed the work related to those leaves. The short-term payables to personnel include wages, salaries and related social security payments.

The Company provides post employment benefits through defined benefit plans and defined contribution plans.

Defined contribution plans are retirement benefit plans under which the Company pays fixed contributions into independent companies. The Company has no other legal or contractual obligations after payment of fixed contributions. The Company pays fixed contributions on government programs and retirement benefits for its employees in connection with defined contribution plans. Contributions under the plans are recognized as an expense in the period in which the services are received by the employee.

Plans that do not meet the definition of defined contribution plans are classified as defined benefit plans. Defined benefit plans are pension plans that determined the amount an employee will receive upon retirement, in relation to the length of service and final salary. Legal obligations for defined benefit remain liabilities.

According to Art. 222, para. 3 of the Labour Code (LC) in Bulgaria and the Collective Labour Agreement (CLA) the Company as an employer is obliged to pay a number of gross monthly salaries to its employees upon retirement, depending on seniority and labor category as follows:

According to Art. 222, para. 3 of the LC after the employee has become entitled to retirement age, the Company is obliged to pay a one-time compensation of two gross wages. If the employee has worked for the Company for the last 10 years of his working life, the Company owes him once compensation amounting to six gross wages.

According to Art. 44 of the CLA upon termination of employment in accordance with Art. 325, p. 9 and Art. 327, p. 1 of LC and if the employee has not received compensation on the same basis over the last five years of service, he is entitled to compensation according to Art. 222, para 2 of LC, if he has worked before his release as follows:

- more than 5 years of service – 7 gross monthly salaries;

- more than 10 years of service - 9 gross monthly salaries;

- more than 15 years of service - 11 gross monthly salaries;

- more than 20 years of service - 13 gross monthly salaries;

- more than 25 years of service - 15 gross monthly salaries;

- more than 30 years of service - 17 gross monthly salaries;

The defined benefit plan for retirement is not funded.

The liability recognized in the statement of financial position for defined benefit plans is the present value of the obligation under defined benefit at the end of the reporting period.

The Company's management assesses the obligation under defined benefit annually by an independent actuary using the method of the projected unit credit method. Liability estimate is based on standard rates of inflation, expected employee turnover and mortality. Future salary increases are also taken into account. Discount factors are determined at the end of each year, taking into account the yield on government bonds that are denominated in the currency in which the benefits will be paid and have a maturity similar to that of the corresponding pension obligations.

Actuarial gains and losses on defined benefit plans are recognized in other comprehensive income in the period in which they arise.

Upon termination of employment due to illness the employee is entitled to compensation by the Company according to Art. 222, para. 2 of the LC and Collective Labor Agreement over the last five years of service if he has not received compensation on the same basis and has worked before his release as follows:

-more than 5 years of service - up to 6 gross monthly salaries;

-more than 10 years of service - up to 8 gross monthly salaries;

-more than 15 years of service - up to 10 gross monthly salaries;

-more than 20 years of service - up to 12 gross monthly salaries.

Actuarial gains or losses in connection with the evaluation of obligations for the payment of long-term retirement due to illness are recognized in profit or loss.

Interest expenses related to pension obligations are included in the statement of profit or loss and other comprehensive income within "Finance costs". All other expenses related to the cost of retirement benefits to employees are included in "Employee benefits expense".

Short-term employee benefits, including holiday entitlement are included in current liabilities within "Trade and other payables" at the undiscounted amount expected to be to paid.

4.19. Financing (government grants)

The grant funding is provided by the state (government, government agencies and similar bodies whether local, national or international) in the definition of government grants in IAS 20 "Accounting for government grants and disclosure of government assistance.

Government grants are recognized in the statement of financial position of the Company when there is reasonable certainty that the Company will comply with the conditions associated with them, and the donation is received. Funding for operating activities is recognized on a systematic basis over the periods in which the expenses are recognized, they should be compensated. Financing for the acquisition of non-current assets are presented as deferred income and recognized in profit or loss on a systematic basis for the useful life of the asset.

Non-monetary government grants are recognized at the fair value of non-monetary assets valued by a licensed appraiser on the date of transfer.

4.20. Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, decommissioning of nuclear facilities, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.21. Significant management judgments in applying accounting policies

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the individual financial statements. Critical estimation uncertainties are described in note 4.22.

4.21.1. Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

4.22. Estimation uncertainty

When preparing the financial statements management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

4.22.1. Provisions

Provision for transport, processing and storage of spent nuclear fuel
Under the current strategy for the management of spent fuel and radioactive waste by 2030 adopted by the Council of Ministers on 05.01.2011, the Company has a legal obligation to carry out transport, processing and storage of spent nuclear fuel to Russia amounting to at least 50 tons of heavy metal per year. Provisions for liabilities for spent nuclear fuel is based on the best estimate of the costs that will be incurred during the next reporting period for the transport, processing and storage of spent nuclear fuel. Since there is no national long-term strategy for the management of spent nuclear fuel, the Company cannot reliably measure the obligation in relation to the management of spent nuclear fuel.

Provisions for decommissioning of nuclear facilities
In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" obligations whose value and occurrence time are uncertain, are provision. Provisions are recognized only if the following conditions are met:

- The company has a present obligation arising from a past event
- There is a possibility to settle the obligation to be an outflow from the entity of resources embodying economic benefits, and
- There is a possibility to make reliable estimate of the amount of the obligation

Based on the requirements of the standard for the term "reliable estimate", the Company has not accrued expenses for provisions for "decommissioning of nuclear facilities" and "safe storage of spent nuclear fuel" for the following reasons:

- The Company is subject to special legislation - Law of Safe Use of Nuclear Energy, pricing and regulations adopted by the Council of Ministers Decrees to raise money to fund "RAW" and the "DNF". Pursuant to the requirements of these regulations in the statement of profit or loss and other comprehensive income is accrued current expenditure for outstanding contributions to these funds are transferred to the budget accounts. Following the principle of "matching of revenues and expenses" of the accounting in the price of electric energy on a regulated market as defined by the state regulator is recognized as an expense to the amount of contributions payable to the funds "DNF" and "RAW";
- In connection with the agreements with the European Commission for early closure of Units 1 to 4 are contracted by government funding from external sources to build dry storage of spent nuclear fuel (SNF) to cover the salaries and benefits of staff working for the third and fourth unit and other financing;
- There has been a free of charge transfer of assets from the first and second unit in December 2008 according to Decision № 839 of the Council of Ministers, "Kozloduy NPP" and SC "RAW" Sofia with activity of "decommissioning". With Decision of the Council of Ministers № 1038 of December 19, 2012 units 3 and 4 of the "Kozloduy NPP" EAD are declared as facilities for radioactive waste management and their management is assigned to SE "RAW". On 01.03.2013, the assets allocated to units 3 and 4, along with the staff were transferred to the SE "RAW".

In accordance with regulatory requirements at 31 December 2014, when the project of decommissioning is to become more expensive than those approved by the Board of the "DNF" estimates, the additional costs are borne by the person who last has operated the nuclear facility (in the case the Company). As at the date of approval of the financial statements there are no clear national strategy for the decommissioning of nuclear facilities and no assessment of the estimated cost of the project by the Fund "DNF", the Company cannot reliably measure the obligation and has not recognized a provision for decommissioning of nuclear facilities at December 31, 2014 and December 31, 2013.

4.22.2. Impairment of investments in subsidiaries, intangible assets and property, plant and equipment

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

The Company has not accounted for impairment losses on non-current assets in 2014 and 2013.

4.22.3. Impairment of loans and receivables

The management assesses the appropriateness of this provision based on ageing analysis of the receivables, historical experience as to the write-off rates of bad debts, as well analysis of the solvency of the respective customer, changes in the contractual payment terms, etc. If the financial position and performance of the customers deteriorate (in excess of the expected) the amount of the receivables to be written off in the next reporting periods may be higher than the one estimated at the reporting date. At 31 December 2014 the best estimate of management regarding the required impairment of receivables amounts to TBGN 13 001 (2013: TBGN 9 368). Further details are provided in note 34.2.

4.22.4. Useful life of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date.

At 31 December 2014 the management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analyzed in notes 5 and 6. Actual results, however, may vary from the estimation due to technical and moral obsolescence.

4.22.5. Inventories

Inventories with a carrying value of TBGN 59 324 (2013: TBGN 57 458) are valued at the lower of cost and net realizable value. In determining the net realizable values, the management takes into account the best available information at the time of the estimate and uses reports from independent certified valuers.

4.22.6. Defined benefit liability

Liabilities for employee benefits upon retirement are determined by actuarial valuation. This assessment requires making assumptions about discount rates, future salary increases, staff turnover and mortality. Due to the long-term nature of the benefit obligations of the plan, these estimates are subject to considerable uncertainty. At 31 December 2014 the Company's obligations for employee benefits upon retirement recognized in the statement of financial position amounted to TBGN 28 091 (2013: TBGN 24 000). Additional information on the obligations for employee benefits upon retirement is presented in note 20.

4.22.7. Fair value measurement of financial instruments and non-financial assets

The Company reports subsequent major classes of property, plant and equipment at revalued amount, using reports from independent external valuers to determine their fair value. Detailed information on the used valuation methods, assumptions and estimates in determining the fair value is presented in note 5 „Property, plant and equipment".

The management believes that fair values of financial instruments, including cash and cash equivalents, trade and other receivables, granted loans and borrowings, trade and other payables and other financial assets does not differ from their carrying values, especially if they are short-term or the applicable interest rates vary according to market conditions.

5. Property, plant and equipment

	Land and buildings	Machinery and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Gross carrying amount						
Balance at 1 January 2014	249 134	1 413 833	7 553	36 530	360 402	2 067 452
Additions	-	-	-	-	154 758	154 758
Transfers	10 937	69 321	292	31 410	(111 960)	-
Disposals	(50)	(15 329)	(88)	(1 998)	-	(17 465)
Balance as at 31 December 2014	260 021	1 467 825	7 757	65 942	403 200	2 204 745
Depreciation						
Balance at 1 January 2014	(11 863)	(226 396)	(1 043)	(35 291)	-	(274 593)
Depreciation	(12 177)	(137 742)	(610)	(678)	-	(151 207)
Disposals	6	10 078	13	1 997	-	12 094
Balance as at 31 December 2014	(24 034)	(354 060)	(1 640)	(33 972)	-	(413 706)
Carrying amount as at 31 December 2014	**235 987**	**1 113 765**	**6 117**	**31 970**	**403 200**	**1 791 039**

	Land and buildings	Machinery and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Gross carrying amount						
Balance at 1 January 2013	241 424	1 364 584	7 137	36 633	277 899	1 927 677
Additions	-	-	-	-	143 713	143 713
Transfers	7 714	52 845	621	30	(61 210)	-
Disposals	(4)	(3 596)	(205)	(133)	-	(3 938)
Balance as at 31 December 2013	249 134	1 413 833	7 553	36 530	360 402	2 067 452
Depreciation						
Balance at 1 January 2013	-	(103 902)	(582)	(35 260)	-	(139 744)
Depreciation	(11 864)	(124 136)	(576)	(166)	-	(136 742)
Disposals	1	1 642	115	135	-	1 893
Balance as at 31 December 2013	(11 863)	(226 396)	(1 043)	(35 291)	-	(274 593)
Carrying amount as at 31 December 2013	**237 271**	**1 187 437**	**6 510**	**1 239**	**360 402**	**1 792 859**

Groups of items of property, plant and equipment were revalued as at 31.12.2012 by an independent appraiser. The fair value of land and buildings is determined by the method of real value, the comparative method based on actual market transactions, adjusted according to the specific conditions relating to the assets and the income method. The fair value of plant and equipment are determined at amortized replacement cost depending on the physical and moral life of the assets.

In accordance with the accounting policy as at 31.12.2014 the Company has reviewed the property, plant and equipment for any indications that the carrying value is significantly different from their fair value. Reviewed were also the terms and manner of use of assets by the Company at 31.12.2014 and the inflation index used by the National Statistical Institute in 2014 compared to 2013, which is 99.1. The Company concludes that there is no significant change in the economic conditions. As a result of the analysis the Company has no indication that the carrying amount of property, plant and equipment is significantly different from their fair value at 31.12.2014 and concluded that there is no need for performing new revaluation of property, plant and equipment.

The specifics of the Company's assets and dynamic economic environment in the energy sector could lead to variations in the assumptions used and judgments in determining the fair value.

Due to the specifics of the accounting records of property, plant and equipment and the changes in them during previous periods, disclosure of the carrying value of the assets if they were measured after recognition at cost, requires considerable resources and time that exceed the benefits to users the financial statements. Therefore, the management has not made these disclosures.

Assets under construction

Assets under construction are mainly related to:
- Dry storage of spent nuclear fuel that will ensure the safe storage of spent nuclear fuel from WWER type reactors - 440 within the next 50 years. The total capacity of the facility is 5 256 cartridges will be placed in containers type CONSTOR 440/84. The storage facility is completed in 2011. The final commissioning is planned for 2015, after the Nuclear Regulatory Agency issued an operating license for the repository. The construction of the repository is funded by the International Fund to support the decommissioning of Units 1-4 of NPP "Kozloduy", administered by the European Bank for Reconstruction and Development;
- Projects related to the prolongation of the useful life of reactors 5 and 6;
- Projects to improve production efficiency in the Company.

As of 31 December 2014 prepayments for acquisition of non-current assets amounting to TBGN 5 187 (2012: TBGN 39 825) are included within assets under construction.

In 2014 and 2013 no impairment of property, plant and equipment was carried out.

The Company has not pledged property, plant and equipment as collateral for liabilities.

6. Intangible assets

The carrying values of intangible assets for the reporting period can be analyzed as follows:

	Developed products	Patents and licenses	Software	Others	Total
	TBGN	TBGN	TBGN	TBGN	TBGN
Gross carrying amount					
Balance at 1 January 2014	44 766	4 217	12 250	69 743	130 976
Additions	2 988	553	1 355	-	4 896
Disposals	(157)	(1 637)	(19)	-	(1 813)
Balance at 31 December 2014	47 597	3 133	13 586	69 743	134 059
Amortization					
Balance at 1 January 2014	(43 186)	(3 662)	(10 031)	(69 743)	(126 622)
Amortization	(1 110)	(270)	(752)	-	(2 132)
Disposals	157	1 637	19	-	1 813
Balance at 31 December 2014	(44 139)	(2 295)	(10 764)	(69 743)	(126 941)
Carrying amount at 31 December 2014	**3 458**	**838**	**2 822**	**-**	**7 118**

	Developed products	Patents and licenses	Software	Others	Total
	TBGN	TBGN	TBGN	TBGN	TBGN
Gross carrying amount					
Balance at 1 January 2013	44 955	4 482	12 786	69 743	131 966
Additions	-	3	1 331	-	1 334
Disposals	(189)	(268)	(1 867)	-	(2 324)
Balance at 31 December 2013	44 766	4 217	12 250	69 743	130 976
Amortization					
Balance at 1 January 2013	(42 421)	(3 557)	(11 349)	(69 743)	(127 070)
Amortization	(953)	(371)	(546)	-	(1 870)
Disposals	188	266	1 864	-	2 318
Balance at 31 December 2013	(43 186)	(3 662)	(10 031)	(69 743)	(126 622)
Carrying amount at 31 December 2013	**1 580**	**555**	**2 219**	**-**	**4 354**

Developed products are as result of scientific research programs and methodologies, models created from external services or teams of authors of "Kozloduy NPP" EAD.

The Company has not pledged intangible assets as security for liabilities.

7. Investments in subsidiaries

The Company has the following investments in subsidiaries:

Name of subsidiary	Country of origin	Main activity	2014	2014 share	2013	2013 share
			TBGN	%	TBGN	%
„Kozloduy NPP – New Builds" EAD	Bulgaria	Construction of energy units	14 000	100	14 000	100
„Kozloduy HPP" EAD	Bulgaria	Production and sale of electrical energy	1 082	100	1 082	100
„Interpriborservice" OOD	Bulgaria	Upkeep services	79	63.96	79	63.96
			15 161		**15 161**	

The subsidiaries are recognized in the individual financial statements of the Company using the cost method.

According to a decision of the Board of Directors of "Kozloduy NPP" EAD from 03.05.2012 a single-stock company "Kozloduy NPP – New Builds" was established through the issuance of 200 000 ordinary registered shares with a nominal value of BGN 10.

The capital is fully subscribed and paid in by the "Kozloduy NPP" EAD. "Kozloduy NPP – New Builds" EAD was registered on 09.05.2012 with main activity - building units of nuclear power plant.

On 30.01.2013, 1 200 000 ordinary, registered and rightly aloud shares with nominal value of BGN 10 each were issued according to a decision of the Board of directors of the Company dated 10.12.2012 for capital increase of the subsidiary "Kozloduy NPP – New Builds" EAD.

As at 31 December 2014 "Kozloduy NPP" EAD is the sole owner of the capital (100%) of the "Kozloduy NPP – New Builds" EAD, consisting of 1 400 000 ordinary, registered and rightly aloud shares with nominal value of BGN 10 each.

The Company is the sole owner of the capital (100%) of the "Kozloduy HPP" EAD, consisting of 1 082 ordinary shares, with par value of BGN 1 000 each.

The Company has controlling interest of 63.96% in "Interpriborservice" OOD, Kozloduy, owning seventy-one shares of its capital, which comprises of 111 shares of BGN 100 each share. The cost of investment is TBGN 79 as 41 shares were acquired for TBGN 4 and in 2001 other 30 shares were acquired from DZU Stara Zagora for TBGN 75. Transactions with this company represent asset deliveries, modernization and reconstruction of assets and purchases of materials and external services.

The shares of the subsidiaries are not publicly listed on a stock exchange and hence published price quotes are not available. Therefore their fair value cannot be measured reliably.

During 2014 and 2013 the Company received no dividends from its subsidiaries.

The Company has not incurred any contingent liabilities or other commitments relating to its investments in subsidiaries.

8. Receivables from KTB AD

On 20 June 2014 Bulgarian National Bank (BNB) put "Corporate Commercial Bank" AD (KTB AD) under special supervision. On 6 November 2014 by Decision №138 Bulgarian National Bank revoked the license of Corporate Commercial Bank AD for banking activity and decreed to be submitted application to the competent court for the opening of insolvency proceedings under the Law on Bank Bankruptcy.

The BNB decision was appealed to the three-member panel of the Supreme Administrative Court on 31 December 2014. As of 31 December 2014 the amount of cash of the Company in bank accounts in Corporate Commercial Bank AD is TBGN 4 618.

By order №3520 from 30 March 2015 5-member panel of the Supreme Administrative Court did not grant requests made by the applicants in the case as unfounded.

The inability to use the funds in Corporate Commercial Bank AD will not lead to blocking the activity of the Company or to default or difficulties service current financial obligations to partners and contractors.

9. Available-for-sale financial assets

The Company has an interest in the amount of 1.12% (50 400 shares) of the capital of a joint stock insurance company "Energia" (ZAD "Energia"), Sofia established in Bulgaria. The majority owner of ZAD "Energia" is the "Allianz Bulgaria Holding" AD.

The carrying value of financial assets available for sale is presented as follows:

	2014	2013
	TBGN	**TBGN**
Shareholding in ZAD Energia	232	232
Carrying amount	**232**	**232**

The shares of ZAD "Energia" are not quoted in an active market and their fair value cannot be reliably determined. Therefore the above investment is carried at cost.
In 2014, the Company received dividend from ZAD "Energia" at amount of TBGN 255 (2013: TBGN 262).

10. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences can be summarized as follows:

Deferred tax assets (liabilities)	1 January 2014	Recognized in other comprehensive income	Recognized in profit and loss	31 December 2014
	TBGN	TBGN	TBGN	TBGN
Non-current assets				
Property, plant and equipment - revaluation	(48 162)	-	-	(48 162)
Property, plant and equipment – depreciation	(49 858)	-	1 049	(48 809)
Property, plant and equipment – impairment	492	-	-	492
Current assets				
Inventory - impairment	1 148	-	(49)	1 099
Trade and other receivables – impairment	936	-	363	1 299
Non-current liabilities				
Pension and other employee obligations	2 400	(51)	460	2 809
Current liabilities				
Unused personnel leaves	1 203	-	87	1 290
Accrued employee bonuses	214	-	197	411
	(91 627)	**(51)**	**2 107**	**(89 571)**
Deferred tax assets	6 393			7 400
Deferred tax liabilities	(98 020)			(96 971)
Recognized as:				
Net deferred tax liabilities	**(91 627)**			**(89 571)**

Deferred taxes for the comparative period 2013 can be summarized as follows:

Deferred tax assets (liabilities)	**1 January 2013**	**Recognized in other comprehensive income**	**Recognized in profit and loss**	**31 December 2013**
	TBGN	**TBGN**	**TBGN**	**TBGN**
Non-current assets				
Property, plant and equipment - revaluation	(48 162)	-	-	(48 162)
Property, plant and equipment – depreciation	(50 497)	-	639	(49 858)
Property, plant and equipment – impairment	492	-	-	492
Current assets				
Inventory - impairment	832	-	316	1 148
Trade and other receivables – impairment	2 705	-	(1 769)	936
Non-current liabilities				
Pension and other employee obligations	2 212	162	26	2 400
Current liabilities				
Unused personnel leaves	1 351	-	(148)	1 203
Accrued employee bonuses	291	-	(77)	214
	(90 776)	**162**	**(1 013)**	**(91 627)**
Deferred tax assets	7 883			6 393
Deferred tax liabilities	(98 659)			(98 020)
Recognized as:				
Net deferred tax liabilities	**(90 776)**			**(91 627)**

11. Nuclear fuel

	Fuel into the reactors	**Unused nuclear fuel**	**Total**
	TBGN	**TBGN**	**TBGN**
1 January 2013	**77 248**	**158 227**	**235 475**
Purchased fuel during the year	-	159 039	159 039
Transfers	138 543	(138 543)	-
Consumed fuel during the year	(131 118)	-	(131 118)
31 December 2013	**84 673**	**178 723**	**263 396**
Purchased fuel during the year	-	135 024	135 024
Transfers	140 126	(140 126)	-
Consumed fuel during the year	(151 236)	-	(151 236)
31 December 2014	**73 563**	**173 621**	**247 184**

12. Inventories

	2014	2013
	TBGN	TBGN
Spare parts	49 192	44 919
Fuels	3 057	3 112
Metals	1 083	2 182
Equipment	926	706
Reagents	435	590
Other materials	4 528	5 839
Total materials	59 221	57 348
Goods	103	110
Total inventories	**59 324**	**57 458**

As of 31 December 2014 a write-down of slow moving inventories amounting to TBGN 81 was recognized based on a report by an independent licensed appraiser. A reversal of previous write-downs amounting to TBGN 373 was recognized as a reduction of expense in 2014.

As of 31 December 2013 a write-down of slow moving inventories amounting to TBGN 3 364 was recognized based on a report by an independent licensed appraiser. A reversal of previous write-downs amounting to TBGN 121 was recognized as a reduction of expense in 2013.

None of the inventories are pledged as securities for liabilities.

13. Trade and other receivables

	2014	2013
	TBGN	TBGN
Trade receivables	42 200	32 583
Court receivables	8 466	8 454
Other receivables	1 888	2 402
Allowance for credit losses	(8 788)	(9 368)
Financial assets	**43 766**	**34 071**
Advances	1 604	1 015
Prepayments	127	229
Non-financial assets	**1 731**	**1 244**
Trade and other receivables, net	**45 497**	**35 315**

All receivables are short-term. The net carrying amount of trade and other receivables is considered a reasonable estimate of fair value.

All trade and other receivables of the Company are reviewed for indications of impairment. Some trade and other receivables have been impaired and the corresponding impairment amounting to TBGN 233 (2013: TBGN 641) was recognized in the statement of profit or loss and other comprehensive income within 'Other expenses'.

The movement in the allowance for credit losses can be reconciled as follows:

	2014	2013
	TBGN	TBGN
Balance at 1 January	9 368	8 898
Impairment loss	233	641
Impairment loss reversed	(813)	(171)
Balance at 31 December	8 788	9 368

An analysis of unimpaired trade and other receivables is presented in note 34.2.

14. Cash and cash equivalents

Cash and cash equivalents include the following elements:

	2014	2013
	TBGN	TBGN
Cash at bank and on hand in:		
- BGN	18 447	40 990
- EUR	435	4 131
- USD	34	198
- GBP	1	1
- CAD	2	2
-CFH	1	-
Cash and cash equivalents	**18 920**	**45 322**

Cash at bank bear interest at floating rates based on daily interest rates on bank deposits. Short-term deposits with different terms depending on the liquidity needs of the Company and bear interest at agreed rates.

The Company has no blocked cash and cash equivalents as at 31 December 2014.

15. Assets included in disposal groups classified as held for distribution to the sole owner in 2013 and discontinued operations

On December 19, 2012 a decision № 1138 of the Council of Ministers for the announcement of Units 3 and 4 of NPP "Kozloduy" facilities for management of radioactive waste to be decommissioned, declaring them with the necessary property for private owned and transferred to the State Enterprise "Radioactive Waste" by simultaneous capital decrease and capital increase of "Kozloduy NPP" EAD in the amount of TBGN 25 411 was taken.

In March 2013, a transfer of assets and employees relating to Units 3 and 4 to the State Enterprise "Radioactive Waste" in accordance with signed bilateral protocols incurred.

Income and expenses relating to Units 3 and 4 are eliminated from profit from continuing operations of the Company for 2014 and 2013 and are presented on a separate line "Loss for the year from discontinued operations" in the statement of profit or loss and other comprehensive income.

	2014	2013
	TBGN	TBGN
Hired services expenses	(58 515)	(65 823)
Employee benefits expenses	(17)	(3 326)
Cost of materials	-	(202)
Other expenses	-	(181)
Income from financing	-	6 286
Loss for the year from discontinued operations	**(58 532)**	**(63 246)**

Under the current state strategy by 2030 the Company has a legal obligation to carry out transport, processing and storage of spent nuclear fuel to Russia amounting to 50 tons of heavy metal per year. In 2013, an additional transport of spent nuclear fuel was performed. According to Act №382013 on the transportation and storage of spent nuclear fuel in Appendix № 18-31 of 18/03/2013, the Appendix № 18 of 23.05.2011, and contract № 08843672/70046-09D from 20.03.1998, between "Kozloduy NPP" EAD and FGUP "PO Mayak" Russia an additional transportation in 2013 was agreed. The transported spent nuclear fuel should be processed in 2015, the total value of the processing services amounting to TBGN 28 418 will be paid in January-March 2015.

Due to the complicated social and political situation in the Ukraine, an additional agreement №1 to the addendum №18-3/1 from 18.03.2013 was signed. According to this agreement the processing services and the payment should be carried out in the period July-September 2014. As a result expenses in 2014 at amount of TBGN 28 418 were accounted for. In December 2014 e there was a transport of spent nuclear fuel from units BBEP 440, and the total expenditure for transport, processing and storage of spent nuclear fuel in 2014 is at amount of TBGN 58 515.

As of 31 December 2014 and 2013 the Company has fulfilled the requirements for carrying out transport, processing and storage of spent nuclear fuel under the current management strategy of nuclear fuel by 2030.

Cash flows generated by the disposal group can be represented as follows:

	2014	2013
	TBGN	**TBGN**
Operating activities		
Payments to supplier	(28 790)	(70 122)
Payments to employees	(22)	(3 326)
Proceeds from financing	-	8 085
Net cash flow from discontinued operations	**(28 812)**	**(65 363)**

16. Equity

16.1. Share capital

The registered capital of the "Kozloduy NPP" EAD consists of 16 560 686 fully paid ordinary shares with a nominal value of BGN 10 per share. All shares are equally eligible to receive dividends and the repayment of capital of the Company.

The change in the number of issued shares is presented as follows:

	2014	2013
Number of issued and fully paid shares	**Number of shares**	**Number of shares**
At the beginning of the year	15 385 557	12 454 643
Issue of shares	1 175 129	5 472 030
Reduction of capital – cancellation of shares	-	(2 541 116)
Number of issued and fully paid shares	16 560 686	15 385 557
Total number of shares authorized on 31 December	**16 560 686**	**15 385 557**

According to a decision of the Board of Directors of "Bulgarian Energy Holding" EAD from 27 June 2014 the capital of the "Kozloduy NPP" EAD, was increased by TBGN 11 751, representing the remainder of the net profit of the Company for 2013 by issuing 1 175 129 shares representing 7.10 % of all issued shares. All shares are equally eligible to receive dividends and the repayment of capital of the Company.

According to a decision of the Board of Directors of "Bulgarian Energy Holding" EAD taken on 9 January 2013 simultaneous increase and reduction of the share capital of "Kozloduy NPP" EAD was made, respectively through the issuance and cancellation of 2 541 116 ordinary shares as a result of the transfer of assets of the SE "RAW" in 2013.

According to a decision of the Board of Directors of "Bulgarian Energy Holding" EAD from 2 July 2013 the capital of the "Kozloduy NPP" EAD, was increased by TBGN 29 309, representing the remainder of the net profit of the Company for 2012 by issuing 2 930 914 shares representing 19.05% of all issued shares. All shares are equally eligible to receive dividends and the repayment of capital of the Company.

Sole owner of the Company is "Bulgarian Energy Holding" EAD, which is owned by the Ministry of Energy.

16.2. Legal reserves

Legal reserves are formed by joint stock companies as "Kozloduy NPP" EAD, as a retained earnings distribution under Art. 246 of the Commercial Code. They are set aside until they reach one tenth or more of the capital. Sources to form legal reserves are at least one tenth of the net profit, share premium and the funds provided in the statute or according to a decision of the sole shareholder.

	Legal reserves
	TBGN
Balance at 1 January 2013	**20 376**
Reduction of reserves as a result of share capital increase	(7 922)
Balance at 31 December 2013	**12 454**
Increase of reserves as a result of transfer of retained earnings	2 931
Balance at 31 December 2014	**15 385**

16.3 Revaluation reserve of non-financial assets

The revaluation reserve is formed by the difference between the carrying amount and fair value of items of property, plant and equipment at the date of revaluation according to a report by an independent certified appraiser decreased by the respective deferred tax liability.

	Revaluation reserve of non-financial assets
	TBGN
Balance at 1 January 2013	433 462
Transfer to retained earnings on assets disposal	(712)
Balance at 31 December 2013	**432 750**
Transfer to retained earnings on assets disposal	(3 447)
Balance at 31 December 2014	**429 303**

16.4 Other reserves

Other reserves amounting to TBGN 984 126 (2013: TBGN 984 126) are formed as a result of the distribution of retained earnings. They can be used to pay dividends, cover losses and other purposes according to a decision of the sole shareholder.

16.5 Declared and paid dividends

According to a decision of the Board of Directors of "Bulgarian Energy Holding" EAD from 27 June 2014 "Kozloduy NPP" EAD has distributed dividends amounting to TBGN 27 419 (2013: TBGN 117 267). The dividend per share is BGN 1.78 (2013: BGN 9.41).

	Dividend liabilities
	TBGN
Balance at 1 January 2013	**153 718**
Declared dividends	117 267
Set off against receivables from NEK EAD	(200 000)
Paid dividends	(53 262)
Balance at 31 December 2013	**17 723**
Declared dividends	27 419
Paid dividends	(45 142)
Balance at 31 December 2014	-

At the date of preparation of the individual financial statements there is no obligation to pay a dividend in 2015 to the State from the profit after tax for 2014.
According to p. 1, letter „b" and „c" of Ordinance № 1 issued by the Council of Ministers on 16 March 2015 for distribution of dividends to the state from the profit after tax of the state entities and corporations with a state shareholding, the Company should pay a dividend to the state from its profit after tax for 2014 at rate of 60% after transfer to the reserves in case that the amount of the reserves do not meet the legal requirements. The amount of the dividends should not exceed an amount equal to 60% of the profit after tax according to the consolidated financial statements for 2014.

17. Loans

	Effective interest rate	Due date	2014	2013
			TBGN	TBGN
Non-current:				
Liability to EURATOM loan – principal	EURIBOR + 0.079% to 0.13%	from 1 January 2016 to 10 May 2021	192 038	236 289
			192 038	**236 289**
Current:				
Liability to EURATOM loan principal	EURIBOR + 0.079% to 0.13%	from 15 January 2015 to 31 December 2015	44 251	44 250
Accrued interest on EURATOM loan			2 240	2 630
			46 491	**46 880**
Total loans			**238 529**	**283 169**

In 2000, the Company has entered into a loan agreement totalling EUR 212 500 thousand (TBGN 415 614) with the European Atomic Energy Community (EURATOM). Its purpose is to finance the modernization of units 5 and 6 of the "Kozloduy NPP" EAD. Loan is disbursed in 8 tranches, each of them with a different interest rate, a different repayment plan and a different maturity date. The first tranche has a fixed interest rate of 5.76%, and the remaining tranches are with a floating interest rate based on the six-month EURIBOR plus a margin of

0.079% to 0.13%. Repayment of the loan is carried out according to a repayment schedule for each tranche. The latest maturity date is on 10 May 2021. The loan is irrevocably and unconditionally guaranteed by the Government of the Republic of Bulgaria and the "National electrical company" EAD (a related party under common control).

The loan contract contains specific clauses with restrictive conditions on changes in the final owners, as well as financial conditions to achieve certain levels of indebtedness indicators and coverage of debt service (see note 36).

18. Retentions on construction contracts

As at 31 December the retained amounts under construction contracts are as follows:

	2014	2013
	TBGN	**TBGN**
Non-current	1 393	5 847
Current	5 742	4 706
	7 135	**10 553**

According to contracts for the construction of property, plant and equipment the Company retains part of the invoiced amount for performed construction work as a guarantee of quality and timely execution of construction work from subcontractors. The retained amounts are interest-free. Under the agreed terms a part of the amounts retained for quality and timely execution of construction work should be paid to suppliers after receiving permission to use and the rest should be paid within the agreed period.

19. Financing

	2014	2013
	TBGN	**TBGN**
1 January	**174 579**	**194 192**
Received during the year	18 827	13 185
Recognized in profit or loss	(1 213)	(8 025)
Recognized in other reserves	-	(24 773)
31 December	**192 193**	**174 579**
Non-current	190 737	173 055
Current	1 456	1 524

The financing includes funding for programs and for construction of property, plant and equipment for environmental purposes.

One project remains for completion by Kozloduy NPP EAD - Dry storage of spent nuclear fuel, for which up to 31.12.2014 TBGN 146 910 were spent.

20. Liabilities for retirement employee benefits

Under Bulgarian labor legislation and collective labor agreement the Company is obliged to pay the employee at retirement a number of gross monthly wages depending on length of service in the enterprise and labor category. The defined benefit plan for retirement is not funded.

The plan exposes the Company to actuarial risks such as interest rate risk, risk of changes in life expectancy and inflation risk.

Interest risk

- The present value of obligations under defined benefit plans is calculated using a discount rate determined based on the market yield of government securities whose maturity of the securities approximates the expected term of the obligations under the defined benefit plans and which are denominated in Bulgarian lev. Decline in market yields on government securities will increase the obligations under the defined benefit plans of the Company.

Risk of changes in life expectancy

- Increase in life expectancy of employees would increase the obligations under defined benefit plans.

Inflation risk

- Increase in inflation would increase the obligations under the defined benefit plans.

Changes in the present value of defined benefit obligations for retirement are as follows:

	2014 TBGN	2013 TBGN
Balance at 1 January	**24 000**	**22 122**
Interest expense	968	891
Current service cost	711	1 302
Past service cost	10 766	620
Actuarial (gain)/loss in respect of liabilities for retirement due to illness	(293)	76
Benefits paid	(7 548)	(2 629)
Remeasurement – actuarial losses/(gains) from changes in demographic assumptions	26	(1 914)
Remeasurement – actuarial (gains)/ losses from changes in financial assumptions	(539)	3 532
Balance at 31 December	**28 091**	**24 000**
Non-current	16 062	10 528
Current	12 029	13 472

For determination of the pension obligation, the following actuarial assumptions were used:

	2014	2013
Discount rate	4%	4%
Expected rate of salary increases	0% for the first 3 years; After that 1% yearly	0% for the first 3 years; After that 1% yearly

The Company's management has made these assumptions using independent actuarial valuation. These assumptions have led to the amounts determined as the Company's defined benefit obligations for the reporting periods under review and should be regarded as management's best estimate.

Defined benefit expenses recognized in profit or loss are as follows:

	2014 TBGN	2013 TBGN
Current service costs	(711)	(1 302)
Past service costs	(10 766)	(620)
Interest expense	(968)	(891)
Actuarial gains/(losses) relating to liabilities for retirement due to illness	293	(76)
Total expense recognized in profit or loss	**(12 152)**	**(2 889)**

The current and past service cost and actuarial losses relating to liabilities for retirement due to illness are included within "Employee benefits expense". Interest expenses are included in the statement of profit or loss and other comprehensive income within 'Finance costs'.

Amounts recognised in other comprehensive income related to the Company's defined benefit plans are as follows:

	2014 TBGN	2013 TBGN
Actuarial (losses)/gains from changes in demographic assumptions	(26)	1 914
Actuarial gains/(losses) from changes in financial assumptions	539	(3 532)
Total income/(expense) recognized in other comprehensive income	**513**	**(1 618)**

Based on past experience, the Company expects to pay contributions relating to the defined benefit plan in 2015 amounting to TBGN 12 029.

The weighted average duration of the defined benefit obligation as at 31 December 2014 is 17 years.

Significant actuarial assumptions used in determining the obligations under defined benefit plans are related to the discount rate, expected rate of salary increase, rate of staff turnover and life expectancy.

The following table presents a sensitivity analysis and summarizes the effects of changes in actuarial assumptions on these obligations under defined benefit plans as at 31 December 2014:

Significant changes in actuarial assumptions in TBGN		
Discount rate	**Increase 0.25%**	**Decrease 0.25%**
Increase/(decrease) in obligations under defined benefit plans	(521)	542
Expected rate of salary increase	**Increase 1%**	**Decrease 1%**
Increase /(decrease) in obligations under defined benefit plans	1 809	(1 601)
Life expectancy	**Increase with 1 year**	**Decrease with 1 year**
Increase /(decrease) in obligations under defined benefit plans	25	(695)
Rate of staff turnover	**Increase 1%**	**Decrease 1%**
Increase /(decrease) in obligations under defined benefit plans	(2 351)	2 497

The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

21. Trade and other payables

	2014 TBGN	2013 TBGN
Payables to suppliers	62 111	40 784
Other liabilities	14 105	19 170
Financial liabilities	**76 216**	**59 954**
Employee remuneration	19 793	15 555
Social security liabilities	6 133	5 692
Tax liabilities	9 175	10 379
Payables to DNF and RAW funds	8 333	7 125
Advance payments	22 572	28 478
Non-financial liabilities	**66 006**	**67 229**
Trade and other payables	**142 222**	**127 183**

The carrying amount of current trade and other payables is considered a reasonable estimate of their fair value.

22. Sales revenue

	2014 TBGN	2013 TBGN
Sales of electricity on an unregulated market	624 601	403 100
Sales of available capacity	114 225	200 168
Sales of electricity on a regulated market	91 144	113 322
Sales of electricity	829 970	716 590
Sales of heating power	2 037	2 051
Total sales revenue	**832 007**	**718 641**

23. Revenue from sale of services, goods and other sales

	2014 TBGN	2013 TBGN
Income from fines and penalties under contracts	7 572	5 171
Sales of services	4 582	5 272
Sales of scrap	1 706	8
Income from insurance events	1 571	1 198
Gain on sale of fixed assets and inventories	467	311
Sales of goods	277	299
Income from surplus assets	98	327
Other income	920	2 091
	17 193	**14 677**

24. Cost of materials

	2014 TBGN	2013 TBGN
Nuclear fuel, lubricants and fuels	(141 564)	(140 297)
Spare parts and tools	(6 503)	(4 933)
Materials for routine maintenance	(2 927)	(494)
Work and special clothing	(1 079)	(1 174)
Reagents for production	(997)	(667)
Purchased electricity	(634)	(686)
Specialized literature and stationery	(489)	(564)
Construction materials and metals	(114)	(248)
Advertising materials	(106)	(67)
Others	(166)	(2 114)
	(154 579)	**(151 244)**

25. Hired services expenses

	2014	2013
	TBGN	TBGN
Repair and maintenance services	(41 049)	(37 356)
Water usage fees	(10 957)	(23 530)
Insurance of property and against nuclear damage	(11 547)	(8 260)
Armed and fire protection	(8 059)	(7 856)
Tax permits from regulatory authorities	(4 342)	(3 569)
Consulting and audit services	(3 702)	(8 424)
Transport costs	(2 422)	(2 425)
Taxes	(2 218)	(2 331)
Sanitation and landscape	(2 154)	(1 504)
Services for providing food under safety regulations	(1 428)	(1 428)
Services for water supply and sanitation	(1 397)	(1 338)
Medical service	(713)	(304)
Education and training	(651)	(574)
Research, measurement and control	(636)	(480)
Information, postal and telephone services	(336)	(365)
Others	(1 362)	(328)
	(92 973)	**(100 072)**

26. Employee benefits expenses

	2014	2013
	TBGN	TBGN
Wages	(116 032)	(108 020)
Social security	(30 177)	(27 651)
Social expenses in cash	(20 570)	(22 806)
Food expenditure under regulation No 11	(8 902)	(6 860)
Expenses for retirement benefits	(11 184)	(1 998)
Benefit compensations under the Labor Code	(1 017)	(883)
	(187 882)	**(168 218)**

27. Other expenses

	2014	2013
	TBGN	TBGN
Annual contribution to the fund Decommissioning for Nuclear Facilities	(62 248)	(53 744)
Annual contribution to the fund Radioactive Waste	(24 899)	(21 505)
Impairment loss on receivables	(6 805)	(641)
Reversal of impairment loss on receivables	3 172	8 375
Shortages and wastages	(5 530)	(2 488)
Membership fees	(901)	(749)
Business trips	(732)	(822)
Donations	(653)	(370)
Expense tax	(477)	(392)
Social expenses	(361)	(260)
Entertainment expenses	(162)	(179)
Write-down of inventories	(81)	(3 364)
Reversal of write-down of inventories	372	121
Fines and penalties under contracts	(38)	(733)
Others	(1 762)	(633)
	(101 105)	**(77 384)**

28. Finance costs and finance income

	2014	2013
	TBGN	TBGN
Interest expense on loans	(4 824)	(8 114)
Total interest expense on financial instruments not at fair value through profit or loss	**(4 824)**	**(8 114)**
Interest expense on liabilities for employee benefits at retirement	(968)	(891)
Fees and commissions	(87)	(63)
Foreign exchange losses	(104)	(71)
Finance costs	**(5 983)**	**(9 139)**

Finance income for the reporting periods can be analyzed as follows:

	2014	2013
	TBGN	TBGN
Income from reversal of the receivables discount	1 048	9 944
Interest income on granted loans	527	533
Interest income from cash and cash equivalents	147	1 129
Total interest income on financial assets not carried at fair value through profit or loss	1 722	11 606
Dividend income	255	262
Foreign exchange gains	119	61
Finance income	**2 096**	**11 929**

29. Income tax expense

The relationship between the expected tax expense based on the applicable tax rate in Bulgaria of 10 % (2013: 10 %) and the reported tax expense actually in profit or loss can be reconciled as follows:

	2014	2013
	TBGN	TBGN
Accounting profit from continuing operations	146 103	110 095
Accounting loss from discontinued operations	(58 532)	(63 246)
Accounting profit before tax	87 571	46 849
Tax rate	10%	10%
Expected income tax expense	(8 757)	(4 685)
Tax effect of:		
Increase in the financial result for tax purposes	(18 545)	(17 134)
Reductions in the financial result for tax purposes	16 016	18 085
Current income tax expense	**(11 286)**	**(3 734)**
Deferred tax income/(expense) arisen from:		
Origination and reversal of temporary differences	2 107	(1 013)
Income tax expense	**(9 179)**	**(4 747)**
Deferred tax (expense)/income recognized in other comprehensive income	(51)	162

Note 10 provides information on the deferred tax assets and liabilities.

30. Related party disclosure

The related parties of the Company include the sole owner, the subsidiaries, the key management personnel and other related parties under common control of the group "BEH" EAD and all public sector entities that are under the common control of the Council of Ministers of the Republic of Bulgaria.

The ultimate parent of the Company is Bulgarian State through the Ministry of Energy. Below are disclosed separately and collectively-significant transactions with related parties.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

30.1. Transactions and closing balances with related parties at year-end

		Sales to related parties including dividends	Purchases from related parties including dividends	Gross amounts due from related parties	Impairment of amounts due from related parties	Amounts due from related parties net of impairment	Amounts owed to related parties
		TBGN	**TBGN**	**TBGN**	**TBGN**	**TBGN**	**TBGN**
Sole owner							
BEH EAD	2014	1	28 472	-	-	-	274
BEH EAD	2013	-	122 414	-	-	-	18 315
Subsidiaries:							
Interpriborservice OOD	2014	49	5 059	673		673	554
Interpriborservice OOD	2013	69	5 989	677	-	677	639
Kozloduy HPP EAD	2014	569	-	273	-	12	-
Kozloduy HPP EAD	2013	545	-	2	-	2	-
Kozloduy NPP – New Builds EAD	2014	10	-	1	-	1	-
Kozloduy NPP – New Builds EAD	2013	5	-	1	-	1	-
Other related parties under common control							
NEK EAD	2014	342 774	61	173 662	(4 213)	169 449	1 421
NEK EAD	2013	316 898	50	123 286	-	123 286	1 384
ESO EAD	2014	217	394	5	-	5	16
ESO EAD	2013	2	810	-	-	-	958
ZAD Energia	2014	1 571	10 626	2	-	1	-
ZAD Energia	2013	249	11 561	-	-	-	-
	2014					**170 141**	**2 265**
	2013					**123 966**	**21 296**

Sales to and purchases from related parties are carried out at agreed prices. For receivables from or payables to related parties were not given or received any guarantees.

Review for impairment of receivables from related parties is carried out each financial year based on the analysis of the financial position of the related party and the market in which it operates.

The Company has impaired trade receivables from "NEK" EAD of TBGN 4 213 as at 31 December 2014 (2013: TBGN 0). On 01.01.2015 entered in force an agreement concluded with "NEK" EAD to reschedule the debts of "NEK" EAD in the amount of TBGN 132 014. The deadline for repayment by "NEK" EAD under this agreement is 31.12.2015.

On 27.01.2015, an agreement to defer the liabilities of Interpriborservice to Kozloduy NPP EAD was signed. The liabilities have been arisen from dividend due for 2010 at amount of BGN 666. The maturity is till 31.05.2016. The repayment begins on 31.01.2015, the interest rate is Base Interest Rate in Bulgaria (BIR) + 2%.

Changes in impairment of receivables from related parties can be represented as follows:

	2014	2013
	TBGN	**TBGN**
Balance at 1 January	-	18 148
Impairment loss	6 572	-
Reversal of impairment loss and discount	(2 359)	(18 148)
Balance at 31 December	**4 213**	**-**

30.2. Loans to related parties

	2014	2013
	TBGN	**TBGN**
Non-current:		
Principal	18 990	19 180
Current:		
Principal	2 106	2 670
Interest	261	260
	2 367	2 930
Total loans to related parties	**21 357**	**22 110**

The Company has obligations under the contract № 880080 from 07.11.2008 with "Kozloduy HPP" EAD to provide a credit line of BGN 20 000 thousand with a deadline for repayment in 2020. According to Decision tons. II.15.1 dated 12.07.2012 the Board of Directors of BEH EAD has authorized "Kozloduy NPP" EAD to renegotiate the terms of a credit line contract № 880080 from 07.11.2008 and 06.11.2011 of Annex №810000003, and on 26.09.2012 an annex to the contract for credit granting more BGN 2 000 thousand was signed. As at 31.12.2013 the non-current liabilities in the above loan amounted to BGN 19 180 thousand and the current liabilities amounted to BGN 2 670 thousand. The agreed interest rate is the base rate + 2.50%. The obligation of the loan to "Kozloduy NPP" EAD is guaranteed by a promissory note.

The loan is granted to the subsidiary Kozloduy HPP EAD according to a decision of BEH EAD from 7 November 2008. The credit line amounts to TBGN 20 000 with a deadline for repayment in 2020. The agreed interest rate is the Base Interest Rate in Bulgaria (BIR) at the date of respective loan payment + 0.30%. According to minutes of decisions № 1-2015/12.01.2015 BEH EAD agreed to annex № 4 to the contract for credit line № 880080 dated 07.10.2008 between Kozloduy NPP as lender and Kozloduy HPP as loan receiver. As a result the annex was signed on 20.01.2015 and came into force on 14.07.2014. The maturity date for repayment of the loan is 15 January 2024, and the repayment begins on 15 July 2013. The loan should be repaid in 22 instalments as the amount of the first 2 instalments is TBGN 150 (on 15.07.2013) and TBGN 1 300 (on 15.01.2014), and for the rest of 1/15 of the unpaid principal after 15.01.2014 a repayment schedule is agreed. According to the annex the annual interest rate is floating at Base the Interest Rate in Bulgaria (BIR) + 2.5%.

In 2014, the Company did not granted cash in regard to the above mentioned credit line (2013: TBGN 1 061). As at 31.12.2014 г. Kozloduy HPP has repaid TBGN 754 and the total loan payable amounts to TBGN 21 096. The loan to "Kozloduy NPP" EAD is guaranteed by a promissory note. The accrued loan interest during 2014 is at amount of TBGN 527 (2013: TBGN 533).

30.3. Transactions with key management personnel

Key management of the Company includes members of the Board of directors. Key management personnel remuneration includes the following expenses:

	2014	2013
	TBGN	**TBGN**
Short term employee benefits		
Wages, including bonuses	130	78
Social security expenses	18	11
Social costs	27	13
Tantieme	-	7
Compensations	1	7
Total remuneration	**176**	**116**

31. Non-cash transactions

During 2013, the Company entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- Under cession contract with "BEH" EAD from 11.29.2013 dividend liabilities of "Kozloduy NPP" EAD were offset against receivables from "NEK" EAD in the amount of TBGN 200 000.

32. Commitments and contingent liabilities

Commitments

As of 31 December 2014 the Company has commitments to acquire property, plant and equipment at amount of TBGN 218 683 (2013: TBGN 240 000). The amount of contractual commitments for the acquisition of nuclear fuel at 31 December 2014 is TBGN 134 585 (2013: TBGN 158 716).

Legal claims

Various legal claims were brought against the Company amounting to TBGN 93 (2013: TBGN 158). None of these legal claims are discussed here in detail so as not to seriously prejudice the Company's position in the related disputes.

Guarantees

In favor of the Company guarantees are given in the amount of TBGN 87 240 (2013: TBGN 112 279). The Company has not provided guarantees as at 31 December 2014.

Insurances

The Act on Safe Use of Nuclear Energy puts a limit on liability for damages of any nuclear accident of nuclear facility operators. The law limits the liability of the operator to TBGN 96 000 for each accident. The operator is required to maintain insurance or other financial security for nuclear damage over the lifetime of the nuclear installation worth TBGN 96 000. The Company has entered into an insurance policy covering the limits required by law. The insurance policy is concluded with Bulgarian national insurance pool. The monthly payment amounts to TBGN 65. The Company has insurance for property from ZAD "Energy" for the period 01.04.2014 - 01.04.2015 in the amount of TBGN 11 255.

33. Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities presented in the statement of financial position relate to the following categories:

Financial assets	**Note**	**2014**	**2013**
		TBGN	**TBGN**
Available-for-sale financial assets	9	232	232
Loans and receivables:			
Receivables from KTB AD	8	4 618	-
Trade and other receivables	13	43 766	34 071
Loans to related parties	30.2	21 357	22 110
Related party receivables	30.1	170 141	123 966
		239 882	180 147
Cash and cash equivalents	14	18 920	45 322
Total financial assets		**259 034**	**225 701**

Financial liabilities	**Note**	**2014**	**2013**
		TBGN	**TBGN**
Financial liabilities measured at amortized cost			
Loans	17	238 529	283 169
Retentions on construction contracts	18	7 135	10 553
Trade and other payables	21	76 216	59 954
Related party payables	30.1	2 265	21 296
Total financial liabilities		**324 145**	**374 972**

See note 4.12 about information related to the accounting policy for each category financial instruments. Description of the risk management objectives and policies of the Company related to the financial instruments is presented in note 34.

34. Financial instrument risk

Objective and policies of the management with regard to risk management

The Company is exposed to various risks in relation to financial instruments. The most significant financial risks to which the Company is exposed are - market risk, credit risk and liquidity risk.

Risk management is carried out by the central administration of the Company in collaboration with the Board of Directors. Priority of management is to provide short and medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The most significant financial risks to which the Company is exposed are described below.

34.1. Analysis of the market risk

Through the use of financial instruments the Company is exposed to market risk, and in particular to the risk of changes in exchange rates, interest rate risk and the risk of certain other price, due to operating and investing activities of the Company.

34.1.1. Currency risk

The Company makes purchases, sales, deliveries and borrowings in foreign currencies - EUR, USD and GBP. Most of these operations are carried out in euros. Since the exchange rate BGN/EUR was fixed at 1.95583, the currency risk arising from the Company's euro-denominated exposures is minimal.

Financial assets and liabilities that are denominated in foreign currencies and translated into Bulgarian lev to the end of the reporting period are presented as follows:

	Exposure to short-term risk		
	USD TBGN	GBP TBGN	Others TBGN
31 December 2014			
Financial assets	207	8	9
Financial liabilities	(178)	(7)	(7)
Total risk exposure	**29**	**1**	**2**
31 December 2013			
Financial assets	255	43	2
Financial liabilities	(59)	-	-
Total risk exposure	**196**	**43**	**2**

34.1.2. Interest risk

The Company's policy is to minimize interest rate risk on long-term financing.

At 31 December 2014 the Company is exposed to the risk of changes in market interest rates on seven loan tranches in euro under the loan agreement with EURATOM dated 29 May 2000, which have floating interest rate of 6-month EURIBOR plus a margin of 0.079% to 0.13%.

The Company has granted a loan to Kozloduy HPP EAD which has a floating interest rate of Base Interest Rate in Bulgaria (BIR) plus a margin of 2.5%.

All other financial assets and liabilities of the Company are at fixed rates.

The following tables show the sensitivity of annual net financial result after tax and equity to a reasonably possible change in interest rates on borrowings with floating interest rate based on Base Interest Rate in Bulgaria (BIR) amounting to +/- 0.01 % (2013: +/- 0.01%) and EURIBOR amounting to +/- 0.1 % (2013: +/- 0.02%). These changes are considered to be reasonably possible based on observation of current market conditions. Calculations are based on the change in the average market interest rate and the financial instruments held by the Company at the end of the reporting period that are sensitive to changes in interest rates. All other parameters are taken to be constant.

31 December 2014	Financial result, net		Equity	
	Increase of interest rate	Decrease of interest rate	Increase of interest rate	Decrease of interest rate
Granted loans in BGN (BIR +/- 0.01%)	2	(2)	2	(2)
Received loans in EUR (EURIBOR +/- 0.1%)	(159)	159	(159)	159

31 December 2013	Financial result, net		Equity	
	Increase of interest rate	Decrease of interest rate	Increase of interest rate	Decrease of interest rate
Granted loans in BGN (BIR +/- 0.01%)	1	(1)	1	(1)
Received loans in EUR (EURIBOR +/- 0.02%)	(41)	41	(41)	41

34.2. Credit risk

The credit risk is risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, such as in case of receivables from customers, deposit funds, investments in securities and other. Exposure of the Company to credit risk is limited to the carrying amount of financial assets recognized in the reporting period as indicated below:

	2014	2013
	TBGN	TBGN
Classes of financial assets – carrying amounts:		
Available-for-sale financial assets	232	232
Loans and receivables	239 882	180 147
Cash and cash equivalents	18 920	45 322
Carrying amount	**259 034**	**225 701**

The Company regularly monitors defaults of customers and other counterparties, identified either individually or in groups, and uses this information to control credit risk. The Company trades only with recognized, creditworthy counterparties. Its policy is that all customers who wish to trade suspension, subject to procedures to verify their solvency. In addition, trade receivable balances are monitored currently, with the result that the Company's exposure for doubtful and bad debts is not significant except for the receivables from "NEK" EAD.

The Company has not provided its financial assets as collateral for business transactions.

At the date of these financial statements the aging structure of the receivables is as follows:

31 December 2014

	Not outstanding	30-90 days	90-180 days	180-360 days	>360 days	Total
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Trade and other receivables	33 601	379	238	9 548	-	43 766
Related party receivables	38 089	25 326	46 299	59 761	666	170 141
	71 690	**25 705**	**46 537**	**69 309**	**666**	**213 907**

31 December 2013

	Not outstanding	30-90 days	90-180 days	180-360 days	>360 days	Total
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Trade and other receivables	28 435	3 060	705	1 786	85	34 071
Related party receivables	123 299	1	-	-	666	123 966
	151 734	**3 061**	**705**	**1 786**	**751**	**158 037**

The change in impairment of receivables during the reporting periods is as follows:

	2014	2013
	TBGN	TBGN
Balance at 1 January	9 368	27 046
Impairment loss during the year (notes 8 and 30.1)	6 805	641
Reversal of impairment loss	(3 172)	(18 319)
Balance at 31 December	**13 001**	**9 368**

The credit risk on cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The carrying amounts of financial assets described above represent the maximum possible exposure to the credit risk of the Company in respect of these financial instruments.

34.3. Liquidity risk

The liquidity risk is the risk that the Company may not be able to repay its obligations. The Company meets the needs of its liquidity by monitoring scheduled debt servicing payments for long-term financial liabilities as well as incoming and outgoing cash flows generated by the operations. Net cash requirements are compared to available borrowing facilities to be established surpluses or deficits. This analysis shows that available borrowing facilities will be sufficient to cover the needs of the Company for the period.

For the liquidity risk management the Company collects its receivables, controls spending of its money and thus provides sufficient working capital Funds for long-term liquidity needs is additionally secured by an adequate amount of loans.

Negative liquidity risk of the Company arises from the indebtedness of "NEK" EAD, which at 31.12.2014 amounted to TBGN 169 449, of which TBGN 132 014 are deferred to 31.12.2015 under agreement in force from 01.01.2015.

As at 31 December 2014, the Company's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarized below:

31 December 2014

	On demand	<3 months	3-12 months	1-5 years	>5 years	Total
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Loans	-	12 713	33 778	181 159	10 879	238 529
Retentions on construction contracts	-	-	5 742	1 393	-	7 135
Trade and other payables	-	40 743	35 473	-	-	76 216
Related party payables	2 237	-	28	-	-	2 265
	2 237	**53 456**	**75 021**	**182 552**	**10 879**	**324 145**

31 December 2013

	On demand	<3 months	3-12 months	1-5 years	>5 years	Total
	TBGN	TBGN	TBGN	TBGN	TBGN	TBGN
Loans	-	12 898	33 982	175 658	60 631	283 169
Retentions on construction contracts	-	-	4 706	5 847	-	10 553
Trade and other payables	-	59 954	-	-	-	59 954
Related party payables	17 633	-	3 663	-	-	21 296
	17 633	**72 852**	**42 351**	**181 505**	**60 631**	**374 972**

The amounts disclosed in the maturity analysis of liabilities represent the undiscounted cash flows of the contracts, which may differ from the carrying values of the liabilities at the reporting date.

35. Fair value measurement of non-financial assets

The Company classifies assets and liabilities at fair value into three levels based on the significance of the inputs used in determining the fair value of assets and liabilities. The fair value hierarchy includes the following levels:
- Level 1: market prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than market prices included in Level 1, which can be seen in terms of an asset or liability, either directly (i.e. such as prices) or indirectly (i.e. based on the prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data

An asset or liability is classified at the lowest level of significant inputs used in measuring fair value.

The following table presents the levels in the hierarchy of non-financial assets at 31 December 2014, evaluated regularly at fair value:

Level 3	**2014**	**2013**
	TBGN	**TBGN**
Property, plant and equipment		
- Land	19 558	14 038
- Buildings	216 429	223 233
- Machinery and equipment	1 110 650	1 185 443
- Vehicles	6 117	6 510
	1 352 754	**1 429 224**

The fair value of the items of property, plant and equipment of the Company is determined on the basis of the reports of independent certified appraisers as at 31 December 2012.

In 2014 and 2013, no new reassessment of the fair value of the items of property, plant and equipment has been made, as according to the Company's management, the carrying amount does not differ materially from the fair value of the revalued assets at the end of the reporting period. Fair value measurement for 2012 was based on observed prices of recent market transactions for similar assets, adjusted for special factors such as size, location and current use.

Significant unobservable data related to the adjustment for the specific Company's assets factors. The extent and direction of this adjustment depends on the number and characteristics of observable market transactions for similar assets that are used for evaluation purposes. Although these data are subjective assessment, management believes that the final measurement would not be affected significantly by other possible assumptions.

36. Capital management policies and procedures

The main objective of capital management of the Company is to ensure stable credit rating and capital indicators with a view to the continued operation of the business and maximize shareholder value.

The Company manages its capital structure and modifies if necessary, depending on changes in economic conditions In order to maintain or change its capital structure, the Company may adjust the payment of dividends by the sole shareholder to buy back its own shares, reduce or increase its share capital by decision of the sole owner.

The Company monitors its capital through the financial results for the reporting period as follows:

	2014	**2013**
	TBGN	**TBGN**
Profit for the year after tax	**78 392**	**42 102**

The Company should comply with externally imposed capital requirements under a contract for a bank loan. The debt/equity ratio should not exceed 2.

	2014	**2013**
	TBGN	**TBGN**
Debt	238 529	280 539
Equity	1 679 489	1 628 054
Debt to equity ratio	**0.14**	**0.17**

Another indicator observed under the loan contract is the indicator of the coverage of debt service payments. This ratio should not be less than 1.5. For 2014, the ratio amounted to 5.76 (2013: 4.62).

The above indicators are monitored on an annual basis and calculated on the basis of submitted annual financial statements. In case of failure management is obliged to notify the Bank immediately. Management believes that the Company is in compliance with defined levels of financial performance in accordance with the signed contract.

The Company has not changed its objectives, policies and processes for managing capital, as well as how to determine the capital during the reporting periods.

37. Post-reporting date events

On 11.02.2015, the approved TBGN 84 by the Bulgarian Deposit Insurance Fund were received on the bank account of the Company. Hence, at the date of financial statements preparation the Company's receivables from KTB AD are at total amount of TBGN 4 535.

According to p. 1, letter „b" and „c" of Ordinance № 1 issued by the Council of Ministers on 16 March 2015 for distribution of dividends to the state from the profit after tax of the state entities and corporations with a state shareholding, the Company should pay a dividend to the state from its profit after tax for 2014 at rate of 60% after transfer to the reserves in case that the amount of the reserves do not meet the legal requirements. The amount of the dividends should not exceed an amount equal to 60% of the profit after tax according to the consolidated financial statements for 2014.

38. Authorization of the individual financial statements

The individual financial statements as of 31 December 2014 (including comparatives) were approved by the Board of Directors on 8 April 2015.