IMO PROPERTY INVESTMENTS SOFIA EAD
INDEPENDENT AUDITOR'S REPORT
ANNUAL ACTIVITY REPORT
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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INDEPENDENT AUDITORS' REPORT

To the shareholder of
IMO Property Investments Sofia EAD

Opinion

We have audited the financial statements of IMO Property Investments Sofia EAD (the Company) as set out on pages 8 to 41, which comprise the balance sheet as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditors' Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – noncompliance with the Bulgarian Commercial Act

We draw attention to Note 2.1 *Basis of preparation – Going concern of the Company* to the financial statements, which describes the as at 31 December 2019 the Company has negative net equity of BGN 236,418 thousand which constitutes noncompliance with the requirements of art. 252 of the Bulgarian Commercial Act. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the management report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the New and enhanced auditor's reports and auditor's communication Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the management report for the financial year for which the financial statements have been prepared is consistent with those financial statements.

b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and presentation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the EU 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Audit OOD

Dobrina Kaloyanova	Sevdalina Dimova
Authorised representative	*Registered auditor, responsible for the audit*

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

08 July 2020

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 045
КПМГ ОДИТ ООД

IMO PROPERTY INVESTMENTS SOFIA EAD
ANNUAL ACTIVITY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present the annual activity report and the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), for the year ended 31 December 2019. The financial statements have been audited by KPMG Audit OOD.

GENERAL INFORMATION

Establishment and activity

Imo Property Investments Sofia EAD (the Company), Court Registration Number 14845/2007 110, UIC 175386257 is a single-stock company registered in Bulgaria. On 2 February 2010 the shareholder of the Company took decision to change the company's trade name from EFG Business Services Bulgaria EAD to Imo Property Investments Sofia EAD. EFG Business Services Bulgaria EAD had not any activity prior to that. The address of its registered office is as follows: 260 Okolovrasten pat Str. 1766 Sofia, Bulgaria. The Company has no branches.

The sole owner of the Company is Neu Property Holdings Ltd. Neu Property Holdings Ltd. is a private company incorporated and existing under the laws of Cyprus, entered into the Ministry of Energy Commerce Industry and Tourism – Department of Registrar of Companies and official receiver, Nicosia, under registration number HE254249.
The Company's ultimate parent is Eurobank Ergasias S.A.
The Company's basic activities are purchase, construction and fitting up of properties in order to sell or rent them.
The Company does not carry out research and development activities.

Share capital structure

The share capital as of 31 December 2019 is BGN 457 thousand and is fully paid. The shares are ordinary and registered. The number of shares is 456,719 of nominal value BGN 1 (one) each.

Board of Directors

As at 31 December 2019 the Board of Directors consists of the following members:

Panagiotis Mavridis – Chairman of the Board of Directors and Executive Director
Alexander Danchev – Member of the Board of Directors and Executive Director
Ekaterini Atsali – Member of the Board of Directors
Michail Stamou – Member of the Board of Directors

General Manager of the Company is Borislav Slavov.

Mr. Iordan Souvandjiev was released from his position as an Executive Director and Member of the Board of Director of the Company on 25.05.2019, whereas on the same date Mr. Alexander Danchev was appointed as an Executive Director and Member of the Board of Directors.

Mr. Emil Pilafov was released from his position as an Executive Director and Member of the Board of Directors on 13.08.2019, whereas on the same date Mr. Panagiotis Mavridis was appointed as an Executive Director and member of the Board of Directors.

Mr. Dimitrios Andritsos was released from his position as a Member of the Board of Directors of the Company on 15.07.2019.

GENERAL INFORMATION (CONTINUED)

Total annual remuneration of the members of the Board of Directors

In 2019 the members of the Board of Directors did not receive remuneration from the Company.

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

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

Board 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 Pilafov– replaced by Panagiotis Mavridis effectively from 13.08.2019

- IMO 03 EAD, Bulgaria – Chairman of the Board of Directors and Executive Director (until 13.08.2019).

Iordan Souvandjiev – replaced by Alexander Danchev effectively from 20.05.2019

- Eurobank Bulgaria AD, Bulgaria – Member of the Management Board.

Alexander Danchev

- A - Z SYNERGY OOD, Bulgaria – Manager and Owner.
- ERB Property Services Sofia AD, Bulgaria - Member of the Board of Directors (until 08.01.2020).

GENERAL INFORMATION (CONTINUED)

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

Dimitrios Andritsos

- Eurobank Property Services, Greece, - Vice Chairman and Chief Executive Officer (until 01.04.2019);
- Eurobank Property Services S.A., Romania – Member of the Board of Directors (until 01.04.2019);
- ERB Property Services d.o.o. Beograd, Serbia – Member of the Supervisory Board (until 01.04.2019);
- Propindex S.A., Greece – Member of the Board of Directors (company outside Eurobank Group);

Ekaterini Atsali

- ERB Property Services d.o.o. Beograd, Serbia – Member of the Supervisory Board (until 01.04.2019);
- Eurobank Property Services S.A., Romania – Member of the Board of Directors (until 01.04.2019);
- IMO Property Investments Bucuresti S.A, Romania – Member of the Board of Directors;
- IMO II Property Investments S.A., Romania – Member of the Board of Directors.

Michalis Stamou

- ERB Leasing Bulgaria EAD, Bulgaria – Member of the Board of Directors;
- IMO 03 EAD, Bulgaria - Member of the Board of Directors;
- Eurobank Property Services S.A., Romania - Member of the Board of Directors(until 01.04.2019);
- IMO Property Investments Bucuresti S.A, Romania - Member of the Board of Directors;
- IMO II Property Investments S.A., Romania - Member of the Board of Directors;
- IMO Property Investments AD Beograd, Serbia - Member of the Supervisory Board.

Panagiotis Mavridis

- ERB Property Services Sofia AD, Bulgaria - Member of the Board of Directors (until 08.01.2020);
- IMO 03 EAD, Bulgaria - Member of the Board of Directors (effective as of 13.08.2019);
- ERB Leasing Bulgaria EAD, Bulgaria – Member of the Board of Directors.

GENERAL INFORMATION (CONTINUED)

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 2019 is loss in the amount of BGN 24,604 thousands. The net loss from investment property FV model adjustments is the main part of the loss – 49%, the expenses related to investment property are 16% and the financial costs are – 32% of the total expenses.

Investing activity

The Company was registered with the principal activity of execution of all types of real estate transactions: sale – purchase, renting, , as well as property management and maintenance, construction, designing and engineering activity, preparation of investment projects, real estate consultancy, services, project management, valuation services, real estate brokerage and intermediary services, technical consultancy services, architectural, real estate development and engineering studies.

In 2019 and 2018 the Company acquired properties through public auctions and direct purchases. There were 2 and 38 purchases through auctions and 26 and 1 direct ones for 2019 and 2018 respectively. The acquired properties are regulated and non-regulated land plots, residential, industrial and commercial properties and hotels.

MAIN OBJECTIVES FOR 2020

For 2020 the Company will continue to acquire new properties through participation in public auctions. However the main focus for 2020 will be the increase of sales and rent income.

Priorities

The Company intends to continue investing in properties in Bulgaria with the purpose of renting them to third parties or selling them with profit.

FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks: market risk (including currency risk, 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.

Market risk

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.

FINANCIAL RISK MANAGEMENT (CONTINUED)
Market risk (CONTINUED)

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.
The Company's interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest re-pricing period of the borrowings is on a yearly base, thus mitigating to some extent the 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.

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

EVENTS AFTER THE BALANCE SHEET DATE

On 20.03.2020 a demerger of Eurobank Ergasias S.A. was approved through sector's hive down and establishment of a new company-credit institution under the corporate name Eurobank S.A, which has been registered on the same day in the General Commercial Registry.
As result of the Demerger:
a) Eurobank Ergasias S.A. became the shareholder of the new company Eurobank S.A. by acquiring all its issued shares, and
b) Eurobank S.A. substituted Eurobank Ergasias S.A., by way of universal succession, to all the transferred assets and liabilities, as set out in the transformation balance sheet of the hived down sector.
Following the completion of the Demerger, Eurobank Ergasias S.A. will cease to be a credit institution and maintains activities and assets and liabilities that are not related to main banking activities.

On 11 March 2020, The World Health Organization declared the coronavirus outbreak a pandemic and the Bulgarian government declared an emergency state on 13 March 2020. Responding to the potentially serious threat the Coronavirus presents to public health, the Bulgarian government authorities have taken measures to contain the outbreak, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors from a number of countries pending further developments and the 'lock-down' of certain industries. In particular, airlines and railways suspended international transport of people, schools, universities, restaurants, cinemas, theatres and museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies were closed. Some businesses in Bulgaria have also instructed employees to remain at home and curtailed or temporarily suspended business operations. On 13 May 2020, the Bulgarian government revoked the emergency state in the country. Some of the restrictive measures continue to operate under the Health Act.
The wider economic impacts of these events might include:
— Disruption to business operations and economic activity in Bulgaria, with cascading impacts on both upstream and downstream supply chains;

EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

— Significant disruption to businesses in certain sectors, both within Bulgaria and in markets with high dependence on supply chain in China and Italy as well as export-oriented businesses with high
reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and also financial sector;
— Significant decrease in demand for non-essential goods and services;
— An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

Based on publicly available information at the date these financial statements were authorized for issue, management considered a number of severe but plausible adverse scenarios with respect to the potential development of the outbreak and its expected impact on the Bank and economic environment in which the Company operates.

In response to these expected scenarios, management has already initiated actions aimed at mitigating the risks, which notably include:

- ✓ Actions towards the employees (ensuring the highest possible disinfection in offices; repositioning the personnel in different locations for minimizing the risks of infection; having an extensive number of people working from home)
- ✓ Actions towards ensuring the supply chain continuity (contacting vendors, seeking for alternative solutions)
- ✓ Actions towards clients

Due to the fact that the situation related to the outbreak of the disease is very dynamic and responses of the Bulgarian and other governments worldwide change very quickly, certain of the above measures initiated by management are still in progress and their outcome is uncertain at this stage. The Company's financial position has not changes significantly since 31 December 2019, and the Management considers the existing capital resources and sources of financing (including the support from the Group) would be adequate for the liquidity needs of the Company in 2020. The main liquid financial assets of the Company as at 31 December 2019 are cash and cash equivalents amounting to BGN 7,448 thousand (29 May 2020 – BGN 6,221 thousand)There is a risk that in a severe but plausible scenario of prolonged lockdown current management plans might be insufficient to mitigate the operating and liquidity risks. However, management is monitoring the situation very closely and stands prepared to apply further decisions, initiatives and policies, if necessary. Therefore, management is currently considering the going concern assumption adopted in the preparation of these financial statements as appropriate.
The Company's activities depend on the support of the Group. The Group Management has expressed its intention to continue to provide financial and other support to enable the Company to perform its operations.

In 2020 the Company extended its loan facilities from June 2020 till June 2021, which is a non-adjusting event under IAS 10.

There are no other significant post balance sheet events which require adjustment or disclosure in the financial statements for the period ended 31 December 2019.

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 and its financial results as at year end. The management has prepared the enclosed financial statements in accordance with IFRS as adopted by the European Union.

The Directors confirm that suitable accounting policies have been used.

The Directors also confirm that the legislation applicable in Bulgaria has 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 and for taking reasonable steps for the prevention and detection of potential fraud and other irregularities.

Panagiotis Mavridis
Executive Director and Chairman of the Board of Directors

Alexander Danchev
Executive Director and Member of the Board of Directors
02.07.2020

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail

IMO PROPERTY INVESTMENTS SOFIA EAD
BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts are stated in BGN thousand)

	Note	31 December 2019	31 December 2018 Restated*	1 January 2018 Restated*
Non-current assets				
Investment property	12	138,603	168,718	216,541
Prepayments for acquisition of investment property	14	380	313	545
Plant, equipment, intangible assets and right of use	13	547	58	5
Total non-current assets		**139,530**	**169,089**	**217,091**
Current assets				
Trade and other receivables	15	588	698	5,574
Cash and cash equivalents	16	7,448	9,107	12,035
Total current assets		**8,036**	**9,805**	**17,609**
Total assets		**147,566**	**178,894**	**234,700**
Equity				
Share capital	17	457	457	457
Share premium		58,468	58,468	58,468
Accumulated loss		(295,343)	(270,731)	(239,511)
Total equity		**(236,418)**	**(211,806)**	**(180,586)**
Non-current liabilities				
Retirement benefit obligations		42	28	14
Total non current liabilities		**42**	**28**	**14**
Current liabilities				
Borrowings	18	381,430	389,303	413,799
Lease obligations	19	459	-	-
Legal provisions	19	217	-	-
Other payables	19	1,836	1,369	1,473
Total current liabilities		**383,942**	**390,672**	**415,272**
Total liabilities		**383,984**	**390,700**	**415,286**
Total equity and liabilities		**147,566**	**178,894**	**234,700**

**The comparative information has been restated due to change in accounting policy for investment property (note 2.3.1).*

The financial statements have been approved by the Board of Directors on 02.07.2020 and signed as follows:

Panagiotis Mavridis
Executive Director and Chairman
of the Board of Directors

Yordanka Karapetrova
Financial Manager, preparer

Alexander Danchev
Executive Director and Member of the Board of Directors

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

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered Auditor, responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ ОДИТ ООД

IMO PROPERTY INVESTMENTS SOFIA EAD СОФИЯ SOFIA

IMO PROPERTY INVESTMENTS SOFIA EAD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2019

(All amounts are stated in BGN thousand)

	Note	For the year ended 31 December 2019	2018 Restated*
Income from investment property, net	5	612	348
Income from intermediary services	6	58	-
Expenses related to investment property	8	(3,882)	(4,135)
Net loss from changes in the fair value of investement property	7	(11,961)	(17,197)
Impairment related to rent receivables	15	(327)	(1,313)
Administrative expenses	9	(1,251)	(792)
Operating loss		**(16,751)**	**(23,089)**
Financial costs	10	(7,853)	(8,117)
Loss before income tax		**(24,604)**	**(31,206)**
Income tax	11	-	-
Loss for the year		**(24,604)**	**(31,206)**
Actuarial loss		(8)	(14)
Other comprehensive income		**(8)**	**(14)**
Total comprehensive (loss) for the year		**(24,612)**	**(31,220)**

..The comparative information has been restated due to change in accounting policy for investment property (note 2.3.1).

The financial statements have been approved by the Board of Directors on 02.07.2020 and signed as follows:

Panagiotis Mavridis
Executive Director and Chairman of the Board of Directors

Yordanka Karapetrova
Financial Manager, preparer

Alexander Danchev
Executive Director and Member of the Board of Directors

ИМО ПРОПЪРТИ ИНВЕСТМЪНТС СОФИЯ ЕАД * IMO PROPERTY INVESTMENTS SOFIA EAD * София SOFIA

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

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered Auditor, responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ ОДИТ ООД

IMO PROPERTY INVESTMENTS SOFIA EAD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Accumulated loss	Total equity
At 1 January 2018 as published	457	58,468	(239,239)	(180,314)
Restatement due to change in accounting policy (note 2.3.1)	-	-	(272)	(272)
At 1 January 2018 restated	**457**	**58,468**	**(239,511)**	**(180,586)**
Loss for the year	-	-	(31,206)	(31,206)
Other comprehensive income				
Actuarial loss	-	-	(14)	(14)
Total comprehensive income	-	-	**(31,220)**	**(31,220)**
Balance as at 31 December 2018 restated	**457**	**58,468**	**(270,731)**	**(211,806)**
Balance as at 1 January 2019 restated	457	58,468	(270,731)	(211,806)
Loss for the year	-	-	(24,604)	(24,604)
Other comprehensive income				
Actuarial loss	-	-	(8)	(8)
Total comprehensive income	-	-	**(24,612)**	**(24,612)**
Balance as at 31 December 2019	**457**	**58,468**	**(295,343)**	**(236,418)**

The financial statements have been approved by the Board of Directors on 02.07.2020 and signed as follows:

Pamagiotis Mavridis
Executive Director and Chairman of the Board of Directors

Yordanka Karapetrova
Financial Manager, preparer

ИМО ПРОПЪРТИ ИНВЕСТМЪНТС СОФИЯ ЕАД · СОФИЯ · SOFIA · IMO PROPERTY INVESTMENTS SOFIA EAD

Alexander Danchev
Executive Director and Member of the Board of Directors

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

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered Auditor, responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО · София · Рег. № 045 · КПМГ ОДИТ ООД

IMO PROPERTY INVESTMENTS SOFIA EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	For the year ended 31 December 2019	2018
Operating activities			
Receipts from clients		3,362	10,349
Payments for administrative expenses		(65)	(700)
Employee benefits and social securities paid		(779)	(568)
VAT paid		(1,810)	(3,561)
Payments related to investment property		(5,110)	(5,586)
Net cash flows used in operating activities		**(4,402)**	**(66)**
Investing activities			
Purchase and prepayments for investment property		(4,644)	(5,355)
Sale of investment property		23,230	35,109
Purchases of equipment		(49)	(3)
Net cash flows from investing activities		**18,537**	**29,751**
Financing activities			
Financial costs paid		(34)	(22)
Interest received		57	-
Payment of lease liability		(78)	-
Interest paid		(7,916)	(8,143)
Borrowings repaid		(7,823)	(24,448)
Net cash flows used in financing activities		**(15,794)**	**(32,613)**
Decrease in cash and cash equivalents		(1,659)	(2,928)
Cash and cash equivalents at 1 January		**9,107**	**12,035**
Cash and cash equivalents at 31 December	16	**7,448**	**9,107**

The financial statements have been approved by the Board of Directors on 02.07.2020 and signed as follows:

Panagiotis Mavridis
Executive Director and Member of the Board of Directors

Yordanka Karapetrova
Financial Manager, preparer

Alexander Danchev
Executive Director and Member of the Board of Directors

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

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered Auditor, responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ ОДИТ ООД

1. General information

Imo Property Investments Sofia EAD ("the Company") Court Registration Number 14845/2007 110, UIC 175386257, is a solely owned joint stock company with limited liability registered in Republic of Bulgaria.

The sole owner of the Company is Neu Property Holdings Ltd., is a private company incorporated and existing under the laws of Cyprus, entered into the Ministry of Energy Commerce Industry and Tourism – Department of Registrar of Companies and official receiver, Nicosia, under registration number HE254249.

The Ultimate controlling entity is is Eurobank Ergasias S.A. (see also note 21). The sole owner of the share capital is Neu Property Holdings Ltd.

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

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

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

Use of judgments and estimates

The preparation of financial statements in conformity with IFRS as adopted by EU 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, as well as 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 financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU).

Going concern of the Company

The financial statements are prepared on the principle of going concern which implies that the Company will continue operations in the foreseeable future. IMO Property Investments Sofia EAD finances its activities through a revolving short term borrowing by Eurobank Private Bank Luxembourg and its capital base. As of 31 December 2019 the Company has negative equity, current liabilities exceed current assets by BGN 375,906 thousand and it relies on the future support and financing by the Group to continue its operations as a going concern. The Group has confirmed its intention to support the Company in the next, but not limited to, 12 months from the date of signing of the Company's financial statements. The current credit line was renewed until 30 June 2021.

IMO Property Investments Sofia EAD has negative equity of BGN 236,418 thousand (2018: negative equity of BGN 211,806 thousand) and is in breach of article 252, para (1), item 5 from Bulgarian Commerce Act as its registered capital exceeds net assets.

The management reassessed the application of the going concern principle as a basis of preparation of these financial statements as at the date of approval for issue taking into consideration all the available

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

information as this date, including the potential impact of the COVID-19 outbreak as disclosed in

Note 24 Events after the balance sheet. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Based on the above the financial statements are prepared on the going concern principle.

2.1.1 New and amended standards and interpretations

The following new and amended standards and 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 2019:

IFRS 9, Amendments–Prepayment Features with Negative Compensation

The amendments in IFRS 9 requirements allow the measurement of a financial asset at amortised cost, or at fair value through other comprehensive income (FVOCI), depending on the business model, even in the case of prepayment options which could result in the party that triggers the early termination, receiving compensation from the other party (negative compensation). Therefore, these financial assets can now be measured at amortised cost or at FVOCI, regardless of the event or circumstance that caused the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination. Applying IFRS 9 before the amendments would probably result in these financial assets failing the "Solely Payments of Principal and Interest" criterion and thus being measured at FVTPL.

The amendments also confirm the modification accounting of financial liabilities under IFRS 9. Specifically, when a financial liability measured at amortised cost is modified without this to result in derecognition, a gain or loss, calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognized in profit or loss.

The adoption of the amendments had no impact on the Company's financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments

The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. In such a circumstance, recognition and measurement of current or deferred tax asset or liability according to IAS 12 is based on taxable profit (tax loss), tax bases, unused tax losses and tax credits and tax rates as determined by applying IFRIC 23.
According to the interpretation, each uncertain tax treatment is considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty. The entity also assumes that the taxation authority that will examine these amounts it has a right to examine and has full knowledge of all related information when making those examinations.

If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, it will determine taxable profits, tax bases, tax losses, tax credits and tax rates consistently with that treatment. If it concludes that it is not probable that the uncertain tax treatment will be accepted, the effect of the uncertainty in its income tax accounting should be reflected in the period in which that determination is made, using the method that best predicts the resolution of the uncertainty (i.e. the single most likely amount, or the expected value method which follows a probability weighted approach).

2. Summary of significant accounting policies (continued)

2.1.1 New and amended standards and interpretations (continued)

Judgments and estimates made for the recognition and measurement of the effect of uncertain tax treatments should be reassessed whenever circumstances change or new information that affects those judgments arise (e.g. actions by the tax authority, evidence that it has taken a particular position in connection with a similar item or the expiry of its right to examine a particular tax treatment).

The adoption of the interpretation had no impact on the Company's financial statements.

IFRS 16, Leases

IFRS 16, which supersedes IAS 17 'Leases' and related interpretations, introduces a single, on-balance sheet lease accounting model for lessees, under which 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.
The definition of a lease under IFRS 16 mainly relates to the concept of control. The new standard distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:
- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

IFRS 16 provides for the recognition of a 'right-of-use-asset' and a 'lease liability' upon lease commencement in case that there is a contract, or part of a contract, that conveys to the lessee the right to use an asset for a period of time in exchange for a consideration.
The right-of-use-asset is, initially, measured at cost, consisting of the amount of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee and, subsequently, at cost less accumulated depreciation and impairment. The lease liability is initially recognized at an amount equal to the present value of the lease payments during the lease term that are not yet paid.
Consequently, the typical straight line operating lease expense of operating leases under IAS 17 is replaced by the depreciation charge of the 'right-of-use-asset' and the interest expense on the 'lease liability'. The recognition of assets and liabilities by lessees, as described above, is not required for certain short-term leases and leases of low value assets. The accounting treatment for lessors is not substantially affected by the requirements of IFRS 16.

Adoption of IFRS 16

The Company implemented the requirements of IFRS 16 on 1 January 2019. The Company has chosen the modified retrospective application of IFRS 16 and therefore comparative information was not restated.
Upon transition, the Company adopted the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, existing contracts previously classified as service contracts were not classified as leases under IFRS 16, while the definition set out in IFRS 16 is applied to all lease contracts entered into or modified on or after 1 January 2019.

In accordance with IFRS 16, at the commencement date of the lease, the Company as a lessee recognises right-of-use assets (RoA) and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments.

The Company applied this initial measurement principle to all leases, except for those with a lease term of 12 months or less, and leases of low value (i.e. less than BGN 10,000) - making use of the relevant short-term leases and leases of low-value assets exemptions. The Company also adopted the practical expedient not to separate non-lease components from lease components.

2. Summary of significant accounting policies (continued)

2.1.1 New and amended standards and interpretations (continued)

In applying the modified retrospective transition approach, the Company used the following main estimates and judgments:

- In determining the lease term for the leases in which the Company is the lessee, including those leases having an indefinite life, all relevant facts and circumstances, such as future housing needs and expected use, were considered and judgment was exercised. Furthermore, options to extend or terminate the lease that are reasonably certain to exercise were considered. These estimates will be revisited on a regular basis over the lease term.
- The present value of the lease liabilities was measured by using the incremental borrowing rate on the transition date, since the interest rate implicit in the leases was not readily determinable. The discount rate used to determine the lease liabilities will be recalculated on a regular basis, using updated input.
- Applicable taxes, Value Added Tax and stamp duties were excluded from the scope of IFRS 16 calculations.

The Company implemented the requirements of IFRS 16 on 1 January 2019. The impact of the transitioning to the new standard is discussed below.

On 1 January 2019, the Company recognized right-of-use assets of BGN 526 thousand and lease liabilities of an equivalent amount arising from leases of properties and vehicles, with no impact on shareholders' equity.
With regard to subsequent measurement, the Company, acting as a lessee, applies the cost model for the measurement of right-of-use asset. Accordingly, the right-of-use asset is measured at cost less any accumulated depreciation and accumulated impairment losses as determined in accordance with IAS 36, and is adjusted for the remeasurement of the lease liability.
On the other hand, interest expense is recognized on the lease liabilities, while their carrying amount is reduced to reflect the lease payments made. In case of any reassessments or lease modifications specified, the carrying amount of the lease liabilities is remeasured to reflect revised lease payments. For the period ended 31 December 2019, the depreciation charge for right-of-use assets was BGN 72 thousand and the interest expense recognised on lease liabilities was BGN 10 thousand.

The following table presents the reconciliation between the operating lease commitments, as disclosed under IAS 17 in the financial statements for the year ended 31 December 2018 and the lease liabilities recognised under IFRS 16 on 1 January 2019:

Non-cancellable operating lease rentals payable under IAS 17	**31**
Future contractual lease payments (in excess of non-cancelalble term)	654
Total future contractual operating lease payments	**685**
Recognition exemption for short term leases and leases of low value	-
Exclusion of Stamp Duty and VAT	(115)
Undiscounted lease liabilities as at 31 December 2018	**570**
Discounting effect of the lease liability using the incremental borrowing rate as at 1 January 2019	(44)
Total lease liabilities recognised as at 1 January 2019 under IFRS 16	**526**

There was no impact from the adoption of IFRS 16 for the leases in which the Company is a lessor.

2. Summary of significant accounting policies (continued)

2.1.1 New and amended standards and interpretations (continued)

IAS 28, Amendment – Long-Term Interests in Associates and Joint Ventures
The amendment clarifies that IFRS 9 'Financial Instruments' including its impairment requirements, applies to long-term interests in associates or joint ventures that form part of the entity's net investment in the associate or joint venture but are not accounted for using equity accounting.
According to the amendment, an entity should not take into account any adjustments to the carrying amount of long-term interests (net investment in the associate or joint venture), resulting from the application of IAS 28 'Investments in Associates and Joint Ventures' when applying IFRS 9.
The adoption of the amendment had no impact on the Company's inancial statements.

IAS 19, Amendment –Plan Amendment, Curtailment or Settlement
The amendment clarifies that when a change to a defined benefit plan i.e. an amendment, curtailment or settlement takes place and a remeasurement of the net defined benefit liability or asset is required, the updated actuarial assumptions from the remeasurement should be used to determine current service cost and net interest for the remainder of the reporting period after that event. Additionally, the amendment includes clarifications about the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
The adoption of the amendment had no impact on the Company's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

The improvements introduce key changes to several standards as set out below:
The amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' clarified how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. Specifically, when an entity obtains control of a business that is a joint operation, then the transaction constitutes a business combination achieved in stages and the acquiring party re-measures the entire previously held interest in the assets and liabilities of the joint operation at fair value. Conversely, if a party that participates in, but does not have joint control of, a joint operation obtains joint control of the joint operation, then the previously held interest is not re-measured.
The improvement to IAS 12 'Income Taxes' clarified that all income tax consequences of dividends, including payments on financial instruments classified as equity, should be recognized in profit or loss, other comprehensive income or equity, according to where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.
IAS 23 'Borrowing costs' amendment clarified that any borrowing originally performed to develop a qualifying asset should be treated as part of the funds that the entity borrowed generally, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.
The adoption of the amendments had no impact on the Company's financial statements.

New standards, amendments to standards and interpretations not yet adopted by the Company
The following new Standards, amendments to Standards and Interpretations, endorsed by the EC, are not yet mandatorily effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these financial statements. The Company plans to adopt these pronouncements when they become effective.

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

(a) Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors (continued)*

The amendments are effective for annual periods beginning on or after 1 January 2020 and are required to be applied prospectively. Early application is permitted. They clarify and align the

2. Summary of significant accounting policies (continued)

2.1.1 New and amended standards and interpretations (continued)

(a) Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors (continued)*

definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The Company/Group does not expect the Amendments to have a material impact on its separate/consolidated financial statements when initially applied.

(b) Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*

The amendments are effective for annual periods beginning on or after 1 January 2020 and are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to:

- 'Highly probable' requirement.
- Risk components
- Prospective assessments
- Retrospective effectiveness test (for IAS 39)
- Recycling of the cash flow hedging reserve.

The Company/Group does not expect the amendments to have a material impact on its separate/consolidated financial statements when initially applied.

(c) Amendments to References to the Conceptual Framework in IFRS Standards

The amendments are effective for annual periods beginning on or after 1 January 2020.

(d) Amendments to IFRS 3 Business Combinations

The amendments are effective for annual periods beginning on or after 1 January 2020.

Standards and interpretations not yet endorsed by the EC

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

(a) IFRS 17 *Insurance Contracts*

The standard is effective for annual periods beginning on or after 1 January 2021 and early application is permitted. The Company expects that the standard, when initially applied, will not have a material impact on the presentation of the financial statements of the Company because the Company does not issue insurance or reinsurance contracts, does not hold reinsurance contracts and does not issue investment contracts with discretionary participation features.

(b) Other amendments

The following amendments and improvements to standards are not expected to have a material impact on the financial statements of the Company.

- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.

2. Summary of significant accounting policies (continued)

2.2 Principal accounting policies

2.2.1 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.

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

2.2.2 Investment property

In the fourth quarter of 2019, the Company has elected to change its accounting policy regarding the measurement of Investment Property from cost model to fair value model according to IAS 40 "Investment property".

Property held for rental yields and/or capital appreciation that is not occupied by the entity is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. Under fair value model of IAS 40 "Investment property" after initial recognition, investment property is carried at fair value as determined by independent certified valuers, with any change therein recognized in the statement of comprehensive income. Investment property under construction is measured at fair value only if it can be measured reliably.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Investment property is derecognised when disposed or when it is permanently withdrawn from use and there is no future economic benefit expected from its disposal. Any arising gain or loss (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized in thestatement of comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its deemed cost. If an item of property, plant and equipment becomes an investment property because its use has changed, any resulting decrease between the carrying amount and the fair value of this item at the date of transfer is recognized in profit or loss while any resulting increase, to the extent that the increase reverses previous impairment loss for that property, is recognized in profit or loss while any remaining part of the increase is recognized in other comprehensive income and increases the relevant reserve within equity.
Reclassifications among own used and investment properties may occur when there is a change in the use of such properties.
Further information in respect of the fair valuation of the Company's investment properties is included in note 12.

2. Summary of significant accounting policies (continued)

2.2.3 Plant and equipment

Plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
Depreciation on items of plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Computer hardware - 5 years
- Other furniture and equipment – between 3 and 6,67 years
- Motor vehicles- 5 years

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.

2.2.4 Intangible assets

Costs that are directly associated with identifiable non-monetary asset without physical substance controlled by the Company and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Expenditure which enhances or extends the performance of intangible assets beyond their original specifications is recognised as a capital improvement and added to the original costs of the asset. Costs associated with maintaining intangible assets are recognised as an expense as incurred.
Intangible assets include software, including software licenses, and are amortized using the straight-line method over their useful lives of 5 years.
Intangible assets are reviewed by classes of intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An intangible asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.2.5 Financial Instruments

As of 31.12.2019 and 31.12.2018 the financial instruments of the Company are cash and cash equivalents, trade and other receivables, borrowings and other liabilities.

(i) Financial assets

Recognition and initial measurement
Trade and other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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. Summary of significant accounting policies (continued)

2.2.5 Financial Instruments (continued)
(i) Financial assets (continued)

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and measurement

Financial assets in the Company are classified as measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, which is recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Impairment

Loss allowances for trade and other receivables are measured at an amount equal to lifetime ECL.
When determining whether the credit risk of the financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.
The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.
The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Reclassification

The Company reclassifies a financial asset only when it changes its business model for managing financial assets. Generally, a change in the business model is expected to be rare and occurs when the Company either begins or ceases to perform an activity that is significant to its operations. The reclassification is applied prospectively from the reclassification date, therefore previously recognized gains, losses (including impairment losses) are not restated.

(ii) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.2.5 Financial Instruments (continued)

(ii) Financial liabilities

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.
Other payables are measured at amortized cost.

(iii) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.2.6 Leases

Policy applicable after 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.
This policy is applied to contracts entered into, on or after 1 January 2019.

(i) Accounting for leases as lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.
When the Company becomes the lessee in a lease arrangement, it recognizes a lease liability and a corresponding right-of-use (RoU) asset at the commencement of the lease term when the Company acquires control of the physical use of the asset.

Lease liabilities are measured based on the present value of the future lease payments over the lease term, discounted using the Company's incremental borrowing rate.

The RoU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Subsequently, the RoU asset is depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within Operating expenses. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Summary of significant accounting policies (continued)

2.2.6 Leases (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Accounting for leases as lessor

At inception date of the lease, the Company, acting as a lessor, classifies each of its leases as either an operating lease or a finance lease based on certain criteria. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset

Finance leases

At commencement date, the Company derecognizes the carrying amount of the underlying assets held under finance lease, recognizes a receivable at an amount equal to the net investment in the lease and recognizes, in profit or loss, any profit or loss from the derecognition of the asset and the recognition of the net investment.

The net investment in the lease is calculated as the present value of the future lease payments in the same way as for the lessee.

After commencement date, the Company recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Company also recognizes income from variable payments that are not included in the net investment in the lease. After lease commencement, the net investment in a lease is not remeasured unless the lease is modified or the lease term is revised.

Operating leases

The Company continues to recognize the underlying asset and does not recognize a net investment in the lease on the balance sheet or initial profit (if any) on the statement of comprehensive income.

The Company recognizes lease payments from the lessees as income on a straight-line basis. Also it recognizes costs, including depreciation, incurred in earning the lease income as an expense. The Company adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the

2.2.6 Leases (continued)

underlying asset and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Subleases

The Company, acting as a lessee, may enter into arrangements to sublease a leased asset to a third party while the original lease contract is in effect. The Company acts as both the lessee and lessor of the same underlying asset. The sublease is a separate lease agreement, in which the intermediate lessor classifies the sublease as a finance lease or an operating lease as follows:

- if the head lease is a short-term lease, the sublease is classified as an operating lease; or
- otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

Policy applicable before 1 January 2019

Operating leases

(i) Accounting for the Company as a lessee

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases under which the leased asset is not recognized on balance sheet. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) Accounting for the Company as a lessor

Assets leased out under operating leases are included in property, plant and equipment or investment property, as appropriate, in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

2.2.7 Financial costs

Interest expenses for borrowings are recognised within 'financial costs' in the statement of comprehensive income using the effective interest rate method, except for borrowing costs relating to qualifying assets.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability.
When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.
The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2. Summary of significant accounting policies (continued)

2.2.8 Revenue recognition

Rental income
Revenue includes rental income, service and management charges collected from properties and gain/loss from property sale.

Revenue is measured based on the consideration specified in a contract with a customer and is recognised as the related services are being provided to the customers, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

2.2.9 Taxation

Taxation has been provided for in the financial statements in accordance with Bulgarian legislation currently in force.

Income tax expense comprises current and deferred tax. It is recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax is calculated on the basis of the taxable profit for the year, using the tax rates enacted at the balance sheet date. Income tax payable on profits, based on the applicable tax law is recognised as an expense in the period in which profits arise. The Company shall offset current tax assets and current tax liabilities if, and only if it has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. The principal temporary differences arise from depreciation of property, plant and equipment, provisions for court cases and provisions for untaken annual leaves. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

The Company shall offset deferred tax assets and deferred tax liabilities if, and only if it has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

2.2.10 Employee benefits

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

(b) Social, pension and health funds.
The Company is obliged by the current Bulgarian legislation to make fixed contribution on behalf of the employees to a social fund operated by the Government. All those payments/liabilities are related to current salary expenses and 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. Summary of significant accounting policies (continued)

2.2.10 Employee benefits (continued)

(c) Retirement benefit obligations

In accordance with article 222, Para. 3 of the Bulgarian Labour Code, in the event of termination of a labour contract after the employee has reached the lawfully required retirement age, regardless of the reason for the termination, the employee is entitled to compensation as follows: 2 gross monthly salaries in all cases and 6 gross monthly salaries if the employee has been engaged with the Company for at least 10 years.

Provision has been made for the actuarial value of the lump sum payable on retirement using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the statement of comprehensive income so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.

The obligation is calculated as the present value of the estimated future cash outflows using interest rates of Bulgarian government bonds at the end of the reporting period. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations. Actuarial gains and losses that arise in calculating the Company's obligation are recognised directly in other comprehensive income in the period in which they occur and are not reclassified to the statement of comprehensive income in subsequent periods.

2.3 Impact of significant changes in applying accounting policies

2.3.1 IAS 40 'Investment property' – Impact of change in accounting policy to Fair value model

In the fourth quarter of 2019, the Company has elected to change its accounting policy regarding the measurement of Investment Propertry from cost model to fair value model accourding to IAS 40 "Investment property". The resulting information is more relevant because a fair value is an up-to-date value of property that reflects current economic conditions and at the same time the information is reliable because the variability in the range of reasonable fair value measurements is not significant.

In accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors", the above change in the Company's accounting policy on Investment Property was applied retrospectively. The tables below show the adjustments recognized for each individual line item as at 1 January 2018, 31 December 2018 and 31 December 2019. Line items that were not affected by the changes have not been included.

	31 December 2019			**31 December 2018**			**1 January 2018**		
Balance sheet	IP under cost model*	FV model adjustment*	As presented	As published	Restatement	Restated	As published	Restatement	Restated
ASSETS									
Investment property	132,188	6,415	138,603	168,603	115	168,718	216,813	(272)	216,541
Total assets	**141,151**	**6,415**	**147,566**	**178,779**	**115**	**178,894**	**234,972**	**(272)**	**234,700**
EQUITY									
Retained earnings	(301,758)	6,415	(295,343)	(270,846)	115	(270,731)	(239,239)	(272)	(239,511)
Total equity	**(242,833)**	**6,415**	**(236,418)**	**(211,921)**	**115**	**(211,806)**	**(180,314)**	**(272)**	**(180,586)**

2. Summary of significant accounting policies (continued)

2.3 Impact of significant changes in applying accounting policies (continued)

2.3.1 IAS 40 'Investment property' – Impact of change in accounting policy to Fair value model (continued)

Statement of comprehensive income	31 December 2019			31 December 2018		
	IP under cost model*	FV model adjustment*	As presented	As published	Restatement	Restated
Income from investment property, net	(1,505)	2,117	612	452	(104)	348
Expenses related to investment property	(7,863)	3,981	(3,882)	(8,777)	4,642	(4,135)
Net loss from changes in the fair value of investment properties	-	(11,961)	(11,961)	-	(17,197)	(17,197)
Impairment of investment property	(12,163)	12,163	-	(13,046)	13,046	-
Operating loss	**(23,051)**	**6,300**	**(16,751)**	**(23,476)**	**387**	**(23,089)**
Loss for the year	**(30,912)**	**6,300**	**(24,612)**	**(31,607)**	**387**	**(31,220)**

* Under IAS 8 the Company has disclosed to the extend practical the numbers that would have been reported as if the accounting policy at cost model had been applied in 2019 in comparison with actual numbers.

3. Financial risk management

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

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

(b) Interest rate risk
As the Company has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.
The Company's interest rate risk arises from its borrowings (Note 16). Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest re-pricing period of the borrowings is on a yearly base, thus mitigating to some extent the 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.

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

3.1 Credit risk

Credit risk arises from cash and cash equivalents, 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 2019 and 2018 with banks, as follows:

	31 December 2019		31 December 2018	
Contractor	**Credit rating**	**Balance**	**Credit rating**	**Balance**
Eurobank Bulgaria AD	BBB- (BCRA)	7,448	BBB- (BCRA)	9,107
		7,448		**9,107**

The impairment analyses of the trade receivables are based on the criteria "days overdue" – payment history of the client. Every one rent receivables is classified accordingly to the delinquency bucket and it is provisioned accordingly.

The following table provides information about the exposure to credit risk for trade receivables and as at 31 December 2019.

31 December 2019	Gross carrying amount	Credit rating
1–90 days past due	-	0
91–180 days past due	30	1
181–270 days past due	1	2
271-360 days past due	35	3
More than 361 days past due	2,833	4
	2,899	

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

3.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The liquidity risk is strictly monitored by the Management. The Management expects positive cash flows for the year ended 2019 and onwards, mainly due to cash inflows from operations.

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

3.2 Liquidity risk (continued)

		Contractual cash flows				
	Carrying amount	Total	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	More than 1 year
As at 31 December 2019						
Lease liabilities	459	(492)	(6)	(13)	(58)	(415)
Other payables	1,794	(1,794)	-	(890)	(904)	-
Borrowings	381,430	(384,682)	(542)	(1,084)	(383,056)	-
Total financial liabilities	**383,683**	**(386,968)**	**(548)**	**(1,987)**	**(384,018)**	**(415)**

		Contractual cash flows			
	Carrying amount	Total	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months
As at 31 December 2018					
Other payables	1,397	(1,397)	(357)	(773)	(267)
Borrowings	389,303	(393,221)	(764)	(1,277)	(391,180)
Total financial liabilities	**390,700**	**(394,618)**	**(1,121)**	**(2,050)**	**(391,447)**

3.3 Capital management

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

4. Critical accounting estimates and judgments

Management makes estimates and assumptions concerning the future. 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.

Fair value of investment properties

Investment property is carried at fair value, as determined by certified valuators on an annual basis.

The main factors underlying the determination of fair value are related with rental income from current leases and assumptions about rental income from future leases in the light of current market conditions, future vacancy rates and periods, discount rates or rates of return, the terminal values as well as the level of future maintenance and other operating costs.

Additionally, where the fair value is determined based on market prices of comparable transactions those prices are subject to appropriate adjustments, in order to reflect current economic conditions and management's best estimate regarding the future trend of properties market based on advice received from its independent external valuers. Further information in respect of the fair valuation of the Company's investment properties is included in note 12.

4. Critical accounting estimates and judgments (continued)

The fair value estimations of the external valuers are based on estimates such as:

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

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

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

Estimate of fair value of investment property

The investment property are categorized into three levels of the fair value hierarchy based on whether the inputs to the fair value are obseable or unobservable, as follows:

Level 1 – Investment property measured based on quoted prices in active markets for identical assets that the company can access at the measurement date.
Level 2 – Investment property 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 property measured using valuation techniques with significant unobservable inputs.

Quantative information about fair value mesurments using significant unobservable input Level 3 as of 31.12.2019.

4. Critical accounting estimates and judgments (continued)

Description	Fair value at 31.12.2019 in BGN thousands	Valuation technique(s)	Unobservable input	Range (weighted average) 2019 in BGN	Connection between unobservable input and FV
Investment properties in Bulgaria :					
Residential properties	26,108	Sales comparable approach	price per square metre	90-2292 (810)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Sales comparable approach	price per square metre	100-2600 (1,000)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	112-660 (200)	
Commercial properties	63,122	Income approach	rent per square metre	6.50-20 (11)	Should the rent per square metre increase, the Fair value of the investment properties would increase too
		Sales comparable approach	price per square metre	95-700 (195)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
Industrial	31,067	Cost approach	price per square metre	180-630 (200)	
Lands	18,306	Sales comparable approach	price per square metre	2.34 – 440 (42)	Should the price per square metre increase, the Fair value of the investment properties would increase too.

4. Critical accounting estimates and judgments (continued)

Quantative information about fair value mesurments using significant unobservable input Level 3 as of 31.12.2018.

Description	Fair value at 31.12.2018 in BGN thousands	Valuation technique(s)	Unobservable input	Range (weighted average) 2018 in BGN	Connection between unobservable input and FV
Investment properties in Bulgaria :					
Residential properties	32,232	Sales comparable approach	price per square metre	100-2519 (848)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Sales comparable approach	price per square metre	114.04-2,876.22 (1,086.60)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	116.12-670 (217)	
Commercial properties	78,581	Income approach	rent per square metre	7.50-20 (12)	Should the rent per square metre increase, the Fair value of the investment properties would increase too
		Sales comparable approach	price per square metre	98.22-785.17 (206)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
Industrial	36.391	Cost approach	price per square metre	200-670 (210)	
Lands	21,514	Sales comparable approach	price per square metre	2.34 – 469.39 (46.70)	Should the price per square metre increase, the Fair value of the investment properties would increase too.

According to IAS 40 and the Company's policy, Imo Property Investments Sofia EAD performed an impairment analysis of the acquired properties closer to the year-end reporting date.

New market valuations have been performed which represent the fair value of the particular properties. The impairment analysis is done by comparing the most recent available valuation, which should not be older than 1 year, with the carrying amount (NBV) of a particular property.

5. Income from investment property, net

	2019	2018
Gain/Loss from sale of investment property	14	(1,104)
Rental income	598	1,452
Total	**612**	**348**

6. Income from intermidiary services

	2019	2018
Intermidiary services to related parties /Note 21/	58	-
Total	**58**	-

7. Net loss from changes in the fair value of investment properties

	2019	2018
Net loss from changes in the fair value of investment properties	(11,961)	(17,197)
Total	**(11,961)**	**(17.197)**

8. Expenses related to investment property and impairment

	2019	2018
Maintenance	(3,882)	(4,135)
Total	**(3,882)**	**(4,135)**

9. Administrative expenses

	2019	2018
Salaries	(696)	(505)
Social security costs	(89)	(62)
Legal provisions	(217)	-
Depreciation	(87)	(3)
Rent	(20)	(92)
Audit fees	(24)	(23)
Travel costs	(29)	(23)
Other expenses related to personnel	(5)	(3)
Other	(84)	(81)
Total	**(1,251)**	**(792)**

The average number of employees of the Company during the year was 15 (2018: 12).

10. Financial costs

	2019	2018
Interest expense	(7,866)	(8,095)
Interest on lease liabilities	(10)	-
Other finance costs	(34)	(22)
Total financial costs	**(7,910)**	**(8,117)**
Interest income	57	-
Net financial costs	**(7,853)**	**(8,117)**

11. Taxation

	2019	2018
Loss before income tax	(24,604)	(31,593)
Tax calculated at a tax rate applicable to profits 10% (2018:10%)	(2,460)	(3,159)
Tax effect of expenses not deductible for tax purposes	-	-
Unrecognized deferred tax income for the year	2,460	3,159
Income tax expense	-	-

Tax authorities can at any given time carry out an audit of the accounting registers within 5 years after the reporting period, where it is possible to levy additional tax or impose fines. Management does not believe that there are circumstances, which could lead to significant tax obligations of the abovementioned nature.

Tax losses carried forward

Tax losses carried forward for which no deferred income tax asset was recognised, and the year of their expiry are as follows:

Year of expiry	2019	2018
2019	12,673	7,147
2020	13,798	12,673
2021	24,114	13,798
2022	26,896	24,114
2023	28,491	26,896
	105,972	**84,628**

12. Investment property

In the fourth quarter of 2019, the Company has elected to change its accounting policy regarding the measurement of Investment Property from cost model to fair value model according to IAS 40 "Investment property". In accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors'', the above change in the Company's accounting policy on Investment Property was applied retrospectively, consequently comparatives presented below have been restated. Refer also to note 2.3.1.

	As at 31 December	
	2019	**2018 restated**
Balance at beginning of period as reported	**168,718**	**216,813**
Restatement due to change in accounting policy (note 2.3.1)	-	(273)
Balance at beginning of period as restated	**168,718**	**216,540**
Additions	4,806	5,536
Disposals	(22,960)	(36,162)
Net loss from fair value adjustments	(11,961)	(17,196)
	138,603	**168,718**

The annual impairment assessment, close to the year end was performed by independent certified valuers. Some purchases of properties include the purchase of the equipment which represents inseparable part of the property. The aim of the Company is to sell or to rent them together with the respective property.

13. Plant, equipment, intangible assets and right of use

	Office furniture	Motor vehicles	Computers	Software	Rights of use	Total
Carrying amount as at 1 January 2018	-	-	1	4	-	**5**
Additions	3	53	-	-	-	**56**
Depreciation/amortization	(1)	(1)	-	(1)	-	**(3)**
Carrying amount as at 31 December 2018	**2**	**52**	**1**	**3**	-	**58**
Recognition of right-of-use asset on initial application of IFRS 16	-	-	-	-	526	**526**
Additions	-	49	1	-	-	**50**
Depreciation/amortization	(1)	(12)	(1)	(1)	(72)	**(87)**
Carrying amount as at 31 December 2019	**1**	**89**	**1**	**2**	**454**	**547**
Cost	12	102	12	8	526	**660**
Accumulated depreciation	(11)	(13)	(11)	(6)	(72)	**(113)**
Carrying amount as at 31 December 2019	**1**	**89**	**1**	**2**	**454**	**547**

14. Prepayments for acquisition of investment property

	As at 31 December	
	2019	**2018**
Investment property in process of acquisition	380	313
	380	**313**

The investment property in process of acquisition are the assets that are not fully paid as at 31 December. After their completely payment they are booked as Investment property.

15. Trade and other receivables

	As at 31 December	
	2019	**2018**
Non-financial assets		
Prepaid expenses	30	41
VAT receivables	406	-
Financial assets		
Other receivables	82	401
Court receivables	2	3
Receivables from clients	2,902	2,752
Receivables from bailiffs and other suppliers	65	73
Impairment allowance on rent receivables	(2,899)	(2,572)
	588	**698**

As of 31 December 2019 the Management made assessment of the receivables from clients. An allowance for impairment of these receivables in the amount of BGN 327 thousand for 2019 was recognized and booked additionally (2018: BGN 1,313 thousand).

Movement of the impairment allowance	As at 31 December	
	2019	**2018**
Opening balance at 1 January	2,572	1,259
Recognized amount	327	1,313
Closing balance at 31 December	**2,899**	**2,572**

16. Cash and cash equivalents

	As at 31 December	
	2019	**2018**
Current accounts in BGN	6,997	9,055
Current accounts in EUR	451	52
Total cash and cash equivalents	**7,448**	**9,107**

17. Share capital and share premium

	Number of shares	Nominal value of 1 share BGN	Value BGN'000
At 31 December 2018	**456,719**	**1**	**457**
At 31 December 2019	**456,719**	**1**	**457**

As at 31 December 2019 and 2018 the share capital is divided into 456,719 shares, each with a nominal value of BGN 1. The sole owner of the capital is NEU Property Holdings Ltd., Cyprus.

17. Share capital and share premium (continued)

On 12.10.2012 the Company's capital was increased through issue of 56, 719 new ordinary registered, physical, by-name, voting shares with a nominal value of BGN 1.00 and issue value of BGN 1000. The difference between the nominal and the issue value of the shares from the increase of the Company's capital, which amounts to BGN 56 662 281 was deposited in the Company's Reserve Fund. Accumulated Reserve Fund of the Company as at 31 December 2019 and 2018 is BGN 58 468 281.

18. Borrowings

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

	As at 31 December	
	2019	**2018**
Principal of bank loans	381,387	389,210
Accrued interest	43	93
	381,430	**389,303**

As of the Balance sheet date the amortized cost is an approximation of their fair value.

Reconciliation of movements of liabilities to cash flows arising from financing activities is presented in the table below:

	2019	**2018**
Opening balance at 1 January	**389,303**	**413,799**
Repayment of debt (principal)	(7,823)	(24,448)
Interest expense	7,866	8,095
Interest paid	(7,916)	(8,143)
Balance at 31 December	**381,430**	**389,303**

The carrying amounts of these floating-rate borrowings approximate their fair values at the balance sheet date. All borrowings are contracted with floating rate of (1M EURIBOR) plus margin of 2.00%. There are no covenants included in the loan agreements.

The current credit line was renewed until 30 June 2021. The credit line limit as of 31 December 2019 is EUR 223 millions (2018: BGN 436 millions).

19. Other payables

	As at 31 December	
	2019	**2018**
Financial liabilities		
Advanced payment from clients	890	773
To suppliers	904	383
Lease obligations	459	-
Non financial liabilities		
Legal provisions	217	-
Unused vacation paybables	1	-
VAT payable	-	162
Guarantees	34	50
Other tax payables	7	1
	2,512	**1,369**

19. Other payables (continued)

	As at 31 December	
Legal provisions	**2019**	**2018**
Opening balance at 1st of January	-	-
Charged to the income statement	217	-
Used during year	-	-
Closing balance	**217**	**-**

20. Financial instruments by category

As at 31 December

Financial assets as per balance sheet	**Financial assets at amortized cost 2019**	**Financial assets at amortized cost 2018**
Trade and other receivables (Note 15)	152	657
Cash and cash equivalents (Note 16)	7,448	9,107
	7,600	**9,764**

Financial Liabilities as per balance sheet	**Other financial liabilities 2019**	**Other financial liabilities 2018**
Other payables (Note 19)	2,253	1,156
Borrowings (Note 18)	381,430	389,303
	383,683	**390,459**

The fair value of all financial assets and liabilities as at the end of 2019 and 2018 approximates their carrying value.

21. Related party transactions

In May 2019, following the increase of the share capital of the Eurobank Ergasias in the context of the merger with absorption of Grivalia Properties REIC, the percentage of the its ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) decreased from 2.38% to 1.40%. The HFSF is still considered to have significant influence over Eurobank Ergasias pursuant to the provisions of the Law 3864/2010, as in force, and the Relationship Framework Agreement (RFA) Eurobank Ergasias has entered into with the HFSF. In particular, among others rights according to Law 3864/2010, as in force, and the RFA, HFSF exercises its voting rights in the Eurobank Ergasias General Assembly only for decisions concerning the amendment of Eurobank Ergasias Articles of Association, including the increase or decrease of the Eurobank Ergasias capital or the granting of a corresponding authorization to the Eurobank Ergasias's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Eurobank Ergasias, the transfer of assets (including the sale of subsidiaries), or any other issue requiring approval by an increased majority as provided for in Company Law 4548/2018. Further to this, the RFA signed on 4 December 2015 replacing the previous one, signed on 26 August 2014, regulates, among others, (a) Eurobank Ergasias's corporate governance, (b) the Restructuring Plan and its monitoring, (c) the monitoring of the implementation of Eurobank Ergasias's Non-Performing Loans (NPLs) management framework and of Eurobank Ergasias's performance on NPLs resolution, (d) the Material Obligations and the switch to full voting rights, (e) the monitoring of Eurobank Ergasias's actual risk profile against the approved Risk and Capital Strategy, (f) the HFSF's prior written consent for Eurobank Ergasias's Group Risk and Capital Strategy and for Eurobank Ergasias's Group Strategy, Policy and Governance regarding the management of its arrears and non-performing loans and any amendment, extension, revision or deviation thereof, and (g) the duties, rights and obligations of HFSF's Representative in Eurobank Ergasias's Board.

21. Related party transactions (continued)

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits and guarantees. In addition, as part of its normal course of business in investment banking activities, the Group at times may hold positions in debt and equity instruments of related parties.
Following the completion of the merger of Eurobank with Grivalia Properties REIC, Fairfax group has increased its percentage holding in Eurobank Ergasias share capital, which as at 31 December 2019 stands at 31.27%.

Key management personnel are the members of the Board of Directors.
The management is compensated by virtue of a decision of Board of Directors. There is no key management compensation for the years ended 31 December 2019 (2018: BGN 0).

All transactions with related parties are with subsidiaries of the Group.

	2019	2018
Payables to related parties		
Eurobank Bulgaria AD	10	144
Borrowings and accrued interest		
Eurobank Private Bank Luxembourg S.A.	381,430	389,303
Cash and cash equivalents		
Eurobank Bulgaria AD (Note 14)	7,448	9,107
Interest expenses		
Eurobank Private Bank Luxembourg S.A.	7,866	8,095
FX transaction expenses, net		
Eurobank Bulgaria AD	22	4
Commissions and fees expenses		
Eurobank Bulgaria AD	12	18
Expenses related to investment property		
ERB Property Services Sofia EAD	-	284
Eurobank Bulgaria AD	1	130
Rental and agency services ncome		
Eurobank Bulgaria AD	58	108
Rent expenses		
IMO Central Office EAD	-	53
ERB Leasing EAD	-	21
Eurobank Bulgaria AD	13	2

22. Contingent liabilities and commitments

The management has not identified any significant contingent liabilities and commitments valid as at 31 December 2019 (as at 31 December 2018: BGN 0)

23. Leases

The Company as a lessee

Policy applicable after 1 January 2019 (IFRS 16)

The Company leases office and and motor vehicles.

The majority of the Company's property leases are under long term agreements (for a term of 12 months or more in the case of leased real estate assets), with options to extend or terminate the lease according to the terms of each contract and the usual terms and conditions of commercial leases applicable in each jurisdiction, while motor vehicles generally have lease terms of up to 4 years. Extension options held by the Company are included in the lease term when it is reasonably certain that they will be exercised based on its assessment.

Before the adoption of IFRS 16, these leases were classified as operating leases under IAS 17.

Information about the leases for which the Company is a lessee is presented below:

Right-of-Use Assets

As at 31 December 2019, the right-of-use assets included in property plant and equipment amounted to BGN 526 thousand (Note 12).

Lease Liabilities

The lease liability included under other liabilities amounted to BGN 459 thousand as at 31 December 2019 (Note 18).

Amounts recognised in profit or loss

Interest on lease liabilities is presented in Note 10. The operating lease expense under IAS 17 was BGN 92 thousand in 2018.

The Company had total cash outflows for leases of BGN 92 thousand in 2019.

Policy applicable before 1 January 2019

The Company has entered into commercial leases for premises and motor vehicles. The majority of the Company's leases are under long-term agreements, according to the usual terms and conditions of commercial leases including renewal options.

Non-cancellable operating lease rentals were payable as follows:

Future minimum lease payments	**2018**
No later than one year	31
Total	**31**

23. Leases (continued)

The Company as a lessor

Operating Leases

Policy applicable after 1 January 2019 (IFRS 16)

The Company leases out its investment property under the usual terms and conditions of commercial leases applicable in each jurisdiction. When such leases do not transfer substantially all of the risks and rewards incidental to the ownership of the leased assets, the Company classifies these lease as operating leases.

The maturity analysis of operating lease receivables, based on the undiscounted lease payments to be received after the reporting date, is provided below:

	2019
Not later than one year	224
Total	**224**

Policy applicable before 1 January 2019

The Company has entered into commercial leases on premises. Where the Company is the lessor, the amount of the future minimum rentals under non-cancellable operating leases as of 31 December 2018 was BGN 598 thousand, payable not later than one year.

24. Events after the balance sheet date

On 20.03.2020 a demerger of Eurobank Ergasias S.A. was approved through sector's hive down and establishment of a new company-credit institution under the corporate name Eurobank S.A, which has been registered on the same day in the General Commercial Registry.

As result of the Demerger:
a) Eurobank Ergasias S.A. became the shareholder of the new company Eurobank S.A. by acquiring all its issued shares, and
b) Eurobank S.A. substituted Eurobank Ergasias S.A., by way of universal succession, to all the transferred assets and liabilities, as set out in the transformation balance sheet of the hived down sector.
Following the completion of the Demerger, Eurobank Ergasias S.A. will cease to be a credit institution and maintains activities and assets and liabilities that are not related to main banking activities.

On 11 March 2020, The World Health Organization declared the coronavirus outbreak a pandemic and the Bulgarian government declared an emergency state on 13 March 2020. Responding to the potentially serious threat the Coronavirus presents to public health, the Bulgarian government authorities have taken measures to contain the outbreak, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors from a number of countries pending further developments and the 'lock-down' of certain industries. In particular, airlines and railways suspended international transport of people, schools, universities, restaurants, cinemas, theatres and museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies were closed. Some businesses in Bulgaria have also instructed employees to remain at home and curtailed or temporarily suspended business operations. On 13 May 2020, the Bulgarian government revoked the emergency state in the country. Some of the restrictive measures continue to operate under the Health Act.

24. Events after the balance sheet date (continued)

The wider economic impacts of these events might include:
— Disruption to business operations and economic activity in Bulgaria, with cascading impacts on both upstream and downstream supply chains;
— Significant disruption to businesses in certain sectors, both within Bulgaria and in markets with high dependence on supply chain in China and Italy as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and also financial sector;
— Significant decrease in demand for non-essential goods and services;
— An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

Based on publicly available information at the date these financial statements were authorized for issue, management considered a number of severe but plausible adverse scenarios with respect to the potential development of the outbreak and its expected impact on the Bank and economic environment in which the Company operates.

In response to these expected scenarios, management has already initiated actions aimed at mitigating the risks, which notably include:

- ✓ Actions towards the employees (ensuring the highest possible disinfection in offices; repositioning the personnel in different locations for minimizing the risks of infection; having an extensive number of people working from home)
- ✓ Actions towards ensuring the supply chain continuity (contacting vendors, seeking for alternative solutions)
- ✓ Actions towards clients

Due to the fact that the situation related to the outbreak of the disease is very dynamic and responses of the Bulgarian and other governments worldwide change very quickly, certain of the above measures initiated by management are still in progress and their outcome is uncertain at this stage. The Company's financial position has not changes significantly since 31 December 2019, and the Management considers the existing capital resources and sources of financing (including the support from the Group) would be adequate for the liquidity needs of the Company in 2020. The main liquid financial assets of the Company as at 31 December 2019 are cash and cash equivalents amounting to BGN 7,448 thousand (02 July 2020 – BGN 6,375 thousand)There is a risk that in a severe but plausible scenario of prolonged lockdown current management plans might be insufficient to mitigate the operating and liquidity risks. However, management is monitoring the situation very closely and stands prepared to apply further decisions, initiatives and policies, if necessary. Therefore, management is currently considering the going concern assumption adopted in the preparation of these financial statements as appropriate.
The Company's activities depend on the support of the Group. The Group Management has expressed its intention to continue to provide financial and other support to enable the Company to perform its operations.

In 2020 the Company extended its loan facilities from June 2020 till June 2021, which is a non-adjusting event under IAS 10.

There are no other significant post balance sheet events which require adjustment or disclosure in the financial statements for the period ended 31 December 2019.