

ANNUAL MANAGEMENT REPORT
OF “MARINA CAPE MANAGEMENT” EOOD, SOFIA
for 2015

The present Management report on the Company's activity is prepared in compliance with the clauses of Art. 33, para 1 of the Accountancy Law. This financial report is audited by Mr Dafin Sredkov, a registered auditor with Diploma No. 518.

1. Information about the Company:

"Marina Cape Management" is a limited liability company with only one owner, incorporated in 2006 and registered in the Commercial Register to the Registry Agency with UIC 175158218.

The Company's capital is in the amount of BGN 5 000, distributed into 50 equal stakes each with nominal value of BGN 100.

The owner of the Company's capital is "Intercapital Property Development" ADSIC, registered in the Commercial Register to the Registry Agency with UIC 131397743 with seat in Sofia and registered address: Sredets District, 7A Aksakov Str., fl. 4.

2. Overview of the Company's activity:

The main activity of the Company pursuant to its constitutive act is: maintenance and management of real estate properties; renting of real estate properties; consulting and brokerage services; development and management of catering establishments, offering traditional Bulgarian, European and Asian (including Pakistani, Thai and Indian) cuisine; construction, equipment and management of sports and recreational centers offering exotic Asian treatments and therapies for relaxation and recovery, and any other commercial activity not prohibited by the law.

"Marina Cape Management" EOOD is a servicing company of "Intercapital Property Development" ADSIC pursuant to the Law on the special purpose vehicles. It carries out the exploitation of the properties constructed by the parent company. In 2015 the Company's activity includes servicing of the apartments in the "Marina Cape" vacation complex and operation of the retail space in the complex.

The management address of the Company is in Sofia, Sredets District, 7A Aksakov Str., fl. 4.

The average annual number of the Company's personnel for 2015 is 26 employees.

3. Results from the Company's activity:

The net financial result from the activity of "Marina Cape Management" EOOD for 2015 is positive – the Company realized a net profit in the amount of BGN 235 thousand. The main economic indicators of the Company are as follows:

Indicators (in BGN '000)	2015	2014
Net revenues from sales	1 830	2 182
Main operating expenses	1 747	1 867
Profit (loss) before interest and tax (EBIT)	41	315
Net financial expenses	-21	-78
Extraordinary revenues	-	-
Profit (loss) before tax	20	237
Net profit (loss)	20	235

The Company has realized the following revenues from its activity:

Revenues (in thousand BGN)	2015	2014
From sale of finished goods	255	306
From sale of goods for sale	213	204
From sale of services	1295	1 561
From other sales	67	111
Financial revenues	-	-
Extraordinary revenues	-	-
Total:	1830	2 182

The operating revenues of “Marina Cape Management” EOOD in 2015 may be divided into two main fields: revenues from exploitation of the commercial properties in the “Marina Cape” vacation complex (incl. restaurants, pool bar, spa and sports centers, conference centre, shops, etc.) and from providing services to owners and tenants in the complex (incl. maintenance of the real estate properties, renting, etc.).

In 2015, the revenues from exploitation of the commercial properties in the “Marina Cape” vacation complex (incl. restaurants, pool bar, spa centre, fitness centre, bowling hall, squash centre, shops and other food and entertainment establishments) amount to BGN 573 thousand compared to BGN 616 thousand in 2014. The gross profit from exploitation of these properties in 2015 is BGN 152 thousand, while for 2014 it was BGN 142 thousand. As a result, the gross margin on sales in 2015 in this segment is 27% compared with 23% in 2014. The company continually seeks to optimize the ratio of sales price - costs. Conference Center in the complex functioned actively by regularly hosting events of a conference type. The company plans to develop this type of tourism.

The revenues from renting apartments (incl. apartments – owned by “Intercapital Property Development” ADSIC and apartments – owned by external persons) for 2015 amount to BGN 357 thousand, compared to BGN 405 thousand in 2014. The gross result of the Company from that activity in 2015 is a profit in the amount of BGN 249 thousand, compared to BGN 313 thousand in 2014.

The revenues from providing maintenance of property and representation of homeowners in the residential complex “Marina Cape” (incl. “Intercapital Property Development ADSIC”) are in the amount of BGN 718 thousand, including BGN 704 thousand from maintenance and BGN 14 thousand from representation. In comparison, the revenues from maintenance of property and representation of homeowners in 2014 amount to BGN 904 thousand, including BGN 891 thousand from maintenance and BGN 13 thousand from representation. Revenues from maintenance fees are paid by the owners of apartments in the holiday resort of the subsidiary and service company “Marina Cape Management” EOOD. “Marina Cape Management” EOOD is a company which signs contracts with all customers who have purchased apartments in residential complex “Marina Cape” for maintenance and management for annual fee of EUR 12 per square meter. The gross result of the Company from that activity in 2015 is in the amount of BGN 666 thousand.

The revenues from providing by “Marina Cape Management” EOOD transporting services to tourist in the complex and additional cleaning can be referred to the field “revenues from providing services to owners and tenants in the “Marina Cape” vacation complex. These revenues are in the amount of BGN 15 thousand.

In 2015 “Marina Cape Management” EOOD has realized also revenues from providing Internet services, providing safes for storage of belongings of tourists, etc.

The Company's expenses are as follows:

Expenses (in thousand BGN)	2015	2014
For materials	297	330
For external services	853	789
For salaries and social security	214	198
For depreciation	79	100
Book value of sold assets (excluding finished goods)	155	158
Change in the inventories of finished goods and work-in-progress	114	154
Other expenses	37	138
Financial expenses	21	78
Total:	1768	1 945

The expenses for external services include the fee that "Marina Cape Management" EOOD pays to the parent company pursuant to the Contract for management of the commercial and residential areas in the "Marina Cape" vacation complex. In compliance to that Contract "Intercapital Property Development" ADSIC receives 70% of the profit which "Marina Cape Management" EOOD realizes from the commercial and residential properties which the subsidiary directly exploits.

The expenses for external services in 2015 include the fee that "Marina Cape Management" EOOD pays to "Aheloy Imo 2014" EAD pursuant to the Contract for management of the commercial areas in the "Marina Cape" vacation complex. In compliance to that Contract "Aheloy Imo 2014" EAD receives 70% of the profit which "Marina Cape Management" EOOD realizes from the commercial properties that "Aheloy Imo 2014" EAD owns, and which "Marina Cape Management" EOOD directly exploits.

Financial indicators of the Company

	2015	2014
1. Profitability ratio of the net revenues from sales	1,09%	10,77%
2. Profitability ratio of the shareholders' equity	21,05%	n.a.
3. Revenue efficiency ratio	0,966	0,891
4. Overall liquidity ratio	1,334	1,386
5. Quick liquidity ratio	1,060	1,047
6. Absolute liquidity ratio	0,019	0,008
7. Financial independence ratio	0,019	0,018
8. Debt ratio	52,57	55,62

In 2014 „Marina Cape Management" EOOD was elected for a member of the Board of Directors of two new companies „Aheloy Imo 2014" EAD, UIC 203174990 and „Aheloy Imo" EAD, UIC 203175277. During the past year, "Marina Cape Management" EOOD has not received remuneration as a member of the governing bodies of these two companies.

4. Information about the important events that have occurred after the date of the annual financial report

No important events in the activity and the development of "Marina Cape Management" EOOD have occurred following the date of the annual financial report.

5. Expected future development of the Company in 2016

In 2016 the management of the firm expects an increase in the revenues generated by the Company. The complex is becoming more recognizable among tourists (including domestic and foreign visitors), as there is an expectation for the increase in the number of visitors due to the tourists who would prefer Bulgaria to Turkey, because of strained relations between Russia and Turkey, and the precarious situation in southern neighbor. In addition it should be pointed out that the "Marina Cape" vacation complex is exploited through the whole year. In the winter season 2014-2015, 2 of the 4 restaurants in the complex were functioning as well as the bowling hall, the spa centre, the fitness centre and the squash courts. For renting out to tourists – casual or organized visitors, minimum 100 apartments have been maintained. This practice shall continue in the winter season 2015-2016.

6. Research and development activity:

The Company does not invest in research and development. At this stage the Company's management does not plan to allocate resources for such activities.

7. Management

As of 31.12.2015 the Company has been managed by Vesselin Terziev and Nicolay Handzhiev.

8. The existence of branches of the Company

The Company has no branches registered for the purpose of its business.

9. Relationships with controlled, related and controlling companies

9.1. Controlled companies

Since 04.11.2009 "Marina Cape Management" EOOD has been the owner of 100% of the capital of "Marina Cape Tours" EOOD. Up to that date "Marina Cape Tours" EOOD has been owned entirely by "Intercapital Property Development" ADSIC. "Marina Cape Tours" EOOD has a tour-operator license and deals with sale of night packages and other tourist services in the "Marina Cape" vacation complex.

9.2. Controlling companies

"Intercapital Property Development" ADSIC holds 100% of the capital of "Marina Cape Management" EOOD. This company exercises management and coordinating activities.

10. Participation of managers in companies as general partners, possession of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives as procurators, managers or board members

10.1. Nikolai Handjiev

Until 31.12.2015 did not participate in management / supervisory bodies of companies, unless stated below:

"MARINA CAPE IMOTI" OOD – UIC 203701631 – CEO

Until 31.12.2015 Nikolai Handjiev owned not more than 25 % of the company, except from stated below:

„MARINA CAPE IMOTI” OOD – UIC 203701631 – owns 30% of the capital share of the company

10.2. Veselin Terziev

Until 31.12.2015 did not participate in management / supervisory bodies of companies, unless stated below:

"Aheloi Imo 2014" EAD, UIC 203174990 - CEO

"Aheloi Imo" EAD, UIC 203175277 – CEO

„Aheloy Agro“ EOOD, UIC 203176048 – CEO.

Until 31.12.2015 Veselin Terziev owned not more than 25 % of the company, except from stated below:

"BG Invest Properties " AD, UIC 201811805 - owns 30% of the company's capital

„Aheloy Agro“ EOOD, UIC 203176048 – sole owner of the capital

11. Risk management policy of the Company

Financial risk management

In its operating activity the Company is exposed to various financial risks: market risk (including currency risk, price risk, interest rate risk), credit risk, liquidity risk and risk from changes in the future cash flows. The Company's program for complete risk management is focused on the unpredictability of the financial markets and seeks to minimize the potential adverse effects on the Company's financial result. As of the end of the reporting period the Company has not used derivative financial instruments in order to hedge particular risk exposures.

Market risk

Currency risk

The Company operates in Bulgaria and due to the fact that the Bulgarian currency is effectively pegged to the Euro, it is exposed to currency risk due to borrowing and purchases and sales denominated in currencies other than BGN and EUR. The Company carefully observes the currency risks in order to ensure effective risk management.

Price risk

In the conditions of extremely high competition on the Bulgarian tourist market the Company is exposed to significant price risk and that's why it leads active policy management which includes two main areas – reducing the expenses and increasing the revenues by broadening the range of the offered services and reducing the prices.

Firstly, the Company seeks to minimize the fixed costs as well as to exert strict control over the variable costs (incl. active management of the number of the employed personnel through the different seasons of the year and of the expenses for salaries). In order to achieve higher utilization of the Company's assets, part of the commercial properties in the complex have been rented out for management to big retail chains which offer high quality end products. The Company has concluded a contract with a third party for mutual managing of the seaside in front of the complex which reduces the additional costs for the maintenance of the beach. The Company maintains a dynamic pricing policy depending on the occupancy of the vacation complex during the relevant tourist seasons aiming to improve the work with its suppliers and subcontractors.

In order to ensure a greater predictability of the revenues as well as in order to optimize the Company's assets and personnel, the Company has been actively working on the organization of conference type events. This is part of the Company's measures to make up for the competitive advantages that the traditional hotels working with tour operators have and which can rely on higher regularity and predictability of the revenues compared to the apartment complexes such as "Marina Cape".

The policy of the Company to increase the revenues from tourist services includes: reducing the prices; conducting an active marketing strategy and offering accommodations at price levels that are more attractive than those in the hotels of the most serious competitor of the Bulgarian tourist markets – Turkey; broadening of the range of the offered services and enhancing the quality; conducting an aggressive price policy with regard to the facilities outside the complex to retain customers within the complex (e.g. by issuing a "cash cards", which on one side allow the clients to avail themselves of price discounts and on the other side – improve the financial accountability and reduce the expenses related to the documentation).

Interest rate risk

As the Company does not own a substantial quantity of interest-bearing assets, the income and the operating cash flows are not significantly influenced by changes in the market interest rates.

The interest rate risk results from the loans received. The loans with a floating interest rate expose the Company to an interest rate risk related to changes in the future cash flows. The loans with a fixed interest rate expose the Company to an interest rate risk related to fluctuations in determining fair values in the future.

The Company's policy is to conclude loan contracts with an interest rate which is fixed to the market one, for example EURIBOR, and the expositions to be regularly observed.

As of 24.03.2016 the Euribor interest rates are negative and are represented in the following table:

	03-24-2016
Euribor - 1 week	-0.349%
Euribor - 2 weeks	-0.343%
Euribor - 1 month	-0.331%
Euribor - 2 months	-0.277%
Euribor - 3 months	-0.242%
Euribor - 6 months	-0.134%
Euribor - 9 months	-0.072%
Euribor - 12 months	-0.005%

Credit risk

The credit risk results from cash and cash equivalents, derivative financial instruments and deposits in banks and other financial institutions, as well as from credit expositions of wholesalers and retailers, including non-paid receivables and contracted economic operations. For banks and other financial institutions can be accepted only independently assessed institutions with a high credit rating. When performing sales of goods and services and granting credits to clients the Company focuses on the contractors' credit reputation.

Liquidity risk

The cautious liquidity risk management involves maintaining a large enough quantity of money and liquid securities as well as options for additional credit financing and closing open

market positions. Due to the dynamic nature of the main types of business the Company's financial department aims at flexibility in financing through maintaining enough non-used authorized credit lines.

12. Responsibilities of the Company's management

In compliance with the Bulgarian legislation the management shall prepare financial report for each financial year which shall present true and accurate information about the financial condition of the Company as of the end of the year, its financial results and cash flows.

The management of the Company confirms that it has applied adequate accounting policies in the preparation of the annual financial report as of 31.12.2015 and that it has made reasonable and prudent judgments, assumptions and estimates.

The management confirms also that it has observed the current accounting standards and that the financial report is prepared on the basis of the going concern principle.

The management of the Company is responsible for the proper keeping of the accounting records, for the adequate reporting of the assets and for the undertaking of the necessary measures to prevent and detect potential abuses or other irregularities.

Sofia
28 March 2016

Manager: Vesselin Terziev