IMO 03 EAD

INDEPENDENT AUDITOR'S REPORT

ANNUAL ACTIVITY REPORT

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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KPMG Audit OOD
45/A Bulgaria Boulevard
Sofia 1404, Bulgaria
+359 (2) 9697 300
bg-office@kpmg.com
kpmg.com/bg

Independent Auditors' Report

To the sole shareholder of IMO 03 EAD

Opinion

We have audited the accompanying financial statements of IMO 03 EAD (the Company) as set out on pages 5 to 25, which comprise the balance sheet as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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 2020, and of its financial performance and its cash flows for the period 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.

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, except to the extent otherwise explicitly stated in our report we do not express any form of assurance conclusion thereon.

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:

— 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.

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

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

Management is responsible for the preparation of 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

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered auditor, responsible for the audit

Sofia, 31 May 2021

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 045
КПМГ ОДИТ ООД

ANNUAL ACTIVITY REPORT

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 2020. The financial statements have been audited by KPMG Audit OOD.

GENERAL INFORMATION

Imo 03 EAD (the Company), UIC 175434111, is a single-stock company registered in Bulgaria on 18 December, 2007. The address of its registered office is as follows: 260 Okolovrasten pat Str., 1766 Sofia, Bulgaria.

The sole owner of the capital is Neu 03 Property Holdings Limited 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 HE326948. On 2 March 2021 Eurobank S.A. acquired 100% of the shares of IMO 03 EAD from its fully owned entity NEU 03 Property Holdings Limited (note 17).
The Company does not have branches in the country or abroad.

The Company's ultimate parent is Eurobank S.A.[1].

The Company was registered with the principal activity execution of all types of real estate transactions: sale – purchase, renting 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.

The Company does not carry out research and development activities.

SHARE CAPITAL STRUCTURE

As at 31 December 2020 the total authorized number of ordinary shares was BGN 125,000 with a nominal value of BGN 1 per share.

BOARD OF DIRECTORS

As at 31 December 2020 the Board of Directors consists of the following members:

Panagiotis Mavridis – Chairman of the Board of Directors and Executive Director
Mariana Hristova – Member of the Board of Directors and Executive Director
Michalis Stamou – Member of the Board of Directors

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

In 2020 the members of the Board of Directors did not receive remuneration from the Company.

[1] On 20.3.2020 was approved the demerger of Eurobank Ergasias S.A. ("Demerged entity"), through sector's hive down and the establishment of a new company-credit institution under the corporate name "Eurobank S.A." ("the Beneficiary") , following to which the Demerged Entity became the 100% shareholder of the Beneficiary.
The 23.3.2020 change of Corporate Name of Eurobank Ergasias S.A. to "Eurobank Ergasias Services and Holdings S.A.", consequently resulting to:

- Eurobank S.A. substitutes the Demerged Entity (former Eurobank Ergasias), by way of universal succession, to all the transferred assets and liabilities
- Eurobank S.A. became the shareholder of the Demerged Entity's subsidiaries

GENERAL INFORMATION (CONTINUED)

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.

The Board of Directors member's rights to acquire shares and bonds of the company
No member of the Board of Directors holds special rights of acquisition of shares or bonds of the Company.

The Board of Directors members' 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:

Michalis Stamou

- IMO Property Investments Sofia EAD, Bulgaria - Member of the Board of Directors;
- IMO Property Investments Bucuresti S.A, Romania – Chairman, Member of the Board of Directors;
- IMO II Property Investments S.A., Romania – Chairman, Member of the Board of Directors;
- ERB Leasing Bulgaria EAD, Bulgaria – Member of the Board of Directors (until 4.2.2020);
- IMO Property Investments AD Beograd, Serbia – Member of the Supervisory Board;
- Retail Development S.A., Romania - Member of the Board of Directors; (effective 8/1/2020);
- Seferco Development S.A., Romania, Member of the Board of Directors (effective 15/7/2020).

Panagiotis Mavridis

- ERB Property Services Sofia EAD, Bulgaria – Member of the Board of Directors (until 08.01.2020);
- IMO Property Investments Sofia EAD, Bulgaria – Executive Director and Member of the Board of Directors;
- ERB Leasing Bulgaria EAD, Bulgaria – Member of the Board of Directors (until 4.2.2020);
- Eurobank Bulgaria AD – Member of the Management Board (as of 30.06.2020).

Mariana Hristova doesn't participate in the management of other companies or cooperatives as procurator, manager or board member.

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

OVERVIEW OF RESULTS

Financial results for the current period
The financial result before tax for 2020 is loss in the amount of BGN 2,488 thousand. The main part of the expenses is related to the loss of the investment property change in fair value - BGN 1,827 thousand.

Investing activity
In December 2013 the Company acquired through public auction one property in Varna situated in St. Nikola area. The property is Regulated land plot with existing constructions of residential project. The Management is in process of examining different strategies for maximizing gains from the property.

MAIN OBJECTIVES FOR 2021

For 2021 the Company does not plan acquisitions. The main target is to complete the sale of the acquired property.

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.

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 2 March 2021 Eurobank S.A. acquired 100% of the shares of IMO 03 EAD from its fully owned entity NEU 03 Property Holdings Limited. On 16 April 2021 the new sole owner of the capital, Eurobank S.A. signed a resolution to increase the capital of the Company by BGN 30,902 thousand through the issuance of 25 000 ordinary, registered, physical, with voting rights new shares with nominal value of BGN 1 per share and issue value of BGN 1,236.08456 Bulgarian leva per share. The share premium of the issue amounting to BGN 30,877 thousand is transferred to Other reserves.

In April 2021 the loan from Eurobank Private Bank Luxembourg has been fully repaid.

There are no other significant post balance sheet events which require adjustment or disclosure in the financial statements for the year ended 31 December 2020.

MANAGEMENT RESPONSIBILITIES

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 .

ИМО 03 ЕАД
СОФИЯ
SOFIA
IMO 03 EAD

Panagiotis Mavridis
Chairman of the Board of Directors and Executive Director

Mariana Hristova
Member of the Board of Directors and Executive Director

Date: 27.05.2021
Sofia, Bulgaria

IMO 03 EAD
BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are presented in BGN thousands unless otherwise stated)

	Notes	31 December 2020	31 December 2019
Non-current assets			
Investment property	9	9,973	11,800
Total non-current assets		**9,973**	**11,800**
Current assets			
Cash and cash equivalents	10	208	386
Trade and other receivables	11	4	1
Total current assets		**212**	**387**
Total Assets		**10,185**	**12,187**
Current liabilities			
Borrowings	12	30,807	30,319
Trade and other payables	13	6	8
Total liabilities		**30,813**	**30,327**
Equity			
Share capital	14	125	125
Accumulated loss		(20,753)	(18,265)
Total equity		**(20,628)**	**(18,140)**
Total equity and liabilities		**10,185**	**12,187**

The Financial statements were authorised by the Board of Directors on 27.05.2021 and is signed by:

Panagiotis Mavridis
Chairman of the Board of Directors and
Executive Director

Yordanka Karapetrova
Responsible for preparation of
financial statements

ИМО 03 ЕАД
София
SOFIA
IMO 03 EAD

Mariana Hristova
Member of the Board of Directors and Executive Director

Initialled for identification purposes in reference to the audit report:
KPMG Audit OOD:

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered Auditor, responsible for the
audit

ОДИТОРСКО ДРУЖЕСТВО
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Рег. № 045
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IMO 03 EAD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are presented in BGN thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2020	2019
Loss from investment property fair value change	9	(1,827)	(5,987)
Expenses related to investment property	5	(140)	(148)
Administrative expenses	6	(7)	(7)
Operating loss		**(1,974)**	**(6,142)**
Financial costs	7	(514)	(607)
Loss before income tax		**(2,488)**	**(6,749)**
Income tax expense	8	-	-
Loss for the year		**(2,488)**	**(6,749)**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**(2,488)**	**(6,749)**

The Financial statements were authorised by the Board of Directors on 27.05.2021 and is signed by:

ИМО 03 ЕАД
София
SOFIA
IMO 03 EAD

Panagiotis Mavridis
Chairman of the Board of Directors and Executive Director

Yordanka Karapetrova
Responsible for preparation of financial statements

Mariana Hristova
Member of the Board of Directors and Executive Director

Initialled for identification purposes in reference to the audit report KPMG Audit OOD

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered Auditor, responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО
София
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IMO 03 EAD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are presented in BGN thousands unless otherwise stated)

	Share capital	Accumulated loss	Total
At 1 January 2019 published	**125**	**(11,332)**	**(11,207)**
Restatement due to change in accounting policy	-	(184)	**(184)**
At 1 January 2019 restated	**125**	**(11,516)**	**(11,391)**
Loss for the year	-	(6,749)	(6,749)
At 1 January 2020	**125**	**(18,265)**	**(18,140)**
Loss for the year	-	(2,488)	(2,488)
At 31 December 2020	**125**	**(20,753)**	**(20,628)**

The Financial statements were authorised by the Board of Directors on 27.05.2021 and is signed by:

Panagiotis Mavridis
Chairman of the Board of Directors and Executive Director

ИМО 03 ЕАД София SOFIA IMO 03 EAD

Yordanka Karapetrova
Responsible for preparation of financial statements

Mariana Hristova
Member of the Board of Directors and Executive Director

Initialled for identification purposes in reference to the audit 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 03 EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are presented in BGN thousands unless otherwise stated)

	Notes	Year ended 31 December 2020	2019
Operating activities			
Payments to suppliers and other creditors		(164)	(169)
VAT received		25	31
Payments for municipality fees		(13)	(12)
Net cash flows used in operating activities		**(152)**	**(150)**
Financing activities			
Payments for other financial costs		(1)	(2)
Borrowings received		489	978
Interest paid		(514)	(610)
Net cash flows from/(used in) financing activities		**(26)**	**366**
Increase/(decrease) in cash and cash equivalents		**(178)**	**216**
Cash and cash equivalents at the beginning of the year		386	170
Cash and cash equivalents at end of year	**10**	**208**	**386**

The Financial statements were authorised by the Board of Directors on 27.05.2021 and is signed by:

Panagiotis Mavridis
Chairman of the Board of Directors and Executive Director

ИМО 03 ЕАД София SOFIA IMO 03 EAD

Yordanka Karapetrova
Responsible for preparation of financial statements

Mariana Hristova
Member of the Board of Directors and Executive Director

Initialled for identification purposes in reference to the audit 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 03 EAD (the Company), UIC 175434111, is a single-stock company registered in Bulgaria on 18 December, 2007 with trade name EFG Securities Bulgaria EAD. The address of its registered office is as follows: 260 Okolovrasten pat Str. 1766 Sofia, Bulgaria. Its first subject of activity was performing investment services and activities.

On 4 February 2011 the sole owner issued Resolution for change of the name and the Company's scope of activity. The sole owner of the capital resolved on the change of the Company's trade name from EFG Securities Bulgaria EAD to IMO 03 EAD and resolved on the scope of activity to be changed to property investment activities, namely purchase, building and construction of real estate property for the purpose of rent and capital appreciation.

2. Basis of preparation and principal accounting policies

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

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by IASB, as endorsed by the European Union (EU), and with those IFRSs and IFRS Interpretation Committee's (IC) interpretations, issued and effective or issued and early adopted as at the time of preparing these financial statements.

The financial statements have been prepared under historical cost convention as modified by:

- investment property - measured at fair-value-through-profit-or-loss;

Use of judgments and estimates

The preparation of the financial statements in conformity with IFRS requires the use of estimates and judgements as described in note 3. Critical accounting estimates and judgments in applying accounting policies 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 significant estimates, judgments and assumptions made by Management are the same as those applied in the financial statements for the year ended 31 December 2019.

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. As of 31 December 2020 the Company had negative equity of BGN 20,628 thousand (2019: negative equity of BGN 18,140 thousand) and is in breach of article 252, para (1), item 5 of the Bulgarian Commerce Act as its registered capital exceeds net assets. In addition its current liabilities exceed current assets by BGN 30,601 thousand.
On 2 March 2021 Eurobank S.A. acquired 100% of the shares of IMO 03 EAD from its fully owned entity NEU 03 Property Holdings Limited. On 16 April 2021 the new shareholder of the capital, Eurobank S.A. signed a resolution to increase the capital of the Company by BGN 30 902 thousand through the issuance of 25 000 ordinary, registered, physical, with voting rights new shares with nominal value of BGN 1 per share and issue value of BGN 1,236.08456 Bulgarian leva per share. The share premium of the issue amounting to BGN 30,877 thousand is transferred to Other reserves.
In April 2021 the loan to Eurobank Private Bank Luxembourg has been fully repaid.

Based on the above Management concluded that there are no events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

2. Summary of significant accounting policies (continued)

2.1.1 New and amended standards and interpretations

The following new standards, amendments to standards and Conceptual Framework as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), apply from 1 January 2020:

Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards
In March 2018, the IASB issued its revised "Conceptual Framework for Financial Reporting" (Conceptual Framework). The revised Conceptual Framework is not a standard nor overrides any requirements of individual standards. This replaces the previous version of the Conceptual Framework issued in 2010. Revisions performed by IASB introduced guidance on measurement, presentation and disclosure as well as on derecognition concepts. In addition, the revision includes updated definitions of an asset/liability and of recognition criteria, as well as clarifications on important areas.
Alongside the revised Conceptual Framework, the IASB has published an accompanying document "Amendments to References to the Conceptual Framework in IFRS Standards" which contains consequential amendments to affected standards so that they refer to the revised Framework. The adoption of the amended Framework had no impact on the Company's financial statements.

Interest Rate Benchmark Reform - Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7 (effective 01 January 2020)
In September 2019, the IASB issued amendments to IFRS 9 'Financial Instruments', IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" to address the implications for certain hedge accounting requirements related to the uncertainties arising from the market-wide reform of several interest rate benchmarks (referred to as 'IBOR reform'). As a result of the IBOR reform, there may be uncertainties about: a) the interest rate benchmark designated as a hedged risk and/or b) the timing or amount of the benchmark rate-based cash flows of the hedged item or the hedging instrument, during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate ('RFR'). The amendments modify certain hedge accounting requirements under IAS 39 or IFRS 9 in order to provide temporary reliefs from the potential effect of the uncertainty, during the transition period. These reliefs are related mainly to the highly probable requirement for the cash flow hedges, the compliance with the identifiable nature of the hedged risk component and the application of prospective and retrospective effectiveness tests. The amendments to IFRS 7 require addition disclosures in relation to the hedging relationships to which the above reliefs are applied.
The adoption of the amendment is not relevant to the Company's financial statements.

Amendments to IFRS 3 Business Combinations
The IASB issued amendments to the definition of a business in IFRS 3 "Business Combinations" to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing inputs or processes and add guidance to help entities assess whether an acquired process is substantive. In addition, with the introduction of the amendments the definitions of a business and of outputs are narrowed, while an optional fair value concentration test is introduced.

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

2. Summary of significant accounting policies (continued)

2.1.1 New and amended standards and interpretations (continued)

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" aim to align the definition of 'material' across the standards and to clarify certain aspects of the definition. According to the new definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information, or both, while an entity should assess whether information is material on its own or when combined with other information.

The definition of material in the Conceptual Framework was also amended in order to align with the revised definition in IAS 1 and IAS 8.

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

Amendment to IFRS 16 - Covid-19-Related Rent Concessions

In May 2020, the IASB issued "Covid-19-Related Rent Concessions (Amendment to IFRS 16 - Leases)" that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS 16 "Leases". The practical expedient permits lessees not to assess whether a Covid-19-related rent concession is a lease modification and requires lessees that apply the above exemption to account for Covid-19-related rent concessions as if they were not lease modifications.

The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

c) There is no substantive change to other terms and conditions of the lease.

The amendment to IFRS 16, as endorsed by the EU in October 2020, is effective for the annual reporting periods beginning on or after 1 June 2020 with earlier application permitted.

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

New standards, amendments to standards and interpretations not yet adopted by the Company

A number of new standards and amendments to existing standards are effective after 2020, as they have not yet been endorsed by the European Union, or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

IAS 1, Amendments, Classification of Liabilities as Current or Non-Current (effective 1 January 2023, not yet endorsed by EU)

The amendments affect only the presentation of liabilities in the statement of financial position and provide clarifications over the definition of the right to defer the settlement of a liability, while they make clear that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. In addition, it is clarified that the assessment for liabilities classification made at the end of the reporting period is not affected by the expectations about whether an entity will exercise its right to defer settlement of a liability. The Board also clarified that when classifying liabilities as current or non-current, an entity can ignore only those conversion options that are recognised as equity.

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

2. Summary of significant accounting policies (continued)

2.1.1 New and amended standards and interpretations (continued)

IFRS 17, Insurance Contracts (effective 1 January 2023, not yet endorsed by EU)

IFRS 17, which supersedes IFRS 4 'Insurance Contracts' provides a comprehensive and consistent accounting model for insurance contracts. It applies to insurance contracts issued, all reinsurance contracts and to investment contracts with discretionary participating features provided that the entity also issues insurance contracts. Financial guarantee contracts are allowed to be within the scope of IFRS 17 if the entity has previously asserted that it regarded them as insurance contracts.

According to IFRS 17 general model, groups of insurance contracts which are managed together and are subject to similar risks, are measured based on building blocks of discounted, probability-weighted estimates of future cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contracts. Under the model, estimates are remeasured in each reporting period. A simplified measurement approach may be used if it is expected that doing so a reasonable approximation of the general model is produced or if the contracts are of short duration.

Revenue is allocated to periods in proportion to the value of expected coverage and other services that the insurer provides during the period, claims are presented when incurred and any investment components i.e amounts repaid to policyholders even if the insured event does not occur, are not included in revenue and claims. Insurance services results are presented separately from the insurance finance income or expense.

In June 2020, the IASB issued Amendments to IFRS 17 to assist entities in its implementation. The amendments included the deferral of the effective date, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2023.
IFRS 17 is not relevant to the Company's activities.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)
In August 2020, the IASB issued "Interest Rate Benchmark Reform: Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16", which addresses issues that affect financial reporting once an existing rate is replaced with an alternative rate (RFR) and provides specific disclosure requirements. The Phase 2 Amendments provide key reliefs related to contractual modifications due to the reform and to the hedging relationships affected by the reform.
More specifically, the amendments introduce a practical expedient if a contractual change, or changes to cash flows, result "directly" from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate, similar to changes to a floating interest rate. A similar practical expedient will apply under IFRS 16 Leases for lessees when accounting for lease modifications required by IBOR reform.
In addition, the Phase 2 amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentations without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR as well as redefining the description of the hedging instruments and/or the hedged items to reflect RFR.
Based on the Phase 2 amendments, when performing a retrospective hedge effectiveness assessment under IAS 39, a company may elect to reset the cumulative fair value changes of the hedged item and hedging instrument to zero immediately after ceasing to apply the Phase 1 relief on a hedge-by-hedge basis. However, actual hedge ineffectiveness will continue to be measured and recognized in full in profit or loss. The Phase 2 amendments also clarify that changes to the method for assessing hedge ineffectiveness due to modifications required by the IBOR reform, will not result to the discontinuation of hedge accounting.

2. Summary of significant accounting policies (continued)

2.1.1 New and amended standards and interpretations (continued)

The amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9.
Consequential amendments were made by the Phase 2 Amendments to IFRS 7, to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

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

Annual improvement to IFRSs 2018-2020 cycle: IFRS1, IFRS9 and IFRS 16 (effective 1 January 2022, not yet endorsed by EU)

The improvements introduce changes to several standards. The amendments that are relevant to the Company's activities are set out below:
The amendments to IFRS 1 *'First-time Adoption of International Financial Reporting Standards'* provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
The amendment to IFRS 9 *'Financial Instruments'* clarifies which fees should be included in the 10% test for derecognition of financial liabilities, The fees to be included in the assessment are only those paid or received between the borrower (entity) and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.
The amendment to IFRS 16 *'Leases'* removes the illustration of the reimbursement of leasehold improvements, in order to avoid any potential confusion about the treatment of lease incentives.
The adoption of the amendments is not expected to impact Company's financial statements.

IFRS 4, Amendment, Deferral of IFRS 9 (effective 1 January 2023)
In June 2020, the IASB issued *Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)* that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023, in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts.

The amendment is not relevant to the Company's activities.

IAS 37, Amendment, Onerous Contracts – Costs of Fulfilling a Contract (effective 1 January 2022, not yet endorsed by EU)

The amendment to IAS 37 *'Provisions, Contingent Liabilities and Contingent Assets'* clarifies that the direct costs of fulfilling a contract include both the incremental costs and an allocation of other costs directly related to fulfilling contracts' activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
The adoption of the amendment is not expected to impact Company's financial statements.

2. Summary of significant accounting policies (continued)

2.1.1 New and amended standards and interpretations (continued)

IFRS 3, Amendments, Reference to the Conceptual Framework (effective 1 January 2022, not yet endorsed by EU)

The amendments to IFRS 3 'Business Combinations' updated the reference to the current version of Conceptual Framework while added a requirement that, for obligations within the scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
In addition, the issued amendments added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition in a business combination at the acquisition date.
The adoption of the amendments is not expected to impact Company's financial statements.

IAS 8, Amendments, Definition of Accounting Estimates (effective 1 January 2023, not yet endorsed by EU)
The amendments in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" introduced the definition of accounting estimates and include other amendments to IAS 8 which are intended to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments clarify (a) how accounting policies and accounting estimates relate to each other by (i) explaining that accounting estimates are used in applying accounting policies and (ii) making the definition of accounting policies clearer and more concise, (b) that selecting an estimation technique, or valuation technique, used when an item in the financial statements cannot be measured with precision, constitutes making an accounting estimate, and (c) that, in applying IAS 2 Inventories, selecting the first-in, first-out (FIFO) cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy.
The adoption of the amendments is not expected to impact Company's financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023, not yet endorsed by EU)

IASB issued amendments to IAS 1 "Presentation of Financial Statements" to require entities to disclose their material accounting policies rather than their significant accounting policies.

According to IASB, accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Furthermore, the amendments clarify how an entity can identify material accounting policy information, while provide examples of when accounting policy information is likely to be material. The amendment to IAS 1 also clarify that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2 Making Materiality Judgements to accounting policy disclosures, in order to support the amendments to IAS 1.
The adoption of the amendments is not expected to impact Company's financial statements.

2.2 Principle 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 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 recognized 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 the statement 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 9.

2. Summary of significant accounting policies (continued)

2.2 Principle accounting policies (continued)

2.2.3 Financial Instruments

As of 31.12.2020 and 31.12.2019 the financial instruments of the Company are cash and cash equivalents, borrowings and other liabilities.

(i) Financial assets

Recognition and initial measurement

Trade 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.

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 ECLs

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.

2. Summary of significant accounting policies (continued)

2.2 Principle accounting policies (continued)

2.2.3 Financial Instruments (continued)

Financial assets (continued)

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.

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.

(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.

2.2.4 Financial costs

Interest expenses for borrowings are recognized 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 amortized 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 Principle accounting policies (continued)

2.2.5 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.

3. 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 external, independent, 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 9.

4. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize 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.

4.1. Market risk

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

(b) Interest rate risk
As the Company has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from short-term borrowings (Note 12). Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest re-pricing period of the borrowings is on a monthly 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.

4.2 Credit risk

Credit risk arises from cash and cash equivalents.

The table below shows balances of cash and cash equivalents as at 31 December 2020 and 31 December 2019 as follows:

	31 December 2020		**31 December 2019**	
Contractor	**Credit rating**	**Balance**	**Credit rating**	**Balance**
Eurobank Bulgaria AD	BBB- (BCRA)	208	BBB- (BCRA)	386
		208		**386**

The Company has not suffered losses due to default of the counterparty. The market value of these assets is not materially different from their carrying value.

4. Financial risk management (continued)

4.3 Liquidity risk

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

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

	Carrying amount	Contractual cash flows			
		Total	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months
As at 31 December 2020					
Trade and other payables	**6**	**(6)**	(6)	-	-
Borrowings	**30,807**	**(31,026)**	(39)	(73)	(30,914)
Total financial liabilities	**30,813**	**(31,032)**	**(45)**	**(73)**	**(30,914)**

	Carrying amount	Contractual cash flows			
		Total	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months
As at 31 December 2019					
Trade and other payables	**8**	**(8)**	(7)	(1)	-
Borrowings	**30,319**	**(30,568)**	(43)	(83)	(30,442)
Total financial liabilities	**30,327**	**(30,576)**	**(50)**	**(84)**	**(30,442)**

4.4. Capital risk 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 shareholders and benefits for other stakeholders 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.

5. Expenses related to investment property

	2020	2019
Maintenance	(140)	(148)
Total	**(140)**	**(148)**

6. Administrative expenses

	2020	2019
Audit fees expenses	(6)	(6)
Other expenses	(1)	(1)
Total	**(7)**	**(7)**

7. Financial costs

	2020	2019
Interest expense	(513)	(606)
Others finance costs	(1)	(1)
Total financial costs	**(514)**	**(607)**

8. Taxation

	2020	2019
Loss before income tax	**(2,488)**	**(6,749)**
Tax calculated at a tax rate applicable to profits 10% (2019:10%)	**(249)**	**(675)**
Tax effect of expenses not deductible for tax purposes	**249**	**675**

Deferred taxes are calculated at the tax rate that will be effective at the time when they are expected to be realised. The tax applicable for 2020 is 10% (2019: 10%).
The tax loss for 2020 is BGN 147 thousand. The tax loss for 2019 is BGN 157 thousand.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same fiscal authority.
Tax authorities can at any given time carry out revision 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 for which no deferred income tax asset was recognised, and the year of their expiry are as follows:

Year of expiry	2020	2019
2020	120,461	120,461
2021	110,145	110,145
2022	163,864	163,864
2023	130,769	130,769
2024	179,917	-
	705,156	**525,239**

9. Investment property

Fair value of investment properties

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

For disclosure purposes fair value is based on reports prepared by licensed appraisers at the end of each reporting period. It is management's assessment that there is sufficient market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value.

	As at 31 December	
	2020	**2019**
Balance at beginning of the year	**11,800**	**17,787**
Net loss from fair value adjustments	(1,827)	(5,987)
Balance at the end of the year	**9,973**	**11,800**

Changes in fair value of investment property are recognized as gain/(loses) in statement of comprehensive income and are included in Operating profit/(loss). All gains/(losses) are unrealized. The investment property is categorized into into Level 3 - Investment properties measured using valuation techniques with significant unobservable inputs and the fair value is presented presented in the following table:

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Year end 2020

Class property	**Fair value 31/12/2020 in BGN thousands**	**Valuation technique**	**Significant Unobservable Input**	**Range (weighted average) 2020 in BGN**	**Connection between the unobservable input and FV**
Residential	9,973	Market comparison approach	price per m2	500 – 700 (670)	A significant increase in price per m2 would result in a higher fair value

The decline in the market value in 2020 in comparison with 2019 is due to the lower interest on the real estate market for similar properties. The risk coefficient for project realization is increased up to 60%.

Year end 2019

Class property	**Fair value 31/12/2019 in BGN thousands**	**Valuation technique**	**Significant Unobservable Input**	**Range (weighted average) 2019 in BGN**	**Connection between the unobservable input and FV**
Residential	11,800	Market comparison approach	price per m2	556 – 790 (750)	A significant increase in price per m2 would result in a higher fair value

10. Cash and cash equivalents

	As at 31 December 2020	2019
Current accounts in BGN	11	6
Current accounts in EUR	197	380
	208	**386**

11. Trade and other receivables

	As at 31 December 2020	2019
Non-financial assets		
Prepaid expenses	2	-
VAT receivables	2	1
Total	**4**	**1**

12. Borrowings

The Company's loan is with a floating interest rate and is denominated in Euro. The loan has not been collateralised.

	As at 31 December 2020	2019
Principal of bank loans	30,804	30,315
Accrued interest	3	4
Total	**30,807**	**30,319**

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

	2020	2019
Opening balance at 1 January	**30,319**	**29,345**
Borrowings received	489	978
Interest expense	513	606
Interest paid	(514)	(610)
Balance at 31 December	**30,807**	**30,319**

The carrying amounts of the borrowing approximates its fair value at the balance sheet date. The loan is contracted with floating rate (1M EURIBOR) plus margin of 1.65%. There are no covenants included in the loan agreement**.** The loan is fully repaid in April 2021.

13. Trade and other payables

	As at 31 December 2020	2019
Audit fees payable	6	6
Trade payables	-	1
Other payables	-	1
Total	**6**	**8**

The fair value of the above financial liabilities does not significantly differ from their caring amount.

14. Share capital

	Number of shares	Nominal value of one share (BGN)	Value (BGN'000)
As of 1 January 2019	125,000	1	125
As of 1 January 2020	125,000	1	125
As of 31 December 2020	125,000	1	125

All shares are owned by Neu 03 Property Holdings Limited, and are fully paid.

15. Related parties transactions and balances

On 20 March 2020, Eurobank Ergasias S.A. ("Demerged Entity") announced that its demerger through the banking sector's hive down and the establishment of a new company-credit institution ("Demerger") under the corporate name "Eurobank S.A." ("Bank") was approved, while on 23 March 2020 the Demerged Entity was renamed to "Eurobank Ergasias Services and Holdings S.A." ("Eurobank Holdings''). Following the above, the key management personnel (KMP) of the Demerged Entity remained as the Bank's KMP. Furthermore, the Board of Directors (BoD) of Eurobank Holdings is the same as the BoD of the Bank and part of the KMP of the Bank provides services to Eurobank Holdings according to the terms of the relevant agreement between the two entities. As at 31 December 2020, the percentage of the Eurobank Holdings' ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 1.40%. The HFSF is considered to have significant influence over the Eurobank Holdings pursuant to the provisions of the Law 3864/2010, as in force, the Relationship Framework Agreement (RFA) the Demerged Entity has entered into with the HFSF on 4 December 2015 and the Tripartite Relationship Framework Agreement (TRFA) between the Bank, the Eurobank Holdings and the HFSF signed on 23 March 2020.
In addition, as of December 2019, Fairfax Financial Holdings Limited has obtained the required regulatory approvals in relation to the increase of its shareholding in the Demerged Entity, which arose from the merger of the latter with Grivalia Properties REIC in the same year. Accordingly, Fairfax group, which as at 31 December 2020 holds 31.27% in the Company's share capital, is considered to have significant influence over the Eurobank Holdings.

Key management personnel include 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 year ended 31 December 2020 and 2019.

15. Related parties transactions and balances (continued)

The Company had the following transactions and balances with related parties:

	As at 31 December	
	2020	**2019**
Borrowings		
Eurobank Private Bank Luxembourg S.A.	30,804	30,315
Accrued interest		
Eurobank Private Bank Luxembourg S.A.	3	4
Cash and cash equivalents		
Eurobank Bulgaria AD (Note 10)	208	386
Interest expenses		
Eurobank Private Bank Luxembourg S.A.	514	606
Commissions and fee expenses and foreign currency exchange		
Eurobank Bulgaria AD	1	1
Expenses related to investment properties		
Eurobank Bulgaria AD	2	-

16. Contingent liabilities and commitments

The management has not identified contingent liabilities and commitments valid as at 31 December 2020 (as at 31 December 2019: BGN 0).

17. Events after the Balance Sheet date

On 2 March 2021 Eurobank S.A. acquired 100% of the shares of IMO 03 EAD from its fully owned entity NEU 03 Property Holdings Limited. On 16 April 2021 the new sole owner of the capital, Eurobank S.A. signed a resolution to increase the capital of the Company by BGN 30,902 thousand through the issuance of 25 000 ordinary, registered, physical, with voting rights new shares with nominal value of BGN 1 per share and issue value of BGN 1,236.08456 Bulgarian leva per share. The share premium of the issue amounting to BGN 30,877 thousand is transferred to Other reserves.

In April 2021 the loan from Eurobank Private Bank Luxembourg has been fully repaid.

There are no other significant post balance sheet events which require adjustment or disclosure in the financial statements for the year ended 31 December 2020.