

**IMO PROPERTY INVESTMENTS A.D. BEOGRAD**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**IMO PROPERTY INVESTMENTS A.D. BEOGRAD**  
**Financial statements for the year ended 31 December 2016**

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All amounts are expressed in 000 RSD unless stated otherwise

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**IMO PROPERTY INVESTMENTS A.D. BEOGRAD****Balance sheet for the year ended 31 December 2016**

All amounts are expressed in 000 RSD unless stated otherwise

**INCOME STATEMENT  
FOR THE YEAR ENDED AS AT 31 DECEMBER 2016**

In thousands of RSD	Note	2016	2015
Income from sales	4	232.646	303.238
Income from renting	4	22.186	21.750
<b>Operating income</b>		<b>254.832</b>	<b>324.988</b>
Acquisition costs of sold assets	5	(324.887)	(329.305)
Cost of material	6	(697)	(668)
Staff costs	7	(14.165)	(13.633)
Depreciation and provision	8	(749)	(657)
Other operating expenses	9	(32.427)	(32.215)
<b>Operating expenses</b>		<b>(372.925)</b>	<b>(376.478)</b>
<b>Operating profit/(loss)</b>		<b>(118.093)</b>	<b>(51.490)</b>
Financial income	10	36.951	132.886
Financial expenses	10	(163.779)	(197.801)
<b>Net financial income/expenses</b>		<b>(126.828)</b>	<b>(64.915)</b>
Other income	11	63.118	8.755
Other expenses	11	(61.969)	(82.896)
<b>Net other income/expenses</b>		<b>1.149</b>	<b>(74.141)</b>
<b>Profit/(loss) before tax</b>		<b>(243.772)</b>	<b>(190.546)</b>
<b>Tax</b>	12	<b>(7.925)</b>	<b>(4.911)</b>
<b>Net profit/(loss)</b>		<b>(251.697)</b>	<b>(195.457)</b>

Belgrade, 02 June 2017

For and on behalf of Management of IMO Property Investments a.d., Beograd

  
Violeta Djordjevic  
Executive Director



**IMO PROPERTY INVESTMENTS A.D. BEOGRAD****Balance sheet for the year ended 31 December 2016**

All amounts are expressed in 000 RSD unless stated otherwise

**BALANCE SHEET**

In thousands of RSD	Note	2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	25.669	26.480
Investment properties	14	1.552.276	1.808.767
<b>Total non-current assets</b>		<b>1.577.945</b>	<b>1.835.247</b>
<b>Current assets</b>			
Investm. in Associated Undertakings	13	1.225.524	-
Inventories		106	39
Reposs. assets & Advan.for prop.	14	130.867	127.315
Trade receivables	16	1.101	1.192
Short-term financial investments	18	240.000	760.000
Cash and cash equivalents	17	101.388	64.841
Other short-term receivables		208	103
<b>Total current assets</b>		<b>1.699.194</b>	<b>953.490</b>
<b>Total assets</b>		<b>3.277.139</b>	<b>2.788.737</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Capital	19	875.835	444.789
Previous year losses/gains	19	(598.247)	(402.790)
Current year losses/gains	19	(251.697)	(195.457)
<b>Total equity/Loss exceeding equity</b>		<b>25.891</b>	<b>(153.458)</b>
<b>Long-term liabilities</b>			
Long-term loans	20	679.098	-
Other long-term liabilities		-	-
<b>Total long-term liabilities</b>		<b>679.098</b>	<b>-</b>
<b>Current liabilities</b>			
Short-term loans and borrowings	20	2.518.835	2.906.864
Trade payables	21	13.171	3.853
Other current liabilities	21	278	249
VAT and accruals	21	4.832	4.121
Deferred tax liabilities	12	35.034	27.108
<b>Total current liabilities</b>		<b>2.572.150</b>	<b>2.942.195</b>
<b>Total liabilities and equity</b>		<b>3.277.139</b>	<b>2.788.737</b>

Belgrade, 02 June 2017

For and on behalf of Management of IMO Property Investments a.d., Beograd



*Violeta Djordjevic*  
 Violeta Djordjevic  
 Executive Director

Translation of the official financial statements and related notes originally issued in Serbian

**IMO PROPERTY INVESTMENTS A.D. BEOGRAD**  
**Cash flow statement for the year ended 31 December 2016**

All amounts are expressed in 000 RSD unless stated otherwise

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

In thousands of RSD	2016	2015
<b>Cash flow from operating activities</b>		
Cash receipts from customers and received advances	29.318	21.750
Interest received from operating activities	2.402	21.458
Other recipients from operating activities	521.000	188
Payments to suppliers and advances paid	(27.211)	(27.165)
Gross salaries and other personnel expenses	(14.165)	(13.654)
Interest expense	(79.121)	(66.850)
Income tax	-	-
Other duties	(11.334)	(12.124)
<b>Net cash generated from operating activities</b>	<b>420.889</b>	<b>(76.397)</b>
<b>Cash flow from investing activities</b>		
Sale of equipment	240.694	303.238
Investment in intangible assets and PPE	(1.315.625)	(66.868)
Purchase of equipment	-	-
<b>Net cash used in investing activities</b>	<b>(1.074.931)</b>	<b>236.370</b>
<b>Cash flow from financing activities</b>		
Capital increase	431.046	-
Inflow from long-term and short-term loans	679.098	15.960
Outflow from long-term and short-term loans	(388.029)	(210.000)
<b>Net cash generated/(used) from financing activities</b>	<b>722.115</b>	<b>(194.040)</b>
<b>Net cash inflow</b>	<b>68.073</b>	<b>(34.067)</b>
Cash and cash equivalents at the beginning of the year	64.841	114.698
Net effect of foreign exchange gains and losses	(31.526)	(15.790)
<b>Cash and cash equivalents at the end of the year</b>	<b>101.388</b>	<b>64.841</b>

Belgrade, 02 June 2017

For and on behalf of Management of IMO Property Investments a.d., Beograd

  
  
 Violeta Djordjevic  
 Executive Director

**IMO PROPERTY INVESTMENTS A.D. BEOGRAD**  
**Notes to the Financial statements for the year ended 31 December 2016**  
 All amounts are expressed in 000 RSD unless stated otherwise

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

In thousands of RSD	Issued capital	Accumulated loss up to the amount of issued capital	Accumulated loss over the amount of issued capital	Total
<b>Balance as at 1 January 2015</b>	<b>444.789</b>	<b>(402.790)</b>	<b>-</b>	<b>41.999</b>
<b>Profit for the year</b>	<b>-</b>	<b>(41.999)</b>	<b>(153.458)</b>	<b>(195.457)</b>
<b>Balance as at 31 December 2015</b>	<b>444.789</b>	<b>(444.789)</b>	<b>(153.458)</b>	<b>(153.458)</b>
Loss for the year up to the amount of issued capital	431.046	(405.155)	153.458	179.349
Loss for the year over the amount of issued capital	-	-	-	-
<b>Loss for the year</b>				<b>179.349</b>
<b>Balance as at 31 December 2016</b>	<b>875.835</b>	<b>(849.944)</b>	<b>-</b>	<b>25.891</b>

Belgrade, 02 June 2017

For and on behalf of Management of IMO Property Investments a.d., Beograd



Violeta Djordjevic  
 Executive Director

## **IMO PROPERTY INVESTMENTS A.D. BEOGRAD**

### **Notes to the Financial statements for the year ended 31 December 2016**

All amounts are expressed in 000 RSD unless stated otherwise

#### **1. General information**

Company IMO Property Investments a.d. Beograd (hereinafter: "the Company") is shareholding company which was founded in 2004 under name Euroline Retail Services a.d Beograd as joint stock company. Single founder was Eurobank-Cards.

According to Board of Directors decision from 15 September 2009 the Company changed name to IMO Property Investments a.d. Beograd and changed its prime business. Main business of the Company is purchase and sale of real estate such as buildings and apartments, business premises, land and other.

In 2007 the Company increased its share capital for EUR 286.681 being RSD 22.476 thousands at date of increase which were entirely increased by EFG New Europe Holding B.V. Amsterdam, Netherlands as new shareholder. This resulted in change of shareholder structure.

During 2010 Neu Property Holdings Limited, Nicosia, Cyprus repurchased 100% of shares and became unique owner of capital.

In 2011 another capital increase has been performed in the amount of EUR 3.928 thousands, being RSD 407.998 thousands and level of capital reached RSD 444.789 thousands.

Last capital increase occurred at the end of December 2016. Capital was increased by only owner Neu Property Holdings Limited, Nicosia, Cyprus for EUR 3.486 thousands, being RSD 431.046 thousands at date of increase. Due to this, capital reached level of RSD 875.835 thousands.

After all above mentioned changes Neu Property Holdings Limited, Nicosia, Cyprus is holding 100% of the shares. The address of the Company is Durmitorska 18, Belgrade. As at 31 December 2016 the Company had 6 employees (2015: 6).

These financial statements have been approved for issuing by the Supervisory Board on 07 June 2017.

#### **2. Summary of significant accounting policies**

##### **2.1. Basis of preparation of the financial statements**

The financial statements have been prepared in accordance with Accounting and Auditing Law which requires full compliance with IFRS SME. In case that IFRS SME do not have completely explanation for some issue, guidelines of full set of IFRS will be applied.

Decision of Ministry of Finance Republic of Serbia no. 401-00-1304/2013-16 on 25<sup>th</sup> December 2013 (Official gazette of RS no. 117/2013) sets official translation of IFRS SME, issued by International Accounting Standards Board (IASB) in July 2009, which are in use on the date of preparation of accompanying financial statements.

The applied accounting policies are fully in accordance with IFRS SME requirements. The preparation of financial statements in conformity with IFRS SME requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Company's financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

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Translation of the official financial statements and related notes originally issued in Serbian  
Notes on pages 6 to 24 form an integral part of these financial statements

## IMO PROPERTY INVESTMENTS A.D. BEOGRAD

### Notes to the Financial statements for the year ended 31 December 2016

All amounts are expressed in 000 RSD unless stated otherwise

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#### Transition to IFRS SME and comparative data

Information necessary for the date of adoption of the IFRS SME was given in financial statements prepared and issued in accordance with the Accounting Standards of the Republic of Serbia, and those are for the year ended at 31 December 2013. Therefore, the date of transition on International Financial Reporting Standards for Small and Medium Entities is 1 January 2013.

#### a) *Position of the Group*

In June 2016, Greece, after the completion of a number of key prior actions, has successfully concluded the first review of the Third Economic Adjustment Program (TEAP), which permitted the disbursement of € 10.3 bn from the second instalment of the European Stability Mechanism (ESM) loan that allowed the country to cover its debt servicing needs and clear a part of the state's arrears to the private sector. 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 next key milestone for Greece is the timely and successful completion of the second review of the TEAP, currently in progress, which would help reinstating depositors' confidence and thus accelerate the return of deposits, it would facilitate the faster relaxation of capital controls and would allow for the participation in ECB's Quantitative Easing (QE) program, conditional on the decisions of the Institutions regarding the plan for the implementation of the medium-term debt relief measures. Moreover, the reduction of the short term uncertainty along with, the decisive implementation of the reforms agreed in the context of the ESM program and the mobilization of European Union (EU) funding to support domestic investment and job creation, would facilitate the restoration of confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment, which are necessary conditions for the return of the country to a sustainable growth path.

The main risks and uncertainties stem from the current macroeconomic environment in Greece and the further delays in the conclusion of the second review of the TEAP. In particular risks include (a) possible delays in the implementation of the reforms' agenda in order to meet the next targets and milestones of the TEAP, which in turn would lead to the delayed disbursement of the third instalment of the ESM loan of € 6.1 bn, (b) the impact on the level of economic activity from the uncertainty associated with the timing of the conclusion of the second review of the TEAP, (c) the impact on the level of economic activity from additional fiscal measures agreed under the first review of the TEAP, (d) the timing of a full lift of restrictions in the free movement of capital and the respective impact on the level of economic activity, (e) the possible acceleration of the deposits outflows observed in the first two months of 2017, and/or possible delays in the effective management of non-performing loans as a result of the continuing macroeconomic uncertainty, (f) a possible deterioration of the refugee crisis and its impact on the domestic economy and (g) the geopolitical conditions in the broader region and the external shocks from a slowdown in the global economy.

The Group, following the successful completion of its recapitalization in November 2015, exclusively from private sources, is focused on the organic strengthening of its capital position by the further expansion of pre-provision income while maintaining its robust risk management practices, and by proceeding to additional initiatives associated with the restructuring, transformation or optimization of operations, in Greece and abroad, that will generate or release further capital and/or reduce risk weighted assets. One of the key areas of focus is the active management of non-performing exposures at an accelerated pace, with the aim to substantially reduce their stock in accordance with the Eurobank Ergasias S.A. operational targets and taking advantage of the Group's internal infrastructure, the external partnerships and the important legislative changes that have taken or are expected to take place. The Group's Common Equity Tier 1 (CET1) ratio stood at 17.6% at the end of September 2016 and the net profit attributable to shareholders amounted to € 230 million for the period ended 30 September 2016.



## IMO PROPERTY INVESTMENTS A.D. BEOGRAD

### Notes to the Financial statements for the year ended 31 December 2016

All amounts are expressed in 000 RSD unless stated otherwise

#### b) *Position of the Company*

The Company finances its activities through a borrowings by ERB New Europe Funding, Holland and by Eurobank ad Serbia and its capital base.

#### 2.2. **Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for: investment properties, repossessed assets and assets held for sale, for which fair value model is applied.

#### 2.3. **Comparatives**

Comparative figures i.e. opening balances represent the financials of the Company as at 31 December 2015.

#### 2.4. **Foreign currency translation**

##### a) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement.

##### b) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in RSD (Serbian dinar), which is the Company's functional and presentation currency.

Applied exchange rates as at balance sheet date are as follows:

<b>Currency</b>	<b>31. december 2016.</b>	<b>31. december 2015.</b>
EUR	123,4723	121,6261
CHF	114,8473	112,5230
USD	117,1353	111,2468

#### 2.5. **Revenue recognition**

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

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

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**IMO PROPERTY INVESTMENTS A.D. BEOGRAD**  
**Notes to the Financial statements for the year ended 31 December 2016**

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**2.6. Interest expenses**

Interest expenses for borrowings are recognized within "finance costs" using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of financial assets 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 flows throughout the expected life of 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 financial instrument (for example prepayment options) but does not consider future credit losses. The calculation included 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 premium or discounts.

**2.7. Taxes**

Income tax presents the amount calculated and paid to the tax authorities based on legislations of Republic of Serbia. Estimated monthly installments are calculated by the Tax authority and paid in advance on a monthly basis.

Income tax at the rate of 15% is payable based on the profit disclosed in the Tax return. In order to arrive at the taxable profit, the accounting profit is adjusted for certain permanent differences and reduced for certain investments made during the year. Deadline for Tax return submission is the same date as it is for financial statements, i.e. until 30<sup>th</sup> June of the following year.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences between the tax basis of assets and liabilities at the balance sheet date, and their amounts disclosed for reporting purposes, which will result in taxable amounts for future periods. Deferred tax assets are recognized for all deductible temporary differences, unused tax assets and unused tax losses, to the extent that it is probable that future taxable profits will be sufficient to enable realization (utilization) of deductible temporary differences, unused tax assets and unused tax liabilities.

Current and deferred income tax is recognized in the current year income statement.

**2.8. Investment Property**

Based on IFRS SME, Investment property is property, land or 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 recognized as an asset when it is probable that future economic benefits that are associated with property will flow to the entity, and the costs 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 fair values.

All acquisitions 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.

## IMO PROPERTY INVESTMENTS A.D. BEOGRAD

### Notes to the Financial statements for the year ended 31 December 2016

All amounts are expressed in 000 RSD unless stated otherwise

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 case, the borrowing costs directly attributable to the acquisition and construction/development are not eligible for capitalization.

Buildings recognized as investment properties cannot be depreciated. Asset under construction are not depreciated. 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.

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 IFRS SME and the Company's policy, IMO Property Investments ad Beograd, has to perform annual assessment of the acquired properties closer to the year-end reporting date and to book all positive and negative effect in Income statement for current year.

#### 2.9. Property, plant and equipment and Investments in Associated Undertakings

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost includes expenditure that is directly attributable to the acquisition of the items.

Investments in Associated Undertakings are stated at cost method. Annual business results of such entities, in accordance with IFRS SME, do not have impact on Company's annual business result.

Subsequent costs are included in the asset's carrying amount or recognized 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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Computer hardware and telecommunication equipment	30%
Furniture, fitting and equipment	15%
Investment properties	2.5%

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The assets' residual value represents the estimated amount that the Company might obtain at present through the sale of the asset, decreased by the estimated cost of sale. If the Company expects to utilize the asset until the expiration of its useful life, the residual value amounts to zero. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income/expenses in the income statement.

## **IMO PROPERTY INVESTMENTS A.D. BEOGRAD**

### **Notes to the Financial statements for the year ended 31 December 2016**

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All amounts are expressed in 000 RSD unless stated otherwise

#### **2.10. Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cost is calculated using the weighted average method.

#### **2.11. Receivables and other financial assets**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established, when there is 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 provisions 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 of trade receivables. Subsequent recoveries of amounts previously written off are credited to profit and loss.

#### **2.12. Cash and cash equivalents**

Cash and cash equivalents are carried at amortized cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, together with other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### **2.13. Borrowings**

Borrowings are initially recognized at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

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.

#### **2.14. Payables and other financial liabilities**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are initially stated at fair value and subsequently measured at their amortized cost.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the Company's management.

#### **2.15. Accounting for Operating lease contracts**

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

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term

## IMO PROPERTY INVESTMENTS A.D. BEOGRAD

### Notes to the Financial statements for the year ended 31 December 2016

All amounts are expressed in 000 RSD unless stated otherwise

#### 3. Critical accounting estimates and judgments

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

##### *Estimates of fair value of investment properties*

The fair value model for investment properties, in accordance with IFRS SME, is applied in order to reflect the market conditions at the end of the reporting period by using of licensed evaluator. The fair value of the investment properties is the amount at which the properties can be sold between knowledgeable and willing parties at an arm's length transaction. "Willing seller" is not a pressed seller who will sell at whatever price.

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. The current practice of the Company is to use the services of external valuers to estimate the fair value of the property when it identifies indicators of change in the fair value in the market in which it operates. The fair value estimations of the external valuers are based on estimates such as:

1. Current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
2. 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;
3. 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 assessment of the uncertainty in the amount and timing of the cash flows.

According to IFRS SME and the Company's policy, IMO Property Investments ad, Beograd, performed an value analysis of the acquired properties closer to the year-end reporting date.

As at 31 December 2016, the Company has 188 properties with Book Value, before 2016 valuation, in amount of RSD 1.679.920 thousands (including repossessed assets and held for sale). The valuation analysis was performed for 177 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 NBV of these 177 properties before 2016 valuation amounts to RSD 1.608.534 thousands. New market valuations have been performed which represent the fair value of the particular properties. The analysis is done by comparing the most recent available valuation, which should not be older than 1 year, with the carrying amount (Net Book Value) of a particular property. For the ones where substantial deviation between recoverable amount and the carrying amount appears, the difference is recognized as loss or benefit.

The number of properties with a negative deviation between the recoverable amount and the carrying amount is 113 and their total NBV before 2016 valuation amounts to 1.209.890 thousands. The difference recognized as loss is at the amount of RSD 61.555 thousands. The number of properties with a positive deviation is 64 and their total NBV before valuation amounts to 398.644 thousands. The difference recognized as benefit is at the amount of RSD 62.773 thousands.

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**IMO PROPERTY INVESTMENTS A.D. BEOGRAD****Notes to the Financial statements for the year ended 31 December 2016**

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**4. Operating income**

	2016.	2015.
Sales of investment properties	232.646	303.238
Income from renting	22.186	21.750
<b>Total</b>	<b>254.832</b>	<b>324.988</b>

**5. Acquisition costs of sold assets**

	2016.	2015.
Acquisition costs of sold assets	324.887	329.305
<b>Total</b>	<b>324.887</b>	<b>329.305</b>

**6. Costs of material**

	2016.	2015.
Fuel and energy	407	385
Other	290	283
<b>Total</b>	<b>697</b>	<b>668</b>

**7. Staff costs**

	2016.	2015.
Gross wages and salaries	11.056	10.706
Contributions on salaries	1.978	1.916
Other	1.131	1.011
<b>Total</b>	<b>14.165</b>	<b>13.633</b>

**8. Depreciation and provision expenses**

	2016.	2015.
Depreciation of fixed assets	749	657
Provision expenses	-	-
<b>Total</b>	<b>749</b>	<b>657</b>

**9. Other operating expenses****(a) Production services costs**

	2016.	2015.
Parking	128	216
Postage, couriers and transportation expenses	146	149
Rent and related expenses	584	611
Other production services	475	406
Fixed assets repairing costs	14	229
Telephone and internet expenses	214	106
Maintenance of investment properties	1.631	713
Utilities for investment properties	5.629	9.273
<b>Total</b>	<b>8.821</b>	<b>11.703</b>

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**(b) Non production services costs**

	2016.	2015.
Consulting and other professional services	9.752	8.134
Banking fees	448	305
Membership fees	21	20
Insurance expenses	509	609
Taxes and indemnities for investment properties	11.700	10.353
Other nonproduction expenses	1.176	1.090
<b>Total</b>	<b>23.606</b>	<b>20.511</b>

**10. Financial income and expenses**

	2016.	2015.
Foreign exchange gains	1.391	7.762
Foreign exchange losses	(766)	(8.417)
Net foreign exchange gains/losses	625	(655)
Interest income	35.560	125.124
Interest expenses	(163.013)	(189.385)
Net interest expenses	(127.453)	(64.261)
<b>Net</b>	<b>(126.828)</b>	<b>(64.916)</b>

**11. Other income and expenses**

	2016.	2015.
Income from write off of payables	107	428
Expenses from write off of receivables	(353)	(644)
Other income	63.011	8.327
Other expenses	(61.616)	(82.252)
<b>Net</b>	<b>1.149</b>	<b>(74.141)</b>

Expenses from write off of receivables in the amount of RSD 353 thousands fully relate to write off of customer receivables.

Negative effect of RE annual valuation in amount of RSD 61.555 thousands and impairment of Fixed assets in amount of RSD 61 thousands are included in Other expenses and positive effect of RE annual valuation in amount of RSD 62.773 thousands are included in Other income.

**12. Income tax****(a) Tax expenses/benefits of the period**

	2016.	2015.
Tax expenses/benefits of the period	-	-
Deferred tax expense/income	(35.034)	(27.108)
<b>Total</b>	<b>(35.034)</b>	<b>(27.108)</b>

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(b) The tax on the Company's profit or loss before tax differs from the theoretical amount that would arise using prescribed tax rate:

	2016.	2015.
Profit/Loss before tax	(243.772)	(190.546)
Tax calculated at the rate of 15%	(36.566)	(28.582)
<b>Tax effect from the current year result</b>	<b>(36.566)</b>	<b>(28.582)</b>
Tax effect of temporary differences	(7.925)	(4.911)
Non recognized deferred tax results carried forward	(36.566)	(28.582)
<b>Income tax</b>	<b>(7.925)</b>	<b>(4.911)</b>

(c) Movements in deferred tax assets are presented below:

	2016.	2015.
Opening balance of deferred tax assets	(27.108)	(22.197)
Reduction in temporary differences	(7.925)	(4.911)
<b>Closing balance of deferred tax assets</b>	<b>(35.034)</b>	<b>(27.108)</b>

Unrecognized tax assets in the amount of RSD 36.566 thousands relate to realized losses from operations that the Company believes that their utilization is unlikely, and the recognition of deferred tax assets on that basis was not performed. Temporary differences have arisen as the difference between the tax and accounting value of investment property and fixed assets, and recognition of deferred tax liabilities on that basis in the amount of RSD 35.034 thousands was performed.

**13. Property, plant and equipment and Investments in Associated Undertakings**

(i) <i>Property plant and equipment:</i>	Computers	Fixed assets RE	Other fixed assets	Total
<b>Cost</b>				
<b>Balance as at 31 December 2014</b>	70	-	146	216
<b>Balance as at 31 December 2015</b>	70	28.030	861	28.961
<b>Balance as at 31 December 2016</b>	70	28.030	861	28.961
<b>Accumulated depreciation</b>				
<b>As at 31 December 2014</b>	(70)	-	(93)	(163)
Depreciation for the year (Note 8)	-	(584)	(73)	(657)
Impairment	-	(1.661)	-	(1.661)
Disposal	-	-	-	-
<b>As at 31 December 2015</b>	(70)	(2.245)	(166)	(2.481)
Depreciation for the year (Note 8)	-	(658)	(91)	(749)
Impairment	-	(62)	-	(62)
Disposal	-	-	-	-
<b>Depreciation/Impairment as at 31 December 2016</b>	<b>(70)</b>	<b>(2.965)</b>	<b>(257)</b>	<b>(3.292)</b>
<b>Net book value as at 31 December 2016</b>	<b>-</b>	<b>25.065</b>	<b>604</b>	<b>25.669</b>

Depreciation/Impairment for 2016 in amount of RSD 811 thousands (2015: RSD 2.318 thousands) is included in depreciation/impairment costs in income statement. At balance sheet date the residual value of the property, plant and equipment approximate their fair values.

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*(ii) Investments in Associated Undertakings:*

	2016.	2015.
Investments in Associated Undertakings	1.225.524	-
<b>As at 31 December</b>	<b>1.225.524</b>	<b>-</b>

Investments in Associated Undertakings fully related to acquisition of 50% of Singidunum Buildings doo stakes in Februaru 2016. This percent decreased during 2016. due to capital increases performed by other owner, at the end of 2016. it reached 43,19%.

**14. Investment properties, assets in preparation, advances for RE purchasing***(i) Investment properties, asset in preparation, advances for assets*

	2016.	2015.
Investment properties	1.552.276	1.808.767
Asset in preparation	125.651	116.802
Advances for asset purchasing	2.006	10.513
<b>As at 31 December</b>	<b>1. 679.933</b>	<b>1.936.082</b>

Assets in preparation related to new RE which are not possessed yet. On possessing date, reclassification in Investment properties will be conducted.

*(ii) Investment properties*

	Investment properties	Total
<b>Fair value</b>		
<b>Balance as at 31 December 2014</b>	1.729.567	1.729.567
Additions	286.070	286.070
Disposal	(206.870)	(206.870)
<b>Balance as at 31 December 2015</b>	<b>1.808.767</b>	<b>1.808.767</b>
Additions	128.646	128.646
Disposal	(385.137)	(385.137)
<b>Balance as at 31 December 2016</b>	<b>1.552.276</b>	<b>1.552.276</b>

**15. Assets held for sale**

	2016.	2015.
Assets held for sale	3.210	-
<b>As at 31 December</b>	<b>3.210</b>	<b>-</b>

**16. Trade and other receivables**

	2016.	2015.
Trade receivables	1.101	1.192
Other receivable	92	-
<b>Total</b>	<b>1.193</b>	<b>1.192</b>

As of 31 December 2016 trade receivables of RSD 1.193 thousands (2015: RSD 1.192 thousands) were fully performing.

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**17. Cash and cash equivalents**

	2016.	2015.
Local currency account	8.352	4.028
Foreign currency account	93.036	60.813
<b>Total</b>	<b>101.388</b>	<b>64.841</b>

**18. Short term financial receivables**

	2016.	2015.
Short term financial receivables (deposit)	240.000	760.000
<b>Total</b>	<b>240.000</b>	<b>760.000</b>

Short term financial receivables relate to deposit in RSD held with Eurobank a.d. In 2016 interest rate fluctuated from 1,5% in January to 0,5% in December (2015: from 4,5% to 1,9%).

**19. Capital and reserves**

	Share capital	Retained earnings (loss)	Total
Balance at 1 January 2015	444.789	(402.790)	41.999
Loss/Benefit for the year	-	(195.457)	(195.457)
<b>Balance at 31 December 2015</b>	<b>444.789</b>	<b>(598.247)</b>	<b>(153.458)</b>
Loss/Benefit of the year	-	(251.697)	(251.697)
Capital increase	431.046	-	431.046
Loss above the level of capital	-	-	-
<b>Balance at 31 December 2016</b>	<b>875.835</b>	<b>(849.944)</b>	<b>25.891</b>

**(i) Share capital**

The total authorized number of ordinary shares is 6.118 shares (2015: 3.107 shares) with a par value of RSD 143.157per share (2015: RSD 143.157per share). All issued shares are fully paid.

**(ii) Retained earnings/loss**

Movements on retained earnings/(loss) accounts were as follows:

Balance at 1 January 2015	(402.790)
Loss/Benefit for the year	(195.457)
<b>Balance at 31 December 2015</b>	<b>(598.247)</b>
Balance at 1 January 2016	(598.247)
Loss/Benefit for the year	(251.697)
<b>Balance at 31 December 2016</b>	<b>(849.944)</b>

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**20. Borrowings**

Total amount of long-term and short-term liabilities relate to:

	2016.	2015.
Long-term borrowings	679.098	-
Short-term borrowings	2.518.835	2.906.864
<b>Total</b>	<b>3.197.933</b>	<b>2.906.864</b>

The maturity of borrowings was as follows:

	2016.	2015.
Up to 1 year	2.518.835	2.906.864
Between 1 and 3 years	679.098	-
<b>Total</b>	<b>3.197.933</b>	<b>2.906.864</b>

Short-term loan was obtained from ERB New Europe Funding B.V. Naritaweg 165, 1043 BW Amsterdam, Netherlands. As at 31 December 2016 borrowings amounted to EUR 20.400 thousand and carries interest of 3M EURIBOR+2,2% per annum. Borrowings are used for financing activities of the Company.

Long-term loan was obtained from Eurobank ad Beograd, indexed at EUR 5.500 thousand, and carries interest of 3M EURIBOR+2,85% per annum. Borrowings are used for purchasing 50% of stakes in Singidunum Buildings doo.

**21. Trade and other payables**

	2016.	2015.
Trade payables	13.171	3.852
Other business liabilities	278	385
VAT and accruals	4.832	3.986
<b>Total</b>	<b>18.281</b>	<b>8.223</b>

Trade creditors and other payables terms are short term and non-interest bearing.

**22. Related party transactions**

The Company is subsidiary of NEU Property Holdings Limited a member of the Eurobank Group.

Related parties include associates, fellow subsidiaries, directors, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature are disclosed on an aggregate basis. All transactions entered into with related parties are in the normal course of business and on an arm's length basis.

Transactions with related parties for the year ended on 31 December 2016 are presented in the table below:

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	Eurobank Ergasias	Eurobank ad Beograd	ERB Property services	ERB New Europe Funding BV
<b>Assets</b>				
Domestic currency account	-	8.352	-	-
Foreign currency account	-	93.036	-	-
Loans to customers and deposits	-	240.000	-	-
<b>Total assets</b>	-	<b>341.388</b>	-	-
<b>Liabilities</b>				
Short-term borrowings	-	-	-	2.518.835
Long-term borrowings	-	679.098	-	-
Interest payable	69	2.584	-	1.083
<b>Total liabilities</b>	<b>69</b>	<b>681.682</b>	-	<b>2.519.918</b>
<b>Income</b>				
Interest income	-	2.402	-	-
Income from services	-	5.667	1.034	-
<b>Total income</b>	-	<b>8.069</b>	<b>1.034</b>	-
<b>Expenses</b>				
Interest expense	3.694	16.142	-	60.024
Fee expenses	-	448	-	-
Services	-	-	3.094	-
<b>Total expenses</b>	<b>3.694</b>	<b>16.590</b>	<b>3.094</b>	<b>60.024</b>

Transactions with related parties for the year ended on 31 December 2015 are presented in the table below:

	Eurobank Eergasias	Eurobank ad Beograd	ERB Property services	ERB New Europe Funding BV
<b>Assets</b>				
Domestic currency account	-	4.025	-	-
Foreign currency account	-	60.813	-	-
Loans to customers and deposits	-	760.000	-	-
<b>Total assets</b>	-	<b>824.838</b>	-	-
<b>Liabilities</b>				
Short-term borrowings	-	-	-	2.906.864
Long-term borrowings	-	-	-	-
Interest payable	160	-	-	2.741
<b>Total liabilities</b>	<b>160</b>	-	-	<b>2.909.605</b>
<b>Income</b>				
Interest income	-	21.458	-	-
Income from services	-	5.486	759	-
<b>Total income</b>	-	<b>26.944</b>	<b>759</b>	-
<b>Expenses</b>				
Interest expense	3.623	-	-	65.993
Fee expenses	-	305	-	-
Services	-	74	3.615	-
<b>Total expenses</b>	<b>3.623</b>	<b>379</b>	<b>3.615</b>	<b>65.993</b>

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*Key management remuneration*

	2016.	2015.
Salaries and other short-term employee benefits	3.436	3.351
<b>Total</b>	<b>3.436</b>	<b>3.351</b>

Key management encompasses Executive Manager of the Company and members of Supervisory Board.

**23. Reconciliation**

The Company has reconciled its receivables and liabilities as at 30 November 2016. All receivables and liabilities have been reconciled.

**24. Contingencies**

In the ordinary course of business, the Company is involved in no lawsuits and proceedings. According to this in the opinion of the Management, there are no such matters that the Company expects to be material for the period ended 31 December 2016.

**25. Operating lease commitments**

The Company leases vehicle and printer during whole year. The Company is required to give 30 days notice for the termination of those agreements. The lease expenditure was charged to the income statement during the year.

Operating lease commitments were as follows:

	2016.	2015.
Due within 1 year	584	610
<b>Total operating lease obligation as of 31. December 2016</b>	<b>-</b>	<b>-</b>

**26. Financial risk management**

The Company's activities expose it to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk (foreign currency risk, cash flow and interest rate risk)

The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Supervisory Board has overall responsibility for the establishment and oversight of the Company's risk management framework. Due to simplicity of the Company's operations and conditions of the environment in which Company operates, there are no special bodies within the Company established with the purpose for developing and monitoring the Company's risk management policies. However, risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training

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and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company does not enter or trade into derivative transactions such as interest rate swaps or forward currency contracts.

The Company's principal financial instruments, other than derivatives, comprise of bank loans, trade payables and hire purchase contracts. The purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, cash and short term deposits, which arise directly from its operations.

***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Credit risk is managed on a company basis in coordination with other entities within Eurobank Group in Serbia since the Company offers and sells its services to other Eurobank entities. Overall this results in significant concentration of credit risk with currently single customer.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Trade and other receivables are considered impaired based on the individual assessment performed by the Company's directors and/or if disputed by trade debtors. Individual assessment is based on a customer credit characteristics maturity and existence of previous financial difficulties. In last two years there were no impairment losses.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016.	2015.
Trade and other receivables	1.101	1.192
Cash and cash equivalents	101.388	64.841
<b>Total</b>	<b>102.489</b>	<b>66.033</b>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2016.	2015.
Serbia	1.101	1.192
<b>Total</b>	<b>1.101</b>	<b>1.192</b>

The aging of trade receivables at the reporting date was:

	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
Not past due	-	-	-	-
Past due 0-30 days	146	-	265	-
Past due 31-120 days	955	-	927	-
More than 120 days	-	-	-	-
<b>Total</b>	<b>1.101</b>	<b>-</b>	<b>1.192</b>	<b>-</b>

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Based on past experience, the Company believes that no impairment allowance is necessary in respect of trade receivables past due.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as cash outflows due in day to day business. Liquidity risks are monitored in various time bands, on a day to day and week-to-week basis, as well as on the basis of rolling 30-day projection. Long-term liquidity needs for a 180-day and 360-day lookout period are identified monthly. The Company maintains adequate cash to meet its liquidity requirements for up to 30-day periods.

The following are undiscounted contractual maturities of financial liabilities:

	Up to 3 months	3- 6 months	6-12 months	1-5 years	Total
<i>31 December 2016</i>					
Borrowings	18.276	2.925.140	36.552	714.702	3.694.670
Trade and other payables	18.281	-	-	-	18.281
<b>Total liabilities (contractual maturity dates)</b>	<b>36.557</b>	<b>2.925.140</b>	<b>36.552</b>	<b>714.702</b>	<b>3.712.951</b>
<b>Assets held for managing liquidity risk</b>	<b>341.388</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>341.388</b>
<i>31 December 2015</i>					
Borrowings	17.406	2.908.309	34.812	-	2.960.527
Trade and other payables	8.223	-	-	-	8.223
<b>Total liabilities (contractual maturity dates)</b>	<b>25.629</b>	<b>2.908.309</b>	<b>34.812</b>	<b>-</b>	<b>2.968.750</b>
<b>Assets held for managing liquidity risk</b>	<b>824.841</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>824.841</b>

Following table shows financial payables maturity:

	Carrying amount	Due from 1 to 2 years	Due from 2 to 5 years	Due over 5 years
<i>31 December 2016</i>				
Borrowings	2.979.968	-	714.702	-
Trade and other payables	18.281	-	-	-
<b>Total</b>	<b>2.998.249</b>	<b>-</b>	<b>714.702</b>	<b>-</b>

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	Carrying amount	Due from 1 to 2 years	Due from 2 to 5 years	Due over 5 years
<i>31 December 2015</i>				
Borrowings	2.960.527	-	-	-
Trade and other payables	8.223	-	-	-
<b>Total</b>	<b>2.968.750</b>	-	-	-

**Market risks**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Exposure to credit and currency risks arises in the normal course of the Company's business. No financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates. Such instruments are not typically available within the market in which the Company operates.

**(i) Foreign currency risk**

The Company does not in its regular course of business operate internationally but is exposed to foreign currency risk arising on trade payables that are denominated in a currency other than the RSD, primarily the Euros (EUR).

The Company does not formally hedge trade receivables and trade payables denominated in a foreign currency as such hedging instruments are not readily available within the market within which the Company operates. Informal policies are put in place to mitigate risk wherever possible.

Also, the Company does not hedge currency risk coming out from the trade payables of the Company nominated in EUR, as well as EUR operating leasing liabilities. The fact that the Company keeps amount of cash and cash equivalents nominated in EUR provides "economic" hedge to a certain extent.

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	RSD	EUR	RSD	EUR
	31 December 2016		31 December 2015	
<i>Financial assets</i>				
Trade and other receivables	1.101	-	1.192	-
Cash and cash equivalents	8.352	93.036	4.028	60.813
	9.453	93.036	5.220	60.813
<i>Financial liabilities</i>				
Borrowings	-	3.694.670	-	2.960.527
Trade and other payables	6.949	11.332	4.960	3.263
	6.949	3.706.002	4.960	2.963.790
<b>Currency mismatch</b>	<b>2.504</b>	<b>(3.612.966)</b>	<b>260</b>	<b>(2.902.977)</b>

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**(ii) Sensitivity analysis**

An analysis of the Company's sensitivity to an increase or decrease FX rates (assuming no asymmetrical movements in yield curves and constant balance sheet position) is as follows:

	Sensitivity of income statement	
	2016.	2015.
Foreign exchange sensitivity		
10% depreciation of RSD	(361.297)	(290.298)

**27. Capital management policies and procedures**

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 to 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.

**28. Events after balance sheet dates**

There were no significant events after balance sheet date that would require disclosure in the Financial Statements of the Company

Belgrade, 02 June 2017

For and on behalf of Management of IMO Property Investments a.d., Beograd



Violeta Djordjevic  
Executive Director

