ERB PROPERTY SERVICES SOFIA AD
INDEPENDENT AUDITOR'S REPORT
ANNUAL DIRECTORS' REPORT
ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2015

CONTENTS

Independent auditor's report

To Shareholders of the "ERB Property Services Sofia" AD

Report on the Financial Statements

We have audited the accompanying financial statements of "ERB Property Services Sofia" AD („the Company") which comprise the balance sheet as of 31 December 2015 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.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the "ERB Property Services Sofia" AD as of 31 December 2015, 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 2 to 6, is consistent with the accompanying financial statements of the Company as of 31 December 2015.

Milka Damianova
Registered Auditor

Stefan Weiblen
PricewaterhouseCoopers Audit OOD

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

9 June 2016
Sofia, Bulgaria

The Directors present its annual activity report and the financial statements as at 31 December 2015 prepared in accordance with International Financial Reporting Standards (IFRS), adopted by the EU. These financial statements have been audited by PricewaterhouseCoopers Audit OOD.

BUSINESS DESCRIPTION

The Company was registered on 2 September 2005. The Company's principal activities include evaluation and intermediary services of operations with real estates, management of real estates, technical and consulting services, architectural and engineering explorations. The address of its registered office is as follows: 260 Okolovrasten pat Str, 1766 Sofia, Bulgaria. The Company's corporate name was amended on 26 March 2013 from " EFG Property Services Sofia" AD to "ERB Property Services Sofia" AD, following Extraordinary General Meeting's resolution on 18 January 2013.

BUSINESS OVERVIEW

The main aspects for development for the current year include:

- Rendering intermediary services to Eurobank Bulgaria AD for development of its branch network;
- Active offering of agency services related with real estates;
- Development of an evaluation department responsible for appraisals in favour of Eurobank Bulgaria AD and reviewing of appraisals prepared by subcontractors;
- Introducing of reforms in order to optimize the procedure of evaluation; and
- Offering of consulting services to potential investors in real estates.

CAPITAL STRUCTURE

The share capital of the Company amounts to BGN 150,000, split in 150,000 individual shares with nominal value of BGN 1 each. 80 % of the share capital is owned by Eurobank Ergasias S.A. and 20 % of the share capital is owned by EUROBANK PROPERTY SERVICES S.A., incorporated and existing under the laws of the Republic of Greece.

MANAGEMENT

On 31 December 2015 the members of the Board of Directors were:

1. Mr. Theodoros Karakasis –Chairman of the Board of Directors;
2. Mr. Dimitrios Andritsos – Deputy Chairman of the Board of Directors and Executive Director;
3. Mrs. Vasiliki Dimou - Member of the Board of Directors and Executive Director
4. Mr. Iordan Souvandjiev - Member of the Board of Directors.
5. Mrs. Aikaterini Atsali - Member of the Board of Directors

Information on the activity of the Board of Directors of the Company during 2015 pursuant to Art. 247, Para 2 of The Commercial Act of Bulgaria:

MANAGEMENT (CONTINUED)

Remunerations received generally by the members of the Board of Directors during 2015:

In 2015 the members of the Board of Directors didn't receive remunerations from the Company in their capacity of the members of the Board of Directors.

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

Rights of the members of the Board of Directors 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 participation of the members of the Board of Directors into commercial companies as:

Partners with unlimited liability:
None

Partners/Shareholders holding more than 25 per cent of the capital of another company:
None

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

Theodoros Karakasis

- Eurobank Bulgaria AD, (Bulgaria) –Chairman of the Supervisory Board
- ERB Leasing EAD (Bulgaria) - Mr. Karakasis was Director of ERB Leasing E.A.D. up to 24.9.2014
- Bulgarian Retail Services A.D (Bulgaria) - Chairman of the Board of Directors
- Bancpost S.A. (Romania) – Deputy Chairman of the Board of Directors
- ERB Retail Services IFN S.A.(Romania) – Member of the Board of Directors
- ERB Leasing IFN S.A.(Romania)- Member of the Board of Directors
- Eurobank Property Services S.A.(Romania) – Chairman of the Board of Directors
- ERB Property Services d.o.o. Beograd (Serbia) - Chairman of the Supervisory Board
- Eurobank a.d. Beograd (Serbia) – Director, MB (effective as of 7.2.2014. Mr. Karakasis was Chairman of the MB up to 6.2.2014)

MANAGEMENT (CONTINUED)

Participants in the management of other companies or cooperatives as procurators, managers or members of the Boards (continued):

Theodoros Karakasis (continued)

- *Bancpost S.A., Romania – Deputy Chairman of the Board of Directors;*
- *ERB Retail Services IFN S.A., Romania – Member of the Board of Directors;*
- *ERB Leasing IFN S.A., Romania – Member of the Board of Directors;*
- *Eurobank Property Services S.A., Romania – Chairman of the Board of Directors;*
- *ERB Property Services d.o.o. Beograd, Serbia – Chairman of the Supervisory Board;*
- *Eurobank A.D. Beograd, Serbia – Member of the Management Board;*
- *ERB Property Services Sofia AD, Bulgaria – Chairman of the Board of Directors;*
- *Bulgarian Retail Services AD, Bulgaria – Chairman of the Board of Directors;*
- *CEH Balkan Holdings Limited – Member of the Board of Directors;*
- *Greek-Serbian Chamber of Commerce – Deputy Chairman of the Board of Directors.*

Dimitrios Andritsos

- *Eurobank Property Services S.A., Greece – Deputy Chairman of the Board of Directors and Chief Executive Officer;*
- *IMO Property Investments Bucuresti S.A., Romania – Member of the Board of Directors;*
- *Eurobank Property Services S.A., Romania – Deputy Chairman of the Board of Directors;*
- *IMO - II Property Investments S.A., Romania – Member of the Board of Directors;*
- *IMO Property Investments A.D. Beograd, Serbia – Member of the Supervisory Board;*
- *ERB Property Services d.o.o. Beograd, Serbia – Member of the Supervisory Board;*
- *ERB Property Services Sofia A.D. Bulgaria – Deputy Chairman of the Board of Directors ;*
- *IMO Property Investments Sofia E.A.D., Bulgaria - Member of the Board of Directors;*
- *ERB Property Services Ukraine LLC, Ukraine - Deputy General Director;*
- *Propindex S.A., Greece – Member of the Board of Directors.*

Vasiliki Dimou

- *Eurobank Property Services S.A.(Greece) – Director*
- *ERB Property Services d.o.o. Beograd – SB member until 18.06.2015*

MANAGEMENT (CONTINUED)

Participants in the management of other companies or cooperatives as procurators, managers or members of the Boards (continued):

Iordan Souvandjiev

- *Eurobank Bulgaria AD – Non-executive Member of the Management Board;*
- *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;*
- *IMO Rila EAD, Bulgaria – Deputy Chairman of the Board of Directors and Executive Director;*
- *Vinimpeks 21 AD, Bulgaria – Chairman of the Board of Directors.*

Aikaterini Atsali

- *Eurobank Property Services S.A., Romania – Member of the Board of Directors;*
- *IMO Property Investments Bucuresti S.A., Romania – Member of the Board of Directors;*
- *Eurobank Finance S.A., Romania - Member of the Board of Directors; (effective as of 16.7.2015)*
- *ERB Rom Consult S.A., Romania - Member of the Board of Directors; (effective as of 16.7.2015)*
- *IMO II Property Investments S.A., – Romania – Member of the Board of Directors;*
- *ERB Property Services Sofia A.D., Bulgaria – Member of the Board of Directors;*
- *IMO Property Investments Sofia E.A.D., Bulgaria - Member of the Board of Directors;*

Contracts under article 240b of The Commercial Act of Bulgaria, entered into in 2015:

The Company has not entered into contracts in the sense of Article 240b, paragraph 1 of The Commercial Act of Bulgaria during 2015.

ORGANIZATIONAL STRUCTURE

The Company consists of three divisions: Administration, Appraisal Division and Agency Division. The total number of the personnel at 31 December 2015 is 17 (2014: 15).

OBJECTIVES OF THE COMPANY FOR 2016

The objectives of the Company for the coming year cover:

- Improve the delivery speed of the assigned valuations of movable and immovable assets from the business units of Eurobank Bulgaria;
- Assistance to Eurobank Bulgaria for rents renegotiation of the bank branches to reduce their operational cost;

OBJECTIVES OF THE COMPANY FOR 2016 (CONTINUED)

- Expanding the network of appraisers in the country, with a focus on professional and moral-ethical qualities of the candidates;
- Provision of professional services related to acquired and managed by the IMO Property Investment (a related party company from Eurobank Group) properties for sales or renting;
- Provision of professional services in the real estate sector and expanded number of new external to the group clients including: valuation, agency, advisory services, market analysis and preparation of indexes.
- Provision of new services to existing clients – INDEX, advisory services, technical due-diligence, direct voluntary sales and remarketing of TAG collaterals.

DIRECTOR'S RESPONSIBILITIES

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 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 year ended 31 December 2015.

The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared 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.

Dimitrios Andritsos
Executive Director
ERB Property Services Sofia AD
1 June 2016
Sofia, Bulgaria

ERB PROPERTY SERVICES SOFIA AD
BALANCE SHEET
31 DECEMBER 2015

(All amounts are in BGN thousands)	Note	As at 31 December 2015	2014
ASSETS			
Non-current assets			
Equipment	5	3	4
Intangible assets	6	48	63
Deferred tax asset	8	1	1
		52	**68**
Current assets			
Trade receivables	7,9	763	364
Other receivables	10	20	31
Cash and cash equivalents	7,11	61	124
Term deposits in bank	11	3,367	3,342
		4,211	**3,861**
Total assets		**4,263**	**3,929**
EQUITY			
Share capital	12	150	150
Other reserves	12	15	15
Retained earnings		3,762	3,642
Total equity		**3,927**	**3,807**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	8	4	5
Total non-current liabilities		**4**	**5**
Current liabilities			
Trade payables	13	208	51
Other payables	14	124	66
Total current liabilities		**332**	**117**
Total liabilities		**336**	**122**
Total equity and liabilities		**4,263**	**3,929**

The financial statements on pages 7 to 33 have been approved on 1 June 2016 and signed as follows:

Executive Director
Dimitrios Andritsos

Financial Manager
Galina Todorova

СОФИЯ
SOFIA
ЕРБ Пропърти Сървисиз София АД * ERB Property Services Sofia AD *

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

Milka Damianova
Registered auditor
Date: 9 June 2016
Sofia, Bulgaria

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
Date:

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

ERB PROPERTY SERVICES SOFIA AD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2015

(All amounts are in BGN thousands)

	Note	Year ended 31 December 2015	2014
Revenue	15	1,872	1,497
Consumables used	16	(8)	(10)
Expenses for external services	17	(1,231)	(971)
Employee benefits expense	18	(502)	(511)
Depreciation and amortisation	5,6	(22)	(24)
Other expenses	19	(1)	(3)
Operating profit (loss)		**108**	**(22)**
Financial income	20	24	54
Profit before income tax		**132**	**32**
Income tax expense	21	(12)	(7)
Profit for the year		**120**	**25**
Other comprehensive income		-	-
Total comprehensive income for the year		**120**	**25**

The financial statements on page 7 to 33 have been approved on 1 June 2016 and signed as follows:

Executive Director
Dimitrios Andritsos

И АР БИ Пропърти Сървисиз София АД * ERB Property Services Sofia AD
София
SOFIA

Financial Manager
Galina Todorova

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

Milka Damianova
Registered auditor
Date: 9 юни 2016
Sofia, Bulgaria

...ОРСКО ПРЕДПРИЯТИЕ "ПрайсуотърхаусКупърс Одит" ООД
София
Рег. №085

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
Date:

(All amounts are in BGN thousand)

	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2014		150	15	3,617	**3,782**
Profit for the year		-	-	25	**25**
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	25	**25**
Balance as at 31 December 2014	12	**150**	**15**	**3,642**	**3,807**
Balance as at 1 January 2015		150	15	3,642	**3,807**
Profit for the year		-	-	120	**120**
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	120	**120**
Balance as at 31 December 2015	12	**150**	**15**	**3,762**	**3,927**

The financial statements on page 7 to 33 have been approved on 1 June 2016 and signed as follows:

Executive Director
Dimitrios Andritsos

ЕРБ Пропърти Сървисиз София АД * ERB Property Services Sofia AD *
СОФИЯ
SOFIA

Financial Manager
Galina Todorova

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

Milka Damianova
Registered auditor
Date: 9 June 2016
Sofia, Bulgaria

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

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
Date:

ERB PROPERTY SERVICES SOFIA AD
CASH FLOW STATEMENT
31 DECEMBER 2015

(All amounts are in BGN thousands)

	Note	Year ended 31 December 2015	2014
Cash flow from operating activities			
Cash receipts from customers		1,852	1,684
Cash payments to employees and suppliers		(1,909)	(1,784)
Income tax payments		-	(3)
Net cash flows used in operating activities		**(57)**	**(103)**
Cash flows from investing activities			
Purchases of property, plant and equipment	5,6	(6)	(4)
Interest received		-	127
Net cash from investing activities		**(6)**	**123**
Net increase in cash		**(63)**	**20**
Cash at beginning of the year		**124**	**104**
Cash at end of the year	11	**61**	**124**

The financial statements on page 7 to 33 have been approved on 1 June May 2016 and signed as follows:

Executive Director
Dimitrios Andritsos

И АР БИ Пропърти Сървисиз София АД * ERB Property Services Sofia AD * София SOFIA

Financial Manager
Galina Todorova

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

Milka Damianova
Registered auditor
Date: 9 June 2016
Sofia, Bulgaria

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

Stefan Weiblen
PricewaterhouseCoopers Audit OOD
Date:

1. General information

ERB PROPERTY SERVICES SOFIA AD is a joint stock company and is registered under c.c. 9762/2005 in the trade register of the Sofia City Court. The company is domiciled in the Republic of Bulgaria. The address of its registered office is 270, Okolovrasten pat Str., Sofia 1766.

The Company's principal activities include appraisal services primarily with related parties (Note 24).

ERB PROPERTY SERVICES SOFIA AD is owned by Eurobank Ergasias S.A. with 80% of the share capital and by Eurobank Property Services S.A. with 20 % of the share capital.
The Company's ultimate parent is Fairfax Financial Holdings Limited.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of ERB Property Services Sofia AD have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as endorsed by the European Union (EU), and in particular with those IFRSs 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 to the years 2015 and 2014, except as described below. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Going concern considerations
The annual financial statements have been prepared on a going concern basis, as the Board of the Directors considered as appropriate, taking into consideration the following:

Position of the Eurobank Group

In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the prolonged uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions due to the financing problems of the Greek State and the significant deposit outflows – already observed from late 2014 – led to the imposition of restrictions in banking transactions (capital controls) together with a temporary bank holiday on 28 June 2015. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a ca € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The Greek Government managed to complete two sets of prior actions from the program at the end of November and December 2015. By mid - December 2015, the systemic banks' recapitalization was completed with only ca € 5.4 bn used from the initial buffer of up to €25 billion. The unused funds were subtracted from the ESM loan, reducing it to ca € 64.5 bn as of the end of January 2016. The review of Greece's reform programme by international creditors is currently pending.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Position of Eurobank Group (continued)

A swift completion of the program review may alleviate significantly the macroeconomic and sovereign uncertainties.
After the gradual normalization of the economic and political situation in Greece and following the Bank's successful recapitalization, the Group enhanced its liquidity position and reduced its dependence on Eurosystem funding.
In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the new ESM program will permit European Central Bank (ECB) to reinstate the waiver for the instruments issued by the Hellenic Republic and will signal the gradual repatriation of deposits in the banking system, which is a major priority for the Group, and the further re-access to the markets for liquidity.

On 31 October 2015, the ECB announced the results of the comprehensive assessment (CA) based on which the lowest shortfall across Greek banks was identified for the Bank. Following the CA results and in line with the new recapitalization framework introduced by Law 4340/2015, the Bank proceeded to a capital increase of € 2,039 million, which was covered exclusively from the markets. As a result, the Group strengthened further its capital base and its CET1 ratio stood at 17% at the end of December 2015.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB, as adopted by the European Union and in particular with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these financial statements. The financial statements are prepared on going concern basis.

The policies set out below have been consistently applied to the years 2015 and 2014 except as described below. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

a) New standards, amendments and interpretations adopted by the Company

Amendments to standards and new interpretations adopted by the Group
The following amendments to standards and new interpretations, as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), apply from 1 January 2015:

Annual Improvements to IFRSs 2011-2013 Cycle
The amendments introduce key changes to three IFRSs, following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project, as follows:

- Clarify that IFRS 3 'Business Combinations' does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

a) New standards, amendments and interpretations adopted by the Company (continued)

- Clarify that the exception in IFRS 13 'Fair Value Measurement' for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 'Financial Instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities under IAS 32 'Financial Instruments: Presentation';
- Address the interrelationship between IFRS 3 'Business Combinations' and IAS 40 'Investment Property', clarifying in the latter that an entity should assess whether: (a) the acquired property is investment property under IAS 40 and (b) the acquisition of investment property constitutes a business combination as defined in IFRS 3.

The adoption of the amendments had no impact on the Group's consolidated financial statements

IFRIC 21, Levies
IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.
The adoption of the interpretation had no impact on the Group's consolidated financial statements.

b) New standards and amendments to standards not yet adopted by the Group

A number of new standards and amendments to existing standards are effective after 2015, as they have not yet been endorsed for use in the European Union or have not been early applied by the Group. Those that may be relevant to the Group are set out below:

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016)
The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
The adoption of the amendment is not expected to impact the Group's consolidated financial statements.

IAS 7, Amendment – Disclosure Initiative (effective 1 January 2017, not yet endorsed by EU) The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities. The amendments include illustrative examples to show how an entity can meet the objective of the disclosure requirements.The adoption of the amendment is not expected to impact the Group's consolidated financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

b) New standards and amendments to standards not yet adopted by the Group (continued)

IAS 12, Amendment – Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017, not yet endorsed by EU) The amendment clarifies that unrealized losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes can result in deductible temporary differences. It also clarifies that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences.

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016)
The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The adoption of the amendments is not expected to impact the Group's consolidated financial statements.

IAS 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2016)
The amendment clarifies the accounting for post- employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service.
The adoption of the amendment is not expected to have a material impact on the Group's consolidated financial statements.

IAS 27, Amendment –Equity Method in Separate Financial Statements (effective 1 January 2016)
This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures in which the investments in associates or joint ventures are required by IAS 28 Investments in Associates and Joint Ventures to be accounted for using the equity method.
The adoption of the amendment is not expected to impact the Group's consolidated financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

b) New standards and amendments to standards not yet adopted by the Group (continued)

IFRS 9, Financial Instruments (effective 1 January 2018, not yet endorsed by EU)
In July 2014, the IASB published the final version of IFRS 9 which replaces IAS 39 'Financial Instruments'. IFRS 9 sets out revised requirements on the classification and measurements of financial assets, addresses the reporting of fair value changes in own debt when designated at fair value, replaces the existing incurred loss model used for the impairment of financial assets with an expected credit loss model and incorporates changes to hedge accounting.

Classification and measurement
IFRS 9 applies one classification approach for all types of financial assets, according to which the classification and measurement of financial assets is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A business model refers to how an entity manages its financial assets so as to generate cash flows, by collecting contractual cash flows, or selling financial assets or both.

Upon assessment, each financial asset will be classified in one of the three categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income.

With regard to financial liabilities, the treatment followed in IAS 39 is carried forward to IFRS 9 essentially unchanged. However, IFRS 9 requires fair value changes of liabilities designated at fair value under the fair value option which are attributable to the change in the entity's own credit risk to be presented in other comprehensive income rather than in profit or loss, unless this would result in an accounting mismatch.
The Bank is currently assessing the impact of the new classification and measurement requirements in its consolidated financial statements, which will be driven to a large extent by the Bank's operations and the structure of its portfolios upon transition to IFRS 9.

Impairment of financial assets
IFRS 9 introduces an expected credit loss model that will apply to all financial instruments that are subject to impairment accounting and replaces the incurred loss model in IAS 39.
The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognised. Under IFRS 9, a loss allowance will be recognised for all financial assets, therefore the new requirements will result in the earlier recognition of credit losses.
The new standard uses a 'three stage approach' that will reflect changes in credit quality since initial recognition. At each reporting date, a loss allowance equal to 12-month expected credit losses will be recognised for all financial assets for which there is no significant increase in credit risk since initial recognition. For financial assets that have experienced a significant increase in credit risk since initial recognition as well as purchased or originated credit impaired financial assets, a loss allowance equal to lifetime expected credit losses will be recognised. The measurement of expected credit losses will be a probability-weighted average amount that will reflect the time value of money. In measuring expected credit losses, information about past events, current conditions and forecasts of future conditions should be considered.

The new impairment model is expected to result in a higher loss allowance for the Bank.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

b) New standards and amendments to standards not yet adopted by the Group (continued)

IFRS 9, Financial Instruments (effective 1 January 2018, not yet endorsed by EU) (continued)

Hedge accounting
IFRS 9 introduces a reformed model for hedge accounting, seeking to more closely align hedge accounting with risk management activities so as to better reflect these activities in the entities' financial statements. Under the new model, new hedge effectiveness requirements apply, discontinuation of hedge accounting is allowed only under specific circumstances, and a number of items that were not eligible under IAS 39 as hedging instruments or hedged items are now eligible. The Bank is currently assessing the impact of the revised model for hedge accounting.

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception (effective 1 January 2016, not yet endorsed by EU)
These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The adoption of the amendments is not expected to impact the Group's consolidated financial statements.

IFRS 10 and IAS 28, Amendments- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by IASB, not yet endorsed by EU)
These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are in a subsidiary.
The adoption of the amendments is not expected to impact the Group's consolidated financial statements.

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)
This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.
The adoption of the amendment is not expected to impact the Group's consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018, not yet endorsed by EU)
IFRS 15 establishes a single, comprehensive revenue recognition model to be applied consistently to all contracts with customers, determining when and how much revenue to recognize, but has no impact on income recognition related to financial instruments which is under the scope of IFRS 9 and IAS 39. In addition, IFRS 15 replaces the previous revenue standards IAS 18 Revenue and IAS 11 Construction contracts and the related Interpretations on revenue recognition.
The Group is currently assessing the impact of IFRS 15, however the adoption of the standard is not expected to have a material impact on the Group's consolidated financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

b) New standards and amendments to standards not yet adopted by the Group (continued)

IFRS 16, Leases (effective 1 January 2019, not yet endorsed by EU)
Under IFRS 16, which replaces the current guidance in IAS 17, the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17. Leases are capitalized by recognizing the present value of the lease payments and are shown either as lease assets (right of use assets) or together with property, plant and equipment. A financial liability is also recognized, if lease payments are made over time, representing the obligation to make future lease payments. In addition, lease expense treatment is aligned for all leases of lessees and the typical straight line operating lease expense for operating leases under IAS 17 is replaced with a depreciation charge for lease assets and an interest expense on lease liabilities. Recognition of assets and liabilities by lessees are not required for certain short term leases and leases of low value assets.
Under the new standard a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.
The Group is currently assessing the impact of IFRS 16 on its consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2016)
The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Definition of vesting condition in IFRS 2 'Share – based Payment';
- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations;
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';
- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';
- Key management personnel in IAS 24 'Related Party Disclosures'; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 'Intangible Assets'

The adoption of the amendments is not expected to impact the Group's consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)
The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2012-14 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Clarifying in IFRS 5 'Non-current assets held for sale and discontinued operations' that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

b) New standards and amendments to standards not yet adopted by the Group (continued)

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016) (continued)

- Adding in IFRS 7 'Financial instruments: Disclosures' specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- Clarifying in IAS 19 'Employee benefits' that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.
- Clarifying in *IAS 34* 'Interim financial reporting' what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

The adoption of the amendments is not expected to impact the Group's consolidated financial statements.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and of financial assets and financial liabilities (including derivative instruments) at fair-value-through-profit-or-loss.

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.

The Group's presentation currency is the Euro (€) being the functional currency of the parent company. Except as indicated, financial information presented in Euro has been rounded to the nearest million.

2.2 Comparatives

The accompanying financial statements of the Company include comparative information for one prior year (period).
Where necessary, comparative data is reclassified (and restated) in order to achieve compatibility in view of the current year presentation changes.

2. Summary of significant accounting policies (continued)

2.3 Functional currency and recognition of exchange differences

The functional and presentation currency of the Company is the Bulgarian Lev. Starting from 1 July 1997 the Bulgarian Lev was fixed under the Bulgarian National Bank Act to the German Mark at the ratio of BGN 1: DEM 1, and with the introduction of the Euro as the official currency of the European Union, it was fixed to the Euro at a ratio of BGN 1.95583: EUR 1.
Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents, receivables and payables, as monetary reporting items, denominated in foreign currency, are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 December, these amounts are presented in BGN at the closing exchange rate of BNB.

The non-monetary items in the balance sheet, which are initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the date of the transaction and are not subsequently re-valued at the closing exchange rate.
Foreign exchange gains or losses arising on the settlement of foreign currency transactions or the recording of foreign currency transaction at rates different from those at which they were converted on initial recognition, are included in the income statement when incurred and are presented net as 'other operating income/expenses'.

The closing exchange rates of the BGN against the major foreign currencies relevant to the Company's operations for the reporting periods of the financial statements are as follows:

	As at 31 December	
	2015	**2014**
1 USD	1.79007	1.60841
1 EUR	1.95583	1.95583

2.4 Revenue

Revenue is recognized on accrual basis and to the extent that it is probable that the economic benefits will flow to the Company and as far as the revenue can be reliably measured.
Upon sale of finished products, goods and materials, revenue is recognized when all significant risks and rewards of ownership have passed to the buyer.

Upon rendering of services, revenue is recognized by reference to the stage of completion of the transaction at the balance sheet date, if this stage as well as the transaction and completion costs, can be measured reliably.

Revenue is measured on the basis of the fair value of the goods and services sold, net of indirect taxes (excise duties and VAT) and any discounts and rebates granted.

The net foreign exchange gains or losses related to cash, trade receivables and payables, denominated in foreign currency, are recognized in the income statement in the period, in which they arise and are presented net under 'other operating income'. The presentation of interest on bank deposits and trade receivables is analogous.

2. Summary of significant accounting policies (continued)

2.5 Expenses

Expenses are recognized as they are incurred, following the accrual and matching concepts.
Prepayments are deferred and are recognized as current expenses in the period when the contracts, whereto they refer, are performed.
Finance costs are included in the income statement when incurred and comprise: interest costs, including bank charges and other direct expenses on loans and bank guarantees; exchange differences on loans denominated in foreign currency (net), gains and losses (net) on derivatives, classified as hedges. They are presented net of finance income on the face of the income statement.

2.6 Property and equipment

Property and equipment are presented in the financial statements at historical cost of acquisition less the accumulated depreciation and any impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.
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 group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
The Company applies the straight-line depreciation method for property and equipment. Depreciation of an asset begins when it is available for use. The useful life per group of assets has been determined considering: physical wear, the characteristic features of the equipment, the intentions for future use and the expected obsolescence, and is as follows:

	Years
Machinery and equipment	4,17
Office furniture	6,7

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.
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.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

2.7 Intangible assets

a) Trademarks and licenses
Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. This intangible asset has a specific useful time and it depreciates linearly.

b) Software licenses
Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years.

2 Company background and significant accounting policies (continued)

2.7 Intangible assets (continued)

Intangible long-term assets are derecognized from the balance sheet when they are permanently disposed of and no future economic benefits are expected from their use or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the disposal proceeds and the carrying amount of the asset at the date of sale. They are stated net under 'other operating income/expenses' on the face of the income statement.

2.8 Trade and other current assets

Trade receivables are recognized and carried at fair value based on the original invoice amount (cost) less any allowance for uncollectable debts. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the receivables are initially valued at their fair value and subsequently – at amortized cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method. An estimate of allowances for doubtful and bad debts is made when significant uncertainty exists as to the collection of the full amount or a part of it. A provision for impairment of trade receivables is established when objective evidence is available that the Company will be unable to collect all amounts in line with the originally set terms. Significant financial difficulties of the debtor, probability that the debtor will enter insolvency proceedings or other financial reorganization, default or overdue payment (more than 30 days past due) are considered by the management when it defines and classifies a particular receivable as impaired. The impairment amount is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the original effective interest rate.
The carrying amount is adjusted through the use of an allowance account for accumulating all impairments and the amount of the impairment loss for the period is recognized in the income statement within 'Distribution and selling costs'. In case of subsequent recovery of impairment loss, it is stated under 'other operating income' against a decrease in the allowance account.
Bad debts are written-off when the legal grounds for this are available. The write-off is at the expense of the allowance account.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, current accounts and short-term deposits with banks, with original maturity of up to three months.

2.10 Payables to suppliers and other current liabilities

Payables to suppliers and other current amounts payable are carried at original invoice amount (cost), being the fair value of the consideration to be paid in the future for goods and services received.
In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value and subsequently – at amortized cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method.

2 Company background and significant accounting policies (continued)

2.11 Leases

Operating lease

Leases where the lessor keeps a substantial part of all risks and economic benefits incidental to the ownership of the specific asset are classified as operating leases.

Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

2.12 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. The measurement of provisions is based on the best estimate, made by the management at the balance sheet date, concerning the expenses that will be incurred for the settlement of the particular obligation. The estimate is discounted if the obligation is long-term.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.13 Pensions and other payables to personnel under the social security and labour legislation

Social, pension and health funds

The company is obliged by the current Bulgarian legislation to make fixed contribution on behalf of the employees in a social fund operated by the Government. All those payments/liabilities are recognized as an expense in the period to which those relate.

The Company has no further payment obligations once the contributions have been paid.

2.14 Share capital and reserves

The Company is a joint-stock one and is obliged to register with the Commercial Register a specified *share capital*, which should serve as a security for the creditors of the Company for execution of their receivables. The shareholders are liable for the obligations of the Company up to the amount of the share of the capital held by each of them and may claim refunding of this share only in case of liquidation or bankruptcy proceedings. The Company reports its share capital at the nominal value of the shares registered in the court.

According to the requirements of the Commercial Act and the Articles of Association, the Company is obliged to set aside a *Reserve Fund* by using the following sources:

- at least one tenth of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital or any larger amount as provided in the Articles of Association;
- any premium received in excess of the nominal value of shares upon their issue (share premium reserve);

2 Company background and significant accounting policies (continued)

2.14 Share capital and reserves (continued)

- other sources as provided for by a decision of the General Meeting.

The amounts in the Fund can only be used to cover current loss or losses from previous years. When the amount of the Fund reaches the minimum value specified in the Statutes, the excess may be used for increasing share capital.

2.15 Financial instruments

2.15.1 Financial assets

The Company classifies its financial assets in the category 'loans and receivables', including cash and cash equivalents. The classification depends on the nature and purpose (designation) of the financial assets at the date of their acquisition. The management determines the classification of the financial assets of the Company at the time of their initial recognition on the balance sheet.

a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured in the balance sheet at their amortized cost using the effective interest method less any allowance for impairment. These assets are included in current assets when having maturity within 12 months or within a common operating cycle of the Company while the remaining ones are classified as non-current assets. This group of financial assets includes: loans granted, trade receivables, other receivables from counterparts and third parties, cash and cash equivalents from the balance sheet. Interest income on loans and receivables is recognized by applying the effective interest rate except for short-term receivables (less than three months) where the recognition of such interest would be unjustifiable as immaterial and within the common credit terms.

b) Available-for sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.
Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

2 Company background and significant accounting policies (continued)

2.15 Financial instruments (continued)

2.15.1 Financial assets (continued)

b) Available-for sale financial assets (continued)

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for sale equity instruments are recognized in the income statement as part of other income when the group's right to receive payments is established.
The Company assesses at each balance sheet date whether events and circumstances have occurred that indicate the existence of objective evidence that an individual asset or a group of assets is impaired.

2.15.2 Financial liabilities

The financial liabilities of the Company include loans and payables to suppliers and other counterparts. They are initially recognized on the balance sheet at fair value net of the directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method.

2.16 Income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and 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.

(a) *Foreign exchange risk*

The Company operates in Bulgaria and since the Bulgarian Leva (BGN) has been pegged to the EUR at the fixed rate by the means of the currency board, the Company is exposed to foreign exchange risk to the extent of transactions denominated in currencies other than the EUR.
The Company does not believe that the peg will change within the next 12 months and therefore no sensitivity analysis has been performed.

The table below shows the concentration of currency risk of significant financial assets and liabilities.

As at 31 December 2015	**BGN**	**EUR**	**Total**
Assets as per balance sheet			
Related party trade receivables (Note 24.1)	753		**753**
Other trade receivables	10		**10**
Other receivables	20		**20**
Cash and deposits with banks	2,823	605	**3,428**
	3,606	**605**	**4,211**
Liabilities as per balance sheet			
Trade payables	208		**208**
	208		**208**

As at 31 December 2014			
Assets as per balance sheet			
Related party trade receivables	364	-	**364**
Other receivables	31		**31**
Cash and deposits with banks	2,863	603	**3,466**
	3,258	**603**	**3,861**
Liabilities as per balance sheet			
Trade payables	51	-	**51**
	51	-	**51**

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Cash flow interest rate risk
As the Company has no significant interest- bearing liabilities, the Company's costs, income and operating cash flows are substantially independent of changes in market interest rates.
In 2014 the Company's interest rate risk arises from two short-term bank deposits held at Eurobank Bulgaria AD amounting to BGN 3,287 thousand with renegotiated maturity of 1year. In 2013 the Company has two short-term bank deposits at Eurobank Bulgaria AD amounting to BGN 3,287 thousand with renegotiated maturity of 1 year.

Deposits issued at variable rates expose the Company to cash flow interest rate risk. The management of the Company has performed a sensitivity analysis in order to assess its cash flow interest rate risk. The simulation is done on a monthly basis to verify that the maximum loss potential is within the limit given by the management.
If interest rate decreases by 1% on annual basis in 2014, the impact on post-tax profit would be maximum decrease of BGN 32 thousand.
If interest rate increases by 1% on annual basis in 2014, the impact on post-tax profit would be maximum increase of BGN 32 thousand.

(c) Credit risk
The Company has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a satisfactory rating are accepted. Management of the Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Sales to customers are settled in cash or by credit.
No credit limits were exceeded during the reporting period and management does not expect any losses from non- performance.

The table below shows balances of cash and cash equivalents as at 31 December 2015 and 2014 by banks, as follows:

	31 December 2015		31 December 2014	
Contractor	**Credit rating**	**Balance**	**Credit rating**	**Balance**
Eurobank Bulgaria AD	BB+ (BCRA)	3,428	BBB (BCRA)	3,466
		3,428		**3,466**

d) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

d) Liquidity risk (continued)
Management monitors rolling forecasts of the Company's liquidity reserve (comprises of cash and cash equivalents (Note 11)) on the basis of expected cash flow.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3.2 Fair value estimation

As at 31 December 2015	Less than 1 year
Trade payables	208
	208

As at 31 December 2014	Less than 1 year
Trade payables	51
	51

(e) Capital risk
ERB Property Services' objective when managing capital is to maintain a capital structure which safeguards its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders. Net debt is defined as the sum of total borrowings and payables to clients and suppliers less cash and bank balances. Total capital is defined by share capital and net liabilities.

The table below summarizes the Company's capital structure:

	31 December	
	2015	**2014**
Payables to suppliers and clients (def tax liab excl)	332	117
Cash and bank deposits	(3,428)	(3,466)
Net debt/(cash)	**(3,096)**	**(3,349)**
Shareholders equity	3,927	3,807
Total capital	831	458

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

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

4. Critical accounting estimates and judgments

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. Reliability of estimates and valuation is reviewed regularly.
The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates at 31.12.2015 that are critical to the carrying value of assets and liabilities.

5. Equipment and other tangible non-current assets

	Machines & equipment	Furniture & fittings	Total
As at 1 January 2014			
Cost	17	37	54
Accumulated depreciation	(16)	(34)	(50)
Net book amount	1	3	4
Opening net book amount	1	3	4
Additions	2	-	2
Depreciation charge	-	(2)	(2)
Closing net book amount	3	1	4
As at 31 December 2014			
Cost	19	37	56
Accumulated depreciation	(16)	(36)	(52)
Net book amount	3	1	4
As at 1 January 2015			
Opening net book amount	3	1	4
Additions	-	-	-
Depreciation charge	(1)	-	(1)
Closing net book amount	2	1	3
As at 31 December 2015			
Cost	19	37	56
Accumulated depreciation	(17)	(36)	(53)
Net book amount	2	1	3

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

6. Intangible assets

	Software	Total
As at 1 January 2014		
Cost	158	**158**
Accumulated amortization	(76)	**(76)**
Net book amount	**82**	**82**
Opening net book amount	82	**82**
Additions	3	**3**
Amortization charge	(22)	**(22)**
Closing net book amount	**63**	**63**
As at 31 December 2014		
Cost	161	**161**
Accumulated amortization	(98)	**(98)**
Net book amount	**63**	**63**
As at 1 January 2015		
Opening net book amount	63	**63**
Additions	6	**6**
Amortization charge	(21)	**(21)**
Closing net book amount	**48**	**48**
As at 31 December 2015		
Cost	167	**167**
Accumulated amortization	(119)	**(119)**
Net book amount	**48**	**48**

7. Financial instruments by category

Financial assets at amortised cost	**As at 31 December 2015**	**2014**
Receivables from related parties (Note 24.1 iii and 9)	739	364
Receivables from third parties	24	-
Other receivables	20	31
Cash and deposits with banks (Note 11)	3,428	3,466
	4,211	**3,861**

Financial liabilities at amortised cost	**2015**	**2014**
Trade payables (Note 13)	208	51
	208	**51**

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

8. Deferred income tax

Deferred income tax assets and liabilities are accounted for all temporary differences arising from differences between the accounting and tax carrying values of the assets and the liabilities. Deferred income taxes are calculated at the tax rate that would be effective at the time they are realised. The tax applicable for 2015 is 10% (2014: 10%).
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same fiscal authority.

	As at 31 December	
	2015	**2014**
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	(1)	(1)
	(1)	(1)

	As at 31 December	
	2015	**2014**
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	4	5
	4	5

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	**Retirement benefits provision**	**Accrual for bonuses**	**Equipment**	**Total**
As at 1 January 2014	(1)	-	(2)	(3)
Charged to the income statement	-	-	2	2
As at 31 December 2014	(1)	-	-	(1)
Charged to the income statement			-	
As at 31 December 2015	(1)			(1)

Deferred tax liabilities	**Accrual for bonuses**	**Equipment**	**Total**
As at 1 January 2014	-	-	-
Charged to the income statement	-	5	5
As at 31 December 2014	-	5	5
Credited to the income statement		(1)	(1)
As at 31 December 2015	-	4	4

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

9. Trade receivables

	As at 31 December 2015	2014
Receivables from related parties (Notes 24.1.iii and 7)	753	364
Receivables from third parties	10	-
Total trade receivables	**763**	**364**

The carrying amount of receivables approximates their fair value.

The maturity of receivables is as follows:

	As at 31 December 2015	2014
Up to 1 month	**763**	**364**

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	As at 31 December 2015	2014
Currency		
BGN	763	364
	763	**364**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

10. Other receivables

	As at 31 December 2015	2014
Premises deposit	17	14
Tax to be reimbursed	1	13
Prepaid expenses	1	1
Other	1	3
	20	**31**

The carrying amount of receivables approximates their fair value

The aging of receivables is as follows:

	As at 31 December 2015	2014
Up to 12 months	20	31
	20	**31**

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

11. Cash and cash equivalents and deposits in banks

	As at 31 December 2015	As at 31 December 2014
Current bank account at Eurobank Bulgaria AD (Note 24.1.iv)	61	124
Bank deposit at Eurobank Bulgaria AD (Note 24.1.iv)	3,342	3,287
Accrued interest	25	55
	3,428	**3,466**

The Company's bank deposits held at Eurobank Bulgaria AD bear interest between 1.00% and 0.50% per annum. The Bank rating as at 31 December 2015 is BB+.

For the purposes of the cash flow statement the cash and cash equivalents include cash in hand and cash in bank current accounts.

The Company has no bank overdrafts at each date of the balance sheets.

The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

Currency	As at 31 December 2015	As at 31 December 2014
BGN	2,823	2,863
EUR	605	603
	3,428	**3,466**

12. Share capital

	Number of shares	Ordinary shares BGN
At 31 December 2014	**150,000**	**1**
At 31 December 2015	**150,000**	**1**

The total authorized number of ordinary shares is 150 thousands with a par value of BGN 1. All issued shares are fully paid.

In 2007 the Company has transferred from retained earnings to other reserves the amount equal to 1/10 (one tenth) of the Company's registered share capital as to form legal reserves in accordance with the requirements of the Commercial Law.

The legal reserves are non-distributable to the Company's shareholders as they could only be used for covering accumulated losses from prior years.

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

13. Trade payables

	As at 31 December 2015	2014
Trade payables	208	51
	208	**51**

14. Other payables

	As at 31 December 2015	2014
VAT payable	112	53
Retirement indemnity provision	9	9
Other state taxes	1	3
Accrual for unused paid leave	2	1
	124	**66**

15. Revenue

	2015	2014
Sales of:		
Evaluation and intermediary services to related parties (Note 24.1.i)	1,861	1,482
Evaluation and intermediary services to clients	11	15
	1,872	**1,497**

16. Consumables used

	2015	2014
Expenses for:		
- fuel	(6)	(8)
- stationery	(2)	(2)
	(8)	**(10)**

17. Expenses for external services

	2015	2014
Expenses for:		
- subcontractors	(793)	(653)
- agency services	(224)	(121)
- rent	(112)	(99)
- technical commissions	-	(33)
- maintenance	(71)	(29)
- advertising and promotions	(3)	(2)
- audit	(7)	(7)
- phones	(5)	(5)
- utilities	(2)	(2)
- couriers	(6)	(3)
- cars maintenance	(5)	(7)
- entertainment expenses	-	(1)
- consultancy expenses	-	(2)
- other	(3)	(7)
	(1,231)	**(971)**

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

18. Employee benefits expense

	2015	2014
Salaries	(438)	(448)
Social securities and health insurance contribution	(59)	(57)
Life insurance	(1)	(1)
Retirement indemnity provision	-	(2)
Accrual for unused paid leave	-	(1)
Other employee benefits	(4)	(2)
	(502)	**(511)**

The total number of employees as at 31 December 2015 is 17 (As at 31 December 2014: 15).

19. Other expense

	2015	2014
One-off taxes	(1)	(3)
	(1)	**(3)**

20. Financial income

	2015	2014
Interest income - bank accounts (Note 24.1.v)	25	55
Bank charges (Note 24.1.vi)	(1)	(1)
	(24)	**54**

21. Income tax expense

	2015	2014
Current income tax	13	7
Deferred income tax (Note 8)	(1)	-
Income tax charge	12	7

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2015	2014
Profit before income tax	132	32
Tax calculated at a tax rate applicable to profits 10% (2015: 10 %)	13	4
Tax effect of not tax deductible expenses (losses brought forward)	(1)	3
Tax charge	**12**	**7**

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

22. Contingent liabilities

The Company is no defendant on any court cases. The management does not expect the company to suffer any significant losses.

During 2015 the company has not been subject to any tax audits.

Tax authorities may challenge the way of calculating tax losses carried forward as well as assess additional taxes, including value added tax (VAT), penalties and interest, which can be significant.

The tax authorities could check the financial reports and records for the five successive tax years of the current tax period and impose additional penalties. Management of the Company is not aware of any circumstances that could lead to substantial obligations in this area.

23. Commitments

ERB PROPERTY SERVICES SOFIA AD has commitments according to agreement for rent of an office and two operating lease agreement for cars. The future aggregate minimum lease payments under non-cancellable leases are as follows:

	As at 31 December	
	2015	**2014**
Between one and five years	13	28

24. Related-party transactions

ERB PROPERTY SERVICES SOFIA AD is owned by Eurobank Ergasias S.A. Greece with 80% of the share capital and it is the Company parent.

Eurobank Bulgaria AD is a subsidiary of Eurobank Ergasias S.A., which is listed on the Athens Stock Exchange.

Related party transactions - Eurobank Ergasias S.A. shareholding structure

In May 2014, following the completion of the Bank's share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF), the controlling shareholder of the Bank until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Bank. In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2.38%.

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

24. Related-party transactions (continued)

In the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank.

24.1 Transactions and balances with other related parties

i) Rendering of services	**As at 31 December 2015**	**2014**
Eurobank Bulgaria AD	1,229	979
Eurobank Ergasias S.A.	7	
IMO Property Investments EAD	591	469
ERB Leasing EAD	24	22
EFG Auto Leasing EAD	-	1
IMO Rila EAD	2	4
IMO Central office EAD	6	4
IMO 03 EOOD	2	4
	1,861	**1,483**

ii) Supplies of services	**2015**	**2014**
Eurobank Bulgaria AD	-	3
Imo Central office EAD	115	100
ERB Leasing EAD	15	15
	130	**118**

iii) Receivables from related parties	**2015**	**2014**
Eurobank Bulgaria AD	397	61
Eurobank Ergasias S.A.	4	
IMO Property Investments EAD	339	277
ERB Leasing EAD	6	-
EFG Auto Leasing EAD	-	-
Deposit IMO Property Investments EAD	17	14
IMO Central office EAD	3	3
IMO 03 EOOD	2	2
IMO Rila EAD	2	-
	770	**357**

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

24. Related-party transactions (continued)

24.1 Transactions and balances with other related parties (continued)

iv) Cash and cash equivalents held at related parties

	As at 31 December 2015	2014
Eurobank Bulgaria AD		
Current bank account	61	124
Term bank deposit	3,342	3,287
Accrued interest	25	55
	3,428	**3,466**

v) Interest income

	2015	2014
Eurobank Bulgaria AD		
Interest income on bank accounts	25	55
	25	**55**

vi) Bank charges

	2015	2014
Eurobank Bulgaria AD		
Bank charges on bank accounts	1	1
	1	**1**

vii) Key management compensation

	2015	2014
Short term employee benefits	49	61
Life insurance		-
	49	**61**

As at 31 December 2015 the Company has no payables to the management (31 December 2014: 0)

25. Events after the balance sheet date

There are no significant post balance sheet events, as per definition of IAS 10 with effect on the financial statements.