IMO 03 EAD

INDEPENDENT AUDITOR'S REPORT

ANNUAL ACTIVITY REPORT

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

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 shareholder of
IMO 03 EAD

Opinion

We have audited the financial statements of IMO 03 EAD (the Company) as set out on pages 6 to 28, 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 18,140 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
Authorised representative

Sevdalina Dimova
Registered auditor, responsible for the audit

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

08 July 2020

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 2019. 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 Company has no branches.

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. The Company does not have branches in the country or abroad.

The Company's ultimate parent is Eurobank Ergasias S.A..

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 2019 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 2019 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

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.

The 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.

GENERAL INFORMATION (CONTINUED)

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

The Board of Directors 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:

Emil Pilafov

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

Mariana Hristova

- Bulgarian Retail Services AD, Bulgaria - Member of the Board of Directors and Executive Director (until 29.11.2019).

Michalis Stamou

- IMO Property Investments Sofia 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 – 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;
- IMO Property Investments AD Beograd, Serbia – Member of the Supervisory Board.

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 (effective as of 13.08.2019) and Member of the Board of Directors (effective as of 15.07.2019);
- ERB Leasing Bulgaria EAD, Bulgaria – Member of the Board of Directors.

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

OVERVIEW OF RESULTS

Financial results for the current period
The financial result before tax for 2019 is loss in the amount of BGN 6,749 thousand. The main part of the expenses is related to the net loss of investment property fair value model adjustments - BGN 5,987 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 2020

For 2020 the Company does not plan more 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 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;
— 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 Company 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 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

EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

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 386 thousand (29 May 2020 – BGN 592 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.

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 .

Panagiotis Mavridis
Chairman of the Board of Directors and Executive Director

ИМО 03 ЕАД СОФИЯ SOFIA IMO 03 EAD

Mariana Hristova
Member of the Board of Directors and Executive Director

Date: 02.07. 2020

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

	Notes	31 December 2019	31 December 2018 Restated*	1 January 2018 Restated*
Non-current assets				
Investment property	10	11,800	17,787	17,790
Total non-current assets		**11,800**	**17,787**	**17,790**
Current assets				
Cash and cash equivalents	11	386	170	470
VAT receivables		1	6	3
Total current assets		**387**	**176**	**473**
Total Assets		**12,187**	**17,963**	**18,263**
Non-current liabilities		-	-	-
Current liabilities				
Borrowings	12	30,319	29,345	28,871
Trade and other payables	13	8	9	10
Total liabilities		**30,327**	**29,354**	**28,881**
Equity				
Share capital	14	125	125	125
Accumulated loss		(18,265)	(11,516)	(10,743)
Total equity		**(18,140)**	**(11,391)**	**(10,618)**
Total equity and liabilities		**12,187**	**17,963**	**18,263**

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

The Financial statements were authorised by the Board of Directors on 02.07.2020.

IMO 03 EAD 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 Рег. № 045 КПМГ ОДИТ ООД

IMO 03 EAD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	Year ended 31 December	
		2019	2018
			Restated*
Loss from changes in the fair value of investment property	5	(5,987)	(3)
Expenses related to investment property	6	(148)	(170)
Administrative expenses	7	(7)	(8)
Operating loss		**(6,142)**	**(181)**
Financial costs	8	(607)	(592)
Loss before income tax		**(6,749)**	**(773)**
Income tax expense	9	-	-
Loss for the year		**(6,749)**	**(773)**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**(6,749)**	**(773)**

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

The Financial statements were authorised by the Board of Directors on 02.07.2020.

Panagiotis Mavridis
Chairman of the Board of Directors and Executive Director

ИМО 03 ЕАД
СОФИЯ
SOFIA
IMO 03 EAD

Yordanka Karapetrova
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Mariana Hristova
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ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 045
КПМГ ОДИТ ООД

IMO 03 EAD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Share capital	Accumulated loss	Total
At 1 January 2018 as published	**125**	**(10,562)**	**(10,437)**
Restatement due to change in accounting policy (note 2.3.1)	-	(181)	**(181)**
At 1 January 2018 restated	**125**	**(10,743)**	**(10,618)**
Loss for the year	-	(773)	(773)
At 1 January 2019 published	**125**	**(11,332)**	**(11,207)**
Restatement due to change in accounting policy (note 2.3.1), cumulative	-	(184)	**(184)**
At 1 January 2019 restated	**125**	**(11,516)**	**(11,391)**
Loss for the year	-	(6,749)	(6,749)
At 31 December 2019	**125**	**(18,265)**	**(18,140)**

The Financial statements were authorised by the Board of Directors on 02.07.2020.

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
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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ ОДИТ ООД

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

	Notes	Year ended 31 December 2019	2018
Operating activities			
Payments to suppliers and other creditors		(169)	(196)
VAT received		31	27
Payments for municipality fees		(12)	(13)
Net cash flows used in operating activities		**(150)**	**(182)**
Financing activities			
Payments for other financial costs		(2)	(3)
Borrowings received		978	489
Interest paid		(610)	(604)
Net cash flows from/(used in) financing activities		**366**	**(118)**
Increase/(decrease) in cash and cash equivalents		**216**	**(300)**
Cash and cash equivalents at the beginning of the year		170	470
Cash and cash equivalents at end of year	**10**	**386**	**170**

The Financial statements were authorised by the Board of Directors on 02.07.2020

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
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. 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 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.

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 03 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 had negative equity, current liabilities exceed current assets by BGN 29,940 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 is renewed till 30 June 2021.
As of 31.12.2019 IMO 03 EAD has negative equity of BGN 18,140 thousand (2018: negative equity of BGN 11,391 thousand) and is in breach of article 252, para (1), item 5 of the 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 information as this date, including the potential impact of the COVID-19 outbreak as disclosed in Note 17 Events after the balance sheet date. 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. Summary of significant accounting policies (continued)

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).
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.

2. Summary of significant accounting policies (continued)

2.1.1 New and amended standards and interpretations (continued)

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.

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

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 separate financial 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.

2. Summary of significant accounting policies (continued)

2.1.1 New and amended standards and interpretations (continued)

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*

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 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)

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

- 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.

2.2 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. Summary of significant accounting policies (continued)

2.2 Principle accounting policies (continued)

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 10.

2. Summary of significant accounting policies (continued)

2.2 Principle accounting policies (continued)

2.2.3 Financial Instruments

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

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.

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 Property from cost model to fair value model according 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.

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

Balance Sheet	31 December 2019 IP under cost model*	FV model adjustment*	As presented	31 December 2018 As published	Restatement	Restated	1 January 2018 As published	Restatement	Restated
ASSETS									
Investment property	11,800	-	11,800	17,971	(184)	17,787	17,971	(181)	17,790
Total assets	**12,187**	**-**	**12,187**	**18,147**	**(184)**	**17,963**	**18,444**	**(181)**	**18,263**
EQUITY									
Retained earnings	(18,265)	-	(18,265)	(11,332)	(184)	(11,516)	(10,437)	(181)	(10,618)
Total equity	**(18,140)**	**-**	**(18,140)**	**(11,207)**	**(184)**	**(11,391)**	**(10,437)**	**(181)**	**(10,618)**

Statement of comprehensive income	**31 December 2019** IP under cost model*	FV model adjustment*	As presented	**31 December 2018** As published	Restatement	Restated
Loss from changes in the fair value of investment property	-	(5,987)	(5,987)	-	(3)	(3)
Impairment of investment property	(5,987)	5,987	-	-	-	-
Operating loss	**(6,143)**	**-**	**(6,143)**	**(178)**	**(3)**	**(181)**
Loss for the year	**(6,749)**	**-**	**(6,749)**	**(770)**	**(3)**	**(773)**

* 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. 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 10.

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 2019 and 31 December 2018 as follows:

	31 December 2019		31 December 2018	
Contractor	**Credit rating**	**Balance**	**Credit rating**	**Balance**
Eurobank Bulgaria AD	BBB- (BCRA)	386	BB+ (BCRA)	170
		386		**170**

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 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)**

	Carrying amount	Contractual cash flows			
		Total	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months
As at 31 December 2018					
Trade and other payables	**9**	**(9)**	(8)	(1)	-
Borrowings	**29,345**	**(29,659)**	(59)	(102)	(29,498)
Total financial liabilities	**29,354**	**(29,668)**	**(67)**	**(103)**	**(29,498)**

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. Loss from changes in the fair value of investment property

	2019	2018
Loss from changes in the fair value of investment property	(5,987)	(3)
Total	**(5,987)**	**(3)**

6. Expenses related to investment property

	2019	2018
Maintenance	(148)	(170)
Total	**(148)**	**(170)**

7. Administrative expenses

	2019	2018
Audit fees expenses	(6)	(6)
Other expenses	(1)	(2)
Total	**(7)**	**(8)**

8. Financial costs

	2019	2018
Interest expense	(606)	(589)
Others finance costs	(1)	(3)
Total financial costs	**(607)**	**(592)**

9. Taxation

	2019	2018
Loss before income tax	**(6,749)**	**(954)**
Tax calculated at a tax rate applicable to profits 10% (2018:10%)	**(675)**	**(95)**
Tax effect of expenses not deductible for tax purposes	**675**	**95**
	-	-

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 2019 is 10% (2018: 10%).
The tax loss for 2019 is BGN 157 thousand. The tax loss for 2018 is BGN 180 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	2019	2018
2019	22,083	11,309
2020	120,461	22,083
2021	110,145	120,461
2022	163,864	110,145
2023	130,769	163,864
	547,322	**427,862**

10. Investment property

Investment property is held for capital appreciation and is not occupied by the Company.
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.

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 appraiser company. 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 a valuation company 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	
	2019	2018 restated*
Balance at beginning of period as reported	**17,787**	**17,971**
Restatement due to change in accounting policy (note 2.3.1)	-	(181)
Balance at beginning of period as restated	**17,787**	**17,790**
Additions	-	-
Disposals	-	-
Net loss from fair value adjustments	(5,987)	(3)
	11,800	**17,787**

Changes in fair value of investment property are recognized as gain/(loses) in profit or loss and are included in Operating 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 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

The decline in the market value in 2019 in comparison with 2018 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%.

10. Investment property (continued)
Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (continued)

Year end 2018

Class property	Fair value 31/12/2018 in BGN thousands	Valuation technique	Significant Unobservable Input	Range (weighted average) 2018 in BGN	Connection between the unobservable input and FV
Residential	17,787	Market comparison approach	price per m2	563 – 800 (760)	A significant increase in price per m2 would result in a higher fair value

11. Cash and cash equivalents

	As at 31 December 2019	2018
Current accounts in BGN	6	1
Current accounts in EUR	380	169
	386	**170**

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 2019	2018
Principal of bank loans	30,315	29,338
Accrued interest	4	7
	30,319	**29,345**

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	**29,345**	**28,871**
Borrowings received	978	489
Interest expense	606	589
Interest paid	(610)	(604)
Balance at 31 December	**30,319**	**29,345**

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 2.00%. There are no covenants included in the loan agreement.
The current credit line is with Eurobank Private Bank Luxembourg S.A. and was renewed till 30 June 2021.

13. Trade and other payables

	As at 31 December	
	2019	2018
Audit fees payable	6	6
Trade payables	1	2
Other payables	1	1
	8	**9**

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
As of 1 January 2018	125,000	1	125
As of 1 January 2019	125,000	1	125
As of 31 December 2019	125,000	1	125

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

15. Related parties transactions and balances

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.

15. Related parties transactions and balances (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 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 2019 and 2018.

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

	As at 31 December	
	2019	**2018**
Borrowings		
Eurobank Private Bank Luxembourg S.A.	30,315	29,338
Accrued interest		
Eurobank Private Bank Luxembourg S.A.	4	7
Cash and cash equivalents		
Eurobank Bulgaria AD (Note 10)	386	170
Interest expenses		
Eurobank Private Bank Luxembourg S.A.	606	589
Commissions and fee expenses and foreign currency exchange		
Eurobank Bulgaria AD	1	3
Payables to related parties		
Eurobank Bulgaria AD	-	2
Expenses related to investment properties		
Eurobank Bulgaria AD	-	2

16. 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).

17. 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;
— 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 Company 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 ensuring the supply chain continuity (contacting vendors, seeking for alternative solutions)
- ✓ Actions towards clients

17. Events after the Balance Sheet date (continued)

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 386 thousand (02 July 2020 – BGN 540 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.