IMO PROPERTY INVESTMENTS SOFIA EAD
INDEPENDENT AUDITOR’S REPORT
ANNUAL ACTIVITY REPORT
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENT

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 2021. The financial statements have been audited by KPMG Audit OOD.

GENERAL INFORMATION

Establishment and activity

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

The sole owner of the Company is Neu Property Holdings Ltd. Neu Property Holdings Ltd. is a private company incorporated and existing under the laws of Cyprus, entered into the Ministry of Energy Commerce Industry and Tourism – Department of Registrar of Companies and official receiver, Nicosia, under registration number HE254249. The Company's ultimate parent is Eurobank Ergasias Services and Holdings S.A. (indirectly via its 100% owned subsidiary Eurobank S.A; Eurobank S.A. respectively holds 100% of the share capital of Neu Property Holdings Ltd.)[1], shares of which are traded on the Athens Stock Exchange.
The Company's main activities are purchase, construction and fitting up of properties in order to sell or rent them.
The Company does not carry out research and development activities.

Share capital structure

The share capital as of 31 December 2021 is BGN 457 thousand and is fully paid. The shares are ordinary and registered. The number of shares is 456,719 of nominal value BGN 1 (one) each.

Board of Directors

As at 31 December 2021 the Board of Directors consists of the following members:

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

General Manager of the Company is Borislav Slavov.

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

The 23.3.2020 change of Corporate Name of Eurobank Ergasias S.A. to "Eurobank Ergasias Services and Holdings S.A.", consequently resulting to:

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

GENERAL INFORMATION (CONTINUED)

Board of Directors (continued)

Total annual remuneration of the members of the Board of Directors

In 2021 the members of the Board of Directors did not receive remuneration from the Company.

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

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

Board member's rights to acquire shares and bonds of the Company

No member of the Board of Directors holds special rights of acquisition of shares or bonds of the Company.

The Board of Directors member's ownership in other commercial enterprises, as:
Partners with unlimited liability

No member of the Board of Directors has been a partner with unlimited liability in other commercial enterprise.

Partners/shareholders holding more than 25 per cent of the capital of another company

No member of the Board of Directors holds more than 25 per cent of the capital of another company.

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

Alexander Danchev

- A - Z SYNERGY OOD, Bulgaria – Manager and Owner.

Ekaterini Atsali

- IMO Property Investments Bucuresti S.A, Romania – Vice Chairman, Member of the Board of Directors;
- IMO II Property Investments S.A., Romania – Vice Chairman, Member of the Board of Directors;
- Retail Development S.A., Romania - Member of the Board of Directors;
- Seferco Development S.A., Romania, Member of the Board of Directors.

GENERAL INFORMATION (CONTINUED)

Board of Directors (continued)

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

Michalis Stamou

- 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;
- IMO Property Investments AD Beograd, Serbia – Member of the Supervisory Board;
- Retail Development S.A., Romania - Member of the Board of Directors;
- Seferco Development S.A., Romania, Member of the Board of Directors;
- IMO 03 EAD, Bulgaria – Member of the Board of Directors (until 15.02.2022).

Panagiotis Mavridis

- IMO 03 EAD, Bulgaria – Executive Director and Member of the Board of Directors (until 15.02.2022);
- Eurobank Bulgaria AD - Member of the Management Board (as of 30.06.2020).

Efthymios Zois

- ERB IT Shared Services S.A., Romania - Member of the Board of Directors;
- Eliade Tower S.A., Romania - Chairman, Member of the Board of Directors;
- Reco Real Property a.d., Serbia - Chairman of the Supervisory Board;
- ERB New Europe Funding B.V., The Netherlands - Managing Director A;
- ERB New Europe Funding II B.V., The Netherlands - Managing Director A.

GENERAL INFORMATION (CONTINUED)

Contracts under Article 240b of the Commerce Act

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

OVERVIEW OF RESULTS

Financial results for the current period

The financial result before tax for 2021 is loss in the amount of BGN 18,783 thousands. The loss of the investment property change in fair value is the main part of the loss – 43%, the expenses related to investment property are 17% and the financial costs are – 28% of the total expenses.

Investing activity

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

The Company has acquired properties through public auctions and direct purchases. The acquired properties are regulated and non-regulated land plots, residential, industrial and commercial properties and hotels.

MAIN OBJECTIVES FOR 2022

The main focus for 2022 will be the increase of sales and rent income.

Priorities

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

FINANCIAL RISK MANAGEMENT

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

Market risk

Currency risk

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (CONTINUED)

Interest rate risk
As the Company has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.
The Company's interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest re-pricing period of the borrowings is on a yearly base, thus mitigating to some extent the interest rate risk.
The Company's cash flow and interest rate risk is periodically monitored by the Company's management and by the parent Company (i.e. the Group management). As the borrowings are provided by the Eurobank Private Bank Luxembourg S.A and Eurobank Bulgaria AD 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

In 2022 the Company extended its loan facilities Eurobank Private Bank Luxemborg from maturity in June 2022 till 29 September 2023, the credit line with Eurobank Bulgaria AD was renewed until 30 September 2023, which is a non-adjusting event under IAS 10.

On 24 February 2022, Russian president Vladimir Putin announced that Russia is initiating a "special military operation" in the Donbas and launched a full-scale invasion into Ukraine.

In response, United States, the European Union (EU) and other countries and international organizations started to roll out sanctions against Russia, Russian individuals, businesses and officials from Russia and Ukraine. Russia responded with sanctions against a number of countries, including a total ban on food imports from Australia, Canada, Japan, the United States and EU.

As the situation with the conflict and related sanctions is very dynamic with far-reaching and long-term consequences, any assessment of potential impact would be premature. The Company has no direct or indirect exposures to Russia or Ukraine. As of the date of these financial statements the conflict has no impact on the activities of the Company.

There are no other significant post balance sheet events with effect on the financial statements as of 31 December 2021.

RESPONSIBILITIES OF MANAGEMENT

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

The Directors confirm that suitable accounting policies have been used.

The Directors also confirm that the legislation applicable in Bulgaria has been followed and that the financial statements have been prepared on a going concern basis.

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

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Panagiotis Mavridis
Executive Director and Chairman of the Board of Directors

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Alexander Danchev
Executive Director and Member of the Board of Directors
31.05.2022

IMO PROPERTY INVESTMENTS SOFIA EAD
BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts are stated in BGN thousand)

	Note	31 December 2021	31 December 2020
Non-current assets			
Investment property	12	89,177	117,356
Prepayments for acquisition of investment property	14	80	80
Plant, equipment, intangible assets and right of use	13	355	452
Total non-current assets		**89,612**	**117,888**
Current assets			
Trade and other receivables	15	176	150
Cash and cash equivalents	16	7,723	8,416
Total current assets		**7,899**	**8,566**
Total assets		**97,511**	**126,454**
Equity			
Share capital	17	457	457
Share premium		58,468	58,468
Accumulated loss		(334,166)	(315,395)
Total equity		**(275,241)**	**(256,470)**
Non-current liabilities			
Retirement benefit obligations		40	46
Total non current liabilities		**40**	**46**
Current liabilities			
Borrowings	18	371,705	381,490
Lease obligations	19	314	390
Legal provisions	19	215	169
Other payables	19	478	829
Total current liabilities		**372,712**	**382,878**
Total liabilities		**372,752**	**382,924**
Total equity and liabilities		**97,511**	**126,454**

The financial statements have been approved by the Board of Directors on 31.05.2022 and signed as follows:

Panagiotis Mavridis
Executive Director and Chairman
of the Board of Directors

Yordanka Karapetrova
Financial Manager, preparer

Alexander Danchev
Executive Director and Member of the Board of Directors

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

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered Auditor, responsible for the audit

(All amounts are stated in BGN thousand)

	Note	For the year ended 31 December 2021	2020
(Expenses)/Income from investment property, net	5	(1,387)	(1,434)
Income from intermediary services	6	16	31
Expenses related to investment property	8	(3,221)	(3,415)
Net loss from changes in the fair value of investement property	7	(8,006)	(7,826)
Reversal of impairment/(Impairment) related to rent receivables	15	35	(30)
Administrative expenses	9	(879)	(967)
Operating loss		**(13,442)**	**(13,641)**
Financial costs	10	(5,341)	(6,414)
Loss before income tax		**(18,783)**	**(20,055)**
Income tax	11	-	-
Loss for the year		**(18,783)**	**(20,055)**
Actuarial gain		12	3
Other comprehensive income		**12**	**3**
Total comprehensive (loss) for the year		**(18,771)**	**(20,052)**

The financial statements have been approved by the Board of Directors on 31.05.2022 and signed as follows:

Panagiotis Mavridis
Executive Director and Chairman
of the Board of Directors

Yordanka Karapetrova
Financial Manager, preparer

Alexander Danchev
Executive Director and Member of the Board of Directors

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

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered Auditor, responsible for the audit

	Share capital	Share premium	Accumulated loss	Total equity
At 1 January 2020	457	58,468	(295,343)	(236,418)
Loss for the year	-	-	(20,055)	(20,055)
Other comprehensive income				
Actuarial gain	-	-	3	3
Total comprehensive income	**-**	**-**	**(20,052)**	**(20,052)**
Balance as at 31 December 2020	**457**	**58,468**	**(315,395)**	**(256,470)**
Balance as at 1 January 2021	457	58,468	(315,395)	(256,470)
Loss for the year	-	-	(18,783)	(18,783)
Other comprehensive income				
Actuarial gain	-	-	12	12
Total comprehensive income	**-**	**-**	**(18,771)**	**(18,771)**
Balance as at 31 December 2021	**457**	**58,468**	**(334,166)**	**(275,241)**

The financial statements have been approved by the Board of Directors on 31.05.2022 and signed as follows:

Pamagiotis Mavridis
Executive Director and Chairman
of the Board of Directors

Yordanka Karapetrova

Financial Manager, preparer

Alexander Danchev
Executive Director and Member of the Board of Directors

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

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered Auditor, responsible for the audit

IMO PROPERTY INVESTMENTS SOFIA EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	For the year ended 31 December 2021	2020
Operating activities			
Receipts from clients		1,330	1,191
Payments for administrative expenses		(303)	(108)
Employee benefits and social securities paid		(579)	(773)
VAT received/(paid)		(951)	146
Payments related to investment property		(3,928)	(5,037)
Net cash flows used in operating activities		**(4,431)**	**(4,581)**
Investing activities			
Purchase and prepayments for investment property		-	(33)
Sale of investment property		18,930	12,006
Purchases of equipment		(1)	-
Net cash flows from investing activities		**18,929**	**11,973**
Financing activities			
Financial costs paid		(5)	(5)
Payment of lease liability		(72)	(78)
Interest paid		(5,335)	(6,341)
Borrowings repaid		(9,779)	(136,908)
Borrowings received		-	136,908
Net cash flows used in financing activities		**(15,191)**	**(6,424)**
Increase/ (decrease) in cash and cash equivalents		(693)	968
Cash and cash equivalents at 1 January		**8,416**	**7,448**
Cash and cash equivalents at 31 December	16	**7,723**	**8,416**

The financial statements have been approved by the Board of Directors on 31.05.2022 and signed as follows:

Panagiotis Mavridis
Executive Director and Member of the Board of Directors

Yordanka Karapetrova
Financial Manager, preparer

Alexander Danchev
Executive Director and Member of the Board of Directors

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

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered Auditor, responsible for the audit

1. General information

Imo Property Investments Sofia EAD (“the Company”) Court Registration Number 14845/2007 110, UIC 175386257, is a solely owned joint stock company with limited liability registered in Republic of Bulgaria.
The sole owner of the Company is Neu Property Holdings Ltd., is a private company incorporated and existing under the laws of Cyprus, entered into the Ministry of Energy Commerce Industry and Tourism – Department of Registrar of Companies and official receiver, Nicosia, under registration number HE254249.
The Ultimate controlling entity is Eurobank S.A. (see also note 21). The sole owner of the share capital is Neu Property Holdings Ltd.

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

2. Basis of preparation and principal accounting policies

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

2.1 Basis of preparation

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

- investment property - measured at fair-value-through-profit-or-loss;
- retirement benefit obligations – measured at present value of the retirement benefit obligation;

Use of judgments and estimates

The preparation of the financial statements in conformity with IFRS requires the use of estimates and judgements, as described in note 4. Critical accounting estimates and judgments in applying accounting policies that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The significant estimates, judgments and assumptions made by Management are the same as those applied in the financial statements for the year ended 31 December 2020.

Going concern of the Company

The financial statements are prepared on the principle of going concern which implies that the Company will continue operations in the foreseeable future. IMO Property Investments Sofia EAD finances its activities through a revolving short term borrowing by Eurobank Private Bank Luxembourg and its capital base as well as a loan from Eurobank Bulgaria AD. The current credit line with Eurobank Private Bank Luxembourg was renewed until 29 September 2023. The credit line with Eurobank Bulgaria AD was renewed until 30 September 2023. As of 31 December 2021 the Company has negative equity, current liabilities exceed current assets by BGN 364,813 thousand (2020: 374,312 thousand) and it relies on the future support and financing by the Group to continue its operations as a going concern. As at the date of the sign off of these financial statements the Company is still operating at a loss and has negative equity. The assessment of the going concern principle by Management implies the assumption that the Company will continue to be supported by the Group in the foreseeable future. The Group has confirmed its intention to support the Company in the foreseeable future. In management’s view, the above factor supports the assertion that the Company will have sufficient resources to continue for a period of at least 12 months from the reporting date. Management concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Non-compliance with laws and regualtions

As at 31 December 2021 IMO Property Investments Sofia EAD has negative equity of BGN 275,241 thousand (2020: negative equity of BGN 256,470 thousand) and is in breach of article 252, para (1), item 5 from Bulgarian Commerce Act as its registered capital exceeds net assets. The Management will consider implementing any appropriate actions, if necessary.

2.1.1 New and amended standards and interpretations

The following amendments to standards as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), apply from 1 January 2021:

Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In the context of the market-wide reform of several interest rate benchmarks (referred to as ''IBOR reform''), the IASB has undertaken a two-phase project to address the issues affecting financial reporting by the IBORs' replacement and considered any reliefs to be provided in order to eliminate the resulted effects. The adoption of the first phase related to hedge accounting had no impact on the Company's financial statements, as the Company does not have hedge accounting exposures priced at the interest rate benchmarks to be replaced.

In August 2020, the IASB issued "Interest Rate Benchmark Reform: Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16", which addresses the issues that affect financial reporting once an existing rate is replaced with an RFR and provides specific disclosure requirements. The Phase 2 amendments provide key reliefs related to the contractual modifications due to the reform and the hedging designations affected once the Phase 1 reliefs cease to apply.

More specifically, the amendments introduce a practical expedient if a contractual change, or changes to cash flows, result "directly" from the IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate of the financial instruments subject to reform, similar to the changes to a floating interest rate. A similar practical expedient will apply under IFRS 16 'Leases' for lessees when accounting for lease modifications required by the IBOR reform.

In addition, the Phase 2 amendments permit changes, as a result of the IBOR reform, to be performed to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk and the description of the hedging instruments and/or the hedged items to reflect RFR as well as amending the description of how an entity will assess the hedge effectiveness (under IAS 39 only).

An entity will apply the existing requirements in IAS 39 or IFRS 9 for qualifying fair value and cash flow hedging relationships to account for any changes in the fair value of the hedged item or the hedging instrument while any resulting ineffectiveness will be recognized in the income statement. Upon changing the hedge designation, once the Phase 1 reliefs cease to apply, the amount accumulated in the cash flow hedge reserve is also assumed to be based on the RFR for the purpose of assessing whether the hedged future cash flows are still expected to occur.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards and interpretations (continued)

Based on the Phase 2 amendments, when performing a retrospective hedge effectiveness assessment under IAS 39, a company may elect to reset the cumulative fair value changes of the hedged item and hedging instrument to zero immediately after ceasing to apply the Phase 1 relief on a hedge-by-hedge basis. The Phase 2 amendments clarify that changes to the method for assessing hedge ineffectiveness due to the modifications required by the IBOR reform, will not result to the discontinuation of the hedge accounting.

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

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

IFRS 4, Amendment, Deferral of IFRS 9

In June 2020, the IASB extended the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023, in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts.

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

Amendment to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021

In March 2021, the IASB extended by one year the application period of the practical expedient in IFRS 16 'Leases' that provides practical relief to lessees from applying the IFRS 16 guidance for lease modifications to rent concessions occurring as a direct consequence of the Covid-19 pandemic. In particular, based on the aforementioned extension of the practical expedient, the lessee may account for any reduction in lease payments, originally due on or before 30 June 2022, as if they were not lease modifications. The amendment is effective for annual reporting periods beginning on or after 1 April 2021.

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

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

A number of new standards and amendments to existing standards are effective after 2021, as they have not yet been endorsed by the European Union (EU), or have not been early applied by the Company. Those that may be relevant to the Company are set out below:

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards and interpretations (continued)

IFRS 3, Amendments, Reference to the Conceptual Framework (effective 1 January 2022)

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

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

Annual improvement to IFRSs 2018-2020 cycle: IFRS1, IFRS9 and IFRS 16 (effective 1 January 2022)

The improvements introduce changes to several standards. The amendments that are relevant to the Company's activities are set out below:

The amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result, the amendments allow entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The amendment to IFRS 9 "Financial Instruments" clarifies which fees should be included in the 10% test for derecognition of financial liabilities. The fees to be included in the assessment are only those paid or received between the borrower (entity) and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.
The amendment to IFRS 16 "Leases" removes the illustration of the reimbursement of leasehold improvements, in order to avoid any potential confusion about the treatment of lease incentives.
The adoption of the amendments is not expected to impact the Company's financial statements.

IAS 37, Amendment, Onerous Contracts – Costs of Fulfilling a Contract (effective 1 January 2022)
The amendment to IAS 37 *'Provisions, Contingent Liabilities and Contingent Assets'* clarifies that the direct costs of fulfilling a contract include both the incremental costs and an allocation of other costs directly related to fulfilling contracts' activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
The adoption of the amendment is not expected to impact the Company's financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards and interpretations (continued)

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

The amendments, published in January 2020, affect only the presentation of liabilities in the balance sheet and provide clarifications over the definition of the right to defer the settlement of a liability, while they make clear that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. In addition, it is clarified that the assessment for liabilities classification made at the end of the reporting period is not affected by the expectations about whether an entity will exercise its right to defer settlement of a liability. The Board also clarified that when classifying liabilities as current or non-current, an entity can ignore only those conversion options that are recognised as equity.

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

IFRS 17, Insurance Contracts (effective 1 January 2023)

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

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

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

In June 2020, the IASB issued Amendments to IFRS 17 to assist entities in its implementation. The amendments aim to assist entities to transition in order to implement the standard more easily, while they deferred the effective date, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2023.

During 2021, the IASB issued another narrow-scope amendment to IFRS 17 which is applicable on transition to the new standard, effective from 1 January 2023. However, it does not impact any other requirements of IFRS 17.The amendment to IFRS 17 clarifies the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. There are no changes to the transition requirements in IFRS 9. An entity that elects to apply the amendment applies it in the comparative information of the financial statements when it first applies IFRS 17. The 2021 amendment is not yet endorsed by EU.

IFRS 17 is not relevant to the Company’s activities.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards and interpretations (continued)

IAS 8, Amendments, Definition of Accounting Estimates (effective 1 January 2023, not yet endorsed by EU)

The amendments in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" introduced the definition of accounting estimates and include other amendments to IAS 8 which are intended to help entities distinguish changes in accounting estimates from changes in accounting policies.

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

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

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

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

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

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

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

IAS 12, Amendments, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023, not yet endorsed by EU)

The amendments clarify that the initial recognition exemption set out in IAS 12 'Income Taxes' does not apply for transactions such as leases and decommissioning obligations. These are transactions where entities recognise both an asset and a liability.

More specifically, the amendments require an entity to recognise deferred tax on certain transactions (e.g. leases and decommissioning liabilities) that on initial recognition give rise to equal amounts of taxable and deductible temporary differences. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability separately, with the recognition of any deferred tax asset being subject

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards and interpretations (continued)

to the recoverability criteria in IAS 12. The amendments also add an illustrative example to IAS 12 that explains how the amendments are applied.

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

Other accounting developments

IFRIC agenda decision - Attributing Benefit to Periods of Service (IAS 19)
In May 2021, an IFRIC agenda decision was published that concludes about the periods of service over which an entity should attribute benefits under a specific retirement defined benefit plan based on the existing requirements of IAS 19. In particular, according to the above decision, the attribution of the benefit shall not begin from the start of the employment date but from the date when the employee service first leads to benefits under the terms of the plan until the date when further employee service will lead to no material amount of further benefits.

In the fourth quarter of 2021 the Company has applied the IFRIC.

2.2 Principal accounting policies

2.2.1 Foreign currency transactions

(a) Functional and presentation currency
The functional currency and the presentation currency is 'Bulgarian lev'(BGN). The financial statements are prepared in BGN. All amounts in the financial statements are rounded to the nearest multiple of thousand.

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

2.2.2 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.

2. Summary of significant accounting policies (continued)

2.2.2 Investment property (continued)

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 12.

2.2.3 Plant and equipment

Plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
Depreciation on items of plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:
- Computer hardware - 5 years
- Other furniture and equipment – between 3 and 6,67 years
- Motor vehicles- 5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.
Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.2.4 Intangible assets

Costs that are directly associated with identifiable non-monetary asset without physical substance controlled by the Company and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Expenditure which enhances or extends the performance of intangible assets beyond their original specifications is recognised as a capital improvement and added to the original costs of the asset. Costs associated with maintaining intangible assets are recognised as an expense as incurred.
Intangible assets include software, including software licenses, and are amortized using the straight-line method over their useful lives of 5 years.

2. Summary of significant accounting policies (continued)

2.2.4 Intangible assets (continued)

Intangible assets are reviewed by classes of intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An intangible asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.2.5 Financial Instruments

As of 31.12.2021 and 31.12.2020 the financial instruments of the Company are cash and cash equivalents, trade and other receivables, borrowings and other liabilities.

(i) Financial assets

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.2.5 Financial Instruments (continued)

(i) Financial assets (continued)

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

Reclassification

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

(ii) Financial liabilities

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

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, unless it is capitalised under IAS 23.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.
Other payables are measured at amortized cost.

(iii) Offsetting financial instruments

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

2. Summary of significant accounting policies (continued)

2.2.6 Leases

(i) Accounting for leases as lessee

When the Company becomes the lessee in a lease arrangement, it recognizes a lease liability and a corresponding right-of-use (RoU) asset at the commencement of the lease term when the Company acquires control of the physical use of the asset.
Lease liabilities are presented within other liabilities and RoU assets within Property, plant and equipment. Lease liabilities are measured based on the present value of the future lease payments over the lease term, discounted using an incremental borrowing rate. The interest expense on lease liabilities is presented within Net interest income.
The RoU asset is initially recorded at an amount equal to the lease liability and is adjusted for rent prepayments, initial direct costs, or lease incentives received. Subsequently, the RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within Operating expenses.
When a lease contains extension or termination options that the Company considers reasonably certain to be exercised, the expected future lease payments or costs of early termination are included within the lease payments used to calculate the lease liability.
The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

With respect to the rent concessions that are a direct consequence of the COVID-19 pandemic, the Company has applied COVID-19-Related Rent Concessions - Amendment to IFRS 16, which provides a practical expedient allowing the Company not to assess whether eligible rent concessions are lease modifications.

(ii) Accounting for leases as lessor

At inception date of the lease, the Company, acting as a lessor, classifies each of its leases as either an operating lease or a finance lease based on certain criteria.

Finance leases

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

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

2. Summary of significant accounting policies (continued)

2.2.6 Leases (continued)

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

Operating leases

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

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

Subleases

The Company, acting as a lessee, may enter into arrangements to sublease a leased asset to a third party while the original lease contract is in effect. The Company acts as both the lessee and lessor of the same underlying asset. The sublease is a separate lease agreement, in which the intermediate lessor classifies the sublease as a finance lease or an operating lease as follows:
- if the head lease is a short-term lease, the sublease is classified as an operating lease; or
- otherwise, the sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

2.2.7 Financial costs

Interest expenses for borrowings are recognised within 'financial costs' in the statement of comprehensive income using the effective interest rate method, except for borrowing costs relating to qualifying assets.
The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability.
When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.
The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2. Summary of significant accounting policies (continued)

2.2.8 Revenue recognition

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

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

2.2.9 Taxation

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

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

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

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

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

2.2.10 Employee benefits

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

(b) Social, pension and health funds.
The Company is obliged by the current Bulgarian legislation to make fixed contribution on behalf of the employees to a social fund operated by the Government. All those payments/liabilities are related to current salary expenses and are recognized as an expense in the period to which those relate. The Company has no further payment obligations once the contributions have been paid.

2. Summary of significant accounting policies (continued)

2.2.10 Employee benefits (continued)

(c) Retirement benefit obligations

In accordance with article 222, Para. 3 of the Bulgarian Labour Code, in the event of termination of a labour contract after the employee has acquired entitlement to a contributory-service and required retirement age, irrespective of the reason for the termination, the employee shell be entitled to compensation as follows: 2 gross monthly salaries in all cases and 6 gross monthly salaries where the employee has acquired with the Company or in the Eurobank Group 10 years length of employment service during the past 20 years. Compensations under this paragraph are payable on a single occasion only.

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

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

Past service costs and interest expense are recognised immediately in the income statement.

In the fourh quarter of 2021 the Company has applied IFRIC agenda decision - *Attributing Benefit to Periods of Service (IAS 19)*. Based on the interpretation, retirement obligation first arises from the date when employee service first leads to benefits under the plan until the date when further employee service will lead to no material amount of further benefits. The obligation is calculated using only the number of consecutive years of employee service immediately before the retirement age and is capped in a number of years of service depending on the with article 222, Para. 3 of the Bulgarian Labour Code described above.

3. Financial risk management

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

(a) Currency risk

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

(b) Interest rate risk

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

3. Financial risk management (continued)

The Company's interest rate risk arises from its borrowings (Note 18). 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 and Eurobank Bulgaria AD, the exposure of the Company to interest rate risk is reviewed individually for each new facility provided.

Trade and other receivables and payables are interest-free and have settlement dates within one year.

(c) Price risk

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

3.1 Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The table below shows balances of cash and cash equivalents as at 31 December 2021 and 2020 with banks, as follows:

	31 December 2021		**31 December 2020**	
Contractor	**Credit rating**	**Balance**	**Credit rating**	**Balance**
Eurobank Bulgaria AD	BBB (BCRA)	7,723	BBB- (BCRA)	8,416
		7,723		**8,416**

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

The following table provides information about the exposure to credit risk for trade receivables:

31 December 2021	Gross carrying amount	Credit rating
1–90 days past due	33	0
91–180 days past due	6	1
181–270 days past due	1	2
271-360 days past due	2	3
More than 361 days past due	1,162	4
	1,204	

31 December 2020	Gross carrying amount	Credit rating
1–90 days past due	27	0
91–180 days past due	3	1
181–270 days past due	14	2
271-360 days past due	30	3
More than 361 days past due	1,137	4
	1,211	

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

3. Financial risk management (continued)

3.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The liquidity risk is strictly monitored by the Management. The Management expects positive cash flows for the year ended 2021 and onwards, mainly due to cash inflows from operations.

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

		Contractual cash flows				
	Carrying amount	**Total**	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**More than 1 year**
As at 31 December 2021						
Lease liabilities	**314**	**(333)**	(5)	(11)	(44)	(273)
Other payables	**415**	**(415)**	(132)	(283)	-	-
Borrowings	**371,705**	**(380,519)**	(434)	(867)	(3,811)	(375,407)
Total financial liabilities	**372,434**	**(381,267)**	**(571)**	**(1,161)**	**(3,855)**	**(375,680)**

		Contractual cash flows				
	Carrying amount	**Total**	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**More than 1 year**
As at 31 December 2020						
Lease liabilities	**390**	**(415)**	(6)	(13)	(58)	(338)
Other payables	**711**	**(711)**	(166)	(545)	-	-
Borrowings	**381,490**	**(389,944)**	(445)	(890)	(4,005)	(384,604)
Total financial liabilities	**382,591**	**(391,070)**	**(617)**	**(1,448)**	**(4,063)**	**(384,942)**

3.3 Capital management

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

4. Critical accounting estimates and judgments

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

Fair value of investment properties

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

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

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

For disclosure purposes, fair value is based on appraisal reports prepared by certified appraisers at the end of the reporting period. Management believes that there is still sufficient market activity to determine fair value to provide comparable prices for ordinary transactions with similar properties. To the extent that the determined market value is based on many judgments, the comparative values reached may not materialize in the future.

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

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

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

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

Estimate of fair value of investment property

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

Level 1 – Investment property measured based on quoted prices in active markets for identical assets that the company can access at the measurement date.
Level 2 – Investment property measured using valuation techniques with the following inputs: i) quoted prices for similar assets in active market, ii) quoted prices for identical or similar assets in markets that are not active, iii) inputs other than quoted prices that are observable for the assets, iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3 – Investment property measured using valuation techniques with significant unobservable inputs.

Quantative information about fair value mesurments using significant unobservable input Level 3
as of 31.12.2021.

4. Critical accounting estimates and judgments (continued)

Description	Fair value at 31.12.2021 in BGN thousands	Valuation technique(s)	Unobservable input	Range (weighted average) 2021 in BGN	Connection between unobservable input and FV
Investment properties in Bulgaria :					
Residential properties	7,270	Sales comparable approach	price per square metre	100-2450 (900)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
Commercial properties	47,027	Sales comparable approach	price per square metre	110-2550 (960)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	100-620 (190)	
		Income approach	rent per square metre	5.50-15 (9)	Should the rent per square metre increase, the Fair value of the investment properties would increase too
Industrial	22,412	Sales comparable approach	price per square metre	80-710 (200)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	160-570 (160)	
Lands	12,468	Sales comparable approach	price per square metre	1.00 – 410 (45)	Should the price per square metre increase, the Fair value of the investment properties would increase too.

4. Critical accounting estimates and judgments (continued)
Quantative information about fair value mesurments using significant unobservable input Level 3 as of 31.12.2020.

Description	Fair value at 31.12.2020 in BGN thousands	Valuation technique(s)	Unobservable input	Range (weighted average) 2020 in BGN	Connection between unobservable input and FV
Investment properties in Bulgaria :					
Residential properties	19,478	Sales comparable approach	price per square metre	90-2400 (890)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
Commercial properties	55,920	Sales comparable approach	price per square metre	100-2500 (950)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	100-6400 (200)	
		Income approach	rent per square metre	5.50-15 (9)	Should the rent per square metre increase, the Fair value of the investment properties would increase too
Industrial	26,190	Sales comparable approach	price per square metre	90-700 (200)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	170-600 (180)	
Lands	15,768	Sales comparable approach	price per square metre	2.00 – 400 (40)	Should the price per square metre increase, the Fair value of the investment properties would increase too.

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

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

5. (Expenses)/Income from investment property, net

	2021	2020
(Loss) from sale of investment property	(1,448)	(1,676)
Rental income	61	242
Total	**(1,387)**	**(1,434)**

6. Income from intermidiary services

	2021	2020
Intermidiary services to related parties /Note 21/	14	7
Intermidiary services to non related parties	2	24
Total	**16**	**31**

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

	2021	2020
Net loss from changes in the fair value of investment properties	(8,006)	(7,826)
Total	**(8,006)**	**(7,826)**

8. Expenses related to investment property and impairment

	2021	2020
Maintenance	(3,221)	(3,415)
Total	(3,221)	(3,415)

9. Administrative expenses

	2021	2020
Salaries	(525)	(695)
Social security costs	(59)	(83)
Legal provisions	(79)	28
Depreciation	(89)	(95)
Rent	(18)	(17)
Audit fees	(24)	(24)
Travel costs	(13)	(10)
Other expenses related to personnel	(2)	(3)
Other	(70)	(68)
Total	**(879)**	**(967)**

The average number of employees of the Company during the year was 9 (2020: 13).

10. Financial costs

	2021	2020
Interest expense	(5,329)	(6,400)
Interest on lease liabilities	(7)	(9)
Other finance costs	(5)	(5)
Total financial costs	**(5,341)**	**(6,414)**
Interest income	-	-
Net financial costs	**(5,341)**	**(6,414)**

11. Taxation

	2021	2020
Loss before income tax	(18,783)	(20,055)
Tax calculated at a tax rate applicable to profits 10% (2020:10%)	(1,878)	(2,005)
Tax effect of expenses not deductible for tax purposes	-	-
Unrecognized deferred tax income for the year	1,878	2,005
Income tax expense	-	-

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

Tax losses carried forward

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

Year of expiry	2021	2020
2021	24,114	24,114
2022	26,896	26,896
2023	28,491	28,491
2024	27,484	27,484
2025	21,144	-
	128,129	**106,985**

12. Investment property

	As at 31 December	
	2021	**2020**
Balance at beginning of period as reported	**117,356**	**138,603**
Additions	-	332
Disposals	(20,173)	(13,754)
Net loss from changes in fair value	(8,006)	(7,825)
	89,177	**117,356**

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

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

	Office furniture	**Motor vehicles**	**Computers**	**Software**	**Rights of use**	**Total**
Carrying amount as at 1 January 2020	**1**	**89**	**1**	**2**	**454**	**547**
Additions	-	-	-	-	-	**-**
Depreciation/amortization	(1)	(20)	(1)	(1)	(72)	**(95)**
Carrying amount as at 31 December 2020	**-**	**69**	**-**	**1**	**382**	**452**
Additions	2	-	1	-	-	**3**
Depreciation/amortization	(1)	(20)	-	(1)	(35)	**(57)**
Writte-off					(43)	**(43)**
Carrying amount as at 31 December 2021	**1**	**49**	**1**	**-**	**304**	**355**
Cost	14	102	13	8	483	**620**
Accumulated depreciation	(13)	(53)	(12)	(8)	(179)	**(265)**
Carrying amount as at 31 December 2021	**1**	**49**	**1**	**-**	**304**	**355**

14. Prepayments for acquisition of investment property

	As at 31 December	
	2021	**2020**
Investment property in process of acquisition	80	80
	80	**80**

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

15. Trade and other receivables

	As at 31 December	
	2021	**2020**
Non-financial assets		
Prepaid expenses	23	30
Financial assets		
Other receivables	85	80
Receivables from clients	1,204	1,211
Receivables from bailiffs and other suppliers	40	40
Impairment allowance on rent receivables	(1,176)	(1,211)
	176	**150**

As of 31 December 2021 the Management made assessment of the receivables from clients. A reversal of impairment allowance of these receivables in the amount of BGN 35 thousand for 2021 was recognized (2020: an allowance for impairment of BGN 30 thousand was recognized).

Movement of the impairment allowance	**As at 31 December**	
	2021	**2020**
Opening balance at 1 January	1,211	2,899
(Reversal)/Charged to the income statement	(35)	30
Written off impairment	-	(1,718)
Closing balance at 31 December	**1,176**	**1,211**

16. Cash and cash equivalents

	As at 31 December	
	2021	**2020**
Current accounts in BGN	7,378	8,304
Current accounts in EUR	345	112
Total cash and cash equivalents	**7,723**	**8,416**

17. Share capital and share premium

	Number of shares	Nominal value of 1 share BGN	Value BGN'000
At 31 December 2020	**456,719**	**1**	**457**
At 31 December 2021	**456,719**	**1**	**457**

As at 31 December 2021 and 2020 the share capital is divided into 456,719 shares, each with a nominal value of BGN 1. The sole owner of the capital is NEU Property Holdings Ltd., Cyprus.

On 12.10.2012 the Company's capital was increased through issue of 56, 719 new ordinary registered, physical, by-name, voting shares with a nominal value of BGN 1.00 and issue value of BGN 1000. The difference between the nominal and the issue value of the shares from the increase of the Company's capital, which amounts to BGN 56 662 281 was deposited in the Company's Reserve Fund. Accumulated Reserve Fund of the Company as at 31 December 2021 and 2020 is BGN 58 468 281.

18. Borrowings

The loans of the Company are contracted with floating interest rate and are denominated in Euro. The loans have been collateralised with bank guarantee and cash collateral issued by Eurobank SA.

	As at 31 December	
	2021	**2020**
Principal of bank loan Eurobank Private Bank Luxemborg	234,700	244,479
Principal of bank loan Eurobank Bulgaria	136,908	136,908
Accrued interest Eurobank Private Bank Luxemborg	27	23
Accrued interest Eurobank Bulgaria	17	27
Accrued interest Eurobank SA	53	53
	371,705	**381,490**

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

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

	2021	**2020**
Opening balance at 1 January	**381,490**	**381,430**
Repayment of debt (principal)	(9,779)	(136,908)
Borrowings received	-	136,908
Interest expense	5,329	6,401
Interest paid	(5,335)	(6,341)
Balance at 31 December	**371,705**	**381,490**

The carrying amounts of these floating-rate borrowings approximate their fair values at the balance sheet date. The bank loan from Eurobank Bulgaria is conrtacting with floating rate of (1M EURIBOR) plus margin of 0.4%. The bank loan from Eurobank Private Bank Luxemborg is contracted with interest of 1.4%. There are no covenants included in the loan agreements.
Maturity date of the current credit lines are: Eurobank Private Bank Luxemborg 29 September 2023; Eurobank Bulgaria 30.09.2023. The credit line limits as of 31 December 2021 are: Eurobank Private Bank Luxemborg EUR 223 millions (2020: EUR 223 millions); Eurobank Bulgaria EUR 70 millions (2020: EUR 70 millions).

19. Other payables

	As at 31 December	
	2021	**2020**
Financial liabilities		
Advanced payment from clients	282	545
To suppliers	132	166
Lease obligations	314	390
Non financial liabilities		
Legal provisions	215	169
VAT payable	57	96
Guarantees	7	21
Other payables	-	1
	1,007	**1,388**

	As at 31 December	
Legal provisions	**2021**	**2020**
Opening balance at 1st of January	169	217
Charged to the income statement	79	-
Reversal of legal provision	(33)	(28)
Used during year	-	(20)
Closing balance	**215**	**169**

20. Financial instruments by category

As at 31 December

Financial assets as per balance sheet	**Financial assets at amortized cost 2021**	**Financial assets at amortized cost 2020**
Trade and other receivables (Note 15)	153	120
Cash and cash equivalents (Note 16)	7,723	8,416
	7,876	**8,536**

Financial Liabilities as per balance sheet	**Other financial liabilities 2021**	**Other financial liabilities 2020**
Other payables (Note 19)	729	1,101
Borrowings (Note 18)	371,705	381,490
	372,434	**382,591**

The fair value of all financial assets and liabilities as at the end of 2021 and 2020 approximates their carrying value.

21. Related party transactions

Eurobank Ergasias Services and Holdings S.A. (Eurobank Holdings) is the parent company of Eurobank S.A., which resulted from the demerger of Eurobank Ergasias S.A. ("Demerged Entity") through its banking sector's hive down that was completed in March 2020.

The Board of Directors (BoD) of Eurobank Holdings is the same as the BoD of Eurobank S.A. and part of the Key Management personnel (KMP) of Eurobank S.A. provides services to Eurobank Holdings according to the terms of the relevant agreement between the two entities. As at 31 December 2021, the percentage of the Eurobank Holdings's ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 1.40%. The HFSF is considered to have significant influence over Eurobank Holdings pursuant to the provisions of the Law 3864/2010, as in force, the Relationship Framework Agreement (RFA) the Demerged Entity has entered into with the HFSF on 4 December 2015 and the Tripartite Relationship Framework Agreement (TRFA) between the Eurobank S.A., Eurobank Holdings and the HFSF signed on 23 March 2020.
In July 2021, Eurolife FFH Insurance Group Holdings S.A. became a subsidiary of Fairfax and the percentage of Eurobank Holdings voting rights held by Fairfax Group increased from 31.27% to 33% of the total number of Eurobank Holdings voting rights. Fairfax Group is considered to have significant influence over the Eurobank Holdings.

Key management personnel are the members of the Board of Directors.
The management is compensated by virtue of a decision of Board of Directors. There is no key management compensation for the years ended 31 December 2021 (2020: BGN 0).

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

	2021	2020
Payables to related parties		
Eurobank Bulgaria AD	10	10
Borrowings and accrued interest		
Eurobank Private Bank Luxembourg S.A.	234,727	244,501
Eurobank Bulgaria AD	136,925	136,935
Eurobank S.A.	53	-
Cash and cash equivalents		
Eurobank Bulgaria AD (Note 14)	7,723	8,416
Interest expenses		
Eurobank Private Bank Luxembourg S.A.	3,405	6,313
Eurobank Bulgaria AD	555	35
Eurobank Ergasias SA	1,369	53
FX transaction expenses, net		
Eurobank Bulgaria AD	1	1

21. Related party transactions (continued)

Commissions and fees expenses		
Eurobank Bulgaria AD	4	4
Expenses related to investment property		
Eurobank Bulgaria AD	86	106
Rental income		
Eurobank Bulgaria AD	4	62
Agency services income		
Eurobank Bulgaria AD	14	7
Rent expenses		
Eurobank Bulgaria AD	68	68

22. Contingent liabilities and commitments

The management has not identified any significant contingent liabilities and commitments valid as at 31 December 2021 (as at 31 December 2020: BGN 0)

23. Leases

The Company as a lessee

The Company leases office and and motor vehicles.

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

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

Right-of-Use Assets

As at 31 December 2021, the right-of-use assets included in property plant and equipment amounted to BGN 304 thousand (2020: 382 thousand) (Note 13).

Lease Liabilities

The lease liability included under other liabilities amounted to BGN 314 thousand as at 31 December 2021 (2020: 390 thousand) (Note 19).

Amounts recognised in profit or loss

Interest on lease liabilities is presented in Note 10.

The Company had total cash outflows for leases of BGN 78 thousand in 2021 (2020: 78 thousand).

23. Leases (continued)

The Company as a lessor

Operating Leases

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

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

	2021	**2020**
Not later than one year	10	10
Total	**10**	**10**

24. Events after the balance sheet date

In 2022 the Company extended its loan facilities Eurobank Private Bank Luxemborg from maturity in June 2022 till 29 September 2023, the credit line with Eurobank Bulgaria AD was renewed until 30 September 2023, which is a non-adjusting event under IAS 10.

On 24 February 2022, Russian president Vladimir Putin announced that Russia is initiating a "special military operation" in the Donbas and launched a full-scale invasion into Ukraine.

In response, United States, the European Union (EU) and other countries and international organizations started to roll out sanctions against Russia, Russian individuals, businesses and officials from Russia and Ukraine. Russia responded with sanctions against a number of countries, including a total ban on food imports from Australia, Canada, Japan, the United States and EU.

As the situation with the conflict and related sanctions is very dynamic with far-reaching and long-term consequences, any assessment of potential impact would be premature. The Company has no direct or indirect exposures to Russia or Ukraine. As of the date of these financial statements the conflict has no impact on the activities of the Company.

There are no other significant post balance sheet events with effect on the financial statements as of 31 December 2021.

Independent Auditors' Report

To the sole shareholder of IMO Property Investments Sofia EAD

Opinion

We have audited the accompanying financial statements of IMO Property Investments Sofia EAD (the Company) as set out on pages 7 to 38, which comprise the balance sheet as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

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

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

Based on the procedures performed, our opinion is that:

- The information included in the management report for the financial year for which the financial statements have been prepared is consistent with those financial statements.
- The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG Audit OOD

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

Dobrina Kaloyanova
Authorised representative

Sevdalina Dimova
Registered auditor, responsible for the audit

Sofia, 10 June 2022