

**EFG PROPERTY SERVICES SOFIA AD  
ANNUAL DIRECTORS' REPORT  
ANNUAL FINANCIAL STATEMENTS  
REPORT OF THE INDEPENDENT AUDITOR  
31 DECEMBER 2011**



**EFG PROPERTY SERVICES SOFIA AD**  
**DIRECTORS' REPORT**  
**31 DECEMBER 2011**

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The Directors present the report and the financial statements prepared in accordance with International Financial Reporting Standards (IFRS), adopted by EU. These financial statements have been audited by PricewaterhouseCoopers Audit OOD.

**BUSINESS DESCRIPTION**

The Company was registered on 2 September 2005. The Company's principal activities include evaluation and intermediary services of operations with real estates, management of real estates, technical and consulting services, architectural and engineering explorations.

**BUSINESS OVERVIEW**

The main aspects for development for the current year include:

- Rendering intermediary services to Eurobank EFG Bulgaria AD for development of its branch network;
- Active offering of agency services related with real estates;
- Development of an evaluation department responsible for appraisals in favour of Eurobank EFG Bulgaria AD and reviewing of appraisals prepared by subcontractors;
- Introducing of reforms in order to optimize the procedure of evaluation; and
- Offering of consulting services to potential investors in real estates.

**CAPITAL STRUCTURE**

The share capital of the Company amounts to BGN 150,000, split in 150,000 individual shares with nominal value of BGN 1 each. 80 % of the share capital is owned by EFG Eurobank Ergasias S.A. and 20 % of the share capital is owned by Lamda Development S.A.

The parent company of EFG EUROBANK ERGASIAS SA is EFG Bank European Financial Group (EFG Group), headquartered in Geneva, Switzerland. EFG Bank European Financial Group (EFG Group) is listed on the Swiss Stock Exchange.

**MANAGEMENT**

In accordance with The Commercial Act of Bulgaria the company has one-tier management system with managerial posts, as follows: General Meeting of shareholders and Board of Directors.

On 31 December 2011 the members of the Board of Directors were:

Theodoros Karakasis – Member and Chairman of the Board of Directors;

Dimitrios Andritsos – Member of the Board of Directors and Executive Director;

Georgios Vasilantonakis - Member of the Board of Directors and Executive Director;

Zizimos Danilatos - Member of the Board of Directors;

Petia Dimitrova - Member of the Board of Directors;

Ioannis Stournaras - Member of the Board of Directors;

Iordan Souvandjiev - Member of the Board of Directors.

Todor Vlaytchev was member of the Board of Directors until 08.07.2011.



**MANAGEMENT (CONTINUED)**

**Information on the activity of the Board of Directors of the Company during 2011 pursuant to Art. 247, Para 2 of The Commercial Act of Bulgaria:**

**Remunerations received generally by the members of the Board of Directors during 2011:**

In 2011 the members of the Board of Directors didn't receive remunerations from the Company in their capacity of the members of the Board of Directors.

**The shares in the Company or the Company's bonds that the members of the Board of Directors have acquired, possessed or transferred during 2011:**

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

**Rights of the members of the Board of Directors 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 participation of the members of the Board of Directors into commercial companies as:**

Partners with unlimited liability:

*None*

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

*None*

**Participants in the management of other companies or cooperatives as procurators, managers or members of the Board of Directors:**

*Theodoros Karakasis*

- Eurobank EFG Bulgaria AD (Bulgaria) – Deputy Chairman of the Board of Directors (until 05.05.2011); Deputy Chairman of the Supervisory Board (effective as of 05.05.2011)
- EFG Leasing EAD (Bulgaria) - Member of the Board of Directors
- Bancpost S.A. (Romania) – Deputy Chairman of the Board of Directors
- EFG Retail Services IFN S.A.(Romania)- Member of the Board of Directors
- EFG Leasing IFN S.A.(Romania)- Member of the Board of Directors
- EFG Eurobank Property Services S.A.(Romania) – Chairman of the Board of Directors
- Eurobank EFG a.d. Beograd (Serbia) – Chairman of the Board of Directors

**MANAGEMENT (CONTINUED)**

**Participants in the management of other companies or cooperatives as procurators, managers or members of the Board of Directors (continued):**

*Theodoros Karakasis (continued)*

- EFG Property Services d.o.o. Beograd (Serbia)- Chairman of the Board of Directors
- EFG Eurobank Ergasias S.A. (Greece) – Deputy General Manager
- Greek-Serbian Chamber of Commerce – Deputy Chairman of the Board of Directors
- Hellenic-Romanian Chamber of Commerce and Industry – Member and Secretary General of the Board of Directors

*Dimitrios Andritsos*

- Eurobank Property Services S.A. (Greece) – Chief Executive Officer
- EFG Eurobank Property Services S.A.(Romania) – Deputy Chairman of the Board of Directors
- EFG Property Services d.o.o. Beograd (Serbia) - Member of the Board of Directors
- IMO Property Investments Bucuresti S.A. (Romania) - Member of the Board of Directors
- IMO Property Investments A.D. Beograd (Serbia) - Member of the Board of Directors
- EFG Property Services Polska Sp. z o.o. (Poland) – Chairman of the Board of Directors
- IMO Property Investments Sofia EAD - Member of the Board of Directors
- S.C. IMO – II Property Investments S.A. (Romania) – Member of the Board of Directors
- EFG Property Services Ukraine Ltd. (Ukraine) – Deputy General Director (effective as of 07.06.2011)

*Georgios Vasilantonakis*

- EFG Eurobank Property Services S.A.(Romania) – Member of the Board of Directors
- EFG Property Services d.o.o. Beograd (Serbia) - Member of the Board of Directors
- EFG Property Services Ukraine LCC (Ukraine) – General Manager
- EFG Property Services Polska Sp. z o.o. (Poland) – Deputy Chairman of the Board of Directors



**MANAGEMENT (CONTINUED)**

**Participants in the management of other companies or cooperatives as procurators, managers or members of the Board of Directors (continued):**

*Zizimos Danilatos*

- LAMDA Development Romania Srl (Romania) - Executive Director
- LAMDA Estate Development S.A. Atena Sucursala (Romania) - Executive Director
- Robies Proprietati Imobiliare Srl(Romania) - Executive Director
- LAMDA Development Sofia EOOD (Bulgaria) - Manager
- TIHI EOOD (Bulgaria) - Manager
- GLS OOD (Bulgaria) - Manager
- LAMDA Development Beograd DOO (Serbia) - Executive Director;
- Property Development Beograd DOO (Serbia) – Deputy Chairman of the Board of Directors
- Singidunum Buildings DOO (Serbia) – Deputy Chairman of the Board of Directors
- Property Investments DOO (Serbia) – Deputy Chairman of the Board of Directors
- LAMDA Development Montenegro DOO (Montenegro) - Executive Director
- S.L. Imobilia DOO Zagreb (Croatia) - Executive Director
- Lamda MED Srl (Romania) - Executive Director
- LAMDA Development South EOOD (Bulgaria) – Manager (until 29.06.2011)
- LAMDA Development Vitosha EOOD (Bulgaria) – Manager (until 11.05.2011)
- EFG Property Services d.o.o. Beograd (Serbia) – Member of the Board of Directors

*Petia Dimitrova*

- Eurobank EFG Bulgaria AD (Bulgaria) – Member of the Board of Directors and Executive Director (until 05.05.2011); Deputy Chairperson of the Management Board and Executive Director (effective as of 05.05.2011)
- Bulgarian Retails Services AD (Bulgaria) – Chairperson of the Board of Directors and Executive Director
- IMO Property Investments Sofia EAD (Bulgaria) - Member of the Board of Directors and Executive Director
- IMO Rila EAD (Bulgaria) - Deputy Chairperson of the Board of Directors and Executive Director (effective as of 24.01.2011)
- IMO Central Office EAD (Bulgaria) - Deputy Chairperson of the Board of Directors and Executive Director (effective as of 24.01.2011)

**MANAGEMENT (CONTINUED)**

**Participants in the management of other companies or cooperatives as procurators, managers or members of the Board of Directors (continued):**

*Petia Dimitrova (continued)*

- IMO 03 EAD (Bulgaria) - Member of the Board of Directors and Executive Director (effective as of 09.06.2011)
- AmCham Bulgaria (American Chamber of Commerce in Bulgaria) – Member of the Board of Directors
- Bulgarian Business Leaders Forum (BBLF) – Member of the Board of Directors
- State-owned enterprise Communicative construction and rehabilitation (Bulgaria) – Member of the Board of Directors;
- Municipal Bank AD (Bulgaria) – Member of the Supervisory Board.

*Ioannis Stournaras*

- Eurobank EFG Property Services S.A. (Greece) – Member of the Board of Directors
- EFG Eurobank Property Services S.A.(Romania) – Member of the Board of Directors
- EFG Property Services Ukraine LCC (Ukraine) – Member of the Board of Directors
- EFG Property Services Polska Sp. z o.o. (Poland) – Member of the Board of Directors.

*Jordan Souvandjiev*

- Eurobank EFG Bulgaria AD (Bulgaria) – Member of the Management Board (effective as of 05.05.2011)
- IMO Property Investments Sofia EAD (Bulgaria) - Member of the Board of Directors
- IMO Central Office EAD (Bulgaria) - Member of the Board of Directors and Executive Director (effective as of 24.01.2011)
- IMO Rila EAD (Bulgaria) - Member of the Board of Directors and Executive Director (effective as of 24.01.2011)
- Vinimpeks 21 AD (Bulgaria) - Member of the Board of Directors.

*Todor Vlaytchev*

- National Palace of Culture – Congress centre Sofia EAD (Bulgaria) - Member of the Board of Directors (effective as of 19.05.2011).

**Contracts under article 240b of The Commercial Act of Bulgaria, entered into in 2011:**

The Company has not entered into contracts in the sense of Article 240b, paragraph 1 of The Commercial Act of Bulgaria during 2011.



## **ORGANIZATIONAL STRUCTURE**

The Company consists of three divisions: Administration, Appraisal Division and Agency Division. The total number of the personnel at 31 December 2011 is 12 (2010: 14).

## **OBJECTIVES OF THE COMPANY FOR 2011**

The objectives of the Company for the coming year cover:

- Servicing of the bank business units in connection with orders and review of movable and immovable assets' valuations;
- Servicing of IMO Property Investments Sofia in connection with the portfolio – realizing of assets for sale and rent;
- Renegotiating of the bank branches' rents on purpose to decrease the operating expenses;
- Extending and emphasizing on the services for third party clients: valuations; brokerage; advisory; market analysis and legal compliance reports.

### **Director's responsibilities**

The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the state of affairs of the company as at the year end and of the profit or loss and cash flows for the year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2011.

The Directors also confirm that applicable accounting standards have 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 of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.



**OBJECTIVES OF THE COMPANY FOR 2011 (CONTINUED)**

**Impact on liquidity**

No significant effect on Company's liquidity is expected. The Company is financed through retained earnings and maintains sufficient cash reserves to maintain operations.

**Impact on customers**

Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. At the time of preparation of the present Financial report the Company do not have any information about such deteriorating operating conditions for its customers.

By order of the management:

.....  
Dimitrios Andritsos  
Executive Director  
EFG Property Services Sofia AD  
19 April 2012  
Sofia, Bulgaria



.....  
Georgios Vasilantonakis  
Executive Director

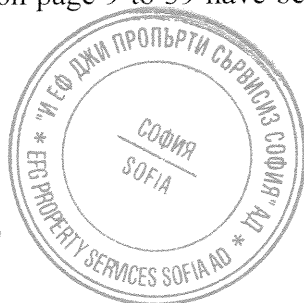
**EFG PROPERTY SERVICES SOFIA AD**  
**BALANCE SHEET**  
**31 DECEMBER 2011**

*(All amounts in Bulgarian leva thousands)*

	Notes	As at 31 December	
		2011	2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment	5	8	14
Intangible assets	6	12	15
Deferred tax asset	8	5	4
		<b>25</b>	<b>33</b>
<b>Current assets</b>			
Trade receivables	7,9	26	324
Other receivables	10	160	11
Cash and cash equivalents	7,11	3,593	3,310
		<b>3,779</b>	<b>3,645</b>
<b>Total assets</b>		<b>3,804</b>	<b>3,678</b>
<b>EQUITY</b>			
Share capital	12	150	150
Other reserves	12	15	15
Retained earnings		3,472	3,360
<b>Total equity</b>		<b>3,637</b>	<b>3,525</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	13	99	77
Other payables	14	68	76
<b>Total current liabilities</b>		<b>167</b>	<b>153</b>
<b>Total equity and liabilities</b>		<b>3,804</b>	<b>3,678</b>

The financial statements on page 9 to 39 have been approved on 19 April 2012 and signed as follows:

.....  
 Executive Director  
 Dimitrios Andritsos

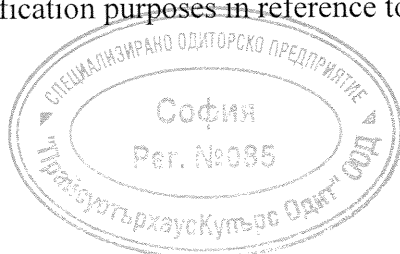


.....  
 Executive Director  
 Georgios Vasilantonakis

.....  
 Financial Manager  
 Yordanka Karapetrova

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

.....  
 Rositsa Boteva  
 Registered auditor  
 19 April 2012  
 Sofia, Bulgaria



.....  
 Petko Dimitrov  
 PricewaterhouseCoopers Audit OOD

**EFG PROPERTY SERVICES SOFIA AD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**31 DECEMBER 2011**

<i>(All amounts in Bulgarian leva thousands)</i>	Notes	Year ended 31 December	
		2011	2010
Revenue	15	1,400	1,723
Consumables used	16	(8)	(11)
Expenses for external services	17	(934)	(945)
Employee benefits expense	18	(460)	(450)
Depreciation and amortisation	5,6	(13)	(15)
Other expenses	19	(28)	(7)
<b>Operating (loss)/profit</b>		<b>(43)</b>	<b>295</b>
Financial gain, net	20	167	173
<b>Profit before income tax</b>		<b>124</b>	<b>468</b>
Income tax expense	21	(12)	(50)
<b>Profit for the year</b>		<b>112</b>	<b>418</b>
<b>Total comprehensive income for the year</b>		<b>112</b>	<b>418</b>

The financial statements on page 9 to 39 have been approved on 19 April 2012 and signed as follows:

.....  
 Executive Director  
 Dimitrios Andritsos



.....  
 Executive Director  
 Georgios Vasilantonakis

.....  
 Financial Manager  
 Yordanka Karapetrova

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

.....  
 Rositsa Boteva  
 Registered auditor



.....  
 Petko Dimitrov  
 PricewaterhouseCoopers Audit OOD

19 April 2012  
 Sofia, Bulgaria

**EFG PROPERTY SERVICES SOFIA AD**  
**STATEMENT OF CHANGES IN EQUITY**  
**31 DECEMBER 2011**

*(All amounts in Bulgarian leva thousand)*

	Note	Share capital	Other reserves	Retained earnings	Total equity
<b>Balance as at 1 January 2010</b>		150	15	2,942	<b>3,107</b>
Profit for the year		-		418	<b>418</b>
<b>Balance as at 31 December 2010</b>	12	150	15	3,360	<b>3,525</b>
<b>Balance as at 1 January 2011</b>		150	15	3,360	<b>3,525</b>
Profit for the year		-	-	112	<b>112</b>
<b>Balance as at 31 December 2011</b>	12	150	15	3,472	<b>3,637</b>

The financial statements on page 9 to 39 have been approved on 19 April 2012 and signed as follows:

.....  
 Executive Director  
 Dimitrios Andritsos



.....  
 Executive Director  
 Georgios Vasilantonakis

.....  
 Financial Manager  
 Yordanka Karapetrova

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

.....  
 Rositsa Boteva  
 Registered auditor



.....  
 Petko Dimitrov  
 PricewaterhouseCoopers Audit OOD

19 April 2012  
 Sofia, Bulgaria

**EFG PROPERTY SERVICES SOFIA AD**  
**CASH FLOW STATEMENT**  
**31 DECEMBER 2011**

<i>(All amounts in Bulgarian leva thousands)</i>	Note	Year ended 31 December	
		2011	2010
<b><i>Cash flow from operating activities</i></b>			
Cash receipts from customers		1,989	1,881
Cash payments to employees and suppliers		(1,832)	(1,707)
Income tax paid		(40)	(42)
<b>Net cash flows from operating activities</b>		<b>117</b>	<b>132</b>
<b><i>Cash flows from investing activities</i></b>			
Purchases of property, plant and equipment	5,6	(3)	(10)
Interest received		169	171
<b>Net cash from investing activities</b>		<b>166</b>	<b>161</b>
<b>Net increase in cash</b>		<b>283</b>	<b>293</b>
<b>Cash at beginning of the year</b>		<b>3,310</b>	<b>3,017</b>
<b>Cash at end of the year</b>	11	<b>3,593</b>	<b>3,310</b>

The financial statements on page 9 to 39 have been approved on 19 April 2012 and signed as follows:

.....  
 Executive Director  
 Dimitrios Andritsos



.....  
 Executive Director  
 Georgios Vasilantonakis

.....  
 Financial Manager  
 Yordanka Karapetrova

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

.....  
 Rositsa Boteva  
 Registered auditor



.....  
 Petko Dimitrov  
 PricewaterhouseCoopers Audit OOD

19 April 2012  
 Sofia, Bulgaria

**1. General information**

EFG PROPERTY SERVICES SOFIA AD is a joint stock company and is registered under c.c. 9762/2005 in the trade register of the Sofia City Court. The company is domiciled in the Republic of Bulgaria. The address of its registered office is 30, Tzar Ivan Shishman Str., Sofia 1000.

The Company's principal activities include appraisal services primarily with related parties (Note 24)

EFG PROPERTY SERVICES SOFIA AD is owned by EFG Eurobank Ergasias S.A. with 80% of the share capital and by Lamda Development S.A. with 20 % of the share capital.

According to the Bulgarian legislation the Company's owners are not allowed to make any changes to the statements after their publication.

These financial statements were authorised for issue by the management of the Company on 19 April 2012.

**2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The financial statements of EFG Property Services Sofia AD were prepared in compliance with the requirements of the International Financial Reporting Standards (IFRS), adopted by EU Commission. The financial statements are drawn in conformity with the principles of historical price.

The preparation of financial statements in compliance with IFRS requires implementation of approximate accounting estimations. It also requires that the Management use their own assessment during the implementation of the entity's accounting policy. The elements of the financial statements, whose presentation includes higher-degree subjective assessment or complexity, as well as those elements, for which the suppositions and estimations have a considerable impact on the financial statements as a whole, are separately disclosed in Note 2.20.

**Impact of the economic crisis and situation in Greece**

Since late 2009, fears of a European sovereign debt crisis developed among investors as a result of the rising government debt levels, together with a wave of downgrading of government debt in some European states. Concerns intensified in early 2010 making it difficult for some countries in the euro area to re-finance their government debt without external assistance. The three countries most affected by this were Greece, Ireland and Portugal.

On the Greek debt front, a new funding program was agreed with the European Commission, the ECB and the Eurozone member-states, in the Eurogroup meeting held on 21 February 2012. The new program aims to bring the country's public debt-to-GDP ratio to 120.5% by 2020, close to the 120.0% target envisioned in the European Council session held on 26 and 27 October 2011.

## **2.1 Basis of preparation (continued)**

### **Impact of the economic crisis and situation in Greece (continued)**

The new funding program is expected to have a significant beneficial effect on the country's solvency outlook. This is due, not only to the reduction of public debt, but also to the expected decline of interest expenditure from 2012 onwards. The funding program constitutes a credible opportunity for the Greek economy to remove uncertainty surrounding it from the middle of 2010 onwards, regarding both sustainability of fiscal position as well as preservation of the country's Eurozone participation.

In addition, the Eurogroup confirmed that the necessary elements have been put in place for Member States to carry out the relevant national procedures to allow for the support by EFSF, including the necessary financing for recapitalisation of Greek banks (including EFG Eurobank Ergasias) following their participation in the recent sovereign debt restructuring (PSI). In February 2012, the Greek parliament adopted the necessary legal framework to enable the necessary financing for the recapitalization of Greek banks.

#### *Position of the Group*

EFG Eurobank Ergasias, although significantly affected by the impairment charge on Greek Government bonds (due to its participation in the PSI), continues to closely monitor these constructive developments and has taken necessary steps and continues adjusting to the new requirements. The shift towards a greater level of collateralized lending, growth in self-funding and the more promising market situation has been in place for some time. Additionally, the Group continues to reduce its cost base in order to increase the efficiency of operations. It also strengthens its collection efforts to maximize loan recoveries by redeploying resources where necessary and implements conservative provisioning policies. Finally and notwithstanding the required recapitalisation of the Parent, the Group is improving continuously the effectiveness of balance sheet management and is undertaking significant strategic initiatives in respect of its capital and liquidity positions.

#### *Position of the Company*

As at 31 December 2011, EFG Property Services Sofia does not rely on funding from the Parent bank as the cash flows generated from its regular activities are sufficient to support its operation. The placement of the company is within Eurobank EFG Bulgaria and they are short term. The main activities of the company are with related parties (see note 24).

#### *a) New and amended standards adopted by the Company*

There are no new standards and amendments to standards accepted by the Company for application for the financial year, beginning 1 January 2011.



**2. Company background and significant accounting policies (continued)**

**2.1 Basis of preparation of the financial statements (continued)**

*(b) New and amended standards, and improvements to IFRS mandatory for the first time for the financial year beginning on or after 1 January 2011 but not currently relevant to the Company (although they may affect the accounting for future transactions and events)*

***Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011).***

IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements;

IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3;

IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period;

IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008);

IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments;

IFRIC 13 was amended to clarify measurement of fair value of award credits.



**2. Company background and significant accounting policies (continued)**

**2.1 Basis of preparation of the financial statements (continued)**

*(b) New and amended standards, and improvements to IFRS mandatory for the first time for the financial year beginning on or after 1 January 2011 but not currently relevant to the Company (although they may affect the accounting for future transactions and events) (continued)*

The above amendments did not result in additional or revised disclosures, and had no material impact on measurement or recognition of transactions and balances reported in these financial statements.

**Other revised standards and interpretations effective for the current period:**

IFRIC 19 “Extinguishing financial liabilities with equity instruments”, amendments to IAS 32 on classification of rights issues, clarifications in IFRIC 14 “IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction” relating to prepayments of minimum funding requirements and amendments to IFRS 1 “First-time adoption of IFRS”, did not have any impact on these financial statements.

*(c) New standards and interpretations that are mandatory for the annual periods beginning on or after 1 January 2012 or later, and which the Company has not early adopted.*

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

*(d) New or Revised Standards & Interpretations not yet endorsed by the European Union.*

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only “basic loan features”). All other debt instruments are to be measured at fair value through profit or loss.



**2. Company background and significant accounting policies (continued)**

**2.1 Basis of preparation of the financial statements (continued)**

*(d) New or Revised Standards & Interpretations not yet endorsed by the European Union. (continued)*

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Ventures”. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs

**2. Company background and significant accounting policies (continued)**

**2.1 Basis of preparation of the financial statements (continued)**

*(d) New or Revised Standards & Interpretations not yet endorsed by the European Union(continued)*

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

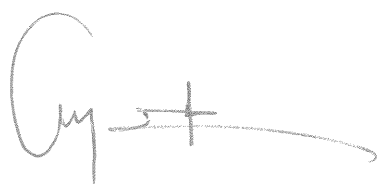
Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

Other revised standards and interpretations: The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, the amendment to IAS 12 "Income taxes", which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, and IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine", which considers when and how to account for the benefits arising from the stripping activity in mining industry, will not have any impact on these financial statements.



**2. Company background and significant accounting policies (continued)**

**2.2 Comparatives**

The accompanying financial statements of the Company include comparative information for one prior year (period).

Where necessary, comparative data is reclassified (and restated) in order to achieve compatibility in view of the current year presentation changes.

**2.3 Functional currency and recognition of exchange differences**

The functional and presentation currency of the Company is the Bulgarian Lev. Starting from 1 July 1997 the Bulgarian Lev was fixed under the Bulgarian National Bank Act to the German Mark at the ratio of BGN 1: DEM 1, and with the introduction of the Euro as the official currency of the European Union, it was fixed to the Euro at a ratio of BGN 1.95583: EUR 1.

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents, receivables and payables, as monetary reporting items, denominated in foreign currency, are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 December, these amounts are presented in BGN at the closing exchange rate of BNB.

The non-monetary items in the balance sheet, which are initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the date of the transaction and are not subsequently re-valued at the closing exchange rate.

Foreign exchange gains or losses arising on the settlement of foreign currency transactions or the recording of foreign currency transaction at rates different from those at which they were converted on initial recognition, are included in the income statement when incurred and are presented net as 'other operating income/expenses'.

The closing exchange rates of the BGN against the major foreign currencies relevant to the Company's operations for the reporting periods of the financial statements are as follows:

	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
1 USD	1.51158	1.47276
1 EUR	1.95583	1.95583

**2. Company background and significant accounting policies (continued)**

**2.4 Revenue**

Revenue is recognized on accrual basis and to the extent that it is probable that the economic benefits will flow to the Company and as far as the revenue can be reliably measured.

Upon sale of finished products, goods and materials, revenue is recognized when all significant risks and rewards of ownership have passed to the buyer.

Upon rendering of services, revenue is recognized by reference to the stage of completion of the transaction at the balance sheet date, if this stage as well as the transaction and completion costs, can be measured reliably.

Revenue is measured on the basis of the fair value of the goods and services sold, net of indirect taxes (excise duties and VAT) and any discounts and rebates granted.

The net foreign exchange gains or losses related to cash, trade receivables and payables, denominated in foreign currency, are recognized in the income statement in the period, in which they arise and are presented net under 'other operating income'. The presentation of interest on bank deposits and trade receivables is analogous.

**2.5 Expenses**

Expenses are recognized as they are incurred, following the accrual and matching concepts.

Prepayments are deferred and are recognized as current expenses in the period when the contracts, whereto they refer, are performed.

Finance costs are included in the income statement when incurred and comprise: interest costs, including bank charges and other direct expenses on loans and bank guarantees; exchange differences on loans denominated in foreign currency (net), gains and losses (net) on derivatives, classified as hedges. They are presented net of finance income on the face of the income statement.

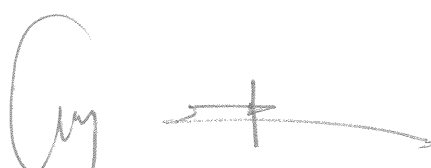
**2.6 Property and equipment**

Property and equipment are presented in the financial statements at historical cost of acquisition less the accumulated depreciation and any impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

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 group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The Company applies the straight-line depreciation method for property and equipment. Depreciation of an asset begins when it is available for use. The useful life per group of assets has been determined considering: physical wear, the characteristic features of the equipment, the intentions for future use and the expected obsolescence, and is as follows:

	<b>Years</b>
Machinery and equipment	4,17
Office furniture	6,7



## **2. Company background and significant accounting policies (continued)**

### **2.6 Property and equipment (continued)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

### **2.7 Intangible assets**

#### **a) Trademarks and licenses**

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives.

#### **b) Software licenses**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Intangible assets are derecognized from the balance sheet when they are permanently disposed of and no future economic benefits are expected from their use or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the disposal proceeds and the carrying amount of the asset at the date of sale. They are stated net under 'other operating income/expenses' on the face of the income statement.

### **2.8 Trade and other current assets**

Trade receivables are recognized and carried at fair value based on the original invoice amount (cost) less any allowance for uncollectable debts. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the receivables are initially valued at their fair value and subsequently – at amortized cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method. An estimate of allowances for doubtful and bad debts is made when significant uncertainty exists as to the collection of the full amount or a part of it. A provision for impairment of trade receivables is established when objective evidence is available that the Company will be unable to collect all amounts in line with the originally set terms. Significant financial difficulties of the debtor, probability that the debtor will enter insolvency proceedings or other financial reorganization, default or overdue payment (more than 30 days past due) are considered by the management when it defines and classifies a particular receivable as impaired. The impairment amount is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the original effective interest rate.

**2. Company background and significant accounting policies (continued)**

**2.8 Trade and other current assets (continued)**

The carrying amount is adjusted through the use of an allowance account for accumulating all impairments and the amount of the impairment loss for the period is recognized in the income statement within 'Distribution and selling costs'. In case of subsequent recovery of impairment loss, it is stated under 'other operating income' against a decrease in the allowance account. Bad debts are written-off when the legal grounds for this are available. The write-off is at the expense of the allowance account.

**2.9 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, current accounts and short-term deposits with banks, with original maturity of less than three months.

**2.10 Payables to suppliers and other current liabilities**

Payables to suppliers and other current amounts payable are carried at original invoice amount (cost), being the fair value of the consideration to be paid in the future for goods and services received.

In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value and subsequently – at amortized cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method.

**2.11 Leases**

***Operating lease***

Leases where the lessor keeps a substantial part of all risks and economic benefits incidental to the ownership of the specific asset are classified as operating leases.


Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

**2.12 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle (repay) the obligation. The measurement of provisions is based on the best estimate, made by the management at the balance sheet date, concerning the expenses that will be incurred for the settlement of the particular obligation. The estimate is discounted if the obligation is long-term.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



**2. Company background and significant accounting policies (continued)**

**2.13 Pensions and other payables to personnel under the social security and labour legislation**

*Social, pension and health funds*

The company is obliged by the current Bulgarian legislation to make fixed contribution on behalf of the employees in a social fund operated by the Government. All those payments/liabilities 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.

**2.14 Share capital and reserves**

The Company is a joint-stock one and is obliged to register with the Commercial Register a specified *share capital*, which should serve as a security for the creditors of the Company for execution of their receivables. The shareholders are liable for the obligations of the Company up to the amount of the share of the capital held by each of them and may claim refunding of this share only in case of liquidation or bankruptcy proceedings. The Company reports its share capital at the nominal value of the shares registered in the court.

According to the requirements of the Commercial Act and the Articles of Association, the Company is obliged to set aside a *Reserve Fund* by using the following sources:

- at least one tenth of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital or any larger amount as provided in the Articles of Association;
- any premium received in excess of the nominal value of shares upon their issue (share premium reserve);
- other sources as provided for by a decision of the General Meeting.

The amounts in the Fund can only be used to cover current loss or losses from previous years. When the amount of the Fund reaches the minimum value specified in the Statutes, the excess may be used for increasing share capital.

**2.15 Financial instruments**

**2.15.1 Financial assets**

The Company classifies its financial assets in the category 'loans and receivables', including cash and cash equivalents. The classification depends on the nature and purpose (designation) of the financial assets at the date of their acquisition. The management determines the classification of the financial assets of the Company at the time of their initial recognition on the balance sheet.

*a) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured in the balance sheet at their amortized cost using the effective interest method less any allowance for impairment. These assets are included in current assets when having maturity within 12 months or within a common operating cycle of the Company while the remaining ones are classified as non-current assets. This group of financial assets includes: loans granted, trade receivables, other receivables from counterparts and third parties, cash and cash equivalents from the balance sheet. Interest income on loans and receivables is recognized by applying the effective interest rate except for short-term receivables (less than three months) where the recognition of such interest would be unjustifiable as immaterial and within the common credit terms.



**2. Company background and significant accounting policies (continued)**

**2.15 Financial instruments (continued)**

**2.15.1 Financial assets (continued)**

*b) Available-for sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

The Company assesses at each balance sheet date whether events and circumstances have occurred that indicate the existence of objective evidence that an individual asset or a group of assets is impaired.

**2.15.2 Financial liabilities**

The financial liabilities of the Company include loans and payables to suppliers and other counterparts. They are initially recognized on the balance sheet at fair value net of the directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method.



**2. Company background and significant accounting policies (continued)**

**2.16 Income taxes**

**The current income tax** charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The nominal income tax rate for year 2010 is 10 % (2009: 10%).

**Deferred income tax** is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

**3. Financial risk management**

**3.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and 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.

*(a) Foreign exchange risk*

The Company operates in Bulgaria and since the Bulgarian Leva (BGN) has been pegged to the EUR at the fixed rate by the means of the currency board, the Company is exposed to foreign exchange risk to the extent of transactions denominated in currencies other than the EUR.

The Company does not believe that the peg will change within the next 12 months and therefore no sensitivity analysis has been performed.

**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

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

**3.1 Financial risk factors (continued)**

*(a) Foreign exchange risk (continued)*

The table below shows the concentration of currency risk of significant financial assets and liabilities.

<b>As at 31 December 2011</b>	<b>BGN</b>	<b>EUR</b>	<b>Total</b>
<b>Assets as per balance sheet</b>			
Related party receivables (Note 24.1)	26	-	26
Accrued interest	67	-	67
Trade receivables	89	-	89
Other receivables	71	-	71
Cash and cash equivalents	2,877	649	3,526
	<b>3,130</b>	<b>649</b>	<b>3,779</b>
<b>Liabilities as per balance sheet</b>			
Trade payables	99	-	99
	<b>99</b>	<b>-</b>	<b>99</b>
<b>As at 31 December 2010</b>			
<b>Assets as per balance sheet</b>			
Related party receivables (Note 24.1)	324	-	324
Accrued interest	67	59	126
Trade receivables	2	-	2
Other receivables	9	-	9
Cash and cash equivalents	1,717	1,467	3,184
	<b>2,119</b>	<b>1,526</b>	<b>3,645</b>
<b>Liabilities as per balance sheet</b>			
Trade payables (Note 24)	77	-	77
	<b>77</b>	<b>-</b>	<b>77</b>



**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

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

**3.1 Financial risk factors (continued)**

*(b) Cash flow interest rate risk*

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

In 2011 the Company's interest rate risk arises from three short-term bank deposits held at Eurobank EFG Bulgaria AD (part of EFG Group) amounting to BGN 3,087 thousand with renegotiated maturity of 1 year. In 2010 the Company has two short-term bank deposits at Eurobank EFG Bulgaria AD amounting to BGN 2,747 thousand with renegotiated maturity of 1 year.

Deposits issued at variable rates expose the Company to cash flow interest rate risk. The management of the Company has performed a sensitivity analysis in order to assess its cash flow interest rate risk. The simulation is done on a monthly basis to verify that the maximum loss potential is within the limit given by the management.

If interest rate decreases by 1% on annual basis in 2011, the impact on post-tax profit would be maximum decrease of BGN 28 thousand.

If interest rate increases by 1% on annual basis in 2011, the impact on post-tax profit would be maximum increase of BGN 28 thousand.

*(c) Credit risk*

The Company has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a satisfactory rating are accepted. Management of the Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Sales to customers are settled in cash or by credit.

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance.

The table below shows balances of cash and cash equivalents as at 31 December 2011 and 2010 by banks, as follows:

Contractor	31 December 2011		31 December 2010	
	Credit rating	Balance	Credit rating	Balance
Eurobank EFG Bulgaria AD	BBB (BCRA)	<u>3,593</u>	BB+ (FITCH)	<u>3,310</u>
		<u><b>3,593</b></u>		<u><b>3,310</b></u>

**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

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

**3.1 Financial risk factors (continued)**

*(d) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Company's liquidity reserve (comprises of cash and cash equivalents (Note 11)) on the basis of expected cash flow.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

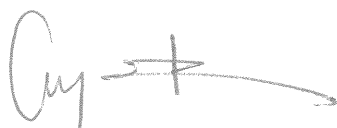
<b>As at 31 December 2011</b>	<b>Less than 1 year</b>
Trade payables	99
	<u>99</u>
 <b>As at 31 December 2010</b>	 <b>Less than 1 year</b>
Trade payables	77
	<u>77</u>

*(e) Capital risk*

EFG Property Services' objective when managing capital is to maintain a capital structure which safeguards its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders. The Company uses the ratio of net debt to total capital. Net debt is defined as the sum of total borrowings and payables to clients and suppliers less cash and bank balances. Total capital is defined as the sum of shareholders equity and net debt.

The table below summarizes the Company's capital structure:

	<b>2011</b>	<b>2010</b>
Payables to suppliers and clients	167	153
Cash and bank balances	(3,593)	(3,184)
Net debt/(cash)	(3,426)	(3,031)
Shareholders equity	3,637	3,526
Total capital	(211)	(495)
Net debt / Total capital	<b>16.24</b>	<b>6.12</b>



**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

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

**3.2 Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**4. Critical accounting estimates and judgments**

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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates at 31.12.2011 that are critical to the carrying value of assets and liabilities.

**5. Equipment and other tangible non-current assets**

	<b>Machines &amp; equipment</b>	<b>Furniture &amp; Fittings</b>	<b>Total</b>
<b>As at 1 January 2010</b>			
Cost	16	36	52
Accumulated depreciation	(13)	(19)	(32)
<b>Net book amount</b>	<b>3</b>	<b>17</b>	<b>20</b>
Opening net book amount	3	17	20
Depreciation charge	(1)	(5)	(6)
<b>Closing net book amount</b>	<b>2</b>	<b>12</b>	<b>14</b>
<b>As at 31 December 2010</b>			
Cost	16	36	52
Accumulated depreciation	(14)	(24)	(38)
<b>Net book amount</b>	<b>2</b>	<b>12</b>	<b>14</b>
Opening net book amount	2	12	14
Additions	-	1	1
Depreciation charge	(2)	(5)	(7)
<b>Closing net book amount</b>	<b>-</b>	<b>8</b>	<b>8</b>
<b>As at 31 December 2011</b>			
Cost	16	37	53
Accumulated depreciation	(16)	(29)	(45)
<b>Net book amount</b>	<b>-</b>	<b>8</b>	<b>8</b>

**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

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*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

**6. Intangible assets**

	<b>Software</b>
<b>As at 1 January 2010</b>	
Cost	50
Accumulated amortization	(36)
<b>Net book amount</b>	<u><b>14</b></u>
Opening net book amount	14
Additions	10
Disposals	-
Amortization charge	(9)
<b>Closing net book amount</b>	<u><b>15</b></u>
<b>As at 31 December 2010</b>	
Cost	60
Accumulated amortization	(45)
<b>Net book amount</b>	<u><b>15</b></u>
Opening net book amount	15
Additions	3
Amortization charge	(6)
<b>Closing net book amount</b>	<u><b>12</b></u>
<b>As at 31 December 2011</b>	
Cost	63
Accumulated amortization	(51)
<b>Net book amount</b>	<u><b>12</b></u>



**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

**7. Financial instruments by category**

<b>Financial assets</b>	<b>2011</b>	<b>2010</b>
Receivables from related parties (Note 24.1 iii)	26	324
Other receivables	131	11
Cash and cash equivalents (Note 11)	3,593	3,310
	<b>3,750</b>	<b>3,645</b>
<b>Non Financial assets</b>		
Corporate tax receivables	29	3
<b>Liabilities as per balance sheet</b>		
Trade payables (Note 13)	99	77
Related party payables	-	-
	<b>99</b>	<b>77</b>

**8. Deferred income tax**

Deferred income tax assets and liabilities are accounted for all temporary differences arising from differences between the accounting and tax carrying values of the assets and the liabilities. Deferred income taxes are calculated at the tax rate that would be effective at the time they are realised. The tax applicable for 2011 is 10% (2010: 10%).

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

	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
<b>Deferred income tax assets:</b>		
– Deferred income tax assets to be recovered after more than 12 months	(6)	(6)
	<b>(6)</b>	<b>(6)</b>
<b>As at 31 December</b>		
	<b>2011</b>	<b>2010</b>
<b>Deferred income tax liabilities:</b>		
– Deferred income tax liabilities to be recovered after more than 12 months	1	2
	<b>1</b>	<b>2</b>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:



**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

**8. Deferred income tax (continued)**

<b>Deferred tax assets</b>	<b>Equipment</b>	<b>Accrual for bonuses</b>	<b>Total</b>
<b>As at 1 January 2010</b>	-	(5)	(6)
Charged to the income statement	-	(1)	(1)
<b>As at 31 December 2010</b>	-	(6)	(6)
Credited to the income statement	-	-	-
<b>As at 31 December 2011</b>	-	(6)	(6)

<b>Deferred tax liabilities</b>	<b>Equipment</b>	<b>Accrual for bonuses</b>	<b>Total</b>
<b>As at 31 December 2010</b>	2	-	2
Charged to the income statement	(1)	-	(1)
<b>As at 31 December 2011</b>	1	-	1

**9. Trade receivables**

	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
Receivables from related parties (Notes 24.1.iii and 7)	26	324
	<b>26</b>	<b>324</b>

The carrying amount of receivables approximates their fair value.

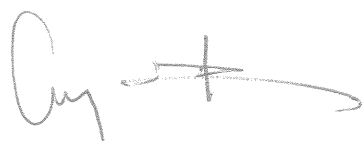
The maturity of receivables is as follows:

	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
Up to 1 month	26	324
	<b>26</b>	<b>324</b>

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
Currency		
BGN	26	324
	<b>26</b>	<b>324</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.



**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

<b>10. Other receivables</b>	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
Prepaid expenses	84	6
VAT to be reimbursed	42	-
Tax profit overpaid	29	3
Cars deposit	5	2
	<b>160</b>	<b>11</b>

The carrying amount of receivables approximates their fair value

The aging of receivables is as follows:

	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
Up to 12 months	160	11
	<b>160</b>	<b>11</b>

The carrying amounts of the Company's other receivables are denominated in the following currencies:

<b>11. Cash and cash equivalents</b>	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
Current bank account at Eurobank EFG Bulgaria AD (Note 24.1.iv)	439	437
Short-term bank deposit at Eurobank EFG Bulgaria AD (Note 24.1.iv)	3,087	2,747
Accrued interest	67	126
	<b>3,593</b>	<b>3,310</b>

The Company's short-term bank deposits held at Eurobank EFG Bulgaria AD bear interest between 4.15%; 5.25% and 5.75% per annum. The bank rating as at 31 December 2011 is BBB.

For the purposes of the cash flow statement the cash and cash equivalents include cash in hand and cash at banks.

The Company has no bank overdrafts at each date of the balance sheets.

**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

**11. Cash and cash equivalents (continued)**

The carrying amounts of the Company's cash and cash equivalents are denominated in the following currencies:

Currency	As at 31 December	
	2011	2010
BGN	2,944	1,785
EUR	649	1,525
	<u>3,593</u>	<u>3,310</u>

**12. Share capital**

	Number of shares	Ordinary shares BGN
At 31 December 2010	<u>150,000</u>	<u>1</u>
At 31 December 2011	<u>150,000</u>	<u>1</u>


The total authorized number of ordinary shares is 150 thousands with a par value of BGN 1. All issued shares are fully paid.

In 2007 the Company has transferred from retained earnings to other reserves the amount equal to 1/10 (one tenth) of the Company's registered share capital as to form legal reserves in accordance with the requirements of the Commercial Law.

The legal reserves are non-distributable to the Company's shareholders as they could only be used for covering accumulated losses from prior years.

**13. Trade payables**

Trade payables	As at 31 December	
	2011	2010
	<u>99</u>	<u>77</u>
	<u>99</u>	<u>77</u>



**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

<b>14. Other payables</b>	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
Accrual for salary bonuses	59	54
Retirement indemnity provision	6	-
Accrual for unused paid leave	3	1
VAT payable	-	19
Other tax payables	-	2
	<b>68</b>	<b>76</b>
<b>15. Revenue</b>	<b>2011</b>	<b>2010</b>
Sales of:		
Evaluation and intermediary services to related parties (Note 24.1.i)	1,360	1,691
Evaluation and intermediary services to clients	40	32
	<b>1,400</b>	<b>1,723</b>
<b>16. Consumables used</b>	<b>2011</b>	<b>2010</b>
Expenses for:		
- fuel	(5)	(7)
- stationery	(2)	(3)
- others	(1)	(1)
	<b>(8)</b>	<b>(11)</b>
<b>17. Expenses for external services</b>	<b>2011</b>	<b>2010</b>
Expenses for:		
- subcontractors	(779)	(818)
- rent	(84)	(77)
- technical commissions	(15)	-
- security	(10)	(10)
- audit	(9)	(8)
- phones	(9)	(7)
- advertising and promotions	(5)	(3)
- utilities	(4)	(6)
- maintenance	(4)	(5)
- agency services	(3)	(2)
- couriers	(2)	(2)
- entertainment expenses	(2)	-
- fuel	(1)	(1)
- other	(7)	(6)
	<b>(934)</b>	<b>(945)</b>

**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

**18. Employee benefits expense**

	<b>2011</b>	<b>2010</b>
Salaries	(373)	(355)
Social securities and health insurance contribution	(44)	(39)
Life insurance	(18)	(28)
Salary bonuses	(12)	(23)
Retirement indemnity provision	(6)	-
Accrual for unused paid leave	(2)	-
Other employee benefits	(5)	(5)
	<u>(460)</u>	<u>(450)</u>

The total number of employees as at 31 December 2011 is 12 (As at 31 December 2010: 14).

**19. Other expense**

	<b>2011</b>	<b>2010</b>
Business trips abroad	(23)	(1)
One-off taxes	(5)	(5)
Business trips in the country	-	(1)
	<u>(28)</u>	<u>(7)</u>

**20. Financial gain/ (loss), net**


	<b>2011</b>	<b>2010</b>
Interest income - bank accounts (Note 24.1.v)	170	175
Bank charges (Note 24.1.vi)	(3)	(2)
	<u>167</u>	<u>173</u>

**21. Income tax expense**

	<b>2011</b>	<b>2010</b>
Current income tax	14	51
Deferred income tax (Note 8)	(2)	(1)
<b>Income tax charge</b>	<u>12</u>	<u>50</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	<b>2011</b>	<b>2010</b>
Profit before income tax	<u>124</u>	<u>467</u>
Tax calculated at a tax rate applicable to profits 10% (2010: 10 %)	12	47
Tax effect of expenses not deductible for tax purposes	-	3
<b>Tax charge</b>	<u>12</u>	<u>50</u>



*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

**22. Contingent liabilities**

The Company is no defendant on any court cases. The management does not expect the company to suffer any significant losses.

During 2011 the company has not been subject to any tax audits.

Tax authorities may challenge the way of calculating tax losses carried forward as well as assess additional taxes, including value added tax (VAT), penalties and interest, which can be significant.

The tax authorities could check the financial reports and records for the five successive tax years of the current tax period and impose additional penalties. Management of the Company is not aware of any circumstances that could lead to substantial obligations in this area.

**23. Commitments**

EFG PROPERTY SERVICES SOFIA AD has commitments according to agreement for rent of an office and three operating lease agreement for cars.

The future aggregate minimum lease payments under non-cancellable leases are as follows:

	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
Later than 1 year but not later than 5 years	5	2

**24. Related-party transactions**

The Company policy for related-party transactions is that those should be made on terms equivalent to those that prevail in arm's length transactions.

EFG PROPERTY SERVICES SOFIA AD is owned by EFG Eurobank Ergasias S.A. with 80% of the share capital and by Lamda Development S.A. with 20% of the share capital.

The parent company of EFG EUROBANK ERGASIAS SA is EFG Bank European Financial Group (EFG Group), headquartered in Geneva, Switzerland. EFG Bank European Financial Group (EFG Group) is listed on the Swiss Stock Exchange.

**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

**24. Related-party transactions (continued)**

**24.1 Transactions and balances with other related parties**

**i) Rendering of services**

	<b>2011</b>	<b>2010</b>
Eurobank EFG Bulgaria AD	1,297	1,624
EFG Leasing EAD	38	39
EFG Auto Leasing EAD	15	28
Imo Property Investments EAD	11	-
	<u><b>1,361</b></u>	<u><b>1,691</b></u>

**ii) Supplies of services**

	<b>2011</b>	<b>2010</b>
Eurobank EFG Bulgaria AD	69	97

**iii) Receivables from related parties relating to sales of services**

	<b>As at 31 December</b>	
	<b>2011</b>	<b>2010</b>
Eurobank EFG Bulgaria AD	24	316
EFG Leasing EAD	1	6
EFG Auto Leasing EAD	1	2
	<u><b>26</b></u>	<u><b>324</b></u>



**EFG PROPERTY SERVICES SOFIA AD**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**31 DECEMBER 2011**

*(in all notes the amounts are presented in BGN thousands unless otherwise stated)*

**24 Related-party transactions (continued)**

**24.1 Transactions and balances with other related parties (continued)**

iv) Cash and cash equivalents held at related parties	As at 31 December	
	2011	2010
<b>Eurobank EFG Bulgaria AD</b>		
Current bank account	439	437
Short-term bank deposit	3,087	2,747
Accrued interest	67	126
	<b>3,593</b>	<b>3,310</b>

**v) Interest income**

	2011	2010
<b>Eurobank EFG Bulgaria AD</b>		
Interest income on bank accounts	170	175
	<b>170</b>	<b>175</b>

**vi) Bank charges**

	2011	2010
<b>Eurobank EFG Bulgaria AD</b>		
Bank charges on bank accounts	3	2
	<b>3</b>	<b>2</b>

**vii) Key management compensation**

	2011	2010
Short term employee benefits	91	87
Life insurance	4	1
	<b>95</b>	<b>88</b>

As at 31 December 2011 the Company has no payables to the management (31 December 2010: 0)

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

There are no significant post balance sheet events, as per definition of IAS 10 with effect on the financial statements.





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

### ***To Shareholders of the EFG PROPERTY SERVICES SOFIA AD***

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

We have audited the accompanying financial statements of EFG Property Services Sofia AD ("The Company") which comprise the balance sheet as of 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

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

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

PricewaterhouseCoopers Audit OOD, 9-11 Maria Louisa Blvd., 1000 Sofia, Bulgaria  
T: +359 2 9355200, F: +359 2 9355266, [www.pwc.com/bg](http://www.pwc.com/bg)  
Registered with the Sofia City Court under company file number 13424/1997.

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





*Opinion*


In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EFG Property Services Sofia AD as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

*Report on Other Legal and Regulatory Requirements*

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

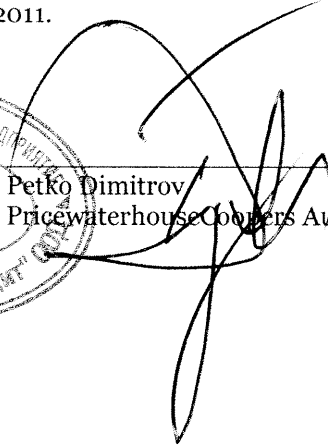
We are required by the Accounting Act to express an opinion whether the Annual Report is consistent with the annual financial statements of the Company.

In our opinion, the Annual Report set out on pages 2 to 8, is consistent with the accompanying financial statements of the Company as of 31 December 2011.

  
Rositsa Boteva  
Registered Auditor

19 April 2012  
Sofia, Bulgaria



  
Petko Dimitrov  
Price Waterhouse Coopers Audit OOD

