

IMO PROPERTY INVESTMENTS SOFIA EAD

INDEPENDENT AUDITOR'S REPORT

ANNUAL DIRECTORS' REPORT

ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2015

Financial statements in English are translation from the original in Bulgarian. This version of the financial statements 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 the report takes precedence over this translation.

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Independent auditor's report

To the sole shareholder of Imo Property Investments Sofia EAD

Report on the Financial Statements

We have audited the accompanying financial statements of Imo Property Investments Sofia EAD (the Company) which comprise the balance sheet as of 31 December 2015 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

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

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



Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Imo Property Investments Sofia EAD as of 31 December 2015, 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.

Emphasis of Matter

We draw attention to Note 2.1 to these financial statements, which states that as of 31 December 2015 the Company's net assets had a negative value of BGN 128,157 thousand and the Company's registered share capital exceeds its net assets which is not in compliance with the Bulgarian Commercial Act. These matters, as described in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern as its continued existence is dependent on the capital support by the parent. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

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

In our opinion, the Annual Report set out on pages 1 to 5, is consistent with the accompanying financial statements of the Company as of 31 December 2015.

Milka Damianova
Registered Auditor

Stefan Weiblen
PricewaterhouseCoopers Audit OOD

26 May 2016
Sofia, Bulgaria



**IMO PROPERTY INVESTMENTS SOFIA EAD
DIRECTORS' REPORT
31 DECEMBER 2015**

The Directors present the report and the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”), for the year ended 31 December 2015. The financial statements have been audited by PricewaterhouseCoopers Audit OOD.

GENERAL INFORMATION

Establishment and activity

Imo Property Investments Sofia EAD Court Registration Number 14845/2007 110, UIK 175386257 is a private limited liability 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 had any activity prior to that. The address of its registered office is as follows: 260 Okolovrasten pat Str. 1766 Sofia, Bulgaria.

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.

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

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

Share capital structure

The share capital as of 31 December 2015 is BGN 456,719 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 2015 the Board of Directors consists of the following members:

- Emil Pilafov – Chairman of the Board of Directors and Executive Director
 - Iordan Souvandjiev – Deputy Chairman of the Board of Directors and Executive Director
 - Dimitrios Andritsos – Member of the Board of Directors
 - Ekaterini Atsali – Member of the Board of Directors
 - Michail Stamou – Member of the Board of Directors
- General Manager of the Company is Borislav Slavov.

GENERAL INFORMATION (CONTINUED)

Total annual remuneration of the members of the Board of Directors

In 2015 the members of the Board of Directors did not receive remuneration from the Company in their capacity of Board of Directors members.

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

Emil Atanasov Pilafov

- IMO Central Office EAD, Bulgaria – Chairman of the Board of Directors and Executive Director;
- IMO Rila EAD, Bulgaria – Chairman of the Board of Directors and Executive Director;
- IMO 03 EAD, Bulgaria – Chairman of the Board of Directors and Executive Director.

Iordan Marinov Souvandjiev

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

GENERAL INFORMATION (CONTINUED)

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

Dimitrios Andritsos

- Eurobank Property Services S.A., Greece – Deputy Chairman of the Board of Directors and Chief Executive Officer;
- IMO Property Investments Bucuresti S.A., Romania – Member of the Board of Directors;
- Eurobank Property Services S.A., Romania – Deputy Chairman of the Board of Directors;
- IMO - II PROPERTY INVESTMENTS S.A., Romania – Member of the Board of Directors;
- IMO Property Investments AD Beograd, Serbia – Member of the Supervisory Board;
- ERB Property Services d.o.o. Beograd, Serbia – Member of the Supervisory Board;
- ERB Property Services Sofia AD (former EFG Property Services Sofia AD, date of change 25.03.2013), Bulgaria – Deputy Chairman of the Board of Directors and Executive Director;
- ERB Property Services Ukraine Ltd, Ukraine - Deputy General Director;
- Propindex S.A., Greece – Member of the Board of Directors.

Ekaterini Atsali

- Eurobank Property Services S.A., Greece – Member of the Board of Directors;
- IMO Property Investments Bucuresti S.A., Romania – Member of the Board of Directors;
- Eurobank Finance S.A., Romania - Member of the Board of Directors; (effective as of 16.7.2015);
- ERB Rom Consult S.A., Romania - Member of the Board of Directors; (effective as of 16.7.2015);
- IMO II Property Investments S.A., Bulgaria – Romania – Member of the Board of Directors;
- ERB Property Services Sofia AD – Member of the Board of Directors;
- ERB Property Services d.o.o. Beograd, Serbia – Member of the Board of Directors.

GENERAL INFORMATION (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 – Member of the Board of Directors;
- IMO II Property Investments S.A., Bulgaria – Romania – Member of the Board of Directors;
- IMO 03 EAD, Bulgaria – Member of the Board of Directors;
- IMO Rila EAD, Bulgaria – Member of the Board of Directors;
- IMO Central Office EAD, Bulgaria – Member of the Board of Directors.

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 2015 is loss in the amount of BGN 27,623 thousands. The impairment cost are the main part of the expenses – 35%, the expenses related to investment properties are 34% and the financial costs are – 31% 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, leasing and subleasing, 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.

In 2015 and 2014 the Company acquired properties through public auctions and direct purchases. There were 13 and 119 purchases through auctions and 1 and 7 direct ones for 2015 and 2014 respectively. The acquired properties are regulated and non-regulated land plots, residential, industrial and commercial properties and hotels.

MAIN OBJECTIVES FOR 2016

For 2016 the Company will continue to acquire new properties through participation in public auctions. However the main focus for 2016 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. Detailed description of these risks and the policies and procedures applied by the Management are set out in Note 3 of the financial statements as at 31 December 2015.

RESPONSIBILITIES OF MANAGEMENT

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

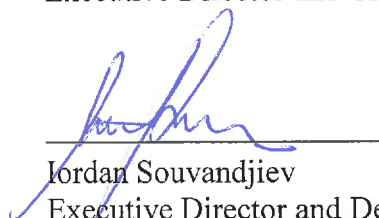
The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2015.

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

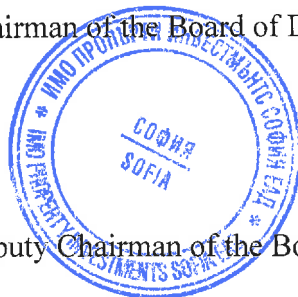
The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Emil Pilafov
Executive Director and Chairman of the Board of Directors




Jordan Souvandjiev
Executive Director and Deputy Chairman of the Board of Directors
18 May 2016



**IMO PROPERTY INVESTMENTS SOFIA EAD
BALANCE SHEET
31 DECEMBER 2015**


<i>(All amounts in BGN thousands)</i>		As at 31 December	
	Note	2015	2014
Non-current assets			
Investment property	11	278,286	315,974
Prepayments for acquisition of investment property	13 a	4,638	5,204
Other tangible and intangible assets	12	9	7
Deferred tax asset	17	-	-
Total non-current assets		282,933	321,185
Current assets			
Other receivables	13 b	4,909	2,933
Cash and cash equivalents	14	2,746	11,162
Total current assets		7,655	14,095
Total assets		290,588	335,280
Equity			
Share capital	15	457	457
Share premium		58,468	58,468
Accumulated losses		(187,082)	(159,459)
Total equity		(128,157)	(100,534)
Current liabilities			
Borrowings	16	416,900	432,547
Other payables	18	1,845	3,267
Total current liabilities		418,745	435,814
Total equity and liabilities		290,588	335,280

The financial statements have been approved on 18 May 2016 and signed as follows:



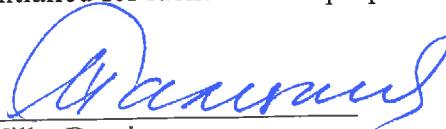
 Emil Pifafov
 Executive Director and
 Chairman of the Board of
 Directors





 Yordanka Karapetrova
 Financial Manager

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



 Milka Damianova
 Registered auditor
 Date: 26 May 2016
 Sofia, Bulgaria





 Stefan Weiblen
 PricewaterhouseCoopers Audit OOD

**IMO PROPERTY INVESTMENTS SOFIA EAD
STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2015**

(All amounts in BGN thousands)

	Note	2015	2014
Income from investment properties	5	3,057	2,369
Expenses related to investment properties	6	(9,581)	(10,350)
Impairment of investment properties	6	(9,822)	(25,426)
Impairment of taxes and other receivables related to rent agreements not refunded by the customers	13b	(898)	-
Administrative expenses	7	(928)	(630)
Operating loss		(18,172)	(34,037)
Financial costs, net	9	(9,451)	(11,641)
Loss before income tax		(27,623)	(45,678)
Income tax	10	-	(252)
Loss for the year		(27,623)	(45,930)
Other comprehensive income		-	-
Total comprehensive (loss) for the year		(27,623)	(45,930)

The financial statements have been approved on 18 May 2016 and signed as follows:


 Emil Pilafov
 Executive Director and
 Chairman of the Board of
 Directors



 Gordanka Karapetrova
 Financial Manager



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


 Milka Damianova
 Registered auditor
 Date: 26 May 2016
 Sofia, Bulgaria


 Stefan Weiblen
 PricewaterhouseCoopers Audit OOD



**IMO PROPERTY INVESTMENTS SOFIA EAD
STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2015**

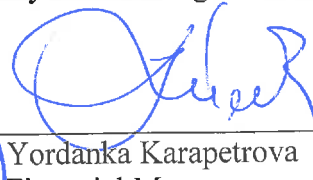
(All amounts in BGN thousand)

	Note	Share capital	Share premium reserve	Accumulated losses	Total equity
Balance as at 1 January 2014		457	58,468	(113,529)	(54,604)
Loss for the year		-	-	(45,930)	(45,930)
Balance as at 31 December 2014		457	58,468	(159,459)	(100,534)
Balance as at 1 January 2015		457	58,468	(159,459)	(100,534)
Loss for the year		-	-	(27,623)	(27,623)
Balance as at 31 December 2015		457	58,468	(187,082)	(128,157)


The financial statements have been approved on 18 May 2016 and signed as follows:



Emil Pilafov
Executive Director and
Chairman of the Board of
Directors




Yordanka Karapetrova
Financial Manager

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


Milka Damianova
Registered auditor
Date: 26 May 2016
Sofia, Bulgaria


Stefan Weiblen
PricewaterhouseCoopers Audit OOD



**IMO PROPERTY INVESTMENTS SOFIA EAD
STATEMENT OF CASH FLOWS
31 DECEMBER 2015**

(All amounts in BGN thousand)

	Note	2015	2014
Operating activities			
Receipts from clients		3,008	6,362
Payments for administrative expenses		(539)	(126)
Employee benefits and social securities paid		(431)	(413)
VAT paid		(1,922)	(527)
Payments related to investment properties		(7,535)	(8,218)
<i>Net cash flows from operating activities</i>		(7,419)	(2,922)
Investing activities			
Purchase and prepayments for investment property		(12,307)	(20,606)
Sale of investment properties		36,410	27,392
Purchases of equipment		(2)	(4)
Sale of investment in subsidiaries		-	-
<i>Net cash flows used in investing activities</i>		24,101	6,782
Financing activities			
Borrowings received		3,912	5,867
Interest paid		(9,451)	(11,695)
Borrowings repaid		(19,559)	(1,956)
<i>Net cash flows from financing activities</i>		(25,098)	(7,784)
Increase in cash and cash equivalents		(8,416)	(3,924)
Cash and cash equivalents at 1 January		11,162	15,086
Cash and cash equivalents at 31 December	14	2,746	11,162

The financial statements have been approved on 18 May 2016 and signed as follows:

Emil Pilafov
Executive Director and
Chairman of the Board of
Directors

Jordanka Karapetrova
Financial Manager

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

Milka Damianova
Registered auditor
Date: 26 May 2016
Sofia, Bulgaria

Stefan Weiblen
PricewaterhouseCoopers Audit OOD



**IMO PROPERTY INVESTMENTS SOFIA EAD
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015**

(All amounts are in BGN thousand unless otherwise stated)

1. General information

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

The Company basic activity is purchase, building and construction of real estate property for the purpose of rent and sale. The Company had no activity until 2009.

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.

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

The policies set out below have been consistently applied to the years 2014 and 2013. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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. In support of that in 2012 the Shareholder increased the share capital and share premium reserve account of the Company with BGN 56,719 thousands. As of 31 December 2015 the Company has negative equity and it relies on the future support and financing by the Group to continue its operations as a going concern. The current credit line was renewed until 30 June 2017.

IMO Property Investments EAD has negative equity of BGN 128,157 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 is fully aware and will undertake all the necessary steps to recapitalise the entity. In support of the above, currently the entity has been provided with Letter of support by the Parent company.

IMO PROPERTY INVESTMENTS SOFIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

(All amounts are in BGN thousand unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Position of the Group

In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the prolonged uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions due to the financing problems of the Greek State and the significant deposit outflows – already observed from late 2014 – led to the imposition of restrictions in banking transactions (capital controls) together with a temporary bank holiday on 28 June 2015. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a € 86 bn financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The Greek Government managed to complete two sets of prior actions from the program at the end of November and December 2015. By mid - December 2015, the systemic banks' recapitalization was completed with only € 5.4 bn used from the initial buffer of up to €25 billion. The unused funds were subtracted from the ESM loan, reducing it to € 64.5 bn as of the end of January 2016. The review of Greece's reform programme by international creditors is currently pending. A swift completion of the program review may alleviate significantly the macroeconomic and sovereign uncertainties.

After the gradual normalization of the economic and political situation in Greece and following the Bank's successful recapitalization, the Group enhanced its liquidity position and reduced its dependence on Eurosystem funding.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the new ESM program will permit European Central Bank (ECB) to reinstate the waiver for the instruments issued by the Hellenic Republic and will signal the gradual repatriation of deposits in the banking system, which is a major priority for the Group, and the further re-access to the markets for liquidity.

On 31 October 2015, the ECB announced the results of the comprehensive assessment (CA) based on which the lowest shortfall across Greek banks was identified for the Bank. Following the CA results and in line with the new recapitalization framework introduced by Law 4340/2015, the Bank proceeded to a capital increase of € 2,039 million, which was covered exclusively from the markets. As a result, the Group strengthened further its capital base and its CET1 ratio stood at 17% at the end of December 2015.

IMO PROPERTY INVESTMENTS SOFIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

(All amounts are in BGN thousand unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

In May 2014, following the completion of the Bank's share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF), the controlling shareholder of the Bank until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Bank. In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2.38%.

In the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank.

(a) The following new standards and amendments to existing standards, as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), apply from 1 January 2015:

Annual Improvements to IFRSs 2011-2013 Cycle

The amendments introduce key changes to three IFRSs, following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project, as follows:

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

- Clarify that IFRS 3 'Business Combinations' does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- Clarify that the exception in IFRS 13 'Fair Value Measurement' for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 'Financial Instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities under IAS 32 'Financial Instruments: Presentation';
- Address the interrelationship between IFRS 3 'Business Combinations' and IAS 40 'Investment Property', clarifying in the latter that an entity should assess whether: (a) the acquired property is investment property under IAS 40 and (b) the acquisition of investment property constitutes a business combination as defined in IFRS 3.

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

IMO PROPERTY INVESTMENTS SOFIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

(All amounts are in BGN thousand unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) The following new standards and amendments to existing standards, as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), apply from 1 January 2015 (continued):

IFRIC 21, Levies

IFRIC 21 Levies clarifies that an entity recognizes a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The adoption of the interpretation lead to earlier recognition of cost for Deposit guarantee scheme through the year, but has no impact on the yearly Company's financial statements.

(b) A number of new standards, amendments and interpretations to existing standards are effective after 2015, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Bank are set out below:

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016)

The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

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

IAS 7, Amendment – Disclosure Initiative (effective 1 January 2017, not yet endorsed by EU)

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities. The amendments include illustrative examples to show how an entity can meet the objective of the disclosure requirements. The adoption of the amendment is not expected to impact the Company's financial statements.

IMO PROPERTY INVESTMENTS SOFIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

(All amounts are in BGN thousand unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) A number of new standards, amendments and interpretations to existing standards are effective after 2015, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Bank are set out below (continued):

IAS 12, Amendment – Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017, not yet endorsed by EU)

The amendment clarifies that unrealized losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes can result in deductible temporary differences. It also clarifies that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences.

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortization (effective 1 January 2016)

The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue basis for measuring the consumption of the economic benefits embodied in an intangible asset.

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

IAS 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2016)

The amendment clarifies the accounting for post- employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service.

The adoption of the amendment is not expected to have a material impact on the Company's financial statements.

IAS 27, Amendment –Equity Method in Separate Financial Statements (effective 1 January 2016)

This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements.

(All amounts are in BGN thousand unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) A number of new standards, amendments and interpretations to existing standards are effective after 2015, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Bank are set out below (continued):

IAS 27, Amendment –Equity Method in Separate Financial Statements (effective 1 January 2016) (continued)

In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures in which the investments in associates or joint ventures are required by IAS 28 Investments in Associates and Joint Ventures to be accounted for using the equity method. The adoption of the amendment is not expected to impact the Company's financial statements.

IFRS 9 *Financial Instruments*. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the International Accounting Standards Board (IASB made) further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

Following the changes approved by the IASB in July 2014, the Company no longer expects any impact from the new classification, measurement and derecognition rules on the Company's financial assets and financial liabilities. While the Company has yet to undertake a detailed assessment of the debt instruments currently classified as available-for-sale financial assets, it would appear that they would satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) based on their current business model for these assets. Hence there will be no change to the accounting for these assets.

There will also be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities.

The new hedging rules align hedge accounting more closely with the Company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. The Company has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

The expected EU endorsement of IFRS 9 is before the IASB effective date – 1 January 2018.

(All amounts are in BGN thousand unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) A number of new standards, amendments and interpretations to existing standards are effective after 2015, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Bank are set out below (continued):

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception (effective 1 January 2016, not yet endorsed by EU)

These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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

IFRS 10 and IAS 28, Amendments- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by IASB, not yet endorsed by EU)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are in a subsidiary. The adoption of the amendments is not expected to impact the Company's financial statements.

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)

This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

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

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018, not yet endorsed by EU)

IFRS 15 establishes a single, comprehensive revenue recognition model to be applied consistently to all contracts with customers, determining when and how much revenue to recognize, but has no impact on income recognition related to financial instruments which is under the scope of IFRS 9 and IAS 39. In addition, IFRS 15 replaces the previous revenue standards IAS 18 Revenue and IAS 11 Construction contracts and the related Interpretations on revenue recognition.

The Company is currently assessing the impact of IFRS 15, however the adoption of the standard is not expected to have a material impact on the Company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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(All amounts are in BGN thousand unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) A number of new standards, amendments and interpretations to existing standards are effective after 2015, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Bank are set out below (continued):

IFRS 16, Leases (effective 1 January 2019, not yet endorsed by EU)

Under IFRS 16, which replaces the current guidance in IAS 17, the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17. Leases are capitalized by recognizing the present value of the lease payments and are shown either as lease assets (right of use assets) or together with property, plant and equipment. A financial liability is also recognized, if lease payments are made over time, representing the obligation to make future lease payments. In addition, lease expense treatment is aligned for all leases of lessees and the typical straight line operating lease expense for operating leases under IAS 17 is replaced with a depreciation charge for lease assets and an interest expense on lease liabilities. Recognition of assets and liabilities by lessees are not required for certain short term leases and leases of low value assets.

Under the new standard a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The Company is currently assessing the impact of IFRS 16 on its financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2016)

The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Definition of vesting condition in IFRS 2 'Share – based Payment';
- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations';
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';
- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';
- Key management personnel in IAS 24 'Related Party Disclosures'; and
- Revaluation method—proportionate restatement of accumulated amortization in IAS 38 'Intangible Assets'

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

IMO PROPERTY INVESTMENTS SOFIA EAD
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(All amounts are in BGN thousand unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) A number of new standards, amendments and interpretations to existing standards are effective after 2015, as they have not yet been endorsed for use in the European Union or have not been early applied by the Company. Those that may be relevant to the Bank are set out below (continued):

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2012-14 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Clarifying in IFRS 5 'Non-current assets held for sale and discontinued operations' that, when an asset is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- Adding in IFRS 7 'Financial instruments: Disclosures' specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- Clarifying in IAS 19 'Employee benefits' that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.
- Clarifying in IAS 34 'Interim financial reporting' what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

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

2.2 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 profit or loss.

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2. Summary of significant accounting policies (continued)

2.3 Investment property

Based on IAS 40, Investment property is property, land or a building or part of a building or both held to earn rentals or for capital appreciation or both and that is not occupied by the Company. Investment property is recognised as an asset when it is probable that future economic benefits that are associated with the property will flow to the entity, and the cost of the property can be reliably measured. Before the Company completes the legal procedure of obtaining access to the respective property the expenditures are presented as prepayments for acquisition of investment property.

After the initial recognition, investment properties are presented as non-current assets and are measured at cost less any accumulated depreciation and any accumulated impairment.

All acquisition costs are accumulated in the book value of investment property. An investment property is measured initially at its cost. Transaction costs are included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes, and other transaction costs.

The real estate assets acquired, where further construction or development is necessary before they become ready for sale, can be treated as "qualifying assets" and in this case, the borrowing costs directly attributable to the acquisition and construction/development are eligible for capitalization.

Buildings recognized as investment properties are depreciated for a period of 50 years. The annual depreciation rate is 2%.

Assets under construction are not depreciated.

Movable assets are depreciated on annual depreciation rate 15%.

Land recognized as investment property is not depreciated.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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2. Summary of significant accounting policies (continued)

2.3 Investment property (continued)

Transfers between investment property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

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

2.4. Property, plant and equipment

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

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

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

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

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

2.5 Receivables and other financial assets

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

2.6 Cash and cash equivalents

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

IMO PROPERTY INVESTMENTS SOFIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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(All amounts are in BGN thousand unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.7 Payables and other financial liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Accounting for operating lease contracts

Assets leased out under operating leases are included in investment property in the balance sheet. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

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

2.9 Borrowings

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.

2.10 Interest expense

Interest expenses for borrowings are recognised within ‘finance costs’ in profit or loss 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.

2.11 Revenue recognition

Rental income

Revenue includes rental income, service charges and management charges from properties and income from property trading.

Rental income from operating leases is recognised in revenue on a straight-line basis over the lease term.

IMO PROPERTY INVESTMENTS SOFIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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(All amounts are in BGN thousand unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.12 Taxation

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

Taxes other than on income are recorded within operating expenses.

The deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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.

2.13 Investments in subsidiaries and advances for shares to be issued

The investments of the Company in subsidiaries are accounted for at acquisition cost less impairment.

3. Financial risk management

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

3.1. Market risk

(a) Currency risk

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

(b) Interest rate risk

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

The Company's interest rate risk arises from its borrowings (Note 16). Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest re-pricing period of the borrowings is on a yearly base, thus mitigating to some extent the interest rate risk.

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(All amounts are in BGN thousand unless otherwise stated)

3. Financial risk management (continued)

3.1. Market risk (continued)

(b) Interest rate risk (continued)

The Company's cash flow and interest rate risk is periodically monitored by the Company's management and by the parent Company (i.e. the Group management). As the borrowings are provided by the Eurobank Private Bank Luxembourg S.A, the exposure of the Company to interest rate risk is reviewed individually for each new facility provided.

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

Impact on liquidity

The impact of the financial crisis is still affecting the activity of the Company. Management believes it is taking all the necessary measures to support the sustainability (and growth) of the Company's business in the current circumstances.

To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their assessments.

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

3.2 Credit risk

Credit risk arises from cash and cash equivalents and bank deposits, 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 2015 and 2014 with banks, as follows:

Contractor	31 December 2015		31 December 2014	
	Credit rating	Balance	Credit rating	Balance
Eurobank Bulgaria AD	BB+ (BCRA)	2,746	BB+ (BCRA)	11,162
		<u>2,746</u>		<u>11,162</u>

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.

3.3 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 2015 and onwards, mainly due to cash inflows from operations.

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3. Financial risk management (continued)

3.3 Liquidity risk (continued)

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.

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Total
As at 31 December 2014				
Payables	316	1,059	1,892	3,267
Borrowings	309	-	432,238	432,548
Total financial liabilities	625	1059	434,130	435,815

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Total
As at 31 December 2015				
Payables	643	939	262	1,844
Borrowings	308	-	416,592	416,900
Total financial liabilities	951	939	416,854	418,744

3.4 Capital management

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

4. Critical accounting estimates and judgments

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

Estimate of fair value of investment properties

The fair value of the investment properties, accounted at cost model in accordance with IAS 40 is updated, in order to reflect the market conditions at the end of the reporting period by using the valuation reports of licensed appraiser company.

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(All amounts are in BGN thousand unless otherwise stated)

4. Critical accounting estimates and judgments (continued)

The fair value of the investment properties is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the fair value estimation of the external appraiser company is based on recent prices of properties with different condition or location, adjusted to reflect those differences. For disclosure purposes fair value is based on reports prepared by valuation company at the end of the reporting period. As the property market in Bulgaria remains significantly affected by the global financial crisis, the frequency of property transactions is relatively low. Nevertheless, it is management's assessment that there remains sufficient market activity to provide comparable prices for orderly transactions with similar properties when determining the fair value. However management notes difficulty of arriving at appropriate valuation for unique buildings under current market conditions, due to a lack of like-for-like comparables. Thus, the determined fair value of the properties may or may not be the selling price that could be achieved in the short-term. As the adjustments made to them are highly judgmental, the currently achieved and expected level of assumptions used in the investment approach may not be achieved in the future as well.

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.

The investment properties are categorized into three levels of the fair value hierarchy as of 31 December 2014 based on whether the inputs to the fair value are observable or unobservable, as follows:

Level 1 – Investment properties measured based on quoted prices in active markets for identical assets that the company can access at the measurement date.

Level 2 – Investment properties 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 properties measured using valuation techniques with significant unobservable inputs.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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4. Critical accounting estimates and judgments (continued)

Quantative information about fair value mesurments using significant unobservable input Level 3

Description	Fair value at 31.12.2015 in BGN thousands	Valuation technique(s)	Unobservable input	Range (weighted average) 2015 in BGN	Connection between unobservable input and FV
Investment properties in Bulgaria :					
Residential properties	74,575	Sales comparable approach	price per square metre	85.78-2,792.93 (882.08)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	162.55-1,870.20 (573.06)	
Commercial properties	114,596	Sales comparable approach	price per square metre	109.53-3,062.83 (1,081.57)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	92.43-4,614.47 (603.33)	
		Income approach	rent per square metre	6.81-2.49 (11.46)	Should the rent per square metre increase, the Fair value of the investment properties would increase too
Industrial	60,751	Sales comparable approach	price per square metre	158.42-1,103.09 (498.74)	Should the price per square metre increase, the Fair value of the investment properties would increase too.
		Cost approach	price per square metre	35.20-1,130.47 (291.42)	
Lands	35,222	Sales comparable approach	price per square metre	2.48-1,680.06 (110.45)	Should the price per square metre increase, the Fair value of the investment properties would increase too.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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4. Critical accounting estimates and judgments (continued)

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.

As at 31 December 2015 the Company has 1,310 properties with book value before 2015 impairment in the amount of BGN 372,819 thousands (investment properties in process of acquisition included). The impairment analysis was performed for 1,280 properties. The properties included in the analysis are selected according to the prescription term: the previous valuation is in over a year period. Thus, the analysis does not encompass properties that are recently acquired because such market to book value analysis has been performed for them.

The total net book value (NBV) of these 1,280 properties before 2015 impairment amounts to BGN 288,108 thousands. 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. For the ones where a substantial deviation between recoverable amount and the carrying amount appears, the difference is recognized as an impairment loss.

The properties with a substantial deviation between the recoverable amount and the carrying amount are 489 and their total NBV before 2015 impairment amounts to BGN 57,369 thousands. The difference recognized as impairment loss is at the amount BGN 9,822 thousands.

5. Income from investment properties

	2015	2014
Gain/Loss from sale of properties	1,628	559
Revenue from customers	1,429	1,810
Total	3,057	2,369

6. Expenses related to investment properties and impairment

	2015	2014
Impairment	(9,822)	(25,426)
Maintenance	(4,813)	(5,147)
Depreciation	(4,769)	(5,203)
Total	(19,404)	(35,776)

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7. Administrative expenses

	2015	2014
Salaries	(392)	(354)
Consultancy fees	(242)	(14)
Rent	(59)	(36)
Social security costs	(47)	(43)
Audit fees	(28)	(30)
Other expenses related to personnel	(25)	(46)
Travel costs	(23)	(23)
Other	(112)	(85)
Total	(928)	(631)

8. Loss from sale of investment in subsidiaries

According to Resolution of the Sole shareholder from 10 October 2013, IMO Property Investment Sofia EAD transferred its participation in the Share capital of IMO Central Office to NEU III Property Holdings Limited, Cyprus, namely 400 000 registered ordinary shares, with nominal value BGN 1 (one), representing 100% of the shares of IMO Central Office EAD, for cash consideration of BGN 400 thousands.

According to Resolution of the Sole shareholder from 21 February 2012, IMO Property Investment EAD transferred its participation in the Share capital of IMO Rila EAD to NEU II Property Holdings Limited - Cyprus, namely 400 000 registered ordinary shares, with nominal value BGN 1 (one), representing 100% of the shares of IMO Rila, for cash consideration of BGN 38 thousands. The effect of the sale in the amount of BGN 362 thousands is recognised as loss.

9. Finance costs

Finance costs	2015	2014
Interest expense	(9,424)	(11,665)
Other finance costs	(28)	(27)
Total finance cost	(9,452)	(11,692)

Finance income	2015	2014
Interest income from bank deposit	1	51
Total finance income	1	51

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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10. Income tax expense

	2015	2014
Loss before income tax	(27,623)	(45,676)
Tax calculated at a tax rate applicable to profits 10% (2014:10%)	(2,762)	(4,568)
Tax effect of expenses not deductible for tax purposes	-	3,213
Unrecognized deferred tax income for the year	2,762	1,355
Deferred tax asset written off	-	255
Income tax expense	-	255

11. Investment property

	Buildings	Land	Equipment related to properties	Total
Carrying amount as at 1 January 2014	235,612	105,121	2,624	343,357
Additions	21,957	9,802	26	31,785
Depreciation	(4,673)	-	(530)	(5,203)
Disposals	(20,246)	(7,750)	(543)	(28,539)
Impairment charge	(19,468)	(5,958)	-	(25,426)
Carrying amount as at 31 December 2014	213,182	101,215	1,577	315,974
Additions	11,089	685	242	12,016
Depreciation	(2,973)	-	(483)	(3,456)
Disposals	(19,164)	(17,262)	-	(36,425)
Impairment charge	(9,822)	-	-	(9,822)
Carrying amount as at 31 December 2015	192,312	84,638	1,336	278,286

The annual impairment assessment, close to the year end was performed by independent professionally recognised valuers, who hold recognized and relevant professional certificate. As a result impairment expense at the amount of BGN 9,822 thousands was booked. In view of the management, fair value approximates the net book value.

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. As at 31 December 2015 the NBV of the movable assets is BGN 1,336 thousands.

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(All amounts are in BGN thousand unless otherwise stated)

12. Tangible and intangible assets

	Office furniture	Computers	Software	Total
Carrying amount as at 1 January 2014	2	3	-	5
Additions	2	2	-	4
Depreciation	(1)	(1)	-	(2)
Carrying amount as at 31 December 2014	3	4	-	7
Additions	1	1	3	5
Depreciation	(1)	(2)	-	(3)
Carrying amount as at 31 December 2014	3	3	3	9
Cost	8	11	4	23
Accumulated depreciation	(5)	(7)	(2)	(14)
Carrying amount as at 31 December 2014	3	4	2	9

13 a. Prepayments for acquisition of investment property

	As at 31 December	
	2015	2014
Investment property in process of acquisition	4,638	5,204
Deposits with bailiffs	-	-
	4,638	5,204

	As at 31 December	
	2015	2014
13 b. VAT and other receivables		
<i>Non-financial assets</i>		
Prepaid expenses	85	112
Other receivables	7	64
Court receivables	2	2
<i>Financial assets</i>		
Receivables from clients	5,152	2,158
Receivables from bailiffs and other suppliers	561	597
Impairment of receivables	(898)	-
	4,909	2,933

As of 31 December 2015 the Management made assessment of the receivables from clients. A provision for impairment of these receivables in the amount of BGN 898 thousand for 2015 was recognized and booked.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

(All amounts are in BGN thousand unless otherwise stated)

14. Cash and cash equivalents

	As at 31 December	
	2015	2014
Cash in BGN	1,870	10,928
Cash in EUR	876	234
Total Cash and Cash Equivalents	2,746	11,162

15. Share capital

	Number of shares	Nominal value of 1 share BGN	Value BGN'000
At 31 December 2014	456,719	1	457
At 31 December 2015	456,719	1	457

As at 31 December 2015 and 2014 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.

16. Borrowings

All loans of the Company are contracted with floating interest rate and are denominated in Euro. The loans have not been collateralised.

Current liabilities	2015	2014
Bank loans	416,592	432,238
Accrued interest	308	309
	416,900	432,547

The carrying amounts of these floating-rate borrowings approximate their fair values at the balance sheet date. All borrowings are contracted with floating rate of (1M EURIBOR) plus margin of 2.25%. There are no covenants included in the loan agreements.

The current credit line was renewed until 31 December 2016. The credit line limit as of 31 December 2015 is EUR 213,000 thousand (BGN 416,592 thousand).

17. Deferred tax asset and liability

Deferred tax asset on current year loss	Tax loss	Deferred tax asset
As at 1 January 2014	22,325	252
Movements in 2014	13,545	(252)
As at 31 December 2014	35,870	-
Movements in 2015	24,114	-
As at 31 Decemeber 2015	59,984	-

IMO PROPERTY INVESTMENTS SOFIA EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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(All amounts are in BGN thousand unless otherwise stated)

17. Deferred tax asset and liability (continued)

Deferred income taxes are calculated at the tax rate that will be effective at the time when they are expected to be realised. The tax applicable for 2015 is 10% (2014: 10%). The tax loss for 2015 is BGN 24,114. The tax loss for 2014 is BGN 13,545 thousands and the deferred tax asset not recognized is BGN 1,355 thousands.

The deferred tax asset expires in five year period after its initial recognition.

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

Tax authorities can at any given time carry out 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.

18. Payables

	As at 31 December	
	2015	2014
<i>Financial liabilities</i>		
To suppliers	449	1,795
VAT payable	193	-
Guarantees	117	373
Other payables	1,085	1,099
	<u>1,844</u>	<u>3,267</u>

19. Financial instruments by category

As at 31 December 2015

Financial assets as per balance sheet	Loans and receivables
Trade and other receivables (Note 13 b)	4,815
Cash and cash equivalents (Note 14)	2,746
	<u>7,561</u>
Liabilities as per balance sheet	Financial liabilities at amortized cost
Trade payables (Note 18)	1,844
Payables for bank loan (Note 16, 20)	416,900
	<u>418,744</u>

The fair value of all financial assets and liabilities as at the end of 2015 and 2014 approximates their carrying value.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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(All amounts are in BGN thousand unless otherwise stated)

20. Related party transactions

In May 2014, following the completion of the Bank's share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF), the controlling shareholder of the Bank until that date, decreased from 95.23% to 35.41%. Accordingly, as of that date HFSF was considered to have significant influence over the Bank. In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2.38%.

In the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in the Bank's General Assembly only for decisions concerning the amendment of the Bank's Articles of Association, including the increase or decrease of the Bank's capital or the granting of a corresponding authorization to the Bank's Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of the Bank, the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, the Bank has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over the Bank.

All transactions with related parties are with fellow subsidiaries.

	2015	2014
Payables to related parties		
ERB Property Services Sofia AD	339	277
Borrowings	2015	2014
Eurobank Private Bank Luxembourg S.A.	416,890	432,547
Cash and cash equivalents	2015	2014
Eurobank Bulgaria AD (Note 13)	2,746	11,162
Receivables from related parties	2015	2014
ERB Leasing EAD	-	12
Interest income from bank deposits	2015	2014
Eurobank Bulgaria AD	2	3

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20. Related party transactions (continued)

Interest expenses	2015	2014
Eurobank Private Bank Luxembourg S.A.	9,424	11,665
FX transaction expenses, net	2015	2014
Eurobank Bulgaria AD	4	2
Commissions and fees expenses	2015	2014
Eurobank Bulgaria AD	25	24
Expenses related to investment properties	2015	2014
ERB Property Services Sofia AD	591	469
Rent Income	2015	2014
Eurobank Bulgaria AD	26	26
ERB Leasing EAD	10	-
Rent expenses	2015	2014
IMO Central Office EAD	38	20

The management of the Company has received BGN 73 thousands in 2015 (2014: 72 thousands).

21. Contingent liabilities and commitments

The management has not identified any significant contingent liabilities and commitments valid as at 31 December 2015.

22. Events after the balance sheet date

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