IMO RILA EAD

ANNUAL DIRECTORS' REPORT

ANNUAL FINANCIAL STATEMENTS

REPORT OF THE INDEPENDENT AUDITOR

31 DECEMBER 2011

TABLE OF CONTENT

The Directors present the report and the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), for the period ended 31 December 2011. The financial statements have been audited by Pricewaterhouse Coopers Audit OOD.

GENERAL INFORMATION

Establishment and activity

Imo Rila EAD, UIK 201397425, is a privately owned joint stock company registered in Bulgaria on 24/01/2011.

The owner of the Company is IMO Property Investments Sofia EAD, a private limited liability company registered in Bulgaria on 24/01/2011

The Company's basic activities are purchase, construction and fitting up of properties in order to sell or rent them.

Share capital structure

Share capital is BGN 400,000 and was fully paid. The shares are ordinary and registered. The number of shares is 400,000 of nominal value BGN 1 (one) each.

Board of Directors

As at 31 December 2011 the Board of Directors consists of the following members:

Emil Pilafov – Chairman of the Board of Directors and Executive Director
Petya Dimitrova – Deputy Chairperson of the Board of Directors and Executive Director
Iordan Souvandjiev – Member of the Board of Directors and Executive Director

The total annual remuneration of the members of the Board of Directors

In 2011 the members of the Board of Directors didn't receive remuneration from the Company in their capacity of Board of Directors members.

Shares and bonds of the Company that are acquired, owned and transferred by the members of the Board of Directors during the period

No member of the Board of Directors has owned or transferred shares or bonds of the Company.

The Board of Directirs member's rights to acquire shares and bonds of the Company

No member of the Board of Directors holds special rights of acquisition of shares or bonds of the Company.

The Board of Directors member's ownership in other commercial enterprises, as:

Partners with unlimited liability

No member of the Board of Directors has been a partner with unlimited liability in other commercial enterprise.

Partners/shareholders holding more than 25 per cent of the capital of another company

No member of the Board of Directors holds more than 25 per cent of the capital of another company

Participants in the management of other companies or cooperatives as procurators, managers or board members:

Petia Nikolova Dimitrova

- Eurobank EFG Bulgaria AD, Bulgaria – Member of the Board of Directors and Executive Director (until 05.05.2011); Deputy Chairperson of the Management Board and Executive Director (effective as of 05.05.2011);
- Bulgarian Retail Services AD, Bulgaria – Chairperson of the Board of Directors and Executive Director;
- EFG Property Services Sofia AD, Bulgaria – Member of the Board of Directors;
- IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors and Executive Director;
- IMO Central Office EAD, Bulgaria – Deputy Chairperson of the Board of Directors and Executive Director (effective as of 24.01.2011);
- IMO 03 EAD, Bulgaria – Member of the Board of Directors and Executive Director (effective as of 09.06.2011);
- AmCham Bulgaria (American Chamber of Commerce in Bulgaria), Bulgaria – Member of the Board of Directors;
- Bulgarian Business Leaders Forum (BBLF), Bulgaria – Member of the Board of Directors;
- State-owned enterprise Communicative construction and rehabilitation, Bulgaria – Member of the Board of Directors;

- Municipal Bank AD, Bulgaria – Member of the Supervisory Board.

Emil Atanasov Pilafov

- IMO Property Investments Sofia EAD, Bulgaria – Chairman of the Board of Directors and Executive Director;
- IMO Central Office EAD, Bulgaria – Chairman of the Board of Directors and Executive Director (effective as of 24.01.2011);
- IMO 03 EAD, Bulgaria – Chairman of the Board of Directors and Executive Director (effective as of 09.06.2011).

Iordan Marinov Souvandjiev

- Eurobank EFG Bulgaria AD, Bulgaria – Member of the Management Board (effective as of 05.05.2011);
- EFG Property Services Sofia AD, Bulgaria – Member of the Board of Directors;
- IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors;
- IMO Central Office EAD, Bulgaria – Member of the Board of Directors and Executive Director (effective as of 24.01.2011);
- Vinimpeks 21 AD, Bulgaria – Member of the Board of Directors

The Contracts under Article 240b of the Commerce Act

The company has not entered into contracts specified in Article 240b, paragraph 1 of the Commerce Act.

OVERVIEW OF RESULTS

Financial results for the current period

The financial result before tax for 2011 is loss in the amount of BGN 343 thousand. 2011 is start up year for the Company, the only acquired property was purchased in Q1'2011.

Investing activity

The scope of activity of the Company is meant to comprise execution of all types of real estate transactions: sale – purchase, renting, leasing and subleasing, as well as property management and maintenance, construction, designing and engineering activity, preparation of investment projects, real estate consultancy, services, project management, valuation services, real estate brokerage and intermediary services, technical consultancy services, architectural, real estate development and engeneering studies.
In 2011 the Company acquired one property- Hotel Rila in Sofia, through Notary deed dated 02/02/2011. Since then there was signed Rental contract with "Hotel Rila" AD at

amount of EUR 40 thousand (BGN 79 thousand) per month without VAT, the term of the contract is 4 years. IMO Rila has signed Agreement with "Bulgarian Hotel services" AD, giving to them Option to buy the Hotel within the contract period of 4 years. Until 02.02.2013 buy-back strike price is 25 mil. EUR; until 02.02.2014 buy-back strike price is EUR 23 mil.; until 02.02.2015 buy-back strike price is EUR 22.5 mil.

MAIN OBJECTIVES FOR 2012

For 2012 the Company has not budgeted more acquisitions. Budgeted rental income for 2012 is EUR 578 thousand (BGN 1,130 thousand).

FINANCIAL RISK MANAGEMENT

The Company is exposed to variety of financial risks. Detailed description of those risks and the policies and procedures applied by the Management are set out in note 3 of the financial statement as at 31 December 2011.

RESPONSIBILITIES OF MANAGEMENT

The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the state of affairs of the company as at the year end and of the profit or loss and cash flows for the year. The management has prepared the enclosed financial statements in accordance with IFRS as adopted by the EU.

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 financial statements for the period ended 31 December 2011.

The Directors confirm that the financial statements were prepared in accordance with IFRS as adopted by EU and on a going concern basis.

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

Emil Pilafov
Executive Director and Chairman of the Board of Directors

Petia Dimitrova
Executive Director and Deputy Chairperson of the Board of Directors
15.05.2012

IMO RILA EAD
BALANCE SHEET
31 DECEMBER 2011

(All amounts in Bulgarian leva thousands)	Notes	31 December 2011
Non-current assets		
Investment property	10	38,537
Total non-current assets		**38,537**
Current assets		
Other receivables	11 b	1,015
Cash and cash equivalents	12	439
Total current assets		**1,454**
Total assets		**39,991**
Equity		
Share capital	13	400
Accumulated losses		(363)
Total equity		**37**
Current liabilities		
Borrowings from related parties	14	39,913
VAT payable	11 a	18
Income tax payable	9	20
Other payables to non-related parties		3
Total current liabilities		**39,954**
Total equity and liabilities		**39,991**

The financial statements on page 7 to 26 have been approved on 15 May 2012 and signed as follows:

Emil Pilafov
Chairman of the Board of Directors

Vesselin Glavchev
Responsible for preparation of financial statements

Rositsa Boteva
Registered auditor

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №085
"ПрайсуотърхаусКупърс Одит" ООД

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

Date:
Sofia, Bulgaria

19 June 2012

IMO RILA EAD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2011

(All amounts in Bulgarian leva thousands)	**Notes**	**For the period 24.01-31.12.2011**
Rental income	5	1,036
Expenses for investment property	6	(163)
Administrative expenses	7	(22)
Operating income		**851**
Financial costs, net	8	(1,194)
Loss before income tax		**(343)**
Income tax expense	9	(20)
Loss for the period		**(363)**
Other comprehensive income		-
Total comprehensive (loss) for the period		**(363)**

The financial statements on page 7 to 26 have been approved on 15 May 2012 and signed as follows:

Emil Pilafov
Chairman of the Board of Directors

Vesselin Glavchev
Responsible for preparation of financial statements

Initialled for identification purposes in reference to the auditor's report:

Rositsa Boteva
Registered auditor

Специализирано одиторско предприятие "ПрайсуотърхаусКупърс Одит" ООД
София
Рег. №085

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

Date:
Sofia, Bulgaria

19 June 2012

IMO RILA EAD
STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2011

(All amounts in Bulgarian leva thousand)

	Notes	Share capital	Accumulated losses	Total equity
Capital increase	13	400	-	**400**
Loss for the period		-	(363)	**(363)**
Balance as at 31 December 2011		**400**	**(363)**	**37**

The financial statements on page 7 to 26 have been approved on 15 May 2012 and signed as follows:

Emil Pilafov
Chairman of the Board of Directors

Vesselin Glavchev
Responsible for preparation of financial statements

Initialled for identification purposes in reference to the auditor's report:

Rositsa Boteva
Registered auditor

Специализирано одиторско предприятие
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Petko Dimitrov
PricewaterhouseCoopers Audit OOD

Date:
Sofia, Bulgaria

19 June 2012

IMO RILA EAD
STATEMENT OF CASH FLOWS
31 DECEMBER 2011

(All amounts in Bulgarian leva thousand)

	Notes	For the period 24.01-31.12.2011
Operating activities		
Receipts from clients		735
Payments for administrative expenses		(22)
Other operating cash flows		(423)
Net cash used in operating activities		**290**
Investing activities		
Purchase of investment property		(38,971)
Net cash used in investing activities		**(38,971)**
Financing activities		
Increase of share capital		400
wings received		39,899
Interest paid		(1,179)
Net cash flows from financing activities		**39,120**
Increase in cash and cash equivalents for the period		439
Cash and cash equivalents at 24 January 2011		**-**
Cash and cash equivalents at 31 December 2011	**12**	**439**

The financial statements on page 7 to 26 have been approved on 15 May 2012 and signed as follows:

Emil Pilafov
Chairman of the Board of Directors

Vesselin Glavchev
Responsible for preparation of financial statements

Initiated for identification purposes in the reference to the audit report:

Rositsa Boteva
Registered auditor

Petko Dimitrov
PricewaterhouseCoopers
Audit OOD

Date:
Sofia, Bulgaria

19 June 2012

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №085
"ПрайсуотърхаусКупърс Одит" ООД

1. General information

Imo Rila EAD ("the Company") is a privately owned company with limited liability registered in Republic of Bulgaria.

The Company basic activity is purchase, building and construction of real estate property for the purpose of rent and sale.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below:

2.1 Basis of presentation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards issued by the IASB as adopted by the European Union and in particular with those IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The policies set out below have been consistently applied in 2011. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. The company has been established in 2011.

Going concern

Financial statements are prepared on the principle of going concern which implies that the company will continue operations in the foreseeable future. The Shareholders of the Company have confirmed the continuing support, which includes possibilities to refinance existing borrowings and receive additional borrowings so that to ensure that the Company will continue operations in the foreseeable future.

(a) Amended and new standards and interpretations effective in 2011

IAS 24, Amendment - Related Party Disclosures
IAS 32, Amendment - Classification of Rights Issues
IFRIC 14, Amendment - Prepayments of a Minimum Funding Requirement
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments
Amendments to various Standards that form part of IASB's 2010 Annual Improvement Project.

(b) Standards and interpretations issued but not yet effective
- IAS 1, Amendment - Presentation of Items of Other Comprehensive Income (effective 1 January 2013, not yet endorsed by EU)
- IAS 12, Amendment - Deferred tax: Recovery of Underlying Assets (effective 1 January 2012, not yet endorsed by EU)

2. Summary of significant accounting policies (continued)
2.1 Basis of presentation (continued)

(b) Standards and interpretations issued but not yet effective (continued)

- IAS 19, Amendment - Employee Benefits (effective 1 January 2013, not yet endorsed by EU)
- IAS 27, Amendment - Separate Financial Statements (effective 1 January 2013, not yet endorsed by EU)
- IAS 28, Amendment - Investments in Associates and Joint Ventures (effective 1 January 2013, not yet endorsed by EU)
- IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014, not yet endorsed by EU)
- IFRS 7, Amendment - Disclosures, Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013, not yet endorsed by EU)
- IFRS 7, Amendment -Disclosures, Transfers of Financial Assets (effective 1 January 2012)
- IFRS 9, Financial Instruments (effective 1 January 2015, not yet endorsed by EU)
- IFRS 9 and IFRS 7, Amendment - Mandatory Effective Date and Transition Disclosures (effective 1 January 2015, not yet endorsed by EU)
- IFRS 10, Consolidated Financial Statements (effective 1 January 2013, not yet endorsed by EU)
- IFRS 11, Joint Arrangements (effective 1 January 2013, not yet endorsed by EU)
- IFRS 12, Disclosure of Interests in Other Entities (effective 1 January 2013, not yet endorsed by EU)
- IFRS 13, Fair Value Measurement (effective 1 January 2013, not yet endorsed by EU)

IFRS 9 is part of IASB's project to replace IAS 39 Financial Instruments which has not been finalised yet and as a result, it is not practicable to quantify its impact. The application of the other above mentioned standards and interpretations is not expected to have a material impact on the Company's financial statements in the period of the initial application.

The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2.2 Foreign currency transactions

(a) Functional and presentation currency

The functional currency and the presentation currency is 'Bulgarian lev'(BGN). The financial statements are prepared in BGN. All amounts in the financial statements are rounded to the nearest multiple of thousand.

2.Summary of significant accounting policies (continued)

2.2 Foreign currency transactions (continued)

(b) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.3 Investment property

According to IAS 40, Investment property is a property, land or a building or part of a building or both held to earn rentals or for capital appreciation or both and that is not occupied by the Company. Investment property is recognised as an asset when it is probable that future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured.

After the initial recognition, investment properties are presented as non-current assets and are measured at cost cost less any accumulated depreciation and any accumulated impairment.

All acquisition costs are accumulated in the book value of investment property. An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes, and other transaction costs. The real estate assets acquired, where further construction or development is necessary before they become ready for sale, can be treated as ''qualifying assets'' and in this case, the borrowing costs directly attributable to the acquisition and construction/development are eligible for capitalization.

Buildings recognized as investment properties are depreciated for a period of 50 years. The annual depreciation rate is 2%.

Land recognized as investment property is not depreciated.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.
When an entity uses the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes. According to IAS 40 and the Company's policy, IMO has to perform an impairment analysis of the acquired properties closer to the year-end reporting date.

2. Summary of significant accounting policies (continued)

2.4. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item

will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.5 Receivables and other financial assets

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established, when there is an objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

2.6 Cash and cash equivalent

Cash and cash equivalents are carried at amortized cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and excludes restricted cash accounts.

2.7 Payables and other financial liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Accouting for operating lease contracts

Assets leased out under operating leases are included in investment property in the balance sheet. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

2.Summary of significant accounting policies (continued)

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, unless it is capitalised under IAS 23.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.10 Interest expense

Interest expenses for borrowings are recognised within 'finance costs' in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.11 Revenue recognition

Rental income

Revenue includes rental income, service charges and management charges from properties and income from property trading.

Rental income from operating leases is recognised in revenue on a straight-line basis over the lease term.

2.12 Deferred tax

Taxation has been provided for in the financial statements in statement of comprehensive income in accordance with Bulgarian legislation currently in force. The charge for taxation in the income statement comprises the current tax and changes in the deferred tax. The current tax is calculated on the basis of the taxable profit for the period, using the tax rates enacted at the balance sheet date. Income tax payable on profits, based on the applicable tax law, is recognised as an expense in the period in which profits arise. Taxes other than on income are recorded within operating expenses.

2.Summary of significant accounting policies (continued)

2.12 Deferred tax (continued)

The deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The principal temporary differences arise from depreciation of investment property.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

2.13 Investments in subsidiaries and advances for shares to be issued

The investments of the Company in subsidiaries are accounted for at acquisition cost. Advances for which shares have not been issued and court procedure has not been finalised yet are stated at cost.

3. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk), credit risk, liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The risk management is executed by the management as its policy is approved by the parent company.

(a) Currency risk

The Company's policy is not to hold monetary assets, denominated in a currency different from BGN or EUR. The Company has insignificant exposure to currency risk since FX rate EUR/BGN is pegged at 1.95583.

(b) Interest rate risk

As the Company has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates. Interest re-pricing period of the borrowings is on a yearly base, thus mitigating to some extent the intrest rate risk,

The Company's interest rate risk arises from short-term borrowings (Note 14). Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

The Company's cash flow and interest rate risk is periodically monitored by the Company's management and by the parent Company (i.e. the Group management). As the borrowings are provided by the Eurobank EFG Private Bank Luxembourg S.A, the exposure of the Company to interest rate risk is reviewed individually for each new facility provided.

Trade and other receivables and payables are interest-free and have settlement dates within one year.

3. Financial risk management (continued)

(b) Interest rate risk (continued)

The Company is not exposed to the price risk with respect to financial instruments as it does not hold any equity securities.

3.1 Market risk

(c) Impact of the economic crisis and situation in Greece

Since late 2009, fears of a European sovereign debt crisis developed among investors as a result of the rising government debt levels, together with a wave of downgrading of government debt in some European states. Concerns intensified in early 2010 making it difficult for some countries in the euro area to re-finance their government debt without external assistance. The three countries most affected by this were Greece, Ireland and Portugal.

On the Greek debt front, a new funding program was agreed with the European Commission, the ECB and the Eurozone member-states, in the Eurogroup meeting held on 21 February 2012. The new program aims to bring the country's public debt-to-GDP ratio to 116.5% by 2020, below the 120.0% target envisioned in the European Council session held on 26 and 27 October 2011 via Private Sector's Involvement (PSI) in the reduction of Greek debt.

The new funding program is expected to have a significant beneficial effect on the country's solvency outlook. This is due, not only to the reduction of public debt, but also to the expected decline of interest expenditure from 2012 onwards. The funding program constitutes a credible opportunity for the Greek economy to remove uncertainty surrounding it from the middle of 2010 onwards, regarding both sustainability of fiscal position as well as preservation of the country's Eurozone participation.

In addition, the Eurogroup confirmed that the necessary elements have been put in place for Member States to carry out the relevant national procedures to allow for the support by EFSF, including the necessary financing for recapitalisation of Greek banks (including EFG Eurobank Ergasias) following their participation in the recent sovereign debt restructuring (PSI). In February 2012, the Greek parliament adopted the necessary legal framework to enable the necessary financing for the recapitalization of Greek banks.

Position of the Group

EFG Eurobank Ergasias, although significantly affected by the impairment charge on Greek Government bonds (due to its participation in the PSI), continues to closely monitor these constructive developments and has taken necessary steps and continues adjusting to the new requirements. The shift towards a greater level of collateralized lending, growth in self-funding and the more promising market situation has been in place for some time. Additionally, the Group continues to reduce its cost base in order to increase the efficiency of operations. It also strengthens its collection efforts to maximize loan recoveries by redeploying resources where necessary and implements conservative provisioning policies.

3.1 Market risk (continued)
Position of the Group (continued)

Finally and notwithstanding the required recapitalisation of the Parent, the Group is improving continuously the effectiveness of balance sheet management and is undertaking significant strategic initiatives in respect of its capital and liquidity positions.

Position of the Company

IMO Rila EAD finances its activities through a revolving short term borrowing by EFG Private Bank Luxembourg and its capital base.

Impact on liquidity

The availability of external funding in financial markets has significantly reduced since August 2007. Such circumstances may affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Impact on customers

Debtors of the Company may be adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed. Deteriorating economic conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows.

3.2 Credit risk

Credit risk arises from cash and cash equivalents and bank deposits, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.
The table below shows balances of cash and cash equivalents as at 31 December 2011 to banks, as follows:

	31 December 2011		**31 December 2010**	
Contractor	**Credit rating**	**Balance**	**Credit rating**	**Balance**
Eurobank EFG Bulgaria AD	BBB (BCRA)	439	BB+ (FITCH)	-
		439		**-**

The Company has not suffered losses as a result of default of the counterparties. The fair value of those assets do not differ materially from their carrying amount.

3. Financial risk management (continued)

3.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The liquidity risk is strictly monitored by the Management.

The Management expects positive cash flows for the year ended 2012 and onwards, mainly due to cash inflows from operations.

The table below analyses the Company's financial liabilities into relevant maturity based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(in BGN thousands)	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Total
As at 31 December 2011				
Payables	14	3	-	**17**
Other payables	18	20	-	**38**
Borrowings	-	-	41,056	**41,056**
Total financial liabilities	**32**	**23**	**41,056**	**41,111**

3.4 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated by the management as 'equity' as shown in the balance sheet.

4. Critical accounting estimates and judgments

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Estimate of fair value of investment properties

The fair value of the investment properties, accounted at cost model in accordance with IAS 40 is updated, in order to reflect the market conditions at the end of the reporting period by using of licensed evaluator. The fair value of the investment properties is the amount at which the properties can be sold between knowledable and willing parties at an arm's length transaction. „Willing seller" is not a pressed seller who will sell at whatever price.

4. Critical accounting estimates and judgments (continued)

Estimate of fair value of investment properties (continued)

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. The current practice of the Company to use the services of external valuers to estimate the fair value of the property when it identifies indicators of change in the fair value in the market in which it operates. The fair value estimations of the external valuers are based on estimates such as:

(i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Net Book Value of the hotel as at 31/12/2011 is EUR 19,700 thousand (BGN 38,530 thousand). Based of IAS 40, IMO required new market valuation of the hotel close to the year end, the current Market Value of hotel is EUR 18,930 thousand (BGN 37,020 thousand). The value of hotel based on the option to buy as at 31/12/2011 is 25,000 thousand EUR (48,890 thousand BGN). For the option "Bulgarian Hotel Service" is paying monthly premium to IMO Rila at the amount of 8,029 EUR (15,703 BGN). As the lease contract for the hotel and contract for the option to buy are active, there are no grounds for impairment expenses.

The contract for rent is signed with 4 years term and could be cancelled only by mutual agreement between both parties or unilaterally by IMO Rila before its expiration.

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

5. Rental income

	For the period 24.01- 31.12.2011
Revenue from customers	1,036
Total	**1,036**

6. Expenses related to investment property

	For the period 24.01- 31.12.2011
Depreciation	(163)
Total	**(163)**

7. Administrative expenses

	For the period 24.01- 31.12.2011
Rent	(12)
Audit fees	(8)
Other	(2)
Total	**(22)**

8. Finance costs

	For the period 24.01- 31.12.2011
Finance costs, gross	
Interest expense	(1,179)
Other finance costs	(50)
Total finance costs, gross	**(1,229)**
Finance income	
Interest income	35
Total finance income	**35**
Finance costs, net	**(1,194)**

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

9. Income tax

	For the period 24.01- 31.12.2011
Current income expense	(20)
	(20)

	For the period 24.01- 31.12.2011
Accounting loss before income tax	**(343)**
Increase of Tax base	**706**
Decreases of Tax base	**(163)**
Tax profit base	**200**
Income tax expense	**(20)**

10. Investment property

	2011
Carrying amount as at 1 January 2011	-
Additions - building	9,803
Additions - land	28,897
Depreciation	(163)
Carrying amount as at 31 December 2011	**38,537**

The investment property was acquired in Q1'2011. In view of the management, based on valuation expertise, the fair value of these investment properties approximates their carrying amount of BGN 38,537 thousand.

10. a Tangible assets located in investment property – as part of acquisition of property, the Company also bought certain movable assets which represent inseparable part of the property. The policy of the Company is to sell or to rent them together with the respective property.

11 a. Prepayments for acquisition of investment properties

	As at 31 December 2011
VAT payable	(18)

	(18)

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

11 b. Other receivables

	As at 31 December 2011
Financial assets	
Receivables from clients and others	1,015
	1,015

The receivables as at the end of 2011 are not impaired as their fair value approximates carrying amount.

12. Cash and cash equivalents

Cash in bank	**As at 31 December 2011**
Cash in BGN	365
Cash in EUR	74
Total cash in bank	**439**

13. Share capital

	Number of shares	**Ordinary shares BGN'000**
At 31 December 2010	**-**	**-**
At 31 December 2011	**400,000**	**400**

As at 31 December 2011 the share capital is divided into 400,000 shares, each with a nominal value of BGN 1. The sole owner of the capital is Imo Property Investments Sofia EAD.

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

14. Borrowings

All loans of the Company are with a floating interest rate and are denominated in Euro. The loans have not been collateralised.

	As at 31 December 2011
Current liabilities	
Bank loans	39,899
Total current liabilities	**39,899**
Financial liabilities	
Payables to related parties (accrued interest)	14
Total financial liabilities	**14**
Total Borrowings from related parties	**39,913**

The carrying amounts of these floating-rate borrowings approximated their fair values at the balance sheet date. All borrowings are contracted with floating rate of (1M EURIBOR) plus margin of 2.075%. There are no covenants included in the loan agreements.

Credit line was renewed at 25/01/2012 for one year period, till 22/03/2013. Credit line limit is EUR 21 million (BGN 41 million).

15. Financial instruments by category

As at 31 December 2011

Financial assets as per balance sheet	Loans and receivables
Trade and other receivables (Note 11 b)	1,015
Cash and cash equivalents (Note 13)	439
	1,454

Liabilities as per balance sheet	Financial liabilities at amortized cost
Trade payables	3
Payables under bank loan to related parties (Note 14, 17)	39,899
Related party payables (Note 14)	14
	39,916

The fair value of all financial assets and liabilities as at the end of 2011 and 2010 approximates their carrying value.

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

16. Related party transactions

The Company's immediate parent is IMO Property Investmet Sofia. Parent of IMO Property Investmet Sofia is NEU Property Holding Ltd (Cyprus) which is 100% owned by EFG Eurobank Ergasias S.A (Greece). EFG Eurobank Ergasias is a member of the worldwide EFG Group, which consists of credit institutions, financial services and financial holding companies. The operating parent company of the EFG Group is European Financial Group EFG (Luxembourg) S.A., whilst its ultimate parent company is Private Financial Holdings Limited (PFH), which is owned and controlled indirectly by members of the Latsis family. As at 31 December 2011, the EFG Group held 44.7% of the ordinary shares and voting rights of the Bank through wholly owned subsidiaries of the ultimate parent company, the remaining ordinary shares and voting rights being held by institutional and retail investors, none of which, to the knowledge of the Bank, holds 5% or more.

All transactions with related parties are with fellow subsidiaries.

	2011
Borrowings	
Eurobank EFG Private Bank Luxembourg S.A.	39,899
Accrued Interest	
Eurobank EFG Private Bank Luxembourg S.A.	14
Cash and cash equivalents	
Eurobank EFG Bulgaria SA (Note 12)	439

	For the period 24.01-31.12.2011
Interest income from bank deposits	
Eurobank EFG Bulgaria SA (Note 8)	35
Interest expenses	
Eurobank EFG Private Bank Luxembourg S.A. (Note 8)	1,179
FX transaction expenses	
Eurobank EFG Bulgaria SA (Note 8)	1
Commissions and fees expenses	
Eurobank EFG Bulgaria SA (Note 8)	4
Eurobank EFG Greece SA (Note 8)	45

The management is compensated virtue of a decision of the Board of Directors. The management of the Company have no received remuneration in 2011

(in all notes the amounts are presented in BGN thousands unless otherwise stated)

17. Contingent liabilities and commitments

The management has not identified any significant contingent liabilities and commitments valid as at 31 December 2011.

18. Events after the balance sheet date

According to Resolution from 21/02/12, IMO Property Investment EAD transfer its participation in the Share Capital of IMO Rila EAD to NEU II PROPERTY HOLDING LIMITED - Cyprus, namely to transfer 400 000 tangible, by name, ordinary shares, with nominal value 1.00 BGN, representin 100% of the Share of IMO Rila, in consideration of the price in the amount of 19,118 EUR. The amount was received efectivly on 13/03/2012.

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Independent auditor's report

To Sole shareholder of the Imo Rila EAD

Report on the Financial Statements

We have audited the accompanying financial statements of Imo Rila EAD which comprise the balance sheet as of 31 December 2011 and the 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 Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Imo Rila EAD as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the Annual Report in accordance with the Accounting Act.

We are required by the Accounting Act to express an opinion whether the Annual Report is consistent with the annual financial statements of the Company.

In our opinion, the Annual Report set out on pages 3 to 7, is consistent with the accompanying financial statements of the Company as of 31 December 2011.

Rositsa Boteva
Registered Auditor

Специализирано одиторско предприятие "ПрайсуотърхаусКупърс Одит" ООД София Рег. №085

Petko Dimitrov
PricewaterhouseCoopers Audit OOD

Date: 19.6.2012
Sofia, Bulgaria