

**IMO RILA EAD**

**REPORT OF THE INDEPENDENT AUDITOR**

**ANNUAL DIRECTORS' REPORT**

**ANNUAL FINANCIAL STATEMENTS**

**31 DECEMBER 2013**

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## ***Independent auditor's report***

### ***To 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 2013 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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*PricewaterhouseCoopers Audit OOD, 9-11 Maria Louisa Blvd., 1000 Sofia, Bulgaria*  
*T: +359 2 9355200, F: +359 2 9355266, [www.pwc.com/bg](http://www.pwc.com/bg)*  
*Registered with the Sofia City Court under company file number 13424/1997.*

***This version of our report/the accompanying documents is a translation from the original, which was prepared in Bulgarian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.***



### *Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of "Imo Rila" EAD as of 31 December 2013, 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 1 to 5, is consistent with the accompanying financial statements of the Company as of 31 December 2013.

  
Milka Damianova  
Registered Auditor

29 April 2014  
Sofia, Bulgaria



  
Stefan Weiblen  
PricewaterhouseCoopers Audit OOD

**IMO RILA EAD  
DIRECTORS' REPORT  
31 DECEMBER 2013**

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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 2013. The financial statements have been audited by PricewaterhouseCoopers Audit OOD.

**GENERAL INFORMATION**

**Establishment and activity**

Imo Rila EAD, UIK 201397425, is a private limited liability company registered in Bulgaria on 24 January 2011. The address of its registered office is as follows: 260 Okolovrasten pat Str. 1766 Sofia, Bulgaria.

The owner of the Company is NEU II Property Holding Ltd. NEU II Property Holding Ltd. is a private company incorporated and existing under the laws of Cyprus, which is 100% owned by Eurobank Ergasias S.A. (Greece). Eurobank Ergasias S.A. is a listed on the Athens Stock Exchange and until 23 July 2012, it was a member of EFG Group.

The Company's ultimate parent is Hellenic Financial Stability Fund (see also note 15).

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

**Share capital structure**

As at 31 December 2013 the share capital is BGN 403,911 and was fully paid. The shares are ordinary and registered. The number of shares is 403,911 of nominal value BGN 1 (one) each.

**Board of directors**

**As at 31 December 2013 the Board of Directors consists of the following members:**

Emil Pilafov – Chairman of the Board of Directors and Executive Director  
Iordan Souvandjiev – Deputy Chairman of the Board of Directors and Executive Director  
Dimitar Shumarov – Member of the Board of Directors

Ms. Petia Dimitrova was Executive Director and Deputy Chairperson of the Board of Directors until June 24, 2013.

Mr. Dimitar Shumarov became member of the Board of Directors on June 24, 2013.

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

In 2013 the members of the Board of Directors did not 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 during the period**

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

**GENERAL INFORMATION (CONTINUED)**

**The Board of Directors 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:**

**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;
- IMO 03 EAD, Bulgaria – Chairman of the Board of Directors and Executive Director.

**Jordan Marinov Souvandjiev**

- Eurobank Bulgaria AD, Bulgaria – Member of the Management Board;
- ERB Property Services Sofia AD (former EFG Property Services Sofia AD, date of change 25.03.2013), Bulgaria – Member of the Board of Directors;
- IMO Property Investments Sofia EAD, Bulgaria – Deputy Chairman of the Board of Directors and Executive Director;
- IMO Central Office EAD, Bulgaria – Deputy Chairman of the Board of Directors and Executive Director.

**Dimitar Shumarov**

- Eurobank Bulgaria AD, Bulgaria – Member of the Management Board and Executive Director;
- IMO Central Office EAD, Bulgaria – Member of the Board of Directors (effective as of 06.06.2013);
- IMO 03 EAD, Bulgaria – Member of the Board of Directors (effective as of 07.03.2013)

**GENERAL INFORMATION (CONTINUED)**

**Petia Nikolova Dimitrova**

- Eurobank Bulgaria AD, Bulgaria – Chairperson of the Management Board and Chief Executive Officer;
- Bulgarian Retail Services AD, Bulgaria – Chairperson of the Board of Directors and Executive Director (until 19.07.2013);
- ERB Property Services Sofia AD (former name EFG Property Services Sofia AD, date of change 25.03.2013), Bulgaria – Member of the Board of Directors;
- IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors and Executive Director (until 04.02.2013);
- IMO Rila EAD, Bulgaria – Deputy Chairperson of the Board of Directors and Executive Director (until 24.06.2013);
- IMO 03 EAD, Bulgaria – Member of the Board of Directors and Executive Director (until 07.06.2013);
- ERB Leasing EAD (former name EFG Leasing EAD, date of change 01.02.2013), Bulgaria – Member of the Board of Directors (until 01.02.2013)
- 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 (until 03.04.2013);
- Confederation of Employers & Industrialists in Bulgaria, Bulgaria – Member of the Management Board (effective as of 05.12.2013).

**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 2013 is loss in the amount of BGN 1,712 thousand. The financial costs and expenses related to investment property are the main part of the expenses – 59% and 29% respectively of the total loss for the period.

## **OVERVIEW OF THE RESULTS (CONTINUED)**

### **Investment activity**

The scope of activity of the Company is execution of all types of real estate transactions: sale – purchase, renting, leasing and subleasing, as well as property management and maintenance, construction, design 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 engineering studies.

In 2011 the Company acquired one property - Hotel Rila in Sofia, through Notary deed dated 2 February 2011. Since then rental contract was signed with "Hotel Rila" AD for amount of BGN 79 thousands (EUR 40 thousand) per month without VAT, the term of the contract is 4 years.

In the end of 2012 the management signed an Advisory agreement for disposal of Hotel Rila. In the beginning of 2013 a binding offer from a potential buyer was received. The management is in process of negotiations to finalize the price and conditions of the deal before conclusion.

### **MAIN OBJECTIVES FOR 2014**

For 2014 the Company does not plan more acquisitions. The completion of the sale of Hotel Rila remains the main target for 2014.

### **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 statements as at 31 December 2013.

### **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 financial position of the company as at the year end and its financial results. 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 2013.

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



**RESPONSIBILITIES OF MANAGEMENT (CONTINUED)**

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




Jordan Souvandjiev  
Executive Director and Member of the Board of Directors  
29.04.2014

**IMO RILA EAD  
BALANCE SHEET  
31 DECEMBER 2013**

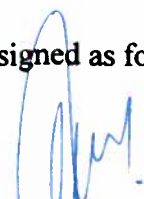
*(All amounts are stated in BGN thousands)*

	Notes	As at 31 December	
		2013	2012
<b>Non-current assets</b>			
Investment property	9	29,469	29,620
<b>Total non-current assets</b>		<b>29,469</b>	<b>29,620</b>
<b>Current assets</b>			
Other receivables	10	-	97
Cash and cash equivalents	11	83	161
<b>Total current assets</b>		<b>83</b>	<b>258</b>
<b>Total assets</b>		<b>29,552</b>	<b>29,878</b>
<b>Equity</b>			
Share capital	12	404	404
Share premium		3,907	3,907
Accumulated losses		(13,717)	(11,968)
<b>Total equity</b>		<b>(9,406)</b>	<b>(7,657)</b>
<b>Current liabilities</b>			
Borrowings	13	38,928	37,377
VAT payable		15	15
Income tax payable		12	43
Other payables		3	100
<b>Total current liabilities</b>		<b>38,958</b>	<b>37,535</b>
<b>Total equity and liabilities</b>		<b>29,552</b>	<b>29,878</b>

The financial statements have been approved on 29 April 2014 and signed as follows:


  
 \_\_\_\_\_  
 Emil Pilafov  
 Executive Director and  
 Chairman of the Board of  
 Directors



  
 \_\_\_\_\_  
 Elena Kamenova  
 Responsible for preparation  
 of financial statements

  
 \_\_\_\_\_  
 Milka Damianova  
 Registered auditor



  
 \_\_\_\_\_  
 Stefan Weiblen  
 PricewaterhouseCoopers  
 Audit OOD


Date: 29 April 2014  
 Sofia, Bulgaria

**IMO RILA EAD  
STATEMENT OF COMPREHENSIVE INCOME  
31 DECEMBER 2013**

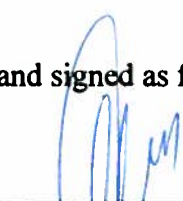
*(All amounts are stated in BGN thousands)*

	Notes	Year ended 31 December	
		2013	2012
Impairment of taxes and other receivables related to rent agreements not refunded by the customers		(189)	(1,512)
Expenses related to investment property	5	(503)	(8,955)
Administrative expenses	6	(8)	(19)
<b>Operating expenses</b>		<b>(700)</b>	<b>(10,486)</b>
Financial costs	7	(1,012)	(1,054)
<b>Loss before income tax</b>		<b>(1,712)</b>	<b>(11,540)</b>
Income tax expense	8	(37)	(65)
<b>Loss for the period</b>		<b>(1,749)</b>	<b>(11,605)</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) for the period</b>		<b>(1,749)</b>	<b>(11,605)</b>

The financial statements have been approved on 29 April 2014 and signed as follows:

  
Emil Pilafov  
Executive Director and  
Chairman of the Board of  
Directors



  
Elena Kamenova  
Responsible for preparation of  
financial statements

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

  
Milka Damianova  
Registered auditor



Date: 29 April 2014  
Sofia, Bulgaria

  
Stefan Weiblen  
PricewaterhouseCoopers  
Audit OOD

**IMO RILA EAD  
STATEMENT OF CHANGES IN EQUITY  
31 DECEMBER 2013**

*(All amounts are stated in BGN thousand)*

	Notes	Share capital	Share premium	Accumulated losses	Total equity
<b>Balance as of 1 January 2012</b>		400	-	(363)	37
Capital increase		4	3,907	-	3,911
Loss for the year		-	-	(11,605)	(11,605)
<b>Balance as at 31 December 2012</b>		<b>404</b>	<b>3,907</b>	<b>(11,968)</b>	<b>(7,657)</b>
Loss for the year		-	-	(1,749)	(1,749)
<b>Balance as at 31 December 2013</b>	12	<b>404</b>	<b>3,907</b>	<b>(13,717)</b>	<b>(9,406)</b>

The financial statements have been approved on 29 April 2014 and signed as follows:



Emil Pilafov  
Executive Director and  
Chairman of the Board  
of Directors




Elena Kamenova  
Responsible for preparation  
of financial statements

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



Milka Damianova  
Registered auditor



Date: 29 April 2014  
Sofia, Bulgaria




Stefan Weiblen  
PricewaterhouseCoopers  
Audit OOD

**IMO RILA EAD  
STATEMENT OF CASH FLOWS  
31 DECEMBER 2013**

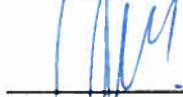
*(All amounts are stated in Bulgarian leva thousand)*

	Notes	Year ended 31 December	
		2013	2012
<b>Operating activities</b>			
Receipts from clients		-	188
Payments for administrative expenses		(14)	(65)
Payments related to Investment properties		(349)	(409)
Payments for taxes		(254)	(309)
Other operating cash flows		(3)	(1)
<i>Net cash used in operating activities</i>		<u>(620)</u>	<u>(596)</u>
<b>Financing activities</b>			
Increase of share capital		-	3,911
Borrowings received		1,555	1,320
Interest paid		(1,013)	(1,060)
Borrowings repaid		-	(3,853)
<i>Net cash flows from financing activities</i>		<u>542</u>	<u>318</u>
Decrease in cash and cash equivalents for the period		(78)	(278)
<b>Cash and cash equivalents at 1 January</b>		<u>161</u>	<u>439</u>
<b>Cash and cash equivalents at 31 December</b>	11	<u>83</u>	<u>161</u>

The financial statements have been approved on 29 April 2014 and signed as follows:

  
 Emil Pilafov  
 Executive Director and  
 Chairman of the Board of  
 Directors




  
 Elena Kamenova  
 Responsible for preparation  
 of financial statements

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

  
 Milka Damianova  
 Registered auditor



  
 Stefan Weiblen  
 PricewaterhouseCoopers  
 Audit OOD

Date: 29 April 2014  
 Sofia, Bulgaria

**IMO RILA EAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2013**

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*(All amounts are in BGN thousand unless otherwise stated)*

**1. General information**

**Imo Rila EAD (“the Company”)** is a private limited liability company 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. The company has been established in 2011.

**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 preparation**

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 2013 and 2012. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

**Going concern**

Financial statements are prepared on the principle of going concern which implies that the company will continue operations in the foreseeable future. In support of that in 2012 the Shareholder increased the share capital and the share premium reserve account of the company with BGN 3,911 thousands. The current credit line was renewed on 21 March 2014 with new maturity date 30 April 2015.

**Impact of the economic crisis in Greece**

Greece entered into a new funding and restructuring programme with the European Commission, the ECB and the Eurozone member-states as agreed in the Eurogroup meeting of 21 February 2012. The programme aimed at bringing the country’s public debt-to-GDP ratio below 120% by 2020.

The new funding and reform programme improved the country’s financial position and outlook, via the reduction of public debt and its servicing costs from 2012 onwards.

On the back of these developments, and after the implementation/legislation of a long list of structural reforms and fiscal austerity measures for 2013-16 by the Greek Government, the Eurogroup reached on 26 November 2012 an agreement on a set of new measures for the reduction of Greek public debt to 124.0% of GDP by 2020 and 110.0% of GDP in 2022. This debt path is consistent with the debt sustainability required by the IMF.

***Position of the Group***

***Greek sovereign debt exchange programme***

On 21 February 2012 the Euro-area finance ministers agreed on a bail out programme for Greece, including financial assistance from the Official Sector and a voluntary debt exchange agreed with the Private Sector forgiving 53.5% of the face value of Greek debt. All exchanged bonds were derecognized and the new Greek government bonds (nGGBs) recognized at fair value, based on market quotes at the date of recognition.

**IMO RILA EAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2013**

*(All amounts are in BGN thousand unless otherwise stated)*

**2. Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

On 28 March 2013, the BoG issued an Executive Committee Act (13/28.03.2013) bringing the limit for the Core Tier I capital to 9% of Risk Weighted Assets and for Equity Core Tier I to 6%, effective from 31 March 2013. According to the new definition of Core Tier I capital, AFS reserve is fully recognised, while deferred tax asset's recognition is limited to 20% of Core Tier I capital. On 23 December 2013, the BoG issued an Executive Committee Act (36/23.12.2013) lifting the aforementioned limitation related to the deferred tax asset's recognition, effective from 31 December 2013. As at 31 December 2013, the Core Tier I ratio stood at 10.4% and proforma with the completion of transaction with Fairfax Financial Holdings Limited (increase of Fairfax's participation in Eurobank Properties S.A. through share capital increase) and the implementation of Basel II IRB credit risk methodology to New Hellenic Postbank's mortgage portfolio at 11,3%.

On 14 November 2013, Eurobank Ergasias S.A. announced the initiation of the process to raise approximately EUR 2 bn through a capital increase. On 14 January 2014, Eurobank Ergasias S.A. and HFSF announced that the transaction timetable will be adjusted to allow for the finalization of the assessment of forward looking capital needs of the Greek banking sector and the new recapitalization framework. The BoG, following the assessment of Eurobank's capital needs, concluded on 6 March 2014 and notified Eurobank that its Core Tier I capital should increase by EUR 2,945 million. Eurobank Ergasias S.A. with its letter to BoG on 24 March 2014, submitted its capital enhancement plan whereby revised its capital actions providing for an additional positive impact on regulatory capital of EUR 81 million and stated that it intends to cover the remaining capital needs of EUR 2,864 million through a share capital increase, which constitutes a step towards further strengthening Eurobank's capital position and enhances Eurobank's ability to support the Greek economy. The proposed capital increase will be effected through a marketed equity offering.

**Related party transactions – Eurobank Ergasias S.A. shareholding structure**

EFG Group was the controlling shareholder of the Eurobank Ergasias S.A., holding 44.70% of the Eurobank's ordinary shares and voting rights until 23 July 2012. In May 2013, following its full subscription in Eurobank's recapitalisation of EUR 5,839 million, the HFSF became the controlling shareholder and a related party of Eurobank. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the controlling percentage of HFSF increases to 95.23%.

Eurobank Ergasias Group regards other Greek Banks controlled, jointly controlled or significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, as well as the members of key management personnel of HFSF, as related parties. Eurobank Ergasias Group's transactions with HFSF's related Greek banks are made in the ordinary course of business, are carried out on market terms, are not influenced by the HFSF as the controlling shareholder of the Bank and are not included in the related party transactions presented.

**IMO RILA EAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2013**

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*(All amounts are in BGN thousand unless otherwise stated)*

**2. Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

- IAS 36, Amendment – Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)
- IAS 39, Amendment – Novation of derivatives and continuation of hedge accounting (effective 1 January 2014)
- IFRS 9, Financial Instruments (effective date to be determined by IASB)
- 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 2014),
- IFRS 11, Joint Arrangements (effective 1 January 2014).
- IFRS 12, Disclosure of Interest in Other Entities, (effective 1 January 2014)
- IFRS 10, 11 and 12 Amendments – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2014)
- IFRS 10, 12 and 27 Amendments – Investment Entities (effective 1 January 2014)
- Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2015, not yet endorsed by EU)
- Annual Improvements to IFRS 2011-2013 Cycle (effective 1 January, not yet endorsed by EU)
- IFRIC 21, Levies (effective 1 January 2014, not yet endorsed by EU)

The adoption of the interpretation is not expected to have a material impact on the Company's separate statements in the period of the initial application.

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.



**IMO RILA EAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2013**

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*(All amounts are in BGN thousand unless otherwise stated)*

**2. Summary of significant accounting policies (continued)**

**2.4. Property, plant and equipment (continued)**

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 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 equivalents**

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 Accounting 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.

**2.9 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.

**IMO RILA EAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2013**

*(All amounts are in BGN thousand unless otherwise stated)*

**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.

**3.1 Market risk**

*(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 interest rate risk.

The Company's interest rate risk arises from short-term borrowings (Note 13). 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 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.

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

***Impact on liquidity***

The impact of the financial crisis is still affecting the activity of the Company. Management believes it is taking all the necessary measures to support the sustainability (and growth) of the Company's business in the current circumstances.

To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their assessments.

**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 2013 and 2012 with banks, as follows:

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**4. Critical accounting estimates and judgments**

Management makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*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 the valuation reports of licensed appraiser company. The fair value of the investment properties is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the fair value estimation of the external appraiser company is based on recent prices of properties with different condition or location, adjusted to reflect those differences.

For disclosure purposes fair value is based on reports prepared by valuation company at the end of the reporting period. As a result of the current economic environment and market conditions, the frequency of property transactions is relatively low. Nevertheless, it is management's assessment that there remains sufficient market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value.

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 (DCF) 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.

The investment properties are categorized into three levels of the fair value hierarchy as of 31 December 2013 based on whether the inputs to the fair value are observable or unobservable, as follows:

**Level 1** – Investment properties measured based on quoted prices in active markets for identical assets that the company can access at the measurement date.

**Level 2** – Investment properties measured using valuation techniques with the following inputs: i) quoted prices for similar assets in active market, ii) quoted prices for identical or similar assets in markets that are not active, iii) inputs other than quoted prices that are observable for the assets, iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3** – Investment properties measured using valuation techniques with significant unobservable inputs.

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<b>8. Income tax</b>	<b>2013</b>	<b>2012</b>
Current income expense	(37)	(65)
	<u>(37)</u>	<u>(65)</u>
	<b>2013</b>	<b>2012</b>
Loss before income tax	(1,712)	(11,540)
Tax calculated at a tax rate applicable to profit 10% (2012: 10%)	(171)	(1,154)
Tax effect of expenses not deductible for tax purposes	208	1,219
<b>Income tax expense</b>	<u>(37)</u>	<u>(65)</u>

**9. Investment property**

Carrying amount as at 1 January 2012	38,837
Depreciation	(196)
Impairment	(8,721)
Carrying amount as at 31 December 2012	<u>29,620</u>
Depreciation	(151)
Carrying amount as at 31 December 2013	<u>29,469</u>

**9. 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 rent them together with the respective property.

	<b>As at 31 December</b>	
<b>10. Other receivables</b>	<b>2013</b>	<b>2012</b>
<i>Financial assets</i>		
Receivables from clients and others	-	97
	<u>-</u>	<u>97</u>

As of 31 December 2013 and 2012 the Management made assessment of the receivables from “Bulgarian Hotel Service” and “Hotel Rila” and found that the company will not be able to collect the amounts. A provision for impairment of these receivables in the amount of 1,131 for 2013 and 2,478 for 2012 was recognized and booked.

**11. Cash and cash equivalents**

	<b>As at 31 December</b>	
	<b>2013</b>	<b>2012</b>
Cash in BGN	12	145
Cash in EUR	71	16
<b>Total</b>	<u>83</u>	<u>161</u>

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**15. Related party transactions**

The Company's immediate parent is NEU II Property Holding Ltd (Cyprus) which is 100% indirectly owned by Eurobank Ergasias S.A (Greece).

EFG Group was the controlling shareholder of the Eurobank Ergasias S.A., holding 44.70% of the Eurobank's ordinary shares and voting rights until 23 July 2012. In May 2013, following its full subscription in Eurobank's recapitalisation of EUR 5,839 million, the HFSF became the controlling shareholder and a related party of Eurobank. On 19 June 2013, HFSF acquired 3,789,317,358 Eurobank's ordinary shares with voting rights, representing 98.56% of its ordinary share capital. Following the issuance of 205,804,664 new ordinary shares in July, as resolved at the Annual General Meeting of the Shareholders on 27 June 2013, the percentage of the voting rights held in Eurobank by HFSF decreased to 93.55%. Following the share capital increase approved by the Extraordinary General Meeting of 26 August 2013, the controlling percentage of HFSF increased to 95.23%.

Eurobank Ergasias Group regards other Greek Banks controlled, jointly controlled or significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, as well as the members of key management personnel of HFSF, as related parties. Eurobank Ergasias Group's transactions with HFSF's related Greek banks are made in the ordinary course of business, are carried out on market terms, are not influenced by the HFSF as the controlling shareholder of the Bank and are not included in the related party transactions presented.

All transactions with related parties are with fellow subsidiaries.

	<b>As at 31 December</b>	
	<b>2013</b>	<b>2012</b>
<b>Borrowings</b>		
Eurobank Private Bank Luxembourg S.A.	38,921	37,366
<b>Accrued Interest</b>		
Eurobank Private Bank Luxembourg S.A.	7	11
<b>Cash and cash equivalents</b>		
Eurobank Bulgaria AD (Note 12)	83	161
	<b>Year ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
<b>Interest expenses</b>		
Eurobank Private Bank Luxembourg S.A. (Note 8)	1,000	998
<b>FX transaction expenses</b>		
Eurobank Bulgaria AD (Note 8)	-	1
<b>Commissions and fees expenses</b>		
Eurobank Bulgaria AD (Note 8)	4	5
Eurobank Ergasias SA (Note 8)	8	50
<b>Expenses related to investment property</b>		
ERB Property Services Sofia AD	2	2