

IMO 03 EAD

INDEPENDENT AUDITOR'S REPORT

ANNUAL ACTIVITY REPORT

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

**IMO 03 EAD
CONTENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Page
CONTENTS	
Independent auditor's report	1-4
Annual Activity Report	
Annual Financial Statement	5
Statement of comprehensive income	6
Balance sheet	7
Statement of changes in equity	8
Statement of cash flows	9-33
Notes to the financial statements	



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INDEPENDENT AUDITORS' REPORT

To the sole owner of the capital of
IMO 03 EAD

Opinion

We have audited the financial statements of IMO 03 EAD (the Company) as set out on pages 5 to 33, which comprise the balance sheet as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

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



Emphasis of Matter – noncompliance with the Bulgarian Commercial Act

We draw attention to Note 2.1 *Basis of preparation – Going concern of the Company* to the financial statements, which describes that as at 31 December 2018 the Company has negative net equity of BGN 11,207 thousand which constitutes noncompliance with the requirements of art. 252 of the Bulgarian Commercial Act. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those financial statements on 15 June 2018.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

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

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

Based on the procedures performed, our opinion is that:

- a) The information included in the management report for the financial year for which the financial statements have been prepared is consistent with those financial statements.



- b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a



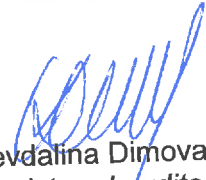
material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG Audit OOD


Dobrina Kaloyanova
Authorised representative


Sevdalina Dimova
Registered auditor, responsible
for the audit

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

19 June 2019



**IMO 03 EAD
ANNUAL ACTIVITY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

ANNUAL ACTIVITY REPORT

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 2018. The financial statements have been audited by KPMG Audit OOD.

GENERAL INFORMATION

Imo 03 EAD (the Company), UIC 175434111, is a single-stock company registered in Bulgaria on 18 December, 2007. The address of its registered office is as follows: 260 Okolovrasten pat Str. 1766 Sofia, Bulgaria. Company has no branches.

The sole owner of the capital is Neu 03 Property Holdings Limited a private company incorporated and existing under the laws of Cyprus, entered into the Ministry of Energy Commerce Industry and Tourism – Department of Registrar of Companies and Official Receiver, Nicosia, under registration number HE326948. The Company does not have branches in the country or abroad.

The Company's ultimate parent is Eurobank Ergasias S.A..

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

The Company does not carry out research and development activities.

SHARE CAPITAL STRUCTURE

As at 31 December 2018 the total authorized number of ordinary shares was BGN 125,000 with a nominal value of BGN 1 per share.

BOARD OF DIRECTORS

As at 31 December 2018 the Board of Directors consists of the following members:

Emil Pilafov – Chairman of the Board of Directors and Executive Director
Mariana Hristova – Member of the Board of Directors and Executive Director
Michalis Stamou – Member of the Board of Directors

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

In 2018 the members of the Board of Directors did not receive remuneration from the Company.

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

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

**IMO 03 EAD
ANNUAL ACTIVITY REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

GENERAL INFORMATION (CONTINUED)

The Board of Directors member's rights to acquire shares and bonds of the company

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

The Board of Directors members' ownership in other commercial enterprises, as:

Partners with unlimited liability

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

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

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

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

Emil Pilafoy

- IMO Property Investments Sofia EAD, Bulgaria – Chairman of the Board of Directors and Executive Director;
- IMO Central Office EAD, Bulgaria – Chairman of the Board of Directors and Executive Director (until 18.12.2018).

Mariana Hristova

- Bulgarian Retail Services AD, Bulgaria - Member of the Board of Directors and Executive Director;
- IMO Central Office EAD, Bulgaria – Member of the Board of Directors (until 18.12.2019).

Michalis Stamou

- ERB Property Services Sofia AD, Bulgaria - Member of the Board of Directors (until 31.12.2018);
- IMO Property Investments Sofia EAD, Bulgaria - Member of the Board of Directors;
- IMO Central Office EAD, Bulgaria - Member of the Board of Directors (until 18.12.2018);
- Eurobank Property Services S.A., Romania - Member of the Board of Directors;
- IMO Property Investments Bucuresti S.A, Romania - Member of the Board of Directors;
- IMO II Property Investments S.A., Romania - Member of the Board of Directors.

The Contracts under Article 240b of the Commerce Act

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

**IMO 03 EAD
ANNUAL ACTIVITY REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

OVERVIEW OF RESULTS

Financial results for the current period

The financial result before tax for 2018 is loss in the amount of BGN 770 thousand. The main part of the expenses is related to the financial cost - BGN 593 thousand.

Investing activity

In December 2013 the Company acquired through public auction one property in Varna situated in St. Nikola area. The property is Regulated land plot with existing constructions of residential project. The Management is in process of examining different sale strategies.

MAIN OBJECTIVES FOR 2019

For 2019 the Company does not plan more acquisitions. The main target is to complete the sale of the acquired property.

FINANCIAL RISK MANAGEMENT

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

Market risk

Currency risk

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

Interest rate risk

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

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

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

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

Price risk

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

**IMO 03 EAD
ANNUAL ACTIVITY REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

EVENTS AFTER THE BALANCE SHEET DATE

In 2019 the Company extended its loan facilities from June 2019 till June 2020, which is a non-adjusting event under IAS 10. There are no other significant post balance sheet events which require adjustment or disclosure in the financial statements for the period ended 31 December 2018


MANAGEMENT RESPONSIBILITIES

The Directors are responsible for the preparation and fair presentation of the enclosed financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

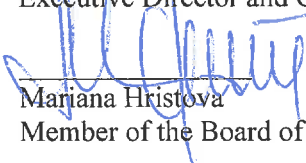
This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors confirm that they have complied with the above responsibilities in preparing the financial statements for the year ended 31 December 2018.

The Directors also confirm that to the best of their knowledge the Company will continue on a going concern basis in the foreseeable future.



Emil Pilafov
Executive Director and Chairman of Board of Directors



Mariana Hristova
Member of the Board of Directors and Executive Director




Date: 14 June 2019

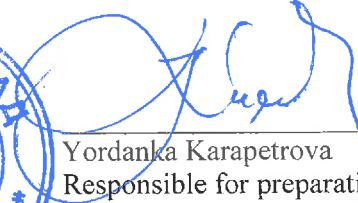
**IMO 03 EAD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

(All amounts are presented in BGN thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2018	2017
Expenses related to investment property	5	(170)	(118)
Administrative expenses	6	(8)	(11)
Operating loss		(178)	(129)
Financial costs	7	(592)	(599)
Loss before income tax		(770)	(728)
Income tax expense	8	-	-
Loss for the year		(770)	(728)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(770)	(728)

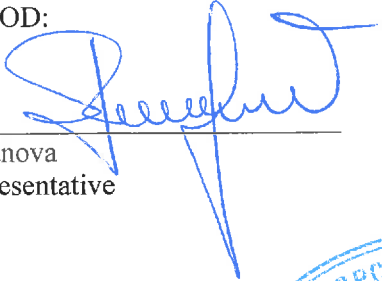
The Financial statements were authorised by the Board of Directors 14 on June 2019.

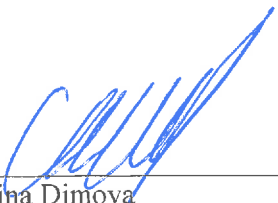

Emil Pilafov
Chairman of the Board of Directors and
Executive Director


Yordanka Karapetrova
Responsible for preparation of
financial statements


Mariana Hristova
Member of the Board of Directors and Executive Director

Initialed for identification purposes in reference to the audit report:
KPMG Audit OOD:


Dobrina Kaloyanova
Authorised representative


Sevdalina Dimova
Registered Auditor, responsible for the
audit




IMO 03 EAD
BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2018

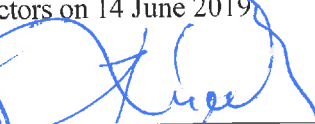
(All amounts are presented in BGN thousands unless otherwise stated)

	Notes	As at 31 December	
		2018	2017
Non-current assets			
Investment property	9	17,971	17,971
Total non-current assets		<u>17,971</u>	<u>17,971</u>
Current assets			
Cash and cash equivalents	10	170	470
VAT receivables		6	3
Total current assets		<u>176</u>	<u>473</u>
Total Assets		<u>18,147</u>	<u>18,444</u>
Non-current liabilities		-	-
Current liabilities			
Borrowings	11	29,345	28,871
Trade and other payables	12	9	10
Total liabilities		<u>29,354</u>	<u>28,881</u>
Equity			
Share capital	13	125	125
Accumulated loss		(11,332)	(10,562)
Total equity		<u>(11,207)</u>	<u>(10,437)</u>
Total equity and liabilities		<u>18,147</u>	<u>18,444</u>

The Financial statements were authorised by the Board of Directors on 14 June 2019

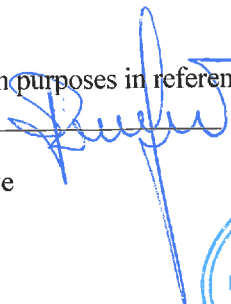

 Emil Pilafov
 Chairman of the Board of Directors and
 Executive Director



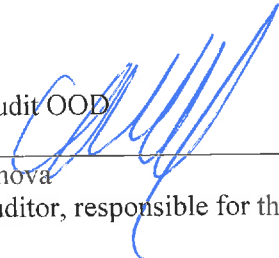

 Yordanka Karapetrova
 Responsible for preparation of financial
 statements


 Mariana Hristova
 Member of the Board of Directors and Executive Director

Initialed for identification purposes in reference to the audit report: KPMG Audit OOD


 Dobrina Kaloyanova
 Authorised representative



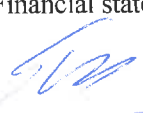

 Seydalina Dimova
 Registered Auditor, responsible for the
 audit

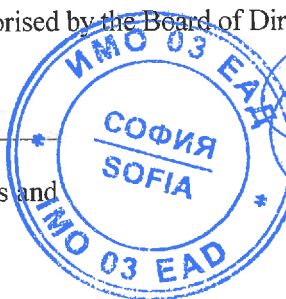
IMO 03 EAD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

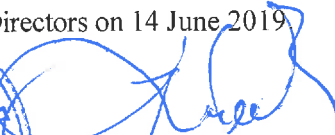
(All amounts are presented in BGN thousands unless otherwise stated)

	Share capital	Accumulated loss	Total
At 1 January 2017	125	(9,834)	(9,709)
Loss for the year	-	(728)	(728)
At 1 January 2018	125	(10,562)	(10,437)
Loss for the year	-	(770)	(770)
At 31 December 2018	125	(11,332)	(11,207)

The Financial statements were authorised by the Board of Directors on 14 June 2019

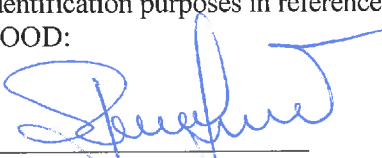

 Emil Pilafov
 Chairman of the Board of Directors and
 Executive Director

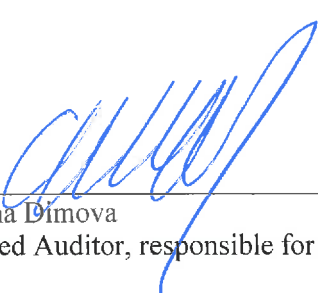



 Yordanka Karapetrova
 Responsible for preparation of financial
 statements


 Mariana Hristova
 Member of the Board of Directors and Executive Director

Initialed for identification purposes in reference to the audit report:
 KPMG Audit OOD:


 Dobrina Kaloyanova
 Authorised representative


 Sevdalina Dimova
 Registered Auditor, responsible for the
 audit

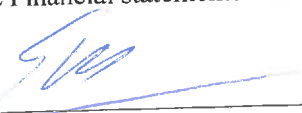


IMO 03 EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

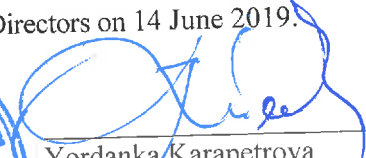
(All amounts are presented in BGN thousands unless otherwise stated)

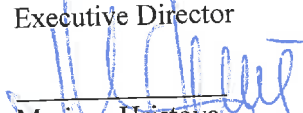
	Notes	Year ended 31 December	
		2018	2017
Operating activities			
Payments to suppliers and other creditors		(196)	(138)
VAT received/paid		27	20
Payments for municipality fees		(13)	(12)
Net cash flows used in operating activities		(182)	(130)
Financing activities			
Payments for other financial costs		(3)	(2)
Borrowings received		489	978
Interest paid		(604)	(601)
Net cash flows from/(used in) financing activities		(118)	375
Increase/(decrease) in cash and cash equivalents		(300)	245
Cash and cash equivalents at the beginning of the year		470	225
Cash and cash equivalents at end of year	10	170	470

The Financial statements were authorised by the Board of Directors on 14 June 2019.

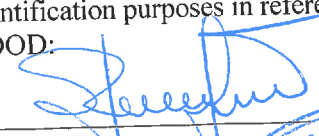

 Emil Pilafov
 Chairman of the Board of Directors and
 Executive Director



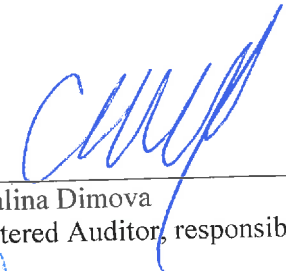

 Yordanka Karapetrova
 Responsible for preparation of financial
 statements


 Mariana Hristova
 Member of the Board of Directors and
 Executive Director

Initialled for identification purposes in reference to the audit report:
 KPMG Audit OOD:


 Dobrina Kaloyanova
 Authorised representative




 Seydalina Dimova
 Registered Auditor, responsible for the
 audit

IMO 03 EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Imo 03 EAD (the Company), UIC 175434111, is a single-stock company registered in Bulgaria on 18 December, 2007 with trade name EFG Securities Bulgaria EAD. The address of its registered office is as follows: 260 Okolovrasten pat Str. 1766 Sofia, Bulgaria. Its first subject of activity was performing investment services and activities.

On 4 February 2011 the sole owner issued Resolution for change of the name and the Company's scope of activity. The sole owner of the capital resolved on the change of the Company's trade name from EFG Securities Bulgaria EAD to IMO 03 EAD and resolved on the scope of activity to be changed to property investment activities, namely purchase, building and construction of real estate property for the purpose of rent and sale.

Position of the Group

Greece's real GDP grew by 1.9% in 2018 from 1.5% in 2017, according to the Hellenic Statistical Authority's (ELSTAT) first estimate, while the real GDP growth consensus forecast for 2019 stands at 1.9% (compared to an official target of 2.5%). The unemployment rate in December 2018 was at 18.0%, based on the Hellenic Statistical Authority's (ELSTAT) data (31 December 2017: 20.8%). On the fiscal front, Greece's primary balance is expected to register a surplus of 4.0% of GDP in 2018 according to 2019 Budget, (2017: 3.9% of GDP, according to ELSTAT data) while the respective forecast for 2019 is expected at 3.6% of GDP.

In August 2018, Greece concluded successfully the third economic adjustment program (TEAP) and has entered into the Enhanced Post Program Surveillance (EPPS) under EU Regulation 472/2013, which foresees quarterly reviews by the competent committees of the institutions (EC/ECB/ESM/IMF). The post program surveillance's main purpose is to safeguard financial stability, and continue the process of implementation of structural reforms aiming, among others, to boost domestic growth, jobs creation and to modernize the public sector. The first and second quarterly review under the EPPS were completed at the end of November 2018 and early March 2019 respectively. Delays were observed in the implementation of the structural reforms initially planned for the end of 2018 including, among others, the legal framework of the NPE resolution tools and in particular the household insolvency law. As a result, the European Commission has postponed the release of the first set of policy-contingent debt measures of € 970 million for early April 2019 conditional on the progress of the pending reform items. The Greek Government has built up a cash buffer of € 26.5 bn until the end of September 2018, out of the European Stability Mechanism (ESM) loan disbursements, GGBs issuances and other sources, in order to facilitate the country's access to the international markets. This buffer suffices for covering the gross financial needs for two years after the end of the program or four years assuming that the current stock of treasury bills will be rolled over. On the back of this environment, Greek sovereign demonstrated market access as evidenced by the successful issuance of a 5-year bond of € 2.5 bn at a yield of 3.6% on 29 January 2019 and a 10-year reference bond of € 2.5 bn at a yield of 3.9% on 6 March 2019.

The decisive implementation of the reforms agreed in the context both of the TEAP and the EPPS, the implementation of medium term debt relief measures in accordance with 21 June 2018 Eurogroup decisions, the mobilization of European Union funding to support domestic investment and job creation, the attraction of foreign and domestic capital and the adoption of an extrovert economic development model will improve the confidence in the prospects of the Greek economy and the further stabilization of the domestic economic environment.

IMO 03 EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information (continued)

Position of the Group (continued)

The main risks and uncertainties stemming from the macroeconomic environment are associated with (a) the adherence to established reforms and the possible delays in the implementation of the reforms' agenda in order to meet the EPPS targets and milestones, (b) the impact on the level of economic activity and on the attraction of direct investments from the fiscal and social security-related measures agreed under the reviews of the TEAP, (c) the ability to attract new investments in the country, (d) the timing of a full lift of restrictions in the free movement of capital abroad and the respective impact on the level of economic activity, (e) the possible slow pace of deposits inflows and/ or possible delays in the effective management of non-performing exposures (NPEs) as a result of the macroeconomic conditions in Greece and (f) the geopolitical conditions in the near or in broader region and the external shocks from a slowdown in the regional and/ or global economy. The Group monitors closely the developments in the Greek macroeconomic environment taking into account its direct and indirect exposure to sovereign risk.

In 2018, the expectations for a further improvement of the macroeconomic environment in Greece has enhanced Greece's credibility towards the international markets, improved the domestic economic sentiment and facilitated the return of deposits. Moreover, the restrictions in the free movement of capital within the country have been lifted, while those applied on the transfer of funds abroad have been further relaxed. The prompt implementation of the post-program period's reforms scheme will help further reinstating depositors' confidence, will accelerate the access to the markets for debt issuance and positively influence the financing of the economy.

On 5 May 2018, the ECB announced the results of the Stress Test (ST) for the four Greek systemic banks, including Eurobank. Based on feedback received by the Single Supervisory Mechanism (SSM), the ST outcome pointed to no capital shortfall and no capital plan needed for the Bank as a result of the exercise.

The Group's Common Equity Tier 1 (CET1) ratio stood at 14.2% at 31 December 2018, and the net profit attributable to shareholders amounted to € 91 million (€ 200 million net profit from continuing operations before € 44 million restructuring costs, after tax) for the year ended 31 December 2018.

Going forward, the prime target is the successful execution of the Bank's transformation plan consisting of a) the completion of the merger with Grivalia by May 2019 that will enhance Eurobank's capital position and its earning capacity, b) the acceleration of the NPE reduction plan through a large scale securitization of approximately €7 bn, the entry of a strategic investor into the capital of Financial Planning Services S.A. ("FPS"), the licensed 100%-owned loan servicer of Eurobank and other initiatives leading the Group's NPE ratio at 16% in 2019 and a single digit by 2021 and c) the achievement of a substantially lower cost of risk as of 2020, which is expected to drive strong sustainable earnings per share (EPS).

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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

IMO 03 EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Use of judgments and estimates

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

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act “International Accounting Standards” (IASs). The financial statements are prepared on going concern basis.

Going concern of the Company

Financial statements are prepared on the principle of going concern which implies that the Company will continue operations in the foreseeable future. IMO 03 EAD finances its activities through a revolving short term borrowing by Eurobank Private Bank Luxembourg and its capital base. As of 31 December 2018 the Company had negative equity and it relies on the future support and financing by the Group to continue its operations as a going concern. The Group has confirmed its intention to support the Company in the next, but not limited to, 12 months. The current credit line is renewed till 30 June 2020.

As of 31.12.2018 IMO 03 EAD has negative equity of BGN 11,207 thousand (2017: negative equity of BGN 10,437 thousand) and is in breach of article 252, para (1), item 5 from Bulgarian Commerce Act as its registered capital exceeds net assets.

Based on the above the financial statements are prepared on the going concern principle.

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

In November 2015, following the completion of Eurobank Ergasias' share capital increase, fully covered by investors, institutional and others the percentage of its ordinary shares with voting rights held by the HFSF decreased from 35.41% to 2.38%.

Despite the aforementioned significant decrease of its percentage, the HFSF is still considered to have significant influence over Eurobank Ergasias. In particular, in the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in Eurobank Ergasias General Assembly only for decisions concerning the amendment of its Articles of Association, including the increase or decrease of the capital or the granting of a corresponding authorization to the Eurobank Ergasias Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of it, the transfer of assets (including the sale of subsidiaries), or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920.

IMO 03 EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Related party transactions - Eurobank Ergasias S.A. shareholding structure (continued)

In addition, Eurobank Ergasias 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, which regulates, among others, (a) Eurobank Ergasias corporate governance, (b) the restructuring plan and its monitoring, (c) the monitoring of the implementation of the Non-Performing Loans (NPLs) management framework and of the performance on NPLs resolution, (d) the Material Obligations and the switch to full voting rights, (e) the monitoring of the actual risk profile against the approved Risk and Capital Strategy, (f) the HFSF's prior written consent for Group Risk and Capital Strategy and for the Group Strategy, Policy and Governance regarding the management of its arrears and non-performing loans and any amendment, extension, revision or deviation thereof, and (g) the duties, rights and obligations of HFSF's Representative in the Eurobank Ergasias Board.

2.2 New and amended standards and interpretations

The following new and amended standards and interpretations, 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 2018:

IFRIC 22, Foreign Currency Transactions and Advance Consideration

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions that involve an advance payment or receipt. The interpretation clarifies that in this case, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, i.e. when the entity initially recognized the non-monetary asset (prepayment asset) or non-monetary liability (deferred income liability) arising from the advance consideration. If there are multiple payments or receipts in advance, the entity must determine a date of transaction for each payment or receipt.

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

IFRS 4, Amendment - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)

The amendment addresses the accounting consequences of the different effective dates of IFRS 9 'Financial Instruments' and the forthcoming new insurance contracts Standard. It introduces two options for entities that issue insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance, allowing them to continue to apply IAS 39 'Financial Instruments: Recognition and Measurement' while they defer the application of IFRS 9 until 1 January 2021 at the latest.

The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets, effectively resulting in IAS 39 accounting for those designated financial assets. This approach can be used provided that the entity applies IFRS 9 in conjunction with IFRS 4 and classifies financial assets as fair value through profit or loss in accordance with IFRS 9, when those assets were previously classified at amortized cost or as available-for-sale in accordance with IAS 39.

The amendment is not relevant to the Company's activities as it does not issue insurance contracts.

IMO 03 EAD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

IFRS 2, Amendment-Classification and Measurement of Share-based Payment Transactions

The amendment addresses (a) the measurement of cash-settled share-based payments, (b) the accounting for modifications of a share-based payment from cash-settled to equity-settled and c) the classification of share-based payments settled net of tax withholdings.

Specifically, the amendment clarifies that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments. It also clarifies that the liability of cash-settled share-based payment modified to equity-settled one is derecognized and the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted and any difference is recognized in profit or loss immediately.

Furthermore, a share-based payment net by withholding tax on the employee's behalf (a net settlement feature) is classified as equity settled in its entirety, provided it would have been classified as equity-settled had it not included the net settlement feature.

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

IAS 40, Amendment-Transfers of Investment Property

The amendment clarifies that a transfer of property, including property under construction or development, into or out of investment property should be made only when there has been a change in use of the property. Such a change in use occurs when the property meets, or ceases to meet, the definition of investment property and should be supported by evidence.

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

Annual Improvements to IFRSs 2014-2016 Cycle

The IASB through the 2014-2016 annual improvements cycle, provided a clarification for IAS 28 'Investments in Associates and Joint Ventures': It is clarified that venture capital organizations, mutual funds, unit trusts and similar entities are allowed to elect measuring their investments in associates or joint ventures at fair value through profit or loss. Such election can be performed on an investment-by-investment basis in associates or joint ventures.

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

IFRS 15, Revenue from Contracts with Customers and IFRS 15 Amendments

IFRS 15 establishes a single, comprehensive revenue recognition model for determining when and how much revenue to recognize and replaced existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'.

IFRS 15 applies to all contracts with customers, except those in the scope of other standards such as:

- Financial instruments and other contractual rights or obligations within the scope of IFRS 9 'Financial Instruments', IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures';
- Lease contracts within the scope of IAS 17 'Leases' (or IFRS 16 'Leases'); and
- Insurance contracts within the scope of IFRS 4 'Insurance Contracts'.

Therefore, interest and fee income integral to financial instruments will continue to fall outside the scope of IFRS 15.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

IFRS 15 specifies that revenue should be recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services. It introduces the concept of recognizing revenue for performance obligations as they are satisfied and the control of a good or service (i.e. the ability to direct the use of and obtain the benefits from them), is obtained by the customer. For services provided over time, such as management fee income earned for asset management services provided and variable performance fee income based on the return of the underlying asset at a particular date, consideration is recognized as the service is provided to the customer provided that it is probable that a significant reversal of consideration will not occur.

IFRS 15 was amended in April 2016 to provide several clarifications, including that in relation to the identification of the performance obligations within a contract.

The Company has chosen the cumulative effect method at the date of initial application – 01.01.2018 with no restatement of the comparative periods. The Company assessed the impact of the new standard and the effect on the financial statements is not significant as the revenue is measured based on the consideration specified in a contract with a customer and is recognised as the related services are being provided to the customers, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Furthermore, regarding Company's revenue from contracts with customers, including fee and commission income, for services provided over time, or transactions executed at point in time, there was no change in their accounting treatment as it is consistent with the Company's existing accounting policy.

IFRS 9, Financial Instruments

In July 2014, the IASB published the final version of IFRS 9 '*Financial Instruments*' which replaces IAS 39 '*Financial Instruments: Recognition and Measurement*'. IFRS 9 includes revised requirements on the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

IFRS 9 applies a new classification and measurement approach for all types of financial assets that reflects the entity's business model for managing the assets and their contractual cash flow characteristics. IFRS 9 requires financial assets to be classified into one of the following measurement categories: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available for sale.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

	<i>Note</i>	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 31.12.2017	New carrying amount under IFRS 9 as at 1.1.2018
Financial assets					
Cash and cash equivalents	10	Loans and receivables	Amortised cost	470	470
Total financial assets				<u>470</u>	<u>470</u>
Financial liabilities					
	<i>Note</i>	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 31.12.2017	New carrying amount under IFRS 9 as at 1.1.2018
Borrowings	11	Other financial liabilities	Other financial liabilities	(28,871)	(28,871)
Trade and other payables	12	Other financial liabilities	Other financial liabilities	(10)	(10)
Total financial liabilities				<u>(28,881)</u>	<u>(28,881)</u>

Financial assets will be measured at amortized cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principle and interest (SPPI). Financial assets will be measured at FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principle and interest. All other financial assets will be classified at FVTPL.

An entity may at initial recognition, designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Furthermore, on initial recognition of an equity instrument that is not held for trading, an entity may irrevocably elect to present subsequent changes in fair value through OCI. This election is made on an investment-by-investment basis.

Under IFRS 9, embedded derivatives in contracts where the host is a financial asset in the scope of the standard, are no longer bifurcated. Instead, the hybrid financial instrument is assessed for classification as a whole.

IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at FVTPL, gains or losses attributable to changes in own credit risk shall be presented in OCI and shall not be subsequently transferred to profit or loss, unless such a presentation would create or enlarge an accounting mismatch. Under IAS 39, all fair value changes of liabilities designated at FVTPL are recognized in profit or loss, unless this would create or enlarge an accounting mismatch.

The Company has assessed the impact of the new standard and there is no significant effect on the financial statements from the adoption of the standard.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

IFRS 9, Amendment—Prepayment features with negative compensation and modifications of financial liabilities (effective 1 January 2019, not yet endorsed by EU)

The amendment changes IFRS 9 requirements in order to allow measurement of a financial asset at amortized cost or at FVOCI, depending on the business model, even in the case of prepayment options which could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). Therefore, measurement of these financial assets will be regardless of the event or circumstance that caused the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination. Applying IFRS 9 before the amendment would probably result in the measurement of these financial assets at FVTPL.

The amendment also confirms the modification accounting of financial liabilities under IFRS 9. In specific, when a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss, calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognized in profit or loss.

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

Standards issued, but not yet effective

IFRIC 23, Uncertainty over Income Tax Treatments (effective 1 January 2019, not yet endorsed by EU)

The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. In such a circumstance, recognition and measurement of current or deferred tax asset or liability according to IAS 12 is based on taxable profit (tax loss), tax bases, unused tax losses and tax credits and tax rates determined applying IFRIC 23.

According to the interpretation, each uncertain tax treatment is considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty and the entity should assume that a tax authority with the right to examine tax treatments will examine them and will have full knowledge of all relevant information.

If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, it should determine its accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, the effect of the uncertainty in its income tax accounting should be reflected in the period in which that determination is made, using the method that best predicts the resolution of the uncertainty (ie the most likely amount or the expected value method).

Judgments and estimates made for the recognition and measurement of the effect of uncertain tax treatments should be reassessed whenever circumstances change or new information that affects those judgments arise (eg actions by the tax authority, evidence that it has taken a particular position in connection with a similar item or the expiry of its right to examine a particular tax treatment).

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

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

IFRS 16, Leases (effective 1 January 2019)

IFRS 16, which supersedes IAS 17 'Leases' and related interpretations, introduces a single, on-balance sheet lease accounting model for lessees, under which 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.

The definition of a lease under IFRS 16 mainly relates to the concept of control. The new standard distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

IFRS 16 provides for the recognition of a 'right-of-use-asset' and a 'lease liability' upon lease commencement in case that there is a contract, or part of a contract, that conveys to the lessee the right to use an asset for a period of time in exchange for a consideration.

The right-of-use-asset is, initially, measured at cost, consisting of the amount of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee and, subsequently, at cost less accumulated depreciation and impairment. The lease liability is initially recognized at an amount equal to the present value of the lease payments during the lease term that are not yet paid.

Consequently, the typical straight line operating lease expense of operating leases under IAS 17 is replaced by the depreciation charge of the 'right-of-use-asset' and the interest expense on the 'lease liability'. The recognition of assets and liabilities by lessees, as described above, is not required for certain short term leases and leases of low value assets. Additionally, the accounting treatment for lessors is not substantially affected by the requirements of IFRS 16.

Lessee Accounting

In accordance with IFRS 16, at the commencement date of the lease, the Company as a lessee will recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments. The Company intends to apply this initial measurement principle to all leases, except for those with lease term of 12 months or less - making use of the short-term leases and leases of low-value assets exemptions.

With regard to subsequent measurement, the Company, acting as a lessee, will apply the cost model for the measurement of right-of-use asset. Accordingly, the right-of-use asset will be measured at cost less any accumulated depreciation and accumulated impairment losses and adjusted for the remeasurement of the lease liability.

On the other hand, interest expense will be recognized on the lease liabilities, while their carrying amount will be reduced to reflect the lease payments made. In case of any reassessments or lease modifications specified, the carrying amount of the lease liabilities will be remeasured to reflect revised lease payments.

This requirement is not expected to impact the Company's financial statements.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

IFRS 16, Leases (effective 1 January 2019) (continued)

Lessor Accounting

At inception date of the lease, the Company, acting as a lessor, will classify each of its leases as either an operating lease or a finance lease based on certain criteria. These criteria are unchanged compared to current accounting as described below.

This requirement is not expected to impact the Company's financial statements.

Finance leases

At commencement date, the Company will derecognize the carrying amount of the underlying assets held under finance lease, recognize a receivable at an amount equal to the net investment in the lease and recognize, in profit or loss, any profit or loss from the derecognition of the asset and the recognition of the net investment. The net investment in the lease will be calculated as the present value of the future lease payments in the same way as for the lessee.

After commencement date, the Company will recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Company will also recognize income from variable payments that are not included in the net investment in the lease. After lease commencement, the net investment in a lease will not be remeasured unless the lease is modified or the lease term is revised.

The Company has no finance leases contracts as of 31.12.2018.

This requirement is not expected to impact the Company's financial statements.

Operating leases

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

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

Subleases

The Company, acting as a lessee, may enter into arrangements to sublease a leased asset to a third party while the original lease contract is in effect. The Company will act as both the lessee and lessor of the same underlying asset. The sublease will be a separate lease agreement, in which the intermediate lessor will classify the sublease as a finance lease or an operating lease as follows:

- if the head lease is a short-term lease, the sublease will be classified as an operating lease;
- or
- otherwise, the sublease will be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

The Company has no subleases contracts as of 31.12.2018.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

IAS 28, Amendment – Long Term Interests in Associates and Joint Ventures (effective 1 January 2019)

The amendment clarifies that IFRS 9 'Financial Instruments' including its impairment requirements, applies to long term interests in associates or joint ventures that form part of the entity's net investment in the associate or joint venture but are not accounted for using equity accounting. According to the amendment, an entity should not take into account any adjustments to the carrying amount of long term interests (net investment in the associate or joint venture), resulting from the application of IAS 28 'Investments in Associates and Joint Ventures' when applying IFRS 9. The adoption of the amendment is not expected to impact the Company's financial statements.

IAS 19, Amendment – Plan Amendment, Curtailment or Settlement (effective 1 January 2019, not yet endorsed by EU)

The amendment clarifies that when a change to a defined benefit plan i.e. an amendment, curtailment or settlement takes place and a remeasurement of the net defined benefit liability or asset is required, the updated actuarial assumptions from the remeasurement should be used to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Additionally, the amendment includes clarifications about the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The adoption of the amendment is not expected to impact the Company's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle (effective 1 January 2019, not yet endorsed by EU)

The improvements introduce key changes to several standards as set out below:

The amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' clarified how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. Specifically, when an entity obtains control of a business that is a joint operation, then the transaction constitutes a business combination achieved in stages and the acquiring party re-measures the entire previously held interest in the assets and liabilities of the joint operation at fair value. Conversely, if a party obtains joint control, of a business that is a joint operation then the previously held interest is not re-measured.

The improvement to IAS 12 'Income Taxes' clarified that all income tax consequences of dividends, including payments on financial instruments classified as equity, should be recognized in profit or loss, other comprehensive income or equity, according to where the originating transaction or event that generated distributable profits giving rise to the dividend, was recognized.

IAS 23 'Borrowing costs' amendment clarified that any borrowing originally performed to develop a qualifying asset should be treated as part of the funds that the entity borrowed generally, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020, not yet endorsed by EU)

In March 2018, the IASB issued its revised Conceptual Framework. This replaces the previous version of the Conceptual Framework issued in 2010. Revisions performed by IASB introduced a new chapter of measurement, updated definitions of an asset/liability and recognition criteria, as well as clarifications on important areas.

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

2. Summary of significant accounting policies (continued)

2.2 New and amended standards and interpretations (continued)

Amendments to IFRS 3 Business combinations (effective 1 January 2020, not yet endorsed by EU)

The IASB issued amendments to the definition of a business in IFRS 3 “Business Combinations” to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

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

Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020, not yet endorsed by EU)

The amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” aim to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. According to the new definition an information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both.

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

IFRS 17, Insurance Contracts (effective 1 January 2021, not yet endorsed by EU)

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

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

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

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

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.3 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 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 recognized in profit or loss.

2.4 Investment property

According to IAS 40, Investment property is a 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.

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%.

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.

When an entity uses the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes. According to IAS 40 and the Company's policy, IMO 03 EAD has to perform an impairment analysis of the acquired properties closer to the year-end reporting date.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.5 Financial Instruments

As of 31.12.2018 and 31.12.2017 the financial instruments of the Company are cash and cash equivalents, borrowings and other liabilities.

Financial assets

Policy applicable from 1 January 2018

Recognition and initial measurement

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

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

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

Classification and measurement

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

Derecognition

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

Impairment

Loss allowances for trade and other receivables are measured at an amount equal to lifetime ECLs

When determining whether the credit risk of the financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

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

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.5 Financial Instruments (continued)

Financial assets (continued)

Policy applicable from 1 January 2018 (continued)

Reclassification

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

Policy applicable before 1 January 2018

Recognition and initial measurement

Trade receivables are initially valued at their fair value and subsequently – at amortized cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method.

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.

Classification and measurement

Financial assets are measured at amortised cost using the effective interest method.

Derecognition

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

Impairment

An allowance for impairment of trade receivables is established when objective evidence is available that the Company will be unable to collect all amounts in line with the originally set terms. Significant financial difficulties of the debtor, probability that the debtor will enter insolvency proceedings or other financial reorganization, default or overdue payment (more than 30 days past due) are considered by the management when it defines and classifies a particular receivable as impaired. The impairment amount is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the original effective interest rate. The receivables are recognized and carried at fair value based on the original invoice amount (cost) less any allowance for uncollectable debts. The carrying amount of an asset is reduced by using an adjustment account and the amount of the loss is reflected in the income statement.

Reclassification

Financial assets other than those that meet the definition of receivables may be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.5 Financial Instruments (continued)

Financial assets (continued)

Policy applicable before 1 January 2018 (continued)

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively

(ii) Financial liabilities

Policy applicable from 1 January 2018

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

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

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

Policy applicable before 1 January 2018

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

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

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

Other liabilities are measured at amortised cost.

De-recognition of financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (continued)

2.5 Financial Instruments (continued)

(iii) Offsetting financial instruments

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

2.6 Financial costs

Interest expenses for borrowings are recognized within 'financial costs' in the statement of comprehensive income using the effective interest rate method, except for borrowing costs relating to qualifying assets.

The effective interest method is a method of calculating the amortized 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.

2.7 Taxation

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

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

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

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

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

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize 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 short-term borrowings (Note 11). Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest re-pricing period of the borrowings is on a monthly base, thus mitigating to some extent the interest rate risk.

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

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

(c) Price risk

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

3.2 Credit risk

Credit risk arises from cash and cash equivalents.

The table below shows balances of cash and cash equivalents as at 31 December 2018 and 2017 as follows:

Contractor	31 December 2018		31 December 2017	
	Credit rating	Balance	Credit rating	Balance
Eurobank Bulgaria AD	BBB- (BCRA)	170	BB+ (BCRA)	470
		<u>170</u>		<u>470</u>

The Company has not suffered losses due to default of the contractor. The market value of these assets is not materially different from their carrying value.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. Financial risk management (continued)

3.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. The liquidity risk is strictly monitored by the Management.

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

Carrying amount	Contractual cash flows			
	Total	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months
As at 31 December 2018				
Trade and other payables	9	(9)	(8)	(1)
Borrowings	29,345	(29,659)	(59)	(102)
Total financial liabilities	29,354	(29,668)	(67)	(103)

Carrying amount	Contractual cash flows			
	Total	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months
As at 31 December 2017				
Trade and other payables	10	(10)	(9)	(1)
Borrowings	28,871	(28,871)	(22)	-
Total financial liabilities	28,881	(28,881)	(31)	(1)

3.4. Capital risk 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 shareholders and benefits for other stakeholders 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.

IMO 03 EAD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Critical accounting estimates and judgments

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

Estimate of fair value of investment properties

The fair value of the investment properties, accounted at cost model in accordance with IAS 40 is updated, in order to reflect the market conditions at the end of the reporting period by using the valuation reports of licensed appraiser company. The fair value of the investment properties is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the fair value estimation of the external appraiser company is based on recent prices of properties with different condition or location, adjusted to reflect those differences. For disclosure purposes fair value is based on reports prepared by valuation company at the end of the reporting period. The management assesses 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 appraiser company 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 2018 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.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

4. Critical accounting estimates and judgments (continued)

Estimate of fair value of investment properties (continued)

The fair value hierarchy categorisation of the company's investment property carried as cost is presented in the following table:

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Year end 2018

Class property	Fair value 31/12/2018 in BGN thousands	Valuation technique	Significant Unobservable Input	Range (weighted average) 2018 in BGN	Connection between the unobservable input and FV A significant increase in price per m2 would result in a higher fair value
Residential	17,787	Market comparison approach	price per m2	563 – 800 (760)	

Year end 2017

Residential	17,790	Market comparison approach	price per m2	563 – 800 (760)	A significant increase in price per m2 would result in a higher fair value
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In line with IAS 40, IMO 03 EAD has obtained a new market valuation at the end of the year. The new market value was BGN 17,787 thousand. Net book value as at 31 December 2018 is BGN 17,971 thousand. The Management of the Company considers the difference between the market and the book value for insignificant and found no grounds for impairment as at 31 December 2018.

5. Expenses related to investment property

	2018	2017
Maintenance	(170)	(118)
	(170)	(118)

6. Administrative expenses

	2018	2017
Audit fees expenses	(6)	(9)
Other expenses	(2)	(2)
	(8)	(11)

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

7. Financial costs

	2018	2017
Interest expense	(589)	(597)
Others finance costs	(3)	(2)
Total financial costs	(592)	(599)

8. Taxation

	2018	2017
Loss before income tax	(770)	(728)
Tax calculated at a tax rate applicable to profits 10% (2017:10%)	(77)	(73)
Tax effect of expenses not deductible for tax purposes	77	73
	<u>-</u>	<u>-</u>

Deferred 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 2018 is 10% (2017: 10%).

The tax loss for 2018 is BGN 180 thousands. The tax loss for 2017 is BGN 131 thousands.

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

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

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

Year of expiry	2018	2017
2018	11,309	-
2019	22,083	11,309
2020	120,461	22,083
2021	110,145	120,461
2022	163,864	110,145
	<u>427,862</u>	<u>263,998</u>

9. Investment property

Carrying amount as at 31 December 2017	<u>17,971</u>
Additions	-
Disposals	-
Impairment	-
Carrying amount as at 31 December 2018	<u>17,971</u>

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Cash and cash equivalents	As at 31 December	
	2018	2017
Current accounts in BGN	1	-
Current accounts in EUR	169	470
	<u>170</u>	<u>470</u>

11. Borrowings

The Company's loan is with a floating interest rate and is denominated in Euro. The loan has not been collateralised.

	As at 31 December	
	2018	2017
Principal of bank loans	29,338	28,849
Accrued interest	7	22
	<u>29,345</u>	<u>28,871</u>

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

	2018	2017
Opening balance at 1 January	<u>28,871</u>	<u>27,897</u>
Borrowings received	489	978
Interest expense	589	599
Interest paid	(604)	(603)
Balance at 31 December	<u>29,345</u>	<u>28,871</u>

The carrying amounts of the borrowing approximates its fair value at the balance sheet date. The loan is contracted with floating rate (1M EURIBOR) plus margin of 2.00%. There are no covenants included in the loan agreement.

The current credit line is with Eurobank Private Bank Luxembourg S.A. and was renewed on 08 May 2018 with new maturity date 28 June 2019.

12. Trade and other payables

	As at 31 December	
	2018	2017
Audit fees payable	6	7
Trade payables	2	-
Other payables	1	3
	<u>9</u>	<u>10</u>

The fair value of the above financial liabilities does not significantly differ from their carrying amount.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Share capital

	Number of shares	Nominal value of one share (BGN)	Value
As of 1 January 2017	125,000	1	125
As of 1 January 2018	125,000	1	125
As of 31 December 2018	125,000	1	125

All shares are owned by Neu 03 Property Holdings Limited, and are fully paid.

14. Related parties transactions and balances

In November 2015, following the completion of the Bank's share capital increase, fully covered by investors, institutional and others the percentage of the Bank's ordinary shares with voting rights held by the HFSF decreased from 35.41% to 2.38%. The ultimate controlling party of the Company is Eurobank Ergasias S.A. Despite the aforementioned significant decrease of its percentage, the HFSF is still considered to have significant influence over Eurobank Ergasias. In particular, in the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in Eurobank Ergasias General Assembly only for decisions concerning the amendment of its Articles of Association, including the increase or decrease of the capital or the granting of a corresponding authorization to the Eurobank Ergasias Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of it, the transfer of assets (including the sale of subsidiaries), or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, Eurobank Ergasias 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, which regulates, among others, (a) Eurobank Ergasias corporate governance, (b) the restructuring plan and its monitoring, (c) the monitoring of the implementation of the Non-Performing Loans (NPLs) management framework and of the performance on NPLs resolution, (d) the Material Obligations and the switch to full voting rights, (e) the monitoring of the actual risk profile against the approved Risk and Capital Strategy, (f) the HFSF's prior written consent for Group Risk and Capital Strategy and for the Group Strategy, Policy and Governance regarding the management of its arrears and non-performing loans and any amendment, extension, revision or deviation thereof, and (g) the duties, rights and obligations of HFSF's Representative in the Eurobank Ergasias Board.

Key management personnel include the members of the Board of Directors. The management is compensated by virtue of a decision of Board of Directors. There is no key management compensation for the year ended 31 December 2018 and 2017.

IMO 03 EAD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

14. Related parties transactions and balances (continued)

The Company had the following transactions and balances with related parties:

	As at 31 December	
	2018	2017
Borrowings		
Eurobank Private Bank Luxembourg S.A.	29,338	28,849
Accrued interest		
Eurobank Private Bank Luxembourg S.A.	7	22
Cash and cash equivalents		
Eurobank Bulgaria AD (Note 10)	170	470
Interest expenses		
Eurobank Private Bank Luxembourg S.A.	589	597
Commissions and fee expenses and foreign currency exchange		
Eurobank Bulgaria AD	3	2
Payables to related parties		
ERB Property Services Sofia EAD	-	2
Eurobank Bulgaria AD	2	-
Expenses related to investment properties		
ERB Property Services Sofia EAD	-	2
Eurobank Bulgaria AD	2	-

15. Contingent liabilities and commitments

The management has not identified any significant contingent liabilities and commitments valid as at 31 December 2018 (as at 31 December 2017: BGN 0).

16. Events after the Balance Sheet date

In 2019 the Company extended its loan facilities (Note 11 and 14) from June 2019 till June 2020, which is a non-adjusting event under IAS 10. There are no other significant post balance sheet events which require adjustment or disclosure in the financial statements for the period ended 31 December 2018