

**IMO CENTRAL OFFICE EAD**  
**ANNUAL DIRECTORS' REPORT**  
**ANNUAL FINANCIAL STATEMENTS**  
**REPORT OF THE INDEPENDENT AUDITOR**  
**31 DECEMBER 2013**

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

### ***To Shareholder of the Imo Central Office EAD***

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of "Imo Central Office" EAD which comprise the balance sheet as of 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers Audit OOD, 9-11 Maria Louisa Blvd., 1000 Sofia, Bulgaria*

*T: +359 2 9355200, F: +359 2 9355266, [www.pwc.com/bg](http://www.pwc.com/bg)*

*Registered with the Sofia City Court under company file number 13424/1997.*

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



### *Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of "Imo Central Office" EAD as of 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### *Report on Other Legal and Regulatory Requirements*

Management is also responsible for preparing the Annual Report in accordance with the Accounting Act.

We are required by the Accounting Act to express an opinion whether the Annual Report is consistent with the annual financial statements of the Company.

In our opinion, the Annual Report set out on pages 1 to 5, is consistent with the accompanying financial statements of the Company as of 31 December 2013.

  
Milka Damianova  
Registered Auditor

29 April 2014  
Sofia, Bulgaria



  
Stefan Weiblen  
PricewaterhouseCoopers Audit OOD

**IMO CENTRAL OFFICE EAD  
DIRECTORS' REPORT  
31 DECEMBER 2013**

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The Directors present the report and the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), for the period ended 31 December 2013. The financial statements have been audited by PricewaterhouseCoopers Audit OOD.

**GENERAL INFORMATION**

**Establishment and activity**

IMO Central Office EAD, UIK 201397391, is a private limited liability company registered in Bulgaria on 24 January 2011. The address of its registered office is as follows: 260 Okolovrasten pat Str. 1766 Sofia, Bulgaria.

On October 10, 2013 IMO Property Investments Sofiq EAD, the sole owner of IMO Central Office EAD transferred its 400 000 (four hundred thousand) shares, representing 100% (hundred percent) of the capital of IMO Central Office EAD to NEU III Property Holdings Limited, a private company incorporated and existing under the laws of Republic of Cyprus. The change of the sole owner of the Company came into force on February 5, 2014 after due registration with the Commercial register.

The Company's ultimate parent is Hellenic Financial Stability Fund (see also note 20).

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

**Share capital structure**

Share capital is BGN 400,000 and was fully paid. The shares are ordinary and registered. The number of shares is 400,000 of nominal value BGN 1 (one) each.

**Board of Directors**

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

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

General Manager of the Company is Borislav Slavov.

Mrs. Petia Dimitrova was Executive Director and Deputy Chairperson of the Board of Directors until June 6, 2013.

Mr. Dimitar Shumarov became member of the Board of Directors on June 6, 2013.

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

In 2013 the members of the Board of Directors did not receive remuneration from the Company in their capacity of Board of Directors members.

**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 period**

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:**

**Emil Atanasov Pilafov**

- IMO Property Investments Sofia EAD, Bulgaria – Chairman of the Board of Directors and Executive Director;
- IMO Rila EAD, Bulgaria – Chairman of the Board of Directors and Executive Director;
- IMO 03 EAD, Bulgaria – Chairman of the Board of Directors and Executive Director.

**Jordan Marinov Souvandjiev**

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

**GENERAL INFORMATION (CONTINUED)**

**Dimitar Borisov Shumarov**

- Eurobank Bulgaria AD, Bulgaria – Member of the Management Board and Executive Director;
- IMO Rila EAD, Bulgaria – Member of the Board of Directors (effective as of 24.06.2013);
- IMO 03 EAD, Bulgaria – Member of the Board of Directors (effective as of 07.06.2013).

**Petia Nikolova Dimitrova**

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

**The Contracts under Article 240b of the Commerce Act**

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

## **OVERVIEW OF RESULTS**

### **Financial results for the current period**

The financial result before tax for 2013 is profit in the amount of BGN 666 thousand. The main part of the expenses is related to the investment property - BGN 3,424 thousand and financial costs – BGN 2,116 thousand. The income from rents is BGN 6,328 thousand.

### **Investing activity**

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

In 2011 the Company acquired one property - Sofia Business Center, N: 260 Ring Road Sofia, through Notary deed from 25 March 2011. Gross leasable area (GLA) is 22,959 sq. m. In 2012 and 2013 the Company did not acquire new properties. The main focus was in accomplishing the building according to the requirement of the new tenants – Eurobank Bulgaria AD and its subsidiaries. The new rental contracts with the Bank and its subsidiaries started as of 1 October 2012. The term of the rental contracts is 15 year. As of 31 December 2013 the total rented area is 70% of the GLA.

### **MAIN OBJECTIVES FOR 2014**

For 2014 the Company has not budgeted any new acquisitions. IMO Central Office plans to lease the remaining part of the building and trying to keep the rent vacancy under 5%.

### **FINANCIAL RISK MANAGEMENT**

The Company is exposed to variety of financial risks. Detailed description of those risks and the policies and procedures applied by the Management are set out in note 3 of the financial statements as at 31 December 2013.



**RESPONSIBILITIES OF MANAGEMENT**

The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the financial position of the company as at the year end and its financial results. The management has prepared the enclosed financial statements in accordance with IFRS as adopted by the EU.

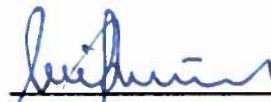
The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 December 2013.

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

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

  
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Emil Pitafov  
Chairman of the Board of Directors and Executive Director

  
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Jordan Souvandjiev  
Deputy Chairman of Board of Directors and Executive Director  
29.04.2014



**IMO CENTRAL OFFICE EAD  
BALANCE SHEET  
31 DECEMBER 2013**

*(All amounts are stated in BGN thousands)*

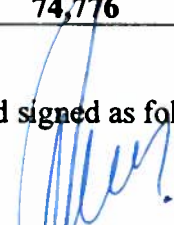
**As at 31 December**

	Notes	2013	2012
<b>Non-current assets</b>			
Investment property	10	74,157	75,329
Prepayments for acquisition of investment properties	11	30	126
Other tangible assets	12	128	123
Deferred tax asset	17	23	104
<b>Total non-current assets</b>		<b>74,338</b>	<b>75,682</b>
<b>Current assets</b>			
Other receivables	13	249	327
Cash and cash equivalents	14	189	2,150
<b>Total current assets</b>		<b>438</b>	<b>2,477</b>
<b>Total assets</b>		<b>74,776</b>	<b>78,159</b>
<b>Equity</b>			
Share capital	15	400	400
Accumulated losses		(4,906)	(5,491)
<b>Total equity</b>		<b>(4,506)</b>	<b>(5,091)</b>
<b>Current liabilities</b>			
Borrowings	16	78,438	82,370
Other payables	18	844	880
<b>Total current liabilities</b>		<b>79,282</b>	<b>83,250</b>
<b>Total equity and liabilities</b>		<b>74,776</b>	<b>78,159</b>

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

  
Emil Pilafov  
Executive Director and  
Chairman of the Board of  
Directors



  
Elena Kamenova  
Responsible for preparation  
of financial statements

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

  
Milka Damianova  
Registered auditor



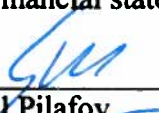
Date: 29 April 2014  
Sofia, Bulgaria

  
Stefan Weiblen  
(PricewaterhouseCoopers  
Audit OOD)


**IMO CENTRAL OFFICE EAD  
STATEMENT OF COMPREHENSIVE INCOME  
31 DECEMBER 2013**

	Notes	Year ended 31 December	
		2013	2012
<i>(All amounts are stated in BGN thousands)</i>			
Revenue – rental income	5	6,328	2,962
Expenses for investment property	6	(3,424)	(3,019)
Administrative expenses	7	(122)	(38)
<b>Operating profit/(loss)</b>		<b>2,782</b>	<b>(95)</b>
Financial costs, net	8	(2,116)	(2,113)
<b>Profit/(loss) before income tax</b>		<b>666</b>	<b>(2,208)</b>
Income tax expense	9	(81)	-
<b>Profit/(loss) for the period</b>		<b>585</b>	<b>(2,208)</b>
Other comprehensive income		-	-
<b>Total comprehensive profit/(loss) for the period</b>		<b>585</b>	<b>(2,208)</b>


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

  
Emil Pilafov  
Executive Director and  
Chairman of the Board of  
Directors




  
Elena Kamenova  
Responsible for preparation  
of financial statements

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

  
Milka Damianova  
Registered auditor




Date: 29 April 2014  
Sofia, Bulgaria

  
Stefan Weiblen  
(PricewaterhouseCoopers  
Audit OOD)


**IMO CENTRAL OFFICE EAD  
STATEMENT OF CHANGES IN EQUITY  
31 DECEMBER 2013**

<i>(All amounts are stated in BGN thousands)</i>	Notes	Share capital	Accumulated losses	Total equity
<b>Balance as at 1 January 2012</b>		<b>400</b>	<b>(3,283)</b>	<b>(2,883)</b>
Loss for the year		-	(2,208)	(2,208)
<b>Balance as at 31 December 2012</b>		<b>400</b>	<b>(5,491)</b>	<b>(5,091)</b>
Profit for the year		-	585	585
<b>Balance as at 31 December 2013</b>	15	<b>400</b>	<b>(4,906)</b>	<b>(4,506)</b>

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

  
Emil Pilafov  
Executive Director and  
Chairman of the Board of  
Directors




  
Elena Kamenova  
Responsible for preparation  
of financial statements

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

  
Milka Damianova  
Registered auditor



Date: 29 April 2014  
Sofia, Bulgaria

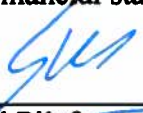
  
Stefan Weiblen  
(PricewaterhouseCoopers  
Audit OOD)

**IMO CENTRAL OFFICE EAD  
STATEMENT OF CASH FLOWS  
31 DECEMBER 2013**

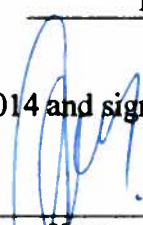
*(All amounts are stated in BGN leva thousands)*

	Notes	Year ended 31 December	
		2013	2012
<b>Operating activities</b>			
Receipts from clients		7,708	4,272
Payments for administrative expenses		(130)	(41)
Payments related to investment properties		(2,450)	(2,287)
Other operating cash (outflows)/inflows		(743)	541
<i>Net cash flow from operating activities</i>		<b>4,385</b>	<b>2,485</b>
<b>Investing activities</b>			
Purchase and prepayments for investment property		(298)	(5,396)
<i>Net cash flow used in investing activities</i>		<b>(298)</b>	<b>(5,396)</b>
<b>Financing activities</b>			
Borrowings received		-	17,270
Interest paid		(2,136)	(2,120)
Borrowings repaid		(3,912)	(10,424)
<i>Net cash flow (used in)/from financing activities</i>		<b>(6,048)</b>	<b>4,726</b>
(Decrease) / increase in cash and cash equivalents for the period		(1,961)	1,815
<b>Cash and cash equivalents at 1 January</b>		<b>2,150</b>	<b>335</b>
<b>Cash and cash equivalents at 31 December</b>	14	<b>189</b>	<b>2,150</b>


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

  
Emil Pilafov  
Executive Director and  
Chairman of the Board of  
Directors




  
Elena Kamenova  
Responsible for preparation of  
financial statements

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

  
Milka Damianova  
Registered auditor



  
Stefan Weiblen  
(PricewaterhouseCoopers  
Audit OOD)

Date: 29 April 2014  
Sofia, Bulgaria

**IMO CENTRAL OFFICE EAD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2013**

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

**1. General information**

“Imo Central Office” EAD (“the Company”) is a privately owned company with limited liability registered in Republic of Bulgaria.

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

**2. Summary of significant accounting policies**

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

**2.1 Basis of preparation**

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards issued by the IASB as adopted by the European Union and in particular with those IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The policies set out below have been consistently applied to the years 2013 and 2012. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**Going concern**

Although as at 31 December the company’s Total liabilities exceeded the Total Assets, the Financial Statements are prepared on the principle of going concern which implies that the Company will continue operations in the foreseeable future since Share Capital increase is completed on 5 February 2014 and the current credit line is renewed till 30 April 2015.

**Impact of the economic crisis in Greece**

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

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

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

***Position of Eurobank Group***

***Greek sovereign debt exchange programme***

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

**IMO CENTRAL OFFICE EAD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2013**

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

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

**2.1 Basis of preparation (continued)**

owned by the HFSF. The capital increase was certified on 31 May 2013 and the listing of the new shares was completed on 19 June 2013 after obtaining the relevant approvals from Greek regulatory authorities.

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

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

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

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

Eurobank Ergasias Group regards other Greek Banks controlled, jointly controlled or significantly influenced by HFSF, within the context of the Greek Banks' recapitalization, as

**IMO CENTRAL OFFICE EAD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2013**

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

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

**2.1 Basis of preparation (continued)**

*(b) Standards and Interpretations issued but not yet effective*

- IAS 19, Amendment – Defined Benefit Plans: Employee Contributions (effective 1 January 2015, not yet endorsed by EU)
- IAS 27, Amendment - Separate Financial Statements (effective 1 January 2014)
- IAS 28, Amendment - Investments in Associates and Joint Ventures, (effective 1 January 2014)
- IAS 32, Amendment - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)
- IAS 36, Amendment – Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)
- IAS 39, Amendment – Novation of derivatives and continuation of hedge accounting (effective 1 January 2014)
- IFRS 9, Financial Instruments (effective date to be determined by IASB)
- IFRS 9 and IFRS 7, Amendment – Mandatory Effective Date and Transition Disclosures (effective 1 January 2015, not yet endorsed by EU)
- IFRS 10, Consolidated Financial Statements (effective 1 January 2014),
- IFRS 11, Joint Arrangements (effective 1 January 2014).
- IFRS 12, Disclosure of Interest in Other Entities, (effective 1 January 2014)
- IFRS 10, 11 and 12 Amendments – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective 1 January 2014)
- IFRS 10, 12 and 27 Amendments – Investment Entities (effective 1 January 2014)
- Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2015, not yet endorsed by EU)
- Annual Improvements to IFRS 2011-2013 Cycle (effective 1 January, not yet endorsed by EU)
- IFRIC 21, Levies (effective 1 January 2014, not yet endorsed by EU)

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



**IMO CENTRAL OFFICE EAD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**31 DECEMBER 2013**

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

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

**2.3 Investment property (continued)**

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. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

When an entity uses the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes. According to IAS 40 and the Company's policy, IMO has to perform an impairment analysis of the acquired properties closer to the year-end reporting date.

**2.4. Property, plant and equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

**2.5 Receivables and other financial assets**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established, when there is an objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

**2.6 Cash and cash equivalents**

Cash and cash equivalents are carried at amortized cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and excludes restricted cash accounts.

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

**2.12 Current tax and Deferred income tax**

Taxation has been provided for in the financial statements in statement of comprehensive income in accordance with Bulgarian legislation currently in force. The charge for taxation in the income statement comprises the current tax and changes in the deferred tax. The current tax is calculated on the basis of the taxable profit for the period, 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.

Taxes other than on income are recorded within operating expenses.

The deferred income 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.

The deferred income 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 income tax asset is realized or the deferred income tax liability is settled. The principal temporary differences arise from depreciation of investment property.

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.

**3. 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 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 and its policy is approved by the parent company.

**3.1 Market risk**

*(a) Currency risk*

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

*(b) Interest rate risk*

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

The Company's interest rate risk arises from short-term borrowings (Note 16). Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest re-pricing period of the borrowings is on a 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.

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**3. Financial risk management (continued)**

**3.3 Liquidity risk (continued)**

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 12 months	Total
<b>As at 31 December 2012</b>					
Payables	47	81	4	748	880
Borrowings	202	343	83,884	-	84,429
<b>Total financial liabilities</b>	<b>249</b>	<b>424</b>	<b>83,888</b>	<b>748</b>	<b>85,309</b>

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Over 12 months	Total
<b>As at 31 December 2013</b>					
Payables	81	3	-	760	844
Borrowings	206	392	80,194	-	80,792
<b>Total financial liabilities</b>	<b>287</b>	<b>395</b>	<b>80,194</b>	<b>760</b>	<b>81,636</b>

**3.4 Capital management**

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

**4. Critical accounting estimates and judgments**

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

*Estimate of fair value of investment properties*

The fair value of the investment properties, accounted at cost model in accordance with IAS 40 is updated, in order to reflect the market conditions at the end of the reporting period by using the valuation reports of licensed appraiser company. The fair value of the investment properties is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the fair value estimation of the external appraiser company is based on recent prices of properties with different condition or location, adjusted to reflect those differences.

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

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**4. Critical accounting estimates and judgments (continued)**

Net book value of the investment properties as at 31 December 2013 is BGN 74,157 (EUR 37,916 thousands). Based on IAS 40, IMO Central Office required new market valuation close to the year end. Current market value is BGN 73,868 (EUR 37,768 thousands). The deviation of 0.4% Company considers as insignificant and found no grounds for impairment as at 31 December 2013.

**5. Rental income**

	<b>2013</b>	<b>2012</b>
Revenue from customers	6,328	2,962
<b>Total</b>	<b>6,328</b>	<b>2,962</b>

**6. Expenses related to investment property**

	<b>2013</b>	<b>2012</b>
Depreciation	(1,553)	(1,305)
Maintenance	(1,871)	(1,714)
<b>Total</b>	<b>(3,424)</b>	<b>(3,019)</b>

**7. Administrative expenses**

	<b>2013</b>	<b>2012</b>
Salaries	(81)	-
Depreciation	(15)	(4)
Social	(13)	-
Rent	-	(10)
Audit fees	(7)	(8)
Others	(6)	(16)
<b>Total</b>	<b>(122)</b>	<b>(38)</b>

**8. Finance costs, net**

**Finance costs**

	<b>2013</b>	<b>2012</b>
Interest expense	(2,087)	(1,991)
Others finance costs	(29)	(123)
<b>Total finance costs</b>	<b>(2,116)</b>	<b>(2,114)</b>

**Finance income**

	<b>2013</b>	<b>2012</b>
Interest income	-	1
<b>Total finance income</b>	<b>-</b>	<b>1</b>

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**12. Other tangible assets**

	Vehicles	Equipment	Total
<b>Carrying amount as at 1 January 2012</b>	-	-	-
Additions	124	3	127
Depreciation	(4)	-	(4)
<b>Carrying amount as at 31 December 2012</b>	<b>120</b>	<b>3</b>	<b>123</b>
Additions	-	20	20
Depreciation	(13)	(2)	(15)
<b>Carrying amount as at 31 December 2013</b>	<b>107</b>	<b>21</b>	<b>128</b>

**13. Other receivables**

	As at 31 December 2013	2012
<i>Non-financial assets</i>		
VAT receivables	-	22
Other receivables	38	67
Prepaid expenses	45	50
<i>Financial assets</i>		
Receivables from clients	166	188
	<b>249</b>	<b>327</b>

The receivables as at the end of 2013 are not impaired. Their fair value approximates the carrying amount.

**14. Cash and cash equivalents**

	As at 31 December 2013	2012
Cash in BGN	157	1,822
Cash in EUR	32	328
<b>Total cash in bank</b>	<b>189</b>	<b>2,150</b>

**15. Share capital**

	Number of shares	Ordinary shares BGN'000
<b>At 31 December 2012</b>	<b>400,000</b>	<b>400</b>
<b>At 31 December 2013</b>	<b>400,000</b>	<b>400</b>

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**17. Deferred tax asset and liability (continued)**

The tax profit for 2013 is BGN 808 thousands and deferred income tax for BGN 81 thousands was reversed. The tax loss for 2012 is BGN 188 thousands and the deferred tax asset not recognized is BGN 19 thousands.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same fiscal authority.

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.

<b>18. Payables</b>	<b>As at 31 December</b>	
	<b>2013</b>	<b>2012</b>
<i>Non-financial liabilities</i>		
VAT payable	54	-
<i>Financial liabilities</i>		
Guarantees	760	748
Payables to suppliers	27	81
Payables to related parties	-	47
Other payables	3	4
	<b>844</b>	<b>880</b>

**19. Financial instruments by category**

**As at 31 December 2013**

<b>Financial assets as per balance sheet</b>	<b>Loans and receivables</b>
Trade and other receivables (Note 13)	166
Cash and cash equivalents (Note 14)	189
	<b>355</b>
<b>Liabilities as per balance sheet</b>	<b>Financial liabilities at amortized cost</b>
Trade payables (Note 18)	790
Payables under bank loan (Note 16, 20)	78,438
	<b>79,228</b>

The fair value of all financial assets and liabilities as at the end of 2013 approximates their carrying value.

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**20. Related party transactions (continued)**

	<b>Year ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
<b>Interest income</b>		
Eurobank Bulgaria AD	-	1
<b>Interest expenses</b>		
Eurobank Private Bank Luxembourg S.A.	2,087	1,991
<b>FX transaction expenses</b>		
Eurobank Bulgaria AD	1	4
<b>Commissions and fee expenses</b>		
Eurobank Bulgaria AD	10	11
Eurobank Ergasias SA	18	109
<b>Total</b>	<u>28</u>	<u>120</u>
<b>Rent income</b>		
Eurobank Bulgaria AD	4,953	1,238
ERB Leasing EAD	174	167
ERB Property Services Sofia AD	99	25
IMO Property Investments Sofia EAD	20	5
Bulgarian Retail Services AD	17	4
<b>Total</b>	<u>5,263</u>	<u>1,439</u>
<b>Expenses related to Investment property</b>		
ERB Property Services Sofia AD	2	2

The management is compensated by virtue of a decision of the Board of Directors. The management of the Company have received remuneration in 2013 at the total amount of BGN 24 thousands (BGN 207 thousands in 2012).

**21. Contingent liabilities and commitments**

The management has not identified any significant contingent liabilities and commitments valid as at 31 December 2013.

**22. Events after the balance sheet date**

On January 17, 2014 the sole shareholder take a decision for increasing the Company's capital through issue of 9,779 new ordinary registered shares. Each share is with nominal value of BGN 1 (one) and issue value of BGN 1,000 (one thousand). The total issue value of the shares from the increase of the Company's capital amounts to 9,779,000 BGN. Upon increase of the capital the total amount of the registered capital of the company is 409,779 ordinary registered shares with nominal value of BGN 1 (one) each. The difference between the nominal and the Company's capital (the capital share premium) which amounts to 9,769,221 are deposited in the Company's Reserve Fund, pursuant to art.176, paragraph 3 of the Commercial Act. As of February 05, 2014 the total amount of the capital increase is fully paid.

There are no other events after the Balance Sheet Date as defined by IAS 10.