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IMO RILA EAD

ANNUAL DIRECTORS' REPORT

ANNUAL FINANCIAL STATEMENTS

REPORT OF THE INDEPENDENT AUDITOR

31 DECEMBER 2011

The accompanying financial statements and the financial statements prepared by us and our
firm's predecessor firm as a reporting accountant, as required by the California Public
Accountancy Act, are the work of our firm. The financial statements are prepared
and presented in accordance with GAAP.

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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 period ended 31 December 2011. The financial statements have been audited by Pricewaterhouse Coopers Audit OOD.

GENERAL INFORMATION

Establishment and activity

Imo Rila EAD, UIK 201397425, is a privately owned joint stock company registered in Bulgaria on 24/01/2011.

The owner of the Company is IMO Property Investments Sofia EAD, a private limited liability company registered in Bulgaria on 24/01/2011

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

Share capital structure

Share capital is BGN 400,000 and was fully paid. The shares are ordinary and registered. The number of shares is 400,000 of nominal value BGN 1 (one) each.

Board of Directors

As at 31 December 2011 the Board of Directors consists of the following members:

Emil Pilafov – Chairman of the Board of Directors and Executive Director
Petya Dimitrova – Deputy Chairperson of the Board of Directors and Executive Director
Jordan Souvandjiev – Member of the Board of Directors and Executive Director

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

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

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

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

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 member's ownership in other commercial enterprises, as:

Partners with unlimited liability

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

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

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

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

Petia Nikolova Dimitrova

- Eurobank EFG Bulgaria AD, Bulgaria – Member of the Board of Directors and Executive Director (until 05.05.2011); Deputy Chairperson of the Management Board and Executive Director (effective as of 05.05.2011);
- Bulgarian Retail Services AD, Bulgaria – Chairperson of the Board of Directors and Executive Director;
- EFG Property Services Sofia AD, Bulgaria – Member of the Board of Directors;
- IMO Property Investments Sofia EAD, Bulgaria – Member of the Board of Directors and Executive Director;
- IMO Central Office EAD, Bulgaria – Deputy Chairperson of the Board of Directors and Executive Director (effective as of 24.01.2011);
- IMO 03 EAD, Bulgaria – Member of the Board of Directors and Executive Director (effective as of 09.06.2011);
- AmCham Bulgaria (American Chamber of Commerce in Bulgaria), Bulgaria – Member of the Board of Directors;
- Bulgarian Business Leaders Forum (BBLF), Bulgaria – Member of the Board of Directors;
- State-owned enterprise Communicative construction and rehabilitation, Bulgaria – Member of the Board of Directors;

- Municipal Bank AD, Bulgaria – Member of the Supervisory Board.

Emil Atanasov Pilafov

- 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 (effective as of 24.01.2011);
- IMO 03 EAD, Bulgaria – Chairman of the Board of Directors and Executive Director (effective as of 09.06.2011).

Iordan Marinov Souvandjiev

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

OVERVIEW OF RESULTS

Financial results for the current period

The financial result before tax for 2011 is loss in the amount of BGN 343 thousand. 2011 is start up year for the Company, the only acquired property was purchased in Q1'2011.

Investing activity

The scope of activity of the Company is meant to comprise execution of all types of real estate transactions: sale – purchase, renting, leasing and subleasing, as well as property management and maintenance, construction, designing and engineering activity, preparation of investment projects, real estate consultancy, services, project management, valuation services, real estate brokerage and intermediary services, technical consultancy services, architectural, real estate development and engineering studies.

In 2011 the Company acquired one property- Hotel Rila in Sofia, through Notary deed dated 02/02/2011. Since then there was signed Rental contract with “Hotel Rila” AD at

amount of EUR 40 thousand (BGN 79 thousand) per month without VAT, the term of the contract is 4 years. IMO Rila has signed Agreement with "Bulgarian Hotel services" AD, giving to them Option to buy the Hotel within the contract period of 4 years. Until 02.02.2013 buy-back strike price is 25 mil. EUR; until 02.02.2014 buy-back strike price is EUR 23 mil.; until 02.02.2015 buy-back strike price is EUR 22.5 mil.

MAIN OBJECTIVES FOR 2012

For 2012 the Company has not budgeted more acquisitions. Budgeted rental income for 2012 is EUR 578 thousand (BGN 1,130 thousand).

FINANCIAL RISK MANAGEMENT

The Company is exposed to variety of financial risks. Detailed description of those risks and the policies and procedures applied by the Management are set out in note 3 of the financial statement as at 31 December 2011.

RESPONSIBILITIES OF MANAGEMENT

The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the state of affairs of the company as at the year end and of the profit or loss and cash flows for the year. The management has prepared the enclosed financial statements in accordance with IFRS as adopted by the EU.

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

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

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



Emil Pilafov
Executive Director and Chairman of the Board of Directors



Petia Dimitrova
Executive Director and Deputy Chairperson of the Board of Directors
15.05.2012

