EBIOSS ENERGY AD

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

EBIOSS ENERGY AD

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Luis Sanchez Angrill

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Auditor

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104 Akad. Iv.Evst.Geshov Blvd
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DIRECTOR`S REPORT

The Board of Directors presents its report and audited consolidated financial statements of EBIOSS ENERGY AD (the Parent Company) and its subsidiaries (the Group) for the year ended 31 December 2013.

Incorporation

Ebioss Energy AD (the" Company") is a joint stock company registered in Sofia, Bulgaria with EIC: 202356513. It was incorporated on 07 January 2011 as TETEVEN BIOMASS EOOD with Elektra Holding AD holding 100% of the issued share capital which was EUR 102 (BGN 200 comprising of 20 shares at nominal value BGN 10 each). On 28 March 2012 the name was changed from TETEVEN BIOMASS EOOD to EBIOSS ENERGY EOOD. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries together referred to as the "Group" and individually as "Group entities". The Group primarily is involved in the construction of biomass gasification power plants and further production and sale of electricity.

On 01 October 2012 Ebioss Energy EOOD was transformed into Ebioss Energy OOD and on the same date the share capital of Ebioss Energy OOD was increased from EUR 102 (BGN 200) to EUR 12,391,414 (BGN 24,235,500), comprising 2,423,550 shares of a nominal value of BGN 10 each, distributed to the following shareholders:

Shareholders	Relative share %	Number of shares	Total share capital in BGN'000	Total share capital in EUR'000
Electra Holding AD	75.95	1,840,654	18,407	9,411
Sofia Biomass EOOD	12.71	308,043	3,081	1,575
Sungroup Bulgaria EOOD	1.65	40,000	400	205
SPAX OOD	0.88	21,325	213	109
4 physical persons	8.81	213,528	2,135	1,092
Total:	**100**	**2,423,550**	**24,235**	**12,392**

The increase of the share capital of the Ebioss Energy OOD was performed through contributions in kind representing 100% of shares in the following subsidiaries, valued at fair values by licensed valuers at the date of the transaction, as follows:

Subsidiary	Fair value in EUR'000
Heat Biomass	3,500
Karlovo Biomass	3,500
Tvarditsa Biomass	2,045
Nova Zagora Biomass	1,278
Provdiv Biomass	979
United Biomass	1,090
Total:	**12,392**

On 12 December 2012 Ebioss Energy OOD has been transformed into joint stock company Ebioss Energy AD.

Incorporation (continued)

On 21 December 2012 according to Agreements for transfer of shares against repayment of receivables, Elektra Holding AD transferred 210,000 dematerialized shares from the registered capital of Ebioss Energy AD to Sungroup Bulgaria EOOD and 78,200 dematerialized shares from the registered capital of Ebioss Energy AD to Origina Bulgaria OOD. On the same date according to Agreement for transfer of shares, Elektra Holding AD transferred 19,500 dematerialized shares from the registered capital of Ebioss Energy AD to Antigona Bulgaria EOOD.

As at 31 December 2012 the share capital of Ebioss Energy AD was divided among the following shareholders:

Shareholders	Relative share %	Number of shares	Total share capital in BGN'000	Total share capital in EUR'000
Elektra Holding AD	63.25	1,532,954	15,330	7,838
Sofia Biomass EOOD	12.71	308,043	3,080	1,575
Sungroup Bulgaria EOOD	10.32	250,000	2,500	1,278
Origina Bulgaria OOD	3.23	78,200	782	400
SPAX OOD	0.88	21,325	213	109
Antigona Bulgaria EOOD	0.80	19,500	195	100
4 physical persons	8.81	213,528	2,135	1,092
Total:	**100**	**2,423,550**	**24,235**	**12,392**

As at 31 December 2013 the share capital of Ebioss Energy AD is divided among the following shareholders:

Main shareholders	Relative share %	Number of shares	Total share capital in BGN'000	Total share capital in EUR'000
Elektra Holding AD	43.22	3,046,732	15,234	7,789
Sofia Biomass EOOD	8.74	616,086	3,080	1,575
Sungroup Bulgaria EOOD	6.94	489,000	2,445	1,250
Origina Bulgaria OOD	2.20	155,028	775	396
SPAX OOD	0.60	42,650	213	109
Antigona Bulgaria EOOD	1.15	81,000	405	207
5 physical persons	5.68	400,090	2,000	1,023
Minority shareholders	31.48	2,219,107	11,096	5,673
Total:	**100**	**7,049,693**	**35,248**	**18,022**

Incorporation (continued)

The main shareholders of Ebioss Energy AD are those who initially subscribed all the shares in the capital, upon the incorporation. These shareholders owned approximately 68.52% of the share capital of Ebioss Energy AD as at 31.12.2013.

The minority shareholders of Ebioss Energy AD are those who subscribed shares in the two subsequent capital increases made during 2013 by means of initial public offering of shares on the Spanish Alternative Stock Exchange Market . These shareholders own approximately 31.48% of the share capital of Ebioss Energy as at 31.12.2013.

On 26 June 2013 on the grounds and under conditions of the resolution of General meeting of Ebioss Energy AD On 26 June 2013 on the grounds and under conditions of the resolution of General meeting of dated 12.12.2012, the share capital of Ebioss Energy AD is increased from EUR 12,392 thousand (BGN 24,236 thousand) to EUR 13,552 thousand (BGN 26,504 thousand) through emission and sale of 226,837 regular dematerialized shares with voting rights and nominal value of EUR 5.11 (BGN 10) and emission value of EUR 8 (BGN 15.65) and comprising at total 2,650,387 shares of a nominal value of EUR 5.11 (BGN 10) each.

On 09.12.2013 on the grounds and under conditions of the resolution of General meeting dated 05.09.2013, the nominal value of the shares of Ebioss Energy AD is changed, without changing the the amount of the registered capital. The existing shares are devided into two, i.e. the split ratio used is 2-for-one.

On 26 November 2013 the share capital of Ebioss Energy AD is increased from EUR 13,552 thousand (BGN 26,504 thousand) to EUR 18,022 thousand (BGN 35,248 thousand) through emission and sale of 1,748,919 regular dematerialized shares with voting rights and nominal value of EUR 2.56 (BGN 5) and emission value of EUR 5.15 (BGN 10.07) and comprising at total 7,049,693 shares of a nominal value of EUR 2.56 (BGN 5) each.

Principal activities

The principal activity of the Group is the engineering, construction and development of gasification Power Plants. As of December 31, 2013 the following Power Plant Projects are under development by each subsidiary:

- **Heat Biomass EOOD,** registered on 6 January 2011 with UIC 201384552 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant Heat Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The construction of the plant has started in March 2014 and electricity will start to be produced in 2015.

- **Karlovo Biomass EOOD,** registered on 6 January 2011 with UIC 201384641 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant Karlovo Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The construction of the plant is planned in 2 phases. The construction of the first phase of 2 MW has started in October 2013 and electricity will start to be produced in 2015. The construction of the second phase of 3 MW has started in March 2014 and electricity will start to be produced in 2015.

- **Plovdiv Biomass EOOD,** registered on 7 January 2011 with UIC 201385444 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant Plovdiv Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2018. Plovdiv Biomass has acquired in November 2012 a 100% subsidiary **Brila EOOD** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Plovdiv.

- **Nova Zagora Biomass EOOD,** registered on 7 January 2011 with UIC 201385519 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Nova Zagora. Upon commissioning of the Power Plant Nova Zagora Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017.

Principal activities (continued)

- **Tvardica Biomass EOOD,** registered on 7 January 2011 with UIC 201384926 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Tvarditza. Upon commissioning of the Power Plant Tvardica Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The Power plant should be completed and electricity production shall commence in 2017. Tvardica Biomass EOOD has acquired in November 2012 a 100% subsidiary **Tvardica PV EOOD,** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Tvarditza.

- **United Biomass EOOD,** registered on 6 January 2011 with UIC 201384562 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Letnitza. Upon commissioning of the Power Plant United Biomass EOOD will fully own and operate the facility. The Power Plant will sell electricity to CEZ Distribution Bulgaria AD, the electricity distribution company for the Western part of Bulgaria. The plant should be completed and electricity production shall commence in 2018.

Ebioss Energy has also the ownership of **Biomass Distribution EOOD,** registered on 12 November 2012 with UIC 201336098 and with principal activity: to provide the necessary raw materials and biomass sources to the biomass power plants of the group of companies (SPVs) subsidiaries of Ebioss Energy AD.

On 30 November 2012 Ebioss Energy AD has also acquired control over EQTEC, a company registered in Spain. EQTEC is an engineering company specializing in the design, complete construction, operation and maintenance of cogeneration plants heat and electricity power, gasification power plants and renewable energy, with experience in the market for more than 15 years. Since its founding, the company has implemented over 60 plant projects of production of electricity and / or heat, with capacities ranging from 60 kW to 10,000 kW. The company has developed and currently works on projects in Spain, Portugal, India, France, Germany, Italy and Bulgaria.

In 2013 Ebioss Energy AD acquired 215 shares with nominal value of BGN 100 (EUR 51.12), representing 43% of the registered capital of the company Energotec-Eco AD, which constitute control over financial and operating policy of the entity. The new incorporated company Energotec Eco AD plan to rent out a factory nearby village of Kaloianovec and manufacture part of the main equipment for the biomass power plants. On the same date another entity from the Group Eqtec Iberia Sl acquired 35 shares with nominal value of BGN 100 (EUR 51.12), representing 7% of the registered capital of the company Energotec-Eco AD. As at 31.12.2013 the Group has effective holding of 46.36% in Energotec-Eco AD.

Review of current position, future developments and significant risks

The Group's development to date, financial results and position are presented in the consolidated financial statements. For the year ended 31 December 2013 the financial result of the Group is net loss in the amount of EUR 303 thousand with net profit attributable to Non – controlling interests of EUR 64 thousand and the net equity is a positive value amounting to EUR 22 942 thousand from which EUR 250 thousand represent Non – controlling interests.

The construction of the biomass power plants of the Company's subsidiaries Karlovo Biomass EOOD and Heat Biomass EOOD has already started in 2013.

The main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in note 24 of the consolidated financial statements.

Share capital

Changes in the share capital of the Parent Company during the period under audit are explained above.

Events after the reporting period

On 3 April 2014 according to a cession agreement for transfer of shares Ebioss Energy AD acquired 100% of the shares of Sorgenia Bioenergy S.P.A in Italy (renamed at present to Syngas Italy S.P.A) with fiscal number 06337630963. The registered share capital of the company is EUR 120 000 comprising of 120 000 shares at nominal value EUR 1 each. The company was acquired for the price of EUR 650 000. The principal activity of the company is the development of biomass power plants and its first power plant located in the Toscana region of a 1 MW which is under construction and is planned to fully operational this year.

On 10 April 2014 a decision has been taken at the General meeting of Ebioss Energy AD to change the nominal value of the shares of the Company from EUR 2.56 (BGN 5) to EUR 0,51 (1 BGN). The number of the members of the Board of directors is changed from 3 to 4 persons and 'Meriden Group, SAU' , a company registered in the Principality of Andorra with fiscal number (NRT) – A – 706620-E, is appointed as a new member of the Board of directors of the Company. The General Meeting also delegates and grant an explicit legal mandate to the Board of directors of Ebioss Energy AD to increase the share capital, by issuing a new emission of dematerialized voting shares with nominal value of EUR 0,51 (1 BGN) up to a maximum amount after the increase EUR 20,452 thousand (BGN 40,000 thousand).

There are no other material events after the reporting period, which have a bearing on the understanding of the consolidated financial statements.

Director's responsibilities

The Directors are required by Bulgarian law to prepare consolidated financial statements each financial year that give a true and fair view of the state of affairs of the Group as at the year end, and of the profit or loss and cash flows for the year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the consolidated financial statements for the year ended 31 December 2013.

The Directors also confirm that applicable accounting standards have been followed and that the consolidated financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As of 31 December 2013 Managing Directors are Jose Oscar Leiva Mendez and Luis Sanchez Angrill.

By order of the Board of Directors

Jose Oscar Leiva Mendez
Executive Director

Sofia, 24.04.2014

ЕБИОС ЕНЕРДЖИ
СОФИЯ
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Independent Auditor's Report

To the Shareholders of EBIOSS ENERGY AD

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of EBIOSS ENERGY AD and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of 31 December 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 Group's preparation of consolidated financial statements that give a true and fair view 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 Group'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 consolidated 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

As of, and for the year ended 31 December 2013, Property, plant and equipment" and "Work performed by the entity and capitalized" are overstated by EUR 568 thousand, due to the fact that they include intra-group unrealized profit of EUR 568 thousand, related to construction of the power plants.

Qualified Opinion

In our opinion, except for the effects of the matter described in Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of EBIOSS ENERGY AD as of 31 December 2013, and of its consolidated financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the European Union.

Emphasis of matter

Without qualifying further our auditor`s report, we would like to draw attention to the following:
As indicated in Notes 11, 12 and 26 to the accompanying consolidated financial statements, the values of development costs are based on estimated discounted future cash flows and hence, along with goodwill are dependent on timing of the completion of the Biomass Power Plants and commencement of the electricity production. These values might change in case there are changes in the estimated completion of the power plant projects.

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. № 129
БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ООД

Baker Tilly Klitou and Partners Ltd

24 April 2014
Sofia, Bulgaria

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2013 EUR'000	2012 EUR'000
Revenue	3	754	159
Other revenue	4	-	610
Changes in inventories of finished goods and work in progress		(70)	(105)
Work performed by the entity and capitalized	5	4,533	13
Raw materials and consumables used		(3,850)	(89)
Expenses for hired services	6	(335)	(114)
Employee benefit expenses	7	(850)	(55)
Depreciation and amortization	10,11	(41)	(16)
Other expenses	8	(429)	(44)
Result from operating activities		(288)	359
Finance income	9	1	-
Finance costs	9	(29)	(2)
Net finance cost		(28)	(2)
Profit/(Loss) before income tax		(316)	357
Income tax (expense)/benefit	21	13	(33)
Profit/(Loss) for the period		(303)	324
Other comprehensive income			
Revaluation of land, net of tax		38	-
Total comprehensive income for the period		(265)	324
Profit/Loss attributable to:			
Non-controlling interests		64	29
Owners of the parent		(367)	295
Total comprehensive income attributable to:			
Non-controlling interests		64	29
Owners of the parent		(329)	295
Basic earnings per share (euro)	18	(0.07)	0.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31.12.2013 EUR'000	31.12.2012 EUR'000
Assets			
Property, plant and equipment	10	6,119	1,504
Intangible assets	11	10,537	10,357
Other receivables	14	7	4
Goodwill	12	2,821	2,821
Deferred tax assets	21	58	46
Deferred expenses		4	-
Non-current assets		19,546	14,732
Inventory	15	109	179
Trade and other receivables	14	261	408
Cash at bank and in hand	16	5,406	77
Deferred expenses		3	-
Current assets		5,779	664
Total assets		25,325	15,396
Equity			
Share capital	17.1	18,022	12,392
Share premium		4,460	-
Reserve for own shares	17.2	(21)	-
Revaluation surplus		38	-
Retained earnings		193	546
Equity attributable to owners of the parent		22,692	12,938
Non-controlling interests		250	188
Total equity		22,942	13,126
Liabilities			
Bank loans	19	32	57
Loans due to related parties	20	-	166
Other payables to related parties	25	206	206
Finance leases	23	1	9
Deferred tax liabilities	21	1,105	1,102
Non-current liabilities		1,344	1,540
Loans due to related parties	20	255	-
Bank loans	19	186	29
Trade and other payables	22	590	621
Finance leases	23	8	8
Income tax payable	21	-	48
Deferred income		-	24
Current liabilities		1,039	730
Total liabilities		2,383	2,270
Total equity and liabilities		25,325	15,396

The notes on pages 15 to 50 are an integral part of these consolidated financial statements.

On 24.04.2014 the Board of Directors of EBIOSS ENERGY AD authorised these consolidated financial statements for issue.

Executive Director:
Jose Oscar Leiva Mendez

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София
АД

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital EUR'000	Share premium EUR'000	Reserve for own shares EUR'000	Revaluation surplus EUR'000	Retained earnings EUR'000	Total attributable to owners of the Parent EUR'000	Non-controlling interest EUR'000	Total equity EUR'000
Balance at 1 January 2013	12,392	-	-	-	546	12,938	188	13,126
Total comprehensive income								
Loss for the year	-	-	-	-	(367)	(367)	64	(303)
Other comprehensive income	-	-	-	38	-	38	-	38
Total comprehensive income	-	-	-	38	(367)	(329)	64	(265)
Transactions with owners of the Parent								
Contributions by and distributions to owners of the Parent								
Issue of ordinary shares /See note 17/	5,630	4,491	-	-	-	10,121	-	10,121
Own shares acquired	-	(191)	(120)	-	-	(311)	-	(311)
Own shares sold	-	160	99	-	-	259	-	259
Total contributions by and distributions to owners of the Parent	5,630	4,460	(21)	-	-	10,069	-	10,069
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests without a change in control /See note 13/	-	-	-	-	14	14	(14)	-
Non-controlling interest at proportional share of fair value of net assets	-	-	-	-	-	-	12	12
Total transactions with owners of the Parent	5,630	4,460	(21)	-	14	10,083	(2)	10,081
Balance at 31 December 2013	18,022	4,460	(21)	38	193	22,692	250	22,942

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital EUR'000	Share premium EUR'000	Reserve for own shares EUR'000	Revaluation surplus EUR'000	Retained earnings EUR'000	Total attributable to owners of the Parent EUR'000	Non-controlling interest EUR'000	Total equity EUR'000
Balance at 1 January 2012	-	-	-	-	-	-	-	-
Total comprehensive income								
Profit for the year	-	-	-	-	295	295	29	324
Total comprehensive income	-	-	-	-	295	295	29	324
Transactions with owners of the Parent								
Contributions and distributions								
Issue of ordinary shares /See note 17/	12,392	-	-	-	-	12,392	-	12,392
Non-controlling interest at proportional share of fair value of net assets/See note 12/	-	-	-	-	-	-	159	159
Effect of business combination under common control /See note 12/	-	-	-	-	251	251	-	251
Total contributions and distributions								
Total transactions with owners of the Parent	12,392	-	-	-	251	12,643	159	12,802
Balance at 31 December 2012	12,392	-	-	-	546	12,938	188	13,126

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December

	Note	2013 EUR'000	2012 EUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit /(Loss) before tax		(316)	357
Adjustments to profit:			
Other income		-	(610)
Depreciation and amortisation		41	16
Interest expense		17	2
Interest income		(1)	-
Other financial expenses		12	-
Impairment of trade receivables		257	-
Cash flows from operations before working capital changes		10	(235)
Change in:			
Inventories		70	105
Trade and other payables		(234)	161
Trade and other receivables		(110)	(99)
Other current liabilities		(24)	18
Deferred expenses		(7)	-
Other cash flow from operating activities			
Interest paid		(6)	-
Interest received		1	-
Income tax paid		(48)	-
Other finance cost		(12)	-
Net cash flows used in operating activities		(360)	(50)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(4,667)	-
Acquisition of intangible assets		(191)	-
Acquisition of subsidiaries, net of cash acquired		-	(36)
Proceeds from disposals of other financial asstes		22	-
Net cash flows used in investing activities		(4,836)	(36)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		10,834	-
Payments related to issue of new shares		(492)	-
Repayment of loan from related party		(135)	-
Proceeds on loan from related party		213	165
Proceeds from sale of own shares		259	-
Repurchase of own shares		(311)	-
Proceeds from bank borrowing		194	-
Repayment of bank borrowing		(37)	(2)
Net cash flows from financing activities		10,525	163
Net increase in cash and cash equivalents		5,329	77
At the beginning of the period		77	-
At the end of the period	16	5,406	77

1. Incorporation and principal activities

Incorporation

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Nova Zagora Biomass	1,278
Provdiv Biomass	979
United Biomass	1,090
Total:	**12,392**

1. Incorporation and principal activities (continued)

Incorporation (continued)

On 12 December 2012 Ebioss Energy OOD has been transformed into joint stock company Ebioss Energy AD.

On 21 December 2012 according to Agreements for transfer of shares against repayment of receivables, Elektra Holding AD transferred 210,000 dematerialized shares from the registered capital of Ebioss Energy AD to Sungroup Bulgaria EOOD and 78,200 dematerialized shares from the registered capital of Ebioss Energy AD to Origina Bulgaria OOD. On the same date according to Agreement for transfer of shares, Elektra Holding AD transferred 19,500 dematerialized shares from the registered capital of Ebioss Energy AD to Antigona Bulgaria EOOD.

As at 31 December 2012 the share capital of Ebioss Energy AD was divided among the following shareholders:

Shareholders	Relative share %	Number of shares	Total share capital in BGN'000	Total share capital in EUR'000
Elektra Holding AD	63.25	1,532,954	15,330	7,838
Sofia Biomass EOOD	12.71	308,043	3,080	1,575
Sungroup Bulgaria EOOD	10.32	250,000	2,500	1,278
Origina Bulgaria OOD	3.23	78,200	782	400
SPAX OOD	0.88	21,325	213	109
Antigona Bulgaria EOOD	0.80	19,500	195	100
4 physical persons	8.81	213,528	2,135	1,092
Total:	**100**	**2,423,550**	**24,235**	**12,392**

2. Incorporation and principal activities (continued)

Incorporation (continued)

As at 31 December 2013 the share capital of Ebioss Energy AD is divided among the following shareholders:

Main shareholders	Relative share %	Number of shares	Total share capital in BGN'000	Total share capital in EUR'000
Elektra Holding AD	43.22	3,046,732	15,234	7,789
Sofia Biomass EOOD	8.74	616,086	3,080	1,575
Sungroup Bulgaria EOOD	6.94	489,000	2,445	1,250
Origina Bulgaria OOD	2.20	155,028	775	396
SPAX OOD	0.60	42,650	213	109
Antigona Bulgaria EOOD	1.15	81,000	405	207
5 physical persons	5.68	400,090	2,000	1,023
Minority shareholders	31.48	2,219,107	11,096	5,673
Total:	**100**	**7,049,693**	**35,248**	**18,022**

The main shareholders of Ebioss Energy AD are those who initially subscribed all the shares in the capital, upon the incorporation. These shareholders owned approximately 68.52% of the share capital of Ebioss Energy AD as at 31.12.2013.

The minority shareholders of Ebioss Energy AD are those who subscribed shares in the two subsequent capital increases made during 2013 by means of initial public offering of shares on the Spanish Alternative Stock Exchange Market . These shareholders own approximately 31.48% of the share capital of Ebioss Energy as at 31.12.2013.

On 26 June 2013 on the grounds and under conditions of the resolution of General meeting of Ebioss Energy AD On 26 June 2013 on the grounds and under conditions of the resolution of General meeting of dated 12.12.2012, the share capital of Ebioss Energy AD is increased from EUR 12,392 thousand (BGN 24,236 thousand) to EUR 13,552 thousand (BGN 26,504 thousand) through emission and sale of 226,837 regular dematerialized shares with voting rights and nominal value of EUR 5.11 (BGN 10) and emission value of EUR 8 (BGN 15.65) and comprising at total 2,650,387 shares of a nominal value of EUR 5.11 (BGN 10) each.

On 09.12.2013 on the grounds and under conditions of the resolution of General meeting dated 05.09.2013, the nominal value of the shares of Ebioss Energy AD is changed, without changing the the amount of the registered capital. The existing shares are devided into two, i.e. the split ratio used is 2-for-one.

On 26 November 2013 the share capital of Ebioss Energy AD is increased from EUR 13,552 thousand (BGN 26,504 thousand) to EUR 18,022 thousand (BGN 35,248 thousand) through emission and sale of 1,748,919 regular dematerialized shares with voting rights and nominal value of EUR 2.56 (BGN 5) and emission value of EUR 5.15 (BGN 10.07) and comprising at total 7,049,693 shares of a nominal value of EUR 2.56 (BGN 5) each.

1. Incorporation and principal activities (continued)

Principal activities

The principal activity of the Group is the engineering, construction and development of gasification Power Plants. As of December 31, 2013 the following Power Plant Projects are under development by each subsidiary:

- **Heat Biomass EOOD,** registered on 6 January 2011 with UIC 201384552 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant Heat Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The construction of the plant has started in March 2014 and electricity will start to be produced in 2015.

- **Karlovo Biomass EOOD,** registered on 6 January 2011 with UIC 201384641 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant Karlovo Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The construction of the plant is planned in 2 phases. The construction of the first phase of 2 MW has started in October 2013 and electricity will start to be produced in 2015. The construction of the second phase of 3 MW has started in March 2014 and electricity will start to be produced in 2015.

- **Plovdiv Biomass EOOD,** registered on 7 January 2011 with UIC 201385444 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant Plovdiv Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2018. Plovdiv Biomass has acquired in November 2012 a 100% subsidiary **Brila EOOD** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Plovdiv.

- **Nova Zagora Biomass EOOD,** registered on 7 January 2011 with UIC 201385519 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Nova Zagora. Upon commissioning of the Power Plant Nova Zagora Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017.

- **Tvardica Biomass EOOD,** registered on 7 January 2011 with UIC 201384926 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Tvarditza. Upon commissioning of the Power Plant Tvardica Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The Power plant should be completed and electricity production shall commence in 2017. Tvardica Biomass EOOD has acquired in November 2012 a 100% subsidiary **Tvardica PV EOOD,** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Tvarditza.

- **United Biomass EOOD,** registered on 6 January 2011 with UIC 201384562 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Letnitza. Upon commissioning of the Power Plant United Biomass EOOD will fully own and operate the facility. The Power Plant will sell electricity to CEZ Distribution Bulgaria AD, the electricity distribution company for the Western part of Bulgaria. The plant should be completed and electricity production shall commence in 2018.

1. Incorporation and principal activities (continued)

Principal activities (continued)

Ebioss Energy has also the ownership of **Biomass Distribution EOOD,** registered on 12 November 2012 with UIC 201336098 and with principal activity: to provide the necessary raw materials and biomass sources to the biomass power plants of the group of companies (SPVs) subsidiaries of Ebioss Energy AD.

On 30 November 2012 Ebioss Energy AD has also acquired control over EQTEC, a company registered in Spain. EQTEC is an engineering company specializing in the design, complete construction, operation and maintenance of cogeneration plants heat and electricity power, gasification power plants and renewable energy, with experience in the market for more than 15 years. Since its founding, the company has implemented over 60 plant projects of production of electricity and / or heat, with capacities ranging from 60 kW to 10,000 kW. The company has developed and currently works on projects in Spain, Portugal, India, France, Germany, Italy and Bulgaria.

In 2013 Ebioss Energy AD acquired 215 shares with nominal value of BGN 100 (EUR 51.12), representing 43% of the registered capital of the company Energotec-Eco AD, which constitute control over financial and operating policy of the entity. The new incorporated company Energotec Eco AD plan to rent out a factory nearby village of Kaloianovec and manufacture part of the main equipment for the biomass power plants. On the same date another entity from the Group Eqtec Iberia Sl acquired 35 shares with nominal value of BGN 100 (EUR 51.12), representing 7% of the registered capital of the company Energotec-Eco AD. As at 31.12.2013 the Group has effective holding of 46.36% in Energotec-Eco AD.

As of 31 December 2013 and 2012 the following entities ar subsidiaries of Ebioss Energy AD and are consolidated in these financial statements:

Subsidiary	**Country of incorporation**	**% ownership 31.12.2013**	**% ownership 31.12.2012**
Heat Biomass EOOD	Bulgaria	100%	100%
Karlovo Biomass EOOD	Bulgaria	100%	100%
Tvarditsa Biomass EOOD	Bulgaria	100%	100%
Nova Zagora Biomass EOOD	Bulgaria	100%	100%
Plovdiv Biomass EOOD	Bulgaria	100%	100%
United Biomass EOOD	Bulgaria	100%	100%
EQTEC Iberia S.L.	Spain	47.97%	45%
Energotec-Eco AD	Bulgaria	46,36%	-

2. Accounting policies

Basis of preparation

The consolidated financial statements were authorised for issue by the Board of Directors on 24.04.2014.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The consolidated financial statements have been prepared on the historical cost basis, modified for certain fixed assets measured at fair values.

Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

2. Accounting policies (continued)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorized into different level in a fair value hierarchy based on the inputs in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 10 *Property, plant and equipment;*
- Note 11 *Intangible assets;*

Going concern basis of accounting

The consolidated financial statements of the Group as of 31 December 2013 have been prepared on the basis of the going concern concept. Management is of the opinion that the funds secured by the shareholders are adequate to finance the future planned activities of the Group.

2. Accounting policies (continued)

Adoption of new and revised IFRSs

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations, endorsed by the EC, are available for early adoption in the year ended 31 December 2013, although they are not yet mandatory until a later period. These changes to IFRS have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early.

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

- IFRS 10 *Consolidated Financial Statements* and IAS 27 (2011) *Separate Financial Statements* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Group does not expect the amendments to Standard to have material impact on the financial statements.
- IFRS 11 *Joint Arrangements* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Group does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements.
- IFRS 12 *Disclosure of Interests in Other Entities* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. It is expected that the new Standard, when initially applied, will have a significant impact on the level of disclosure in the financial statements. However, the Group is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.
- IAS 27 (2011) *Separate Financial Statements* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Group does not expect the new Standard will have a material impact on the financial statements.
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Company does not expect the new standard to have any impact on the financial statements, since it does not qualify as an investment entity.
- Amendments to IAS 28 (2011) *Investments in Associates and Joint Ventures* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Group does not expect the amendments to Standard to have material impact on the financial statements since it does not have any investments in associates or joint ventures that will be impacted by the amendments.
- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Group does not expect the Amendments to have any impact on the financial statements since the Group does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.
- Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Group does not expect the new Standard will have a material impact on the financial statements.
- Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting* shall be applied, at latest, as from the beginning of the first financial year starting on or after 1 January 2014. The Group does not expect the new standard to have any impact on the financial statements, since it does not novate derivatives designated as hedging instruments to central counterparties as a consequence of laws and regulations.

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

IASB/IFRIC documents not yet endorsed by EC:

Management believes that it is appropriate to disclose that the following new or revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the European Commission, and therefore are not taken into account in preparing these financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

IFRS 9 *Financial Instruments* (issued November 2009 and Additions to IFRS 9 issued October 2010) has an effective date 1 January 2015 and could change the classification and measurement of financial instruments.

IFRIC Interpretation 21 *Levies* with an effective date of 1 January 2014.

IFRS 14 Regulatory Deferral Accounts The new standard is effective for annual periods beginning on or after 1 January 2016. The Standard has not yet been adopted for use in the EU.

Basis for consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

(ii) Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. Accounting policies (continued)

Basis for consolidation (continued)

(iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, should be eliminated in preparing the consolidated financial statements.

(vi) Aquisitions from entities under common control

A business combination under common control is a transaction in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the transaction. These combinations occur where the direct ownership of subsidiaries changes but the ultimate parent remains the same.

The Group policy is to apply IFRS 3 Business combinations by analogy in accounting for business combination under common control and the acquisitions accounting is applied to the acquired businesses.

When the consideration transferred is less than the fair value of the identifiable net assets acquired, the difference is recognised in equity as capital contribution from the shareholders of the acquirer. When the consideration transferred exceeds the fair value of the identifiable net assets acquired the difference is recognised as goodwill in the statement of financial position.

(vii) Provisional acquisition accounting

The Group applies provisional acquisition accounting assuming that the acquisition accounting for some amounts is incomplete. Adjustments made to the acquisition accounting during the measurement period may affect the recognition and measurement of assets acquired and liabilities assumed, any non-controlling interests, consideration transferred, any pre-existing interest in the acquiree, and goodwill or any gain on a bargain purchase. During the measurement period the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstatnces that existed on the acquisition date and, if known, would have affected the measurement amounts recognized at this date. The measurement period ends when the acquirer obtains all information that is necessary to complete the acquisition accounting, or learns that more information is not available, and cannot exceed one year from the acquisition date.

Adjustments made during the measurement period are recognised retrospectively and comparative information is revised - i.e. as if the accounting for the business combination had been completed at the acquisition date.

Foreign currency translation

(i) Functional and presentation currency

Items included in the Group's consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Except for the subsidiary EQTEC Iberia SI, Spain, which functional currency is EUR, the functional currency of the Parent and other subsidiaries in the Group is BGN. The consolidated financial statements are presented in thousands of EUR, which is the Group's presentation currency.

2. Accounting policies (continued)

Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. For the reporting period and as at the reporting date, the exchange rate of the EUR to BGN is fixed at 1 EUR = 1.95583 BGN. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Finance income and finance costs

Finance income comprises interest income on funds invested and gains from transactions in foreign currencies. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings and losses from transactions in foreign currencies.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

2. Accounting policies (continued)

Tax (continued)

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

2. Accounting policies (continued)

Property, plant and equipment (continued)

Property, plant and equipment measured at revaluated amount less accumulated depreciation and any accumulated impairment losses

Land is acquired as part of business combination and is initially measured at fair value, determined by licensed valuers. The Group applies the revaluation model stated in IAS 16 for the purposes of subsequent measurement of land. The revalued amount is the fair value of the asset as at the date of revaluation less any subsequent depreciation and accumulated impairment losses.

Property, plant and equipment measured at cost less accumulated depreciation and any accumulated impairment losses

Items measured at cost less accumulated depreciation and any accumulated impairment losses are all other property, plant and equipment items except for land.

Depreciation

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Equipment	7-14 years
Furniture	10 years
Computers	2 years
Motor vehicles	6 years

No depreciation is provided on land.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Subsequent costs

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the period in which it is incurred. The cost of major renovations and other subsequent expenditure are included in 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 will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. Accounting policies (continued)

Intangible assets and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 2(i). Goodwill is measured at cost less accumulated impairment losses.

Intangible assets acquired separetely are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Project development costs are principally incurred in identifying and developing projects and typically include various licenses, permits, contracts, designs and other. Such costs are expensed as incurred, except when directly attributable costs are capitalised as Development costs, where it can be demonstrated the technical feasibility of completing the intangible asset, so that it will be available for use; the intention to complete the intangible asset and use or sell it, the ability to use or sell the asset, and how the intangible asset will generate probable future economic benefits.

Intangible assets acquired as part of business combination are measured at fair value, which reflect expectations about the probability that the expected future economic benefits embodied in the asset will flow to the entity.

The acquirer recognises in a business combination as an asset separately from goodwill an in-process research and development projects of the acquiree, when the project meets the definition of an asset.

Intangible assets measured at cost less accumulated depreciation and any accumulated impairment losses

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization shall begin when the asset is available for use. When it is in the location and condition necessary the asset to be capable of operating in the manner intended by management. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets. The estimated useful lives of the intangible assets are as follows:

	%
Computer software	3 years

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

2. Accounting policies (continued)

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Lease payments are split between capital and interest components so that the interest element of the payment is charged to profit or loss over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amount payable to the lessor.

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition, are included at cost of acquisition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

(i) Non-derivative financial assets

The Group's financial assets include receivables consisting of cash and cash equivalents, trade and other receivables.

Loans and receivables

Loans and receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Short-term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group's financial liabilities include other financial liabilities – trade and other payables and loans.

Trade and other payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Short-term payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

2. Accounting policies (continued)

Financial instruments (continued)

(i) Non-derivative financial liabilities (continued)

Payables on interest bearing loans

Loans are recorded initially at the proceeds received, net of transaction costs incurred. Loans are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the loans using the effective interest method.

(ii) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Short-term payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. Accounting policies (continued)

Impairment of assets

(i) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(ii) Financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

2. Accounting policies (continued)

Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Advance payments are recognized as prepaid expenses to the extent that they will be offset against future payments or refunded. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Defined benefit plan

According to the Bulgarian Labour Code at the time when employees acquire pension rights, the company owes 6 monthly salaries to them, in case the employees have worked for the same company for more than 10 years before pensioning. The Group's obligation in respect of this defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and that amount is discounted. The calculation is performed annually based on the projected unit credit method. The Group determines the net interest expense on the net defined benefit liability for the period by applying a market discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

Remeasurements arising from change in actuarial gains and losses are recognised in OCI. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group recognizes as a liability the undiscounted amount of the estimated costs related to unused annual leave expected to be paid in exchange for the employee's service for the period completed.

(iv) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee benefit expenses in profit or loss.

2. Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

3. Revenue

	2013 EUR'000	2012 EUR'000
Rendering of services	754	47
Sales of goods	-	112
	754	159

4. Other income

	2013 EUR'000	2012 EUR'000
Other income	-	610
	-	610

Other income represent liabilities to the Parent company Elektra Holding AD written off in accordance with cession agreement dated 15 November 2012 and respective Annex 1 to this agreement dated 28 November 2012.

5. Work performed by the entity and capitalized

	2013 EUR'000	2012 EUR'000
Project Heat Biomass	1,889	13
Project Karlovo Biomass	2,644	-
	4,533	13

6. Expenses for hired services

	2013 EUR'000	2012 EUR'000
External transport services	98	-
Professional services	116	95
Advertising expenses	10	3
Office rent	38	-
Telephone expenses	22	-
Financial lease expenses	5	3
Other expenses for hired services	46	13
	335	114

7. Employee benefit expenses

	2013 EUR'000	2012 EUR'000
Wages and salaries	711	43
Compulsory social security contribution	118	11
Voluntary social security contribution	15	-
Accrued expenses for unused paid leave	6	1
	850	55

8. Other expenses

	2013 EUR'000	2012 EUR'000
Stock exchange related expenses	63	-
Donation tax	-	31
Insurances	12	-
Impairment loss of trade receivables	257	-
Other expenses	97	13
	429	44

9. Finance income and costs

	2013 EUR'000	2012 EUR'000
Interest income	1	-
Finance income	1	-
Interest expense	(17)	(2)
Exchange rate difference	(6)	-
Bank expenses	(6)	-
Finance costs	(29)	(2)
Net finance costs recognized in profit or loss	(28)	(2)

10. Property, plant and equipment

	Land	Equipment	Furniture	Computers	Vehicles	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost							
Balance at 1 January 2012	-	-	-	-	-	-	-
Acquisitions through business combinations	905	121	56	46	160	407	1,695
Additions	-	-	-	-	-	13	13
Disposals	-	-	-	-	(10)	-	(10)
At 31 December 2012	905	121	56	46	150	420	1,698
Additions	46	-	5	9	2	4,550	4,612
Revaluation	42	-	-	-	-	-	42
Disposals	(9)	-	-	(1)	(44)	-	(54)
At 31 December 2013	984	121	61	54	108	4,970	6,298
Depreciation							
Balance at 1 January 2012	-	-	-	-	-	-	-
Accumulated depreciation	-	10	28	27	128	-	193
Charge for the period	-	-	-	-	11	-	11
Disposals	-	-	-	-	(10)	-	(10)
Balance at 31 December 2012	-	10	28	27	129	-	194
Charge for the period	-	8	5	3	14	-	30
Disposals	-	-	-	(1)	(44)	-	(45)
Balance at 31 December 2013	-	18	33	29	99	-	179
Net book value							
At 31 December 2012	905	111	28	19	21	420	1,504
At 31 December 2013	984	103	28	25	9	4,970	6,119

Assets under construction represent capitalized expenses for project management and engineering services, as well as advance payments for delivery of main equipment in relation to the construction of the 5 MW biomass gasification power plants by Heat Biomass and Karlovo Biomass /see Note 1 and note 4/.

The technical project, consulting and engineering services related to construction of the power plants as well as the delivery of the main equipment are performed by Eqtec Iberia according to signed contracts with Heat Biomass and Karlovo Biomass.

In accordance to the signed contract in November 2013 Eqtec Bulgaria is assigned to perform all services necessary for the overall construction of a biomass power plant in the contractor company Karlovo Biomass. The contract comprises construction of the building, delivery of equipment and supervision of their installation at the site of Karlovo Biomass. The execution of the contract started in November 2013 and will continue in 2014.

Land is valued at fair values at the date of the business combination and as of the year ended 31.12.2013 by certified valuers. The valuation is based on comparative market prices, adjusted to take into consideration future use of land.

There are no encumbrances or liens on property, plant and equipment.

10. Property, plant and equipment (continued)

Fair value of the land

The management of the Group determines the fair value of the land based on valuation of independent appraisers. As at 31 December 2013 the valuation of the land was performed by National Consultancy Company, a certified appraiser with recognized professional qualification. The methods used for the estimation of the fair value are: comparative value method and residual method-rent. The report of the appraiser shows the following amounts for the value of land as at 31 December 2013:

	Carrying amount of land	Value according to the valuation report	Excess of fair value over carrying amount
	EUR'000	EUR'000	EUR'000
Heat Biomass Power Plant	84	84	-
Karlovo Biomass Power Plant	84	84	-
Tvarditsa Biomass Power Plant	84	84	-
Nova Zagora Biomass Power Plant	144	144	-
Plovdiv Biomass Power Plant	97	97	-
United Biomass Power Plant	204	204	-
Tvarditsa PV	190	190	-
Brila	97	97	-

a) Measurement of fair value

(i) Fair value hierarchy

The fair value of the land was determined by external, independent valuers, having appropriate recognized professional qualification and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's land at the end of every calendar (reporting) year.

The fair value measurement of the land has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

11. Intangible assets

	Development costs in progress EUR '000	Patents and trade- marks EUR '000	Software EUR '000	Total EUR '000
Cost				
Balance at 1 January 2012	-	-	-	-
Acquisitions through business combinations	10,333	-	62	10,395
Additions	4	-	-	4
Balance at 31 December 2012	10,337	-	62	10,399
Additions	-	186	5	191
Balance at 31 December 2013	10,337	186	67	10,590
Amortisation				
Balance at 1 January 2012	-	-	-	-
Accumulated amortisation	-	-	37	37
Charge for the period	-	-	5	5
Balance at 31 December 2012	-	-	42	42
Charge for the period	-	-	11	11
Balance at 31 December 2013	-	-	53	53
Net book value				
At 31 December 2012	10,337	-	20	10,357
At 31 December 2013	10,337	186	14	10,537

Development costs as at the date of aquisition represent licenses, contracts, permits, designs, etc. related to development phase of the following six projects for construction and operation of Biomass Power Plants:

	EUR'000
Heat Biomass Power Plant	2,579
Karlovo Biomass Power Plant	2,986
Tvarditsa Biomass Power Plant	1,745
Nova Zagora Biomass Power Plant	1,090
Plovdiv Biomass Power Plant	1,004
United Biomass Power Plant	929
	10,333

Development costs in progress have been recognized as part of business combination and valued at fair values by certified licensed valuers, based on discounted estimated future net cash flows expected from these assets. Their values are dependent on the estimated timing of completion of the Biomass Power Plants and commencement of electricity production (see also Note 1 and note 26). Their amortization will start when the Projects are finalized and the production of electricity commences.

11. Intangible assets (continued)

Review for impairment

The management of the Group determines the fair value of development costs in progress based on valuation of independent appraisers. As at 31 December 2013 the valuation of the development costs in progress was performed by National Consultancy Company, a certified appraiser with recognized professional qualification. The method used for the estimation of the fair value is discounted estimated future net cash flows. The report of the appraiser shows the following amounts for the development costs in progress as at 31 December 2013:

	Carrying amount of development costs in progress	Value according to the valuation report	Excess of fair value over carrying amount
	EUR '000	EUR '000	EUR '000
Heat Biomass Power Plant	2,583	4,007	1,424
Karlovo Biomass Power Plant	2,986	3,956	970
Tvarditsa Biomass Power Plant	1,745	2,173	428
Nova Zagora Biomass Power Plant	1,090	1,312	222
Plovdiv Biomass Power Plant	1,004	1,005	1
United Biomass Power Plant	929	1,047	118

a) Measurement of fair value

(ii) Fair value hierarchy

The fair value of the development costs in progress was determined by external, independent valuers, having appropriate recognized professional qualification and recent experience in the category of the assets being valued. The independent valuers provide the fair value of the Group's development costs in progress at the end of every calendar (reporting) year.

The fair value measurement of development costs in progress have been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

12. Acquisitions of subsidiaries

12.1 Acquisitions from entities under common control

The acquisition of Heat Biomass, Karlovo Biomass, Plovdiv Biomass, Nova Zagora Biomass, United Biomass and Tvardica Biomass from Elektra Holding, Sungroup Bulgaria and Sofia Biomass is made by capital increase of Ebioss Energy through contribution in kind, representing 100% of shares in the following subsidiaries, valued at fair values by licensed valuers at the date of the transaction (See note 1).

The valuation method used is Discounted Cash flows. Discounted cash flow analysis uses future free cash flow projections and discounts them to arrive at a present value.

Goodwill arises when control is acquired by the Parent and is determined as the excess of the consideration transferred at fair value and the amount of any non-controlling interest in the acquiree over the fair values of the identifiable net assets of the subsidiary.Its value is also dependent on the estimated timing of completion of the Biomass Power plants and commencement of electricity production. See also note 1 and note 26.

Below is detailed information for the identifiable assets acquired and liabilities assumed:

	Heat Biomass EUR'000	Karlovo Biomass EUR'000	Plovdiv Biomass EUR'000	Nova Zagora Biomass EUR'000	United Biomass EUR'000	Tvardica Biomass EUR'000	Tvardica PV EUR'000	Biomass Distribution EUR'000	Brila EOOD EUR'000	Total EUR'000
Consideration transferred	3,500	3,500	979	1,278	1,090	2,045	-	1	3	12,396
Fair value of identifiable net assets:										
Property, plant and equipment	472	65	92	137	193	80	181	-	92	1,312
Intangible assets	2,579	2,986	1,003	1,090	930	1,745	-	-	-	10,333
Investment in group companies and associates	-	-	3	-	-	-	-	-	-	3
Trade and other receivables	5	-	-	-	-	-	-	-	-	5
Cash and cash equivalents	7	1	-	-	-	-	-	10		18
Deferred tax liabilities	(254)	(297)	(109)	(122)	(110)	(182)	(17)	-	(9)	(1,100)
Related parties payables	(530)	(80)	(6)	(12)	(26)	(9)	(6)	-	-	(669)
Total fair value of identifiable net assets:	2,279	2,675	983	1,093	987	1,634	158	10	83	9,902
Goodwill	1,221	825	-	185	103	411	-	-	-	2,745
Effect of business combination under common control	-	-	(4)	-	-	-	(158)	(9)	(80)	(251)

12. Acquisitions of subsidiaries (continued)

12.2. Acquisition of Eqtec Iberia, Sl

On 30 November 2012 Ebioss Energy AD has also acquired control over EQTEC, a company registered in Spain.

According to Share Transfer Agreement signed between Elektra Holding and Ebioss Energy in November 2012, Ebioss Energy acquires 45% of the share capital of Eqtec Iberia.

The transferred ownership from Elektra Holding to Ebioss Energy comprises of 15,000 shares with nominal value of EUR 6 each, being at total nominal value of EUR 90 thousand. The price at which Elektra Holding sells the shares is at the amount of EUR 206 thousand.

Below is detailed information for the identifiable assets acquired and liabilities assumed:

in thousand EUR	**Eqtec Iberia**
Consideration transferred	206
Fair value of identifiable net assets:	
Property, plant and equipment	190
Intangible assets	25
Inventories	284
Investment in group companies and associates	1
Trade and other receivables	325
Deferred tax assets	30
Cash and cash equivalents	4
Bank loans	(87)
Finance leases	(16)
Deferred tax liabilities	(3)
Trade and other payables	(464)
Total fair value of identifiable net assets:	289
Share of net assets Ebioss Energy (45%)	130
Non-controlling interest at proportional share of fair value of net assets (55%)	159
Goodwill	76

12.3 Acquisition of Energotec Eco AD

In 2013 Ebioss Energy AD acquired 215 shares with nominal value of BGN 100 (EUR 51.12), representing 43% of the registered capital of the company Energotec-Eco AD, which constitute control over financial and operating policy of the entity. The new incorporated company Energotec Eco AD plan to rent out a factory nearby village of Kaloianovec and manufacture part of the main equipment for the biomass power plants. On the same date another entity from the Group Eqtec Iberia Sl acquired 35 shares with nominal value of BGN 100 (EUR 51.12), representing 7% of the registered capital of the company Energotec-Eco AD. As at 31.12.2013 the Group has effective holding of 46.36% in Energotec-Eco AD.

13. Acquisition of additional shares in an existing subsidiary

On 16 July 2013 according to the Minutes of the Board of Directors of Ebioss Energy AD, Ebioss Energy AD transferred to Eqtec Iberia S.L. Spain EUR 360 thousand through bank transfer. Against this amount Ebioss Energy AD acquires 1,900 new shares with nominal value of EUR 6 and as a result capital of Eqtec Iberia S.L. Spain is increased from EUR 200,004 to EUR 211,404. This implies premium paid of EUR 348,600 for the acquisition of these shares. Through this capital increase Ebioss Energy increased its ownership of EQTEC Iberia S.L. Spain from 45% to 48% and decreases its non-controlling interest from 55% to 52%. The Group recognised:

- a decrease in NCI of EUR 14 thousand;
- a decrease in retained earnings of EUR 14 thousand.

14. Trade and other receivables

Current part of trade and other receivables	31.12.2013 EUR'000	31.12.2012 EUR'000
Trade receivables from clients	139	354
Advance payments to suppliers	5	-
Refundable VAT	78	24
Receivables from employees	9	3
Other receivables	30	27
	261	408

Non- current part of trade and other receivables	31.12.2013 EUR'000	31.12.2012 EUR'000
Other receivables	7	4
	7	4

Non-current other receivables comprises rent deposits for the leased offices by Eqtec Iberia, Sl.

15. Inventory

	31.12.2013 EUR'000	31.12.2012 EUR'000
Work in progress	109	179
	109	179

16. Cash at bank and in hand

	31.12.2013 EUR'000	31.12.2012 EUR'000
Cash at bank	5,372	57
Cash in hand	34	20
	5,406	77

17. Capital and capital reserves

17.1. Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Group. In respect of the Group's shares that are held by the Group, all rights are suspended until those shares are sold.

Issued and fully paid		Number of shares	EUR '000
Balance on 1 January 2012		20	-
New issues	See Note 1	2,423,550	12,392
Balance on 31 December 2012/1 January 2013		2,423,550	12,392
New issues	a)	226,837	1,160
Share split	b)	2,650,387	-
New issues	c)	1,748,919	4,470
Balance at 31 December 2013		7,049,693	18,022

a) On 26 June 2013 on the grounds and under conditions of the resolution of General meeting of dated 12.12.2012, the share capital of Ebioss Energy AD is increased from EUR 12,392 thousand (BGN 24,236 thousand) to EUR 13,552 thousand (BGN 26,504 thousand) through emission and sale of 226,837 regular dematerialized shares with voting rights and nominal value of EUR 5.11 (BGN 10) and emission value of EUR 8 (BGN 15.65) and comprising at total 2,650,387 shares of a nominal value of EUR 5.11 (BGN 10) each.

b) On 09.12.2013 on the grounds and under conditions of the resolution of General meeting dated 05.09.2013, the nominal value of the shares of Ebioss Energy AD is changed, without changing the the amount of the registered capital. The existing shares are devided into two, i.e. the split ratio used is 2-for-one.

c) On 26 November 2013 the share capital of Ebioss Energy AD is increased from EUR 13,552 thousand (BGN 26,504 thousand) to EUR 18,022 thousand (BGN 35,248 thousand) through emission and sale of 1,748,919 regular dematerialized shares with voting rights and nominal value of EUR 2.56 (BGN 5) and emission value of EUR 5.15 (BGN 10.07) and comprising at total 7,049,693 shares of a nominal value of EUR 2.56 (BGN 5) each.

17.2. Reserve for own shares

The reserve for the Group's own shares comprises the cost of the Group's shares held by the Group. At 31 December 2013 the Group held 8,373 of the shares of Ebioss Energy AD (2012:0).

18. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2013 was based on the profit (loss) attributable to ordinary shareholders of EUR (367) thousand (2012: EUR 295 thousand), and a weighted average number of ordinary shares outstanding of 5,221 thousand (2012: 404 thousand), calculated as follows:

(i) Profit attributable to ordinary shareholders (basic)

In thousands of EUR	2013	2012
Profit (loss) for the year	(367)	295
Profit (loss) attributable to ordinary shareholders	(367)	295

18. Earnings per share (continued)

(ii) Weighted average number of ordinary shares (basic)

In thousands of shares	*Note*	2013	2012
Issued ordinary shares at 1 January		2,424	-
Effect of shares issued in October 2012		-	202
Effect of shares issued in June 2013		89	-
Effect of shares split		2,651	202
Effect of shares issued in November 2013		57	-
Weighted average number of ordinary shares at 31 December		5,221	404
Basic earnings per share (euro)		(0.07)	0.73

19. Bank loans

Bank	Date of execution	Initial nominal amount EUR'000	Interest rate	Balance 31.12.2013 EUR'000	Maturity
BBVA	06.4.2011	16	1.95%	2	06.4.2014
CAIXABANK	16.6.2011	91	6.17%	50	15.6.2016
BANK SABADELL	15.3.2012	14	3.59%	6	31.3.2015
BANK SABADELL	10.11.2013	60	4.04%	60	10.11.2014
CAIXABANK	27.10.2013	100	3.96%	100	27.10.2014
TOTAL BANK LOANS				218	

EUR'000	Total	Up to 1 year	1-2 years	2-5 years	More than 5 years
Short term loans	186	186	-	-	-
Long term loans	32	-	21	11	-
	218	186	21	11	-

The interest expense accrued and paid in regard to the bank loans in 2013 approximates the amount of EUR 6 thousand.

Bank	Date of execution	Initial nominal amount EUR'000	Interest rate	Balance 31.12.2012 EUR'000	Maturity
BBVA	06.4.2011	16	1.95%	8	06.4.2014
CAIXABANK	16.6.2011	91	6.17%	67	15.6.2016
BANK SABADELL	15.3.2012	14	3.59%	11	06.3.2014
TOTAL BANK LOANS				86	

19. Bank loans (continued)

EUR'000	Total	Up to 1 year	1-2 years	2-5 years	More than 5 years
Short term loans	29	29	-	-	-
Long term loans	57	-	19	38	-
	86	29	19	38	-

20. Loans payable to related parties

Related Party - Elektra Holding AD	Currency EUR	Interest Annual interest 4%	Amount EUR'000	Maturity
Balance at 1 January 2012			-	
New proceeds			165	31.12.2014
Interest			1	31.12.2014
Balance at 31 December 2012			166	
Balance at 1 January 2013			166	
New proceeds			213	31.12.2014
Interest			11	31.12.2014
Repayments			(135)	
Balance at 31 December 2013			255	

Repayment schedule

EUR'000	Total	Up to 1 year	1-2 years
Loans	255	255	-
	255	255	-

21. Taxation

	2013 EUR'000	2012 EUR'000
Current tax expense	-	50
Deferred tax	(13)	(17)
Income tax expense (benefit) for the period	(13)	33

Reconciliation of effective tax rate:

	2013 EUR'000	2012 EUR'000
Profit/(Loss) for the year	(303)	324
Total income tax (expense) / benefit	13	(33)
Profit /(Loss) before income tax	(316)	357
Income tax using the Company's domestic tax rate, 10%	(32)	36
Effect of tax rates in foreign jurisdictions*	14	6
Utilization of previously unrecognised tax losses	-	(9)
Non-deductible expenses	4	-
Current-year tax losses for which no deferred tax asset is recognised	1	-
Income tax expense/(benefit)	(13)	33
Effective tax rate	4%	9%

* The subsidiary Eqtec Iberia, Spain, acquired in 2012 (see Note 12) operates in a tax jurisdiction with higher tax rates.

Tax liability	31.12.2013 EUR'000	31.12.2012 EUR'000
Corporate income tax payable	-	48
	-	48

Recognised deferred tax assets and liabilities

In thousands of EUR	Assets		Liabilities	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Assets under construction	(17)	(17)	-	-
Land	-	-	89	85
Development cost	-	-	1,015	1,015
Tax loss carry-forwards	(40)	-	-	-
Intangible assets	-	(24)	-	-
Trade and other receivables	-	(5)	-	-
Other items	(1)	-	1	2
Tax (assets) liabilities	(58)	(46)	1,105	1,102
Net tax (assets) liabilities	(58)	(46)	1,105	1,102

Deferred tax liabilities include EUR 1,100 thousand representing 10% tax on fair value adjustments to land (EUR 857 thousand) and development costs (EUR 10,145 thousand) arising as a result of the business combination (see also Note 1).

21. Taxation (continued)

Movement in deferred tax balances during the year

In thousand of EUR	Balance 1 January 2013	Recognized in profit or loss	Recognized in other comprehen-sive income	Balance 31 December 2013
Assets under construction	(17)	-	-	(17)
Land	85	-	4	89
Development cost	1,015	-	-	1,015
Tax loss carry-forwards	-	(40)	-	(40)
Intangible assets	(24)	24	-	-
Trade and other receivables	(5)	5	-	-
Other items	2	(2)	-	-
	1,056	(13)	4	1,047

Under the current provisions of the Bulgarian Corporate Tax Act, a company may use its accumulated loss to substantially reduce the income tax it would otherwise have to pay on future taxable income in the next five years. The respective tax periods of the respective company may be subject to inspection by the tax authorities until the expiration of 5 years from the end of the year in which a corporate income tax return was submitted, or should have been submitted, and additional taxes or penalties may be imposed in accordance with the interpretation of the tax legislation. The Group's management is not aware of any circumstances which may give rise to a contingent additional liability in this respect.

Under prevailing tax regulations in Spain, tax returns of the subsidiary EQTEC Iberia Sl, may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. In 2013 the tax authorities in Spain have opened a limited tax inspection related to the income tax of the year 2012 that is still in course.

22. Trade and other payables

	31.12.2013 EUR'000	31.12.2012 EUR'000
Trade payables to suppliers	242	526
Trade payables	242	526
Payables in regard to issue of new share capital	208	-
Payables to employees	6	39
Compulsory social security contributions	11	10
Donation tax liability	31	31
VAT payable	26	-
Other tax liabilities	52	-
Other payables	14	15
Other payables	348	95
	590	621

The fair values of trade and other payables due within one year equal to their carrying amounts as presented above.

23. Finance lease

	31.12.2013 EUR'000	31.12.2012 EUR'000
Non-current	1	9
Current	8	8
	9	17

Finance lease liabilities are due as follows:

			31.12.2013
	Future minimum lease payments EUR'000	Interest 5.25%	Principal EUR'000
Less than one year	8	-	8
Between one and two years	1	-	1
Total	9	-	9

			31.12.2012
	Future minimum lease payments EUR'000	Interest 5.25%	Principal EUR'000
Less than one year	8	-	8
Between one and two years	10	1	9
Total	18	1	17

24. Financial instruments

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The policy sets limits for taking different kinds of risks and defines control rules with regard to these limits. The policy is to be regularly reviewed in relation with identification of changes in the risk levels.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from third parties.

24. Financial instruments (continued)

The carrying amount of Group's financial assets represent the maximum exposure to credit risk. As of 31.12.2013/ 31.12.2012 the carrying amounts of the financial assets are as follows:

	Note	As of 31.12.2013 EUR'000	As of 31.12.2012 EUR'000
Trade receivables from clients	14	139	358
Cash and cash equivalents	16	5,372	57
		5,511	415

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2013:

	Note	Carrying amount EUR'000	Contractual cash flows EUR'000	up to 1 year EUR'000	1-2 years EUR'000	2-5 years EUR'000
Non-derivative financial liabilities						
Bank loans	19	(218)	(226)	(193)	(22)	(11)
Loans due to related parties	20	(255)	(265)	(265)	-	-
Other payables to related parties	25	(206)	(206)	-	-	(206)
Trade and other payables	22	(450)	(450)	(450)	-	-
Finance lease	23	(9)	(9)	(8)	(1)	-
		(1,138)	(1,156)	(916)	(23)	(217)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2012:

	Note	Carrying amount EUR'000	Contractual cash flows EUR'000	up to 1 year EUR'000	1-2 years EUR'000	2-5 years EUR'000
Non-derivative financial liabilities						
Bank loans	19	(86)	(96)	(34)	(22)	(40)
Loans due to related parties	20	(166)	(179)	-	(179)	-
Other payables to related parties	25	(206)	(206)	-	-	(206)
Trade and other payables	22	(526)	(526)	(526)	-	-
Finance lease	23	(17)	(18)	(8)	-	(10)
		(1,001)	(1,025)	(568)	(201)	(256)

(c) Market risk

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

24. Financial instruments (continued)

Currency risk

Group's exposure to currency risk is relatively small since its all financial assets and liabilities are denominated in BGN or EUR. According to the local currency legislation of the parent company, the rate of the BGN is fixed to the EUR at 1 EUR = 1,95583 BGN.

The Group's management does not believe that the peg will change within the next 12 months and therefore no sensitivity analysis has been performed.

The Group's exposure to foreign currency risk based on notional amounts is as follows:

	BGN 31.12.2013 EUR'000	EUR 31.12.2013 EUR'000	BGN 31.12.2012 EUR'000	EUR 31.12.2012 EUR'000
Trade receivables from clients	-	139	-	358
Cash and cash equivalents	4,569	803	-	57
Bank loans	-	(218)	-	(86)
Loans due to related parties	(255)	-	(166)	-
Other payables to related parties	-	(206)	-	(206)
Trade and other payables	(68)	(382)	(26)	(500)
Finance lease	-	(9)	-	(17)
Total	4,246	127	(192)	(394)

Interest rate risk

Interest rate risk is the risk that interest bearing assets and liabilities may change in value, because of fluctuations of the market interest rates.At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of EUR	Nominal amount 31.12.2013 EUR'000	Nominal amount 31.12.2012 EUR'000
Fixed rate instruments		
Financial assets	5,372	57
Financial liabilities	(470)	(269)
	(4,902)	(212)

The Group has no variable rate instruments as at the end of the period 31 December 2013 and 31 December 2012.

Capital management

The Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year.

Fair value of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities equal their fair values.

25. Related party transactions and balances

Related parties are as follows:

Related party	Relationship
Southeimer LLC, Spain	Ultimate parent
Elektra Holding AD	Parent of EBIOSS ENERGY AD
Heat Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY AD
Karlovo Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY AD
Plovdiv Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY AD
Nova Zagora Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY AD
Tvardica Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY AD
United Biomass EOOD	subsidiary, 100% owned by EBIOSS ENERGY AD
Biomass Distribution EOOD	subsidiary, 100% owned by EBIOSS ENERGY AD
EQTEC Iberia SL, Spain	subsidiary, 48% owned and controlled by EBIOSS ENERGY AD
Energotec Eco AD	subsidiary, 46% owned and controlled by Group
Brila EOOD	subsidiary 100% owned by Plovdiv Biomass EOOD
Tvarditsa PV EOOD	subsidiary 100% owned by Tvarditsa Biomass EOOD
Inava Ingeiyieria De Analisis SL	under common control
Ortiz Elektra AD	under common control
Biomass Gorno EOOD	under common control
Luxur PV EOOD	under common control
Bul PV EOOD	under common control
Bul Biomass EOOD	under common control
Luxur Biomass OOD	under common control
Val Biomass EOOD	under common control
EQTEC Bulgaria EOOD EOOD	under common control
Smolyan Biomass EOOD	under common control
Titan Power OOD	under common control
Eko El Invest	under common control

Directors

The Executive Directors of EBIOSS ENERGY AD are Jose Oscar Leiva Mendez and Luis Sanchez Angrill.

Transactions and balances with related parties

In thousands of EUR	**Transaction value fot the year ended 31 December**		**Balance outstanding as at**	
	2013	**2012**	**31.12.2013**	**31.12.2012**
Elektra Holding AD-loan/ see note 20/	89	166	255	166
Elektra Holding AD – Other payables	-	206	206	206

Other payables to related parties represent payable to Elektra Holding AD for transfer of shares in EQTEC Iberia SL. The maturity date is 21 November 2015 and the liability is interest free.

During 2013 the remuneration to the key management personnel amounts to EUR 61 thousand.

26. Commitments and contingent liabilities

In accordance with Contract for connection to the National Electricity Grid signed between two subsidiaries - Karlovo Biomass EOOD and Heat Biomass EOOD and EVN Electricity Distribution Company, both contracts dated 14 September 2012 and subsequent annexes, the said subsidiaries have to complete the construction of power plants as follows:

For Karlovo Biomass:

- First stage – construction of 2 MW power plant facility – 30.06.2015
- Second stage – construction of 3 MW power plant facility – 31.12.2015

For Heat Biomass:

- Construction of 5 MW power plant facility – 31.12.2015

In the case the above terms are not observed, the contracts will be terminated. See also note 10 and 11.
The Group has no other commitments or contingent liabilities as at 31 December 2013 and 31 December 2012.

27. Events after the reporting period end

On 3 April 2014 according to a cession agreement for transfer of shares Ebioss Energy AD acquired 100% of the shares of Sorgenia Bioenergy S.P.A in Italy (renamed at present to Syngas Italy S.P.A) with fiscal number 06337630963. The registered share capital of the company is EUR 120 000 comprising of 120 000 shares at nominal value EUR 1 each. The company was acquired for the price of EUR 650 000. The principal activity of the company is the development of biomass power plants and its first power plant located in the Toscana region of a 1 MW which is under construction and is planned to fully operational this year.

On 10 April 2014 a decision has been taken at the General meeting of Ebioss Energy AD to change the nominal value of the shares of the Company from EUR 2.56 (BGN 5) to EUR 0,51 (1 BGN). The number of the members of the Board of directors is changed from 3 to 4 persons and 'Meriden Group, SAU' , a company registered in the Principality of Andorra with fiscal number (NRT) – A – 706620-E, is appointed as a new member of the Board of directors of the Company. The General Meeting also delegates and grant an explicit legal mandate to the Board of directors of Ebioss Energy AD to increase the share capital, by issuing a new emission of dematerialized voting shares with nominal value of EUR 0,51 (1 BGN) up to a maximum amount after the increase EUR 20,452 thousand (BGN 40,000 thousand).

There are no other material events after the reporting period, which have a bearing on the understanding of these consolidated financial statements.