



Consolidated Financial Statement

Intercapital Property Development ADSIC

31st December 2016 г.

Consolidated Report for Financial Condition

| Assets | Notes | 2016 ‘000 BGN | 2015 ‘000 BGN |
|---------------------------------------|-------|------------------|------------------|
| Long-term assets | | | |
| Property, Plant and Equipment | 6 | 12 748 | 12 976 |
| Investment property | 7 | 35 637 | 35 970 |
| Intangible assets | 8 | 3 | 6 |
| Other receivables | 10.2 | 893 | 1 339 |
| Deferred tax assets | | 21 | 21 |
| Long-term assets | | 49 302 | 50 312 |
| Current assets | | | |
| Inventories | 9.1 | 1 060 | 1 032 |
| Work in progress | 9.2 | 1 056 | 1 056 |
| Tax receivables | 12 | 91 | 65 |
| Trades accounts and Other receivables | 10.1 | 6 762 | 7 054 |
| Cash and cash equivalents | 11 | 412 | 147 |
| Current assets | | 9 381 | 9 354 |
| Total assets | | 58 683 | 59 666 |

Accountant: _____
 /"Optima Audit" AD/

Executive Director: _____
 /Velichko Klingov/

Date: 19th April 2017

Audited according to the audit report from
 28.04.2017.

Registered Auditor, responsible:
 Ofelia Slavkova, DES diploma № 0613

Managing partner Ofelia Slavkova
 Specialized audit company "Optima Audit" AD
 № 152

Consolidated Report for Financial Condition
(continued)

| Liabilities and Shareholders' equity | Notes | 2016 ‘000 BGN | 2015 ‘000 BGN |
|---|-------|------------------|------------------|
| Shareholders' equity | | | |
| Share capital | 13.1 | 6 011 | 6 011 |
| Issue premiums | 13.2 | 7 651 | 7 651 |
| Revaluation reserves | 13.2 | 5 115 | 5 224 |
| General Reserves | 13.2 | 1 | 1 |
| Accumulated Loss | | (15 803) | (15 676) |
| Total Shareholders' Equity | | 2 975 | 3 211 |
| Liabilities | | | |
| Long-term Liabilities | | | |
| Liabilities to financial institutions | 14.2 | - | 8 |
| Liabilities to bonds | 14.3 | 3 912 | 4 890 |
| Financial leasing | 14.1 | 1 530 | 1 775 |
| Other liabilities | 17 | 1 502 | 1 737 |
| Total long-term liabilities | | 6 944 | 8 410 |
| Current Liabilities | | | |
| Liabilities to financial institutions | 14.2 | 23 446 | 22 400 |
| Financial leasing | 14.1 | 275 | 235 |
| Liabilities to bonds | 14.3 | 978 | 489 |
| Trade payables | 15 | 13 324 | 13 125 |
| Salaries and social securities payables | | 222 | 177 |
| Tax payables | 16 | 362 | 245 |
| Other liabilities | 17 | 10 157 | 11 374 |
| Total current liabilities | | 48 764 | 48 045 |
| Total Liabilities | | 55 708 | 56 455 |
| Total Liabilities and Shareholders' Equity | | 58 683 | 59 666 |

Accountant: _____
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/Velichko Klingov/

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№ 152

Consolidated Income Statement

| | Notes | 31.12.2016 '000 BGN | 31.12.2015 '000 BGN |
|--|-------|------------------------|------------------------|
| Sales revenue | 18 | 1 694 | 2 202 |
| Other revenue | 19 | 2 455 | 1 010 |
| Expenses for materials | 20 | (330) | (347) |
| Expenses for external services | 21 | (694) | (676) |
| Personnel expenses | 22 | (231) | (297) |
| Depreciation | 6 | (125) | (131) |
| Other expenses | 23 | (826) | (835) |
| Operating profit / (loss) | | 1 943 | 926 |
| Financial Income/Expenses | 24 | (1 875) | (617) |
| Changes in the fair value of investment properties | | (189) | (97) |
| Profit/(Loss) before tax | | (121) | 212 |
| Cost of deferred corporate income tax | | (6) | (2) |
| Net Profit / (Loss) after tax | | (127) | 210 |
| Earning per share | | (0.02) | 0.03 |
| Other comprehensive income | | (109) | (43) |
| Profit/(Loss) from revaluation of property | | | |
| Total comprehensive income for the year | | (236) | 167 |

Accountant: _____
/ Optima Audit AD /

Executive Director: _____
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AD № 152

Consolidated Statement of Changes in Equity

| All amounts are in '000 BGN | Share Capital | Premium Reserves | Other Reserves | Retained Earnings / (Accumulated Loss) | Total Equity |
|--|---------------|------------------|----------------|--|--------------|
| Balance as of 1 January 2015 | 6 011 | 12 203 | 716 | (15 895) | 3 035 |
| Fundamental error | | | | 9 | 9 |
| Revaluated balance as of 1 January 2015 | 6 011 | 12 203 | 716 | (15 886) | 3 044 |
| Profit / (Loss) | | | | 210 | 210 |
| Other comprehensive income | | | | | |
| Revaluation of fixed tangible assets: | | | | | |
| Increase | | (43) | | | (43) |
| Decrease | | | | | |
| Total comprehensive income | | (43) | | 210 | 167 |
| Balance as of 31 December 2015 | 6 011 | 12 160 | 716 | (15 676) | 3 211 |

| All amounts are in '000 BGN | Share Capital | Premium Reserves | Other Reserves | Retained Earnings / (Accumulated Loss) | Total Equity |
|--|---------------|------------------|----------------|--|--------------|
| Balance as of 1 January 2016 | 6 011 | 12 160 | 716 | (15 676) | 3 211 |
| Fundamental errors | | | | | |
| Revaluated balance as of 1 January 2016 | 6 011 | 12 160 | 716 | (15 676) | 3 211 |
| Profit / (Loss) | | | | (127) | (127) |
| Revaluation of fixed tangible assets: | | | | | |
| Increases | | | | | |
| Decreases | | (109) | | | (109) |
| Total comprehensive income | | (109) | | (127) | (236) |
| Balance as of 31 December 2016 | 6 011 | 12 051 | 716 | (15 803) | 2 975 |

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/ Optima Audit AD /

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/ Velichko Klingov /

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AD № 152

Consolidated Cash Flow Statement

| | Notes | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|---|-------|------------------------|------------------------|
| Operating activities | | | |
| Customers receivables | | 1 653 | 1 815 |
| Suppliers Payables | | (992) | (1 002) |
| Salaries and Social Securities Payables | | (159) | (246) |
| Paid / Refunded taxes (except for corporate tax) | | (10) | (169) |
| Paid corporate taxes | | - | (4) |
| Other receivables from operating activities | | (209) | (20) |
| Net cash flow from operating activities | | 283 | 374 |
| Investment activities | | | |
| Purchase of long-term assets | | (3) | (3) |
| Net cash flow from investing activities | | (3) | (3) |
| Financial activities | | | |
| Loans received | | | |
| Proceeds on loans | | (14) | (181) |
| Payments of interest and fees | | (1) | (124) |
| Net cash flow from financing activities | | (15) | (305) |
| Net change in cash and cash equivalents | | 265 | 66 |
| Cash and Cash equivalents in the beginning of the period | | 147 | 81 |
| Cash and Cash equivalents in the end of the period | | 412 | 147 |

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/Optima Audit AD/

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/Velichko Klingov/

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Explanatory Notes

1. General information

“Intercapital Property Development” ADSIC is a company registered in accordance with the Special Purpose Vehicles Act. The Company operates as a collective investment scheme for real estate; “real estate securitization” means that the Company purchases real estate with cash flows accumulated from investors by issuing securities (shares, bonds).

The Company is registered as a stock company and is entered in the Commercial Registry in the Sofia City Court, company case № 3624/2005, batch № 92329, volume 1204, reg. 1, page 23. The Bulstat Code is 131397743. The legal seat and the address of the Company’s management is Aksakov Str. № 7a, Sofia.

The Company’s shares are listed for trading on the Bulgarian Stock Exchange – Sofia AD and on the alternative trading system NewConnect, organized by the Warsaw Stock Exchange.

The Company has a one-tier management system. The Board of directors is composed as follows:

- Velichko Klingov,
- Tsvetelina Hristova,
- AHELOY 2012 EOOD, represented by the Manager Nicolay Stefanov Chergilanov.

The Investor Relations Director is Milen Bozhilov.

Service companies of “Intercapital Property Development” ADSIC in compliance with the clauses of the Special Purpose Vehicles Act are: Optima Audit AD, Marina Cape Management EOOD, IP Intercapital Markets AD, and AD Tokushev and Partners. Independent appraiser of the properties is Dobi 02 EOOD.

2. Basis for the preparation of financial statements

The Company maintains its current accounting in accordance with the requirements of the Bulgarian trade and accounting legislation.

The Company’s financial statements are prepared in compliance with the International Financial Reporting Standards adopted by the European Commission. They include the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and the interpretations for their application (SIC - IFRS interpretations). IFRS also include the subsequent amendments and complements to these standards and interpretations and the future standards prepared by the International Accounting Standards Board (IASB).

The financial statements are prepared in BGN which is the functional currency of the Company. All amounts quoted are in thousands of BGN (‘000 lv) (including the comparative information for 2015) unless otherwise specified.

The financial report is compiled in compliance with the going concern principle.

3. Going concern

The consolidated financial statements are prepared in accordance with the going concern principle.

For the year 2015, the Group reported a profit of BGN 210 thousand for the period and a positive cash flow from operating activities of BGN 374 thousand. Current liabilities exceed current assets by BGN 38 691 thousand.

As at 31 December 2016, the Group recorded a loss for the period of BGN 127 thousand and a positive cash flow from operating activities of BGN 265 thousand. Current liabilities exceed current assets by BGN 39 383 thousand.

These circumstances indicate the existence of significant uncertainty that can give rise to significant doubt about the Group's ability to continue as a going concern without the support of owners and other sources of funding.

The management has taken the following more significant measures to improve the Group's financial position:

- The Group endeavors to reschedule its short-term liabilities to the lending banks, which will significantly improve the financial position of the Group in terms of the ratio between current assets and liabilities.
- The Group pursues a policy of optimizing costs, inventories and other components of working capital. The expected result of these measures is a significant reduction in inventories, which will improve the Group's liquidity position and working capital. As of December 31, 2016, the Group recognizes as construction work only the costs of sale of property by the parent company, namely brokerage commissions and property advertising from Marina Cape, which will be recognized at the moment the income is recognized Final transfer of ownership or establishment of right of use).

The Management believes that on the basis of the forecasts for the future development of the Group and the measures taken, as well as to support a part of the shareholders and thorough work of the Board of Directors in the part of the restructuring of the financing and the search for a low-interest financing, it will be able to continue its activity To discharge its obligations without selling assets and without undergoing substantial changes in its business.

4. Changes in accounting policy

General provisions

A. New standards, changes and interpretations of IFRS, that have come in force as of January 1, 2016

The company has taken into consideration the following new standards, changes and interpretations of IFRS, developed and published by IASB, which affect the financial report of the Company and are mandatory for application since the reporting period beginning on or after 1st January 2016:

IFRS 11 “Joint commitments” (amended) – acquiring a share in joint activity, in force as of January 1, 2016, adopted by the EU

This amendment gives guidance according the appropriate accounting treatment of acquiring shares in joint activities, representing a business.

IAS 1 “Presentation of Financial Statements (amended) – Disclosure, in force as of January 1, 2016, adopted by the EU

These amendments are part of IASB’s initiative for improving the presentation and disclosure in the financial statements. They clarify the directions in IAS 1 regarding relevance, summarizing, presentation of subtotals, structure of financial statements and disclosure of accounting policy.

IAS 16 “Properties, Machinery and installations” and IAS 38 “Non-material assets” (amended), in force as of January 1, 2016, adopted by the EU

These amendments clarify that the use of methods for calculating depreciation, based on income, are not suitable as the income generated by a particular activity with long term material or non-material assets does not reflect the use of economic advantages which are expected from the assets.

IAS 16 “Properties, Machinery and installations” and IAS 41 “Agriculture” (amended), in force as of January 1, 2016, adopted by the EU

These amendments affect the financial reporting of fruit-producing plants like grapes, rubber trees and oleaginous palm trees. Fruit-bearing plants must be treated as properties, machinery and installations as their processes are similar to production. As a result of the latter, they are included, according to these amendments in the scope of IAS 16, instead of the scope of IAS 41. Growing fruit-bearing plants remains in the scope of IAS 41.

IAS 27 “Individual Financial Statements” (amended), in force as of January 1, 2016, adopted by the EU

This amendment allows companies to use the method of own capital when reporting investments in subsidiary companies, joint and associated ventures in their individual financial reports.

Yearly improvements, in force as of January 1, 2016, adopted by the EU

These amendments affect 4 standards

- **IFRS 5 “Non-current assets, held for sale, and discontinued activity” regarding methods of derecognition;**
- **IFRS 7 “Financial instruments: disclosure” regarding contracts for services;**
- **IAS 19 “Income from hired persons” regarding discount percentages;**
- **IAS 34 “Interim financial reporting” regarding disclosure of information;**

The company has not applied new standards or changes which have a significant effect on the financial condition or financial result of the Company.

B. Standards, changes and interpretations which are not yet into force and are not applied by the company

As of approving this financial statement, new standards have been published, changes and interpretations to existing standards, that are not yet in force or have not been adopted by the EU for the financial year beginning on January 1, 2016 and have not been applied at an earlier date by the Company. Information regarding these standards and changes, which have an effect on the Company’s financial statement are listed below.

The management expects all standards and changes to be adopted in the accounting policy of the Company during the first period, beginning after the date of their coming into force. New standards, changes and interpretations, which have not been adopted or listed below, do not have significant effect on the Company’s financial report.

IFRS 2 “Payment based on shares” (amended) in force from January 1, 2018, not yet adopted by the EU.

This amendment clarifies the base for evaluating deals based on shares, settled with cash and by issuing instruments of equity, as well as accounting of changes in the remuneration for providing cash in issuing instruments of equity.

IFRS 4 “Insurance contracts” (amended), in force from January 1, 2018, not yet adopted by the EU.

These amendments are in relation to the application of IFRS 9 “Financial Instruments” and introduce two approaches: covering approach and temporary release:

- covering approach – companies, who issue insurance contracts have the right to accept the amendment arising from applying IFRS 9 in the other comprehensive income instead of in the current profit or loss until a new standard for insurance contracts is published; and
- temporary release – right of choice for temporary release from applying IFRS 9 until 2021 for companies whose activity is mainly linked to insurance. Companies who postpone the application of IFRS 9 continue applying the existing requirements for financial instruments according to IAS 39.

IFRS 9 “Financial instruments”, in force from January 1, 2018, not yet adopted by the EU

The International Accounting Standards Board (IASB) issued IFRS 9 “Financial instruments” when it completed its project for substitution of IAS 39 “Financial instruments: recognition and appraisal”. The new standard introduced considerable changes in the qualification and appraisal of financial assets and a new model for the expected credit loss for impairment of financial assets. IFRS 9 includes a new instruction for accounting hedging. The management of the Company is still in process of assessing the effect of IFRS 9 on the financial statement.

IFRS 9 “Financial instruments” (amended) – Accounting of hedging, in force from January 1, 2018, not yet adopted by the EU

The amendments lead to a significant change in accounting of hedging which allows companies to reflect their activities in relation to risk management better in the financial statements.

IFRS 10 “Consolidated financial statements” and IAS 28 “Investment in associated companies and joint companies” (amended), date of coming in force not yet determined, not yet adopted by EU.

These amendments are a result of the discrepancy between the requirements of IFRS 10 and IAS 28 when treating a sale or in-kind contribution of assets between the investor and associated company or joint company.

IFRS 10 “Consolidated financial statements” and IFRS 12 “Disclosure of share holdings in other companies” and IAS 28 “Investment in associated companies and joint companies” – Investment companies (amended), in force from January 1, 2016, not yet adopted by EU.

The amendments clarify the application of the exception regarding consolidation for investment companies and their subsidiaries.

IFRS 14 “Deferred accounts at regulated prices” in force from January 1, 2016, not yet adopted by EU.

IFRS 14 allows companies, applying IFRS for the first time to continue the recognition of amounts related to regulated prices in compliance with the requirements of their previous accounting practice, when applying IFRS.

IFRS 15 “Income from contracts with clients” in force from January 1, 2018, not yet adopted by EU.

IFRS 15 replaces IAS 18 “Income”, IAS 11 “Contracts for construction” and the related interpretations and introduces a new model for acknowledging income based on control. The new standard changes the rules for determining whether the income is recognized at a certain moment or during a certain period of time and leads to the expansion and improvement of disclosures regarding income. IFRS 15 is based on a main principle which requires from the company to recognize income in a way which reflects the transfer of goods or services to clients in size which reflects the expected remuneration which the company will receive in exchange of these goods or services.

IFRS 15 “Income from contracts with clients” (amended) in force from January 1, 2018, not yet adopted by EU.

These amendments include instructions for identifying commitment obligations, reporting licences for intellectual property and for judgement whether it is principal or agent (gross or net reporting of income)

IFRS 16 “Leasings” in force from January 1, 2019, not yet adopted by EU.

This standard replaces the instructions of IAS 17 and introduces considerable changes in reporting leasings, especially for lessees.

According to IAS 17 the lessees were required to distinguish between financial leasing (recognized in the balance sheet) and operating leasing (recognized off-balance). IFRS 16 requires the lessees to recognize a leasing obligation, representing future leasing payments and “right to use an asset”, for almost all leasing contracts. IASB has included the right of choice for some short-term leasings and leasings of inferior assets; This exception can only be applied by the lessees.

IAS 7 “Report for cash flows” (amended) in force from January 1, 2017, not yet adopted by EU.

These amendments require additional disclosure which will allow the users of financial statements to evaluate the changes in obligations resulting from financial activity.

IAS 12 “Income taxes” (amended) in force from January 1, 2017, not yet adopted by EU.

These amendments are in relation to the recognition of deferred tax assets for unused losses and clarify how to account deferred tax assets in relation to debt instruments, evaluated at fair value.

5. Accounting Policy

5.1 General Position

The most important accounting policies applied to the preparation of these financial statements are presented below.

The financial reports are prepared in compliance with the valuation principles concerning any type of assets, liabilities, revenues, and expenses according to IFRS. The valuation bases are announced in detail in the following points of this accounting policy. The financial statements are prepared in compliance with the going concern principle.

It must be pointed out that the presented financial statements are based on certain accounting estimates and assumptions. Although they are based on the information provided to the management by the date of preparation of the financial statements, the actual results may vary due to the estimates and assumptions made.

In the report for financial condition two comparative periods are presented, when the company:

- a) Applies accounting policies retrospectively;
- b) Recalculates retrospectively positions in the financial report; or
- c) Reclassifies positions in the financial report

and this has significant effect on the information in the report for financial condition as of the beginning of the previous period.

The company has adopted to present two comparative periods in all cases in order to provide consistency in the presentation for every year.

5.2 Presentation of the consolidated financial statements

The consolidated financial statements are presented in accordance with IAS 1 “Presentation of Financial Statements”. The Group has accepted to present the consolidated statement of comprehensive income in a single statement: a consolidated statement of comprehensive income.

In the consolidated statement of financial position, two comparative periods are presented when the Group:

- (A) apply accounting policies retroactively;
- (B) reclassifies retrospectively positions in the consolidated financial statements; Or
- (C) reclassifies positions in the consolidated financial statements

5.3 Consolidation basis

The Group's financial statements consolidate the financial statements of the parent and several subsidiaries as of December 31, 2016. Subsidiaries of all entities in which the Group exercises control over its financial and operating policies. The parent acquires and exercises control by owning more than half of the total number of voting rights. Many subsidiaries have a reporting period ending on December 31, 2016.

All intragroup transactions and balances are eliminated, including unrealized gains and losses on transactions between a Group entity. When unrealized losses on intragroup sales of assets are eliminated, the related assets are subject to impairment from the Group's point of view. The amounts presented in the financial statements of subsidiaries are adjusted, where necessary, to ensure compliance with the accounting policies applied by the Group.

Profit or loss and other comprehensive income of subsidiaries that are acquired or sold during the year that they recognize from the acquisition date or, respectively, the date of disposal.

Investments in Subsidiaries

Subsidiaries included in the consolidation are as follows:

| Name fo the Subsidiary | Country of incorporation and operation | Main activities | 2016 Ownership % | 2015 Ownership % |
|------------------------|--|-----------------|------------------|------------------|
|------------------------|--|-----------------|------------------|------------------|

| | | | | |
|-----------------------------|----------|--|------|------|
| Marina Cape Management EOOD | Bulgaria | Renting and exploitation of properties | 100% | 100% |
| Marina Cape Tours EOOD | Bulgaria | Tourist Agency | 100% | 100% |

Below is the summarized financial information for the Company before intergroup eliminations:

| | 2016 | 2015 |
|---|---------------|---------------|
| | '000 | '000 |
| | BGN. | BGN. |
| Non-Current Assests | 49 317 | 50 327 |
| Current Assets | 15 314 | 14 225 |
| Total Assets | <u>64 631</u> | <u>64 552</u> |
| Non-Current Liabilities | 6 944 | 8 410 |
| Current Liabilities | 54 697 | 52 916 |
| Total Liabilities | <u>61 641</u> | <u>61 326</u> |
| Share Capital, pertaining to the owners of the parent Company | <u>2 990</u> | <u>3 226</u> |
| Revenue | <u>4 758</u> | <u>5 455</u> |
| Profit/(Loss) for the year | <u>(127)</u> | <u>210</u> |
| Other comprehensive Profit/(Loss) for the year | <u>(109)</u> | <u>(43)</u> |
| Total Comprehensive Profit/(Loss) for the year | <u>(236)</u> | <u>167</u> |
| Net Cash Flow from Operating Activities | 283 | 374 |
| Net Cash Flow from Investing Activities | (3) | (3) |
| Net Cash Flow from Financing Activities | (15) | (305) |
| Net Cash Flow | <u>147</u> | <u>81</u> |

5.4 Transactions in foreign currency

Transactions in foreign currency are reported in the functional currency of the respective company by the Group at the official exchange rate at the date of the transaction (the announced rate of the Bulgarian National Bank). Foreign exchange gains and losses arising from the settlement of these transactions and the revaluation of foreign currency monetary items at the end of the reporting period are recognized in profit or loss.

Non-monetary items measured at historical cost in a foreign currency are reported at the exchange rate at the date of the transaction (they are not revalued). Non-monetary items measured at fair value in foreign currency are reported at the exchange rate at the date when the fair value is determined.

In the Consolidated Financial Statements of the Group, all assets, liabilities and transactions of individual Group companies in a functional currency other than the Bulgarian lev (the presentation currency of the Group) are translated into Bulgarian lev on consolidation. The functional currency of the individual companies of the Group was not changed during the reporting period.

Upon consolidation, all assets and liabilities are restated in BGN at the closing rate at the date of the consolidated financial statements. Income and Expense was revalued in the Group's presentation currency using the average rate for the reporting period. Foreign exchange differences result in an increase or decrease in other comprehensive income and are recognized in the revaluation reserve in equity. When disposing of a net investment in a foreign operation, accrued exchange differences from restatements recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal. Goodwill and fair value

adjustments at the acquisition date are treated as assets and liabilities of the foreign entity and are translated in BGN at the closing rate.

5.5 Revenues and expenditures

Revenue includes income from the sale of investment property, goods and services. The main revenues - from investment property, goods and services are presented in an explanation.

Revenue is measured at the fair value of the consideration received or receivable, excluding value added tax, trade discounts and quantitative rebates made by the Group.

The group often engages in deals involving the sale of several types of products and services (multi-component deals). The Group applies the criteria for recognizing income presented below for each component of such a sale transaction to reflect its nature. The remuneration received from such a sale transaction is allocated to the individual components on the basis of their fair value ratio.

Revenue is recognized when the following conditions are met:

- The amount of revenue can be reliably estimated.
- It is probable that the economic benefits of the transaction will be obtained;
- The costs incurred or those that are to be incurred can be reliably estimated;
- The recognition criteria that are specific to each Group activity are met. They are determined depending on the products or services provided to the customer and the contractual terms as set out below.

5.5.1 Sale of Investment Properties

Revenue from the sale of investment property is recognized when the Group estimates the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and quantitative rebates made so far. When exchanging similar assets that have a similar price, the exchange is not considered as a revenue-generating transaction. Revenues are recognized at the time they are incurred and costs are accrued in accordance with the principle of comparability with the realized income.

Under the fair value model, all investment properties are measured at fair value as at 31 December of the reporting year and the difference between the carrying amount and the fair value is recognized as income or expense from the revaluation of investment property in the income statement. Depreciation of investment property is not accrued.

The Group derecognises its investment property upon sale or permanent decommissioning if no economic benefits are expected from their sale. Gains or losses arising from their disposal or disposal are recognized in the income statement and are determined as the difference between the net proceeds of the sale and the carrying amount of the asset.

5.5.2 Sale of Goods

Revenue is recognized when the Group has transferred to the buyer the significant benefits and risks of ownership of the goods provided. It is considered that significant risks and benefits are passed on to the buyer when the customer has accepted the goods without objection.

When the sale of goods includes incentives for loyal customers, the remuneration received is distributed among the various components of the sales contract on the basis of their fair value. Revenue from this type of sales is recognized when the customer replaces received rewards with products delivered by the Group.

5.5.3 Sale of Services

The services provided by the Group include Property Management, Intermediation and Maintenance Contracts (see explanation). Revenue from services is recognized when services are provided in accordance with the degree of completion of the contract at the date of the consolidated financial statements (for more information on the degree of completion method, see below).

5.5.4 Income from interest and dividends

Interest income is accounted for using the effective interest method. Dividend income, other than income from investments in associates, is recognized when the right to receive payment is incurred.

5.5.5 Operational Expenses

Operating expenses are recognized in profit or loss on the use of the services or on the date of their occurrence. Warranty costs are recognized and deducted from the related provisions when recognizing the related income.

5.5.6 Interest Expense and Fees

Interest expense is accounted for using the effective interest method.

Borrowing costs are mainly interest on the Group's borrowings. Borrowing costs are recognized as an expense in the period in which they arise in the consolidated income statement under "Financial expenses".

5.6 Intangible Assets

Intangible assets include Software products. They are accounted for at cost, including all taxes paid, non-recoverable taxes and direct costs incurred in preparing the asset for operation, whereby capitalized costs are amortized on a straight-line basis over the estimated useful life of the assets, as it is considered to be limited. When an intangible asset is acquired as a result of a business combination, its cost is equal to its fair value on the acquisition date.

Subsequent measurement is carried at cost less accumulated amortization and impairment losses. Impairment is recognized as an expense and is recognized in the consolidated income statement for the period.

Subsequent costs that arise in respect of other intangible assets after initial recognition are recognized in the consolidated income statement in the period in which they arise unless the asset can generate more than initially anticipated future economic benefits and these costs can reliably be valued and assigned to the asset. If these conditions are met, costs are added to the cost of the asset.

The residual value and useful life of other intangible assets are reviewed by the Group's management at each reporting date.

The selected materiality threshold for the Group's property, plant and equipment amounts to BGN 700.00.

Depreciation is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- Buildings 25 years
- Machinery 3.3 years
- Cars for 4 years
- Business inventory 6.67 years
- Facilities 10 years
- Computers 2 years
- Other 6.67 years (software)

6 Property Plant and Equipment

The Group's property, plant and equipment includes Land, Computer Equipment, Vehicles. Their carrying amount can be analyzed as follows:

| | Land | Buildings | Equipment | Vehicles | Expense s for Acquirin g | Total |
|--|--------------|--------------|--------------|--------------|-----------------------------------|---------------|
| | '000 BGN. | '000 BGN. | '000 BGN. | '000 BGN. | '000 BGN. | '000 BGN. |
| Gross Balance Amount | | | | | | |
| Balance as of 1 st January 2015 | 5 177 | 503 | 315 | 1359 | 7 073 | 14 421 |
| Revisions | | | 12 | (89) | | (77) |
| Revised Balance | | | | | | |
| Revised Balance as of 1st January 2015 | 5177 | 503 | 327 | 1264 | 7 073 | 14 344 |
| Newly Acquired Assets | | - | 3 | | | 3 |
| Out of use | | | | | | |
| Revaluation of Land | | | | | | |

Upward Revisions
Downward Revisions (43) (43)

| | | | | | | |
|--|--------------|------------|------------|--------------|--------------|---------------|
| Balance as of 31st December 2015 | 5 134 | 503 | 330 | 1 264 | 7 073 | 14 304 |
| Amortization and Depreciation | | | | | | |
| Balance as of 1 st January 2015 | | (100) | (315) | (874) | (-) | (1 289) |
| Revision of Balance | | | (5) | 93 | | 88 |
| Amortization | | (20) | (3) | (104) | (-) | (127) |
| Revised Balance as of 31 st December 2015 | | (120) | (323) | (885) | - | (1 328) |
| Balance as of 31st December 2015 | 5 134 | 383 | 7 | 379 | 7073 | 12 976 |

| | Land | Buildings | Equipment | Vehicles | Expenses for acquiring | Total |
|---|--------------|------------|------------|--------------|------------------------|---------------|
| | '000 BGN. | '000 BGN. | '000 BGN. | '000 BGN. | '000 BGN. | '000 BGN. |
| Gross Balance Amount | | | | | | |
| Balance as of 1 st January 2016 | 5 133 | 503 | 330 | 1 264 | 7 073 | 14 303 |
| Newly acquired assets out of use | | | 3 | | | |
| Revaluation | | | | | | |
| Upward Revision | | | | | | |
| Downward Revision | (108) | | | | | |
| Balance as of 31st December 2106 | 5 025 | 503 | 333 | 1 264 | 7 073 | 14 306 |
| Amortization and Depreciation | | | | | | |
| Balance as of 1 st January 2016 | | (120) | (323) | (885) | (-) | (1 328) |
| Amortization | (-) | (20) | (3) | (99) | (-) | (121) |
| Balance as of 31 st December 2016 | (-) | (140) | (326) | (984) | | (1 449) |
| Balance Amount as of 31st December 2016 | 5 025 | 363 | 7 | 280 | 7 073 | 12 748 |

All depreciation and depreciation costs are included in the consolidated income statement under "Amortization and depreciation of non-financial assets".

The Group has not pledged property, plant and equipment as collateral under its liabilities.

7 Investment Property

Built and received certification properties that are not sold or transferred to customers are reported in the "Investment Property" section of the Group as the parent company (ICPC) has a limitation to operate the self-constructed assets and the income that may be obtained through the assignment of the third party management activity.

Investment properties are initially valued at cost of construction, including any costs that are directly related to the investment property - for example construction, legal fees and other costs.

After initial recognition, investment property is accounted for using the fair value model. Pursuant to the requirements of the Special Investment Purpose Companies Act, the Board of Directors has commissioned a valuation as of 31.12.2016 of all the property of the independent appraisers Dobi 02 OOD held by the Group. The following table reflects the change in the amount of investment property in 2015 and 2016.

| | Investment Property '000 BGN. |
|---|--|
| Balance as of 1st January 2015 | 36 143 |
| Net loss from the change in the fair value | |
| Balance as of 31st December 2015 | 36 143 |
| Disposed assets | (76) |
| Net loss from the change in the fair value | (97) |
| Balance amount as of 31st December 2015 | 35 970 |
| | Investment Properties '000 BGN. |
| Balance amount as of 1st January 2016 | 35 970 |
| Balance amount as of 31st December 2016 | 35 970 |
| Disposed assets | (157) |
| Net loss from the change in the fair value | (176) |
| Balance amount as of 31st December 2016 | 35 637 |

8 Intangible Assets

The intangible assets of the Group are fixed assets that include acquired software licenses. Their carrying amount for the current reporting period can be presented as follows:

| Intangible Assets | Software Products '000 BGN. | Общо '000 BGN. |
|--|--|---------------------------|
| Reporting Value | 66 | 66 |
| Balance as of 1 st January 2015 | | |
| Balance as of 31 st December 2015 | 66 | 66 |
| Amortization and Depreciation | | |
| Balance as of 31 st January 2015 | (56) | (56) |
| Writeoffs | | |
| Amortization | (4) | (4) |
| Balance as of 31 st December 2015 | (60) | (60) |
| Balance Amount as of 2015 | 6 | 6 |

| Intangible Assets | Програмни продукти '000 лв. | Общо '000 лв. |
|--|--|--------------------------|
| Reporting Value | 66 | 66 |
| Balance as of 1 st January 2016 | 66 | 66 |
| Amortization and Depreciation | | |
| Balance as of 31 st January 2016 | (60) | (60) |
| Writeoffs | | |
| Amortization | (3) | (3) |
| Balance as of 31 st December 2016 | (63) | (63) |
| Balance Amount as of 2016 | 3 | 3 |

9 Inventory

9.1 Inventory

Inventories recognized in the consolidated statement of financial position can be analyzed as follows:

| | 31.12.2016 ‘000 BGN. | 31.12.2015 ‘000 BGN. |
|------------------|-------------------------|-------------------------|
| Materials | 724 | 718 |
| Goods | 1336 | 314 |
| Inventory | 1 060 | 1 032 |

| | 31.12.2016 ‘000 BGN. | 31.12.2015 ‘000 BGN. |
|----------------------------|-------------------------|-------------------------|
| Fuel-lubricants | 9 | 8 |
| Base Materials | 685 | 676 |
| Snack Bar Materials | 14 | 17 |
| Pizza Restaurant Materials | 16 | 16 |
| Pub Materials | - | - |
| Total: | 724 | 717 |

The core materials form the content of the product or play a major role in the exploitation activity. These are low-use materials that are put directly into the value of the tourist service. These are bed linen, electric appliances, folding temporary beds, curtains for serviced apartments, spare parts, metal waste containers, hygienic materials and more.

Inventories are not provided as collateral for liabilities.

| | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|----------------------------|------------------------|------------------------|
| Goods on store - equipment | 226 | 227 |
| General store - goods | 104 | 78 |
| Fruit and vegetable store | - | - |
| Supermarket | 16 | 16 |
| Bowling bar | 6 | 9 |
| Total goods: | 336 | 314 |

The company maintains a high level of goods on stock. This is mainly purchased equipment - furniture, electric appliances, sanitary faience. The same goods are sold through the direct sale of the company's customers. Goods in the Supermarket and Bowling Bar are mostly food and are being sold without any processing being done preceding the sale.

When the goods are disposed of, the weighted average method is used - it calculates the weighted average price of the goods and the individual reporting groups.

9.2 Work in progress

Information about the work in progress by projects is presented in the following table:

| Work in progress | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|-----------------------|------------------------|------------------------|
| “Marina Cape” project | 1 056 | 1 056 |
| Total: | 1 056 | 1 056 |

As of 31.12.2016 the Company accounts BGN 1 056 thousand as “work-in-progress”. The Company accounts as “work-in-progress” only the project Marina Cape. Due to the completion of the construction works in Zone 4 in the vacation complex “Marina Cape” and the conclusion of the completion works on all the rest

properties in the project, as of 31.12.2016 there are no properties in “Marina Cape” that are reported in the item “work-in-progress”. The reported value of BGN 1 056 thousands represents expenses for property sales – brokerage commissions and advertising expenses for the real estate properties in the “Marina Cape” project amounting to BGN 795 thousand, which shall be recognized as expenditures in the moment of the income recognition (the final transfer of the ownership on the properties or the establishment of the right to use over them), and BGN 261 thousand, which are reported as work in progress, representing equipment bought for the restaurants on site.

10 Trade and other receivables

10.1 Current receivables

| | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|--|------------------------|------------------------|
| Local and foreign individuals | 188 | - |
| BG Invest Properties | 19 | 567 |
| Grand Borovec 2013 Ltd. | 3703 | 4096 |
| Advances provided | 234 | 230 |
| Others | 917 | 489 |
| Trade receivables | 5 061 | 5 382 |
| Personnel receivables | 50 | 56 |
| Reverse lease | 451 | 450 |
| Others | 1200 | 1166 |
| Other receivables | 1701 | 1672 |
| Current trade and other receivables | 6762 | 7054 |

The customers’ receivables represent non-paid amounts on contracts for transfer of real estate properties in the vacation complex “Marina Cape” which are due to the Group as well as owed fees for the maintenance of these properties. The book value of the trade receivables is assumed for reasonable approximate estimate of their fair value.

The Group has client receivables which are current in nature and are with term to maturity within 180 to 360 days.

All trade receivables of the Company are revised for impairment indications.

The Company does not have expectations that the due customers payments will not be paid pursuant to the advanced concluded contracts.

All trade receivables are exposed to credit risk.

10.2 Non-current other receivables

| Non-Current: | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|--|------------------------|------------------------|
| Deferred expenses under a contract for leaseback | 893 | 1 339 |
| Total: | 893 | 1 339 |

11 Cash and cash equivalents

The cash and cash equivalents include the following elements:

| | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|----------------------------------|------------------------|------------------------|
| Cash and cash in banks: | | |
| - Cash | 365 | 30 |
| - Cash in demand deposits | - | 59 |
| - Blocked cash | 47 | 58 |
| Cash and cash equivalents | 412 | 147 |

The amount of cash and cash equivalents that was blocked for the Group as at 31 December 2016 amounted to BGN 47 thousand (BGN 58 thousand in 2015). All restrictions on bank deposits removed at the date of approval of the consolidated financial statements 19 April 2017, do not exist.

12 Tax receivables

| | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|---|------------------------|------------------------|
| Advance payments Law on Corporate Income Taxation | 17 | 17 |
| VAT refund | 74 | 48 |
| Total: | 91 | 65 |

13 Shareholders' equity

13.1 Share capital

The Group's registered capital consists of 6 011 476 ordinary shares with a nominal value of 1 BGN per share. All the shares are with a right of dividend and a liquidation quota and each of them gives a right of one vote in the General meeting of the Shareholders of the Company.

| | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|---|------------------------|------------------------|
| Issued and fully paid shares: | | |
| - at the beginning of the year | 6 011 476 | 6 011 476 |
| Total shares, authorized as of December 31st 2016 | 6 011 476 | 6 011 476 |

13.2 Revaluation reserve

According to the theory of business valuation, in the most general the indications for a fair value of a given property could be calculated using three approaches: market approach, income approach and expenditure approach.

By using the expenditure and market approach the objects are treated as they are in the moment of the valuation. When using the income approach the specified value of the valued object recognizes the prospect of its development - its profitability.

In accordance with the objective of the valuations as the most approximate approach of calculating the market value is adopted the market approach.

In that case the price of the property is formed on the base of research of realized deals on the market with comparable real estate. The market approach looks for the supposed market price of properties that are similar in quality to the valued one.

When calculating the market value of the property information is used about three properties similar to the valued one. These properties have to be in the same location and also it is needed there to be realized deals with them in the last six months during the previous year. The sale prices of the three properties are adjusted with an area coefficient that removes the differences between them.

In comprising the evaluation the following was used:

- Information obtained by the inspection of the object;
- Information and documents about the legal status of the object;
- Newsletters, price lists and reference books of official editions of Ministry of the Regional Development and Public Works, Bulgarian Construction Chamber and etc;
- Information from appraiser's personal experience.

With resolution of the Board of Directors the evaluation of the assets of the parent company is assigned to the independent appraiser – Dobi-02 OOD.

| | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|--|------------------------|------------------------|
| Premium reserves from shares' issuance | 7 651 | 7 651 |

| | | |
|--------------------------------|---------------|---------------|
| Other reserves | 1 | 1 |
| Revaluation reserves of assets | 5 115 | 5 224 |
| Total reserves | 12 767 | 12 876 |

14 Loans

The loans include the following financial liabilities:

| | Current | | Long-term | |
|--------------------|------------------|------------------|------------------|------------------|
| | 2016 '000 BGN | 2015 '000 BGN | 2016 '000 BGN | 2015 '000 BGN |
| Bank loans | 23 446 | 22 400 | - | 8 |
| Bond loans | 978 | 489 | 3912 | 4890 |
| Finance leases | 275 | 235 | 1530 | 1775 |
| Total loans | 24 699 | 23 124 | 5837 | 6673 |

14.1. Finance leases as a lessee

The group has acquired under finance leases land and buildings under construction. The net book value of assets acquired under finance leases amounts to BGN 9 953 thousand. The assets are included in the groups "Land" and "Assets under construction" from "Property, Plant and Equipment".

The group has signed two contracts for financial leasing with "Bulgaria Leasing" EAD dated 17 December 2013 and with "VEI Project" AD dated 30 December 2010. Finance lease liabilities are secured by the respective assets acquired under finance leases.

On 17 December 2013 the parent company has concluded a contract with Bulgaria Leasing EAD for financial leasing of real estate subject to which is the investment project "Grand Borovets", property of Intercapital Property Development ADSIC. Initially lease price had to be paid within two years of passing possession of the leased premises, from which six months was a grace period, by 24 lease payments due on the 20th day of the month, for which the contribution is payable at a fixed annual interest rate of 9%. By mutual agreement between the parties from 2014 the deadline for repayment of lease payments was extended to 20.12.2019, as a result of which the leasing price was changed to EUR 3 183 968.45 without VAT. By the end of 2016 a new agreement was signed between the parties, according to which the repayment term of the lease payments was extended to 20.12.2021 and the lease price was changed to EUR 3 411 746 without VAT. Under this contract of December 17, 2013 Intercapital Property Development ADSIC has transferred by notary ownership of land with ID 65231.918.189 located in Samokov, Sofia region, and built in the property building representing hotel apartment complex service sites with ID 65231.918.189.2, to the lessor "Bulgarian Leasing" EAD. As a result, and under the conditions of a leaseback agreement Intercapital Property Development ADSIC has received by the lessor possession of the properties subject to finance lease contracts.

14.2. Bank loans

The next table presents the loans received from financial institutions divided by liabilities as of 31.12.2016 according to the obligation's maturity.

| Name of the credit institution | Short-term obligation in EUR | Long-term obligation in EUR | Maturity |
|--------------------------------|------------------------------|-----------------------------|------------|
| PIRAEUS BANK AD | 3 131 180,38 | - | 30.10.2015 |
| PIRAEUS BANK AD | 2 562 680,06 | - | 30.01.2014 |
| PIRAEUS BANK AD | 2 535 185,23 | - | 30.01.2014 |
| Texim Bank AD | 67 500,00 | - | 20.12.2018 |

The main details of the Company's credits as of 31.12.2016 are presented in the following table:

| Name of the credit | Interest rate | Long-term obligation | Maturity |
|--------------------|---------------|----------------------|----------|
|--------------------|---------------|----------------------|----------|

| institution | | in EUR | |
|--------------------|----------------------------|---------------|------|
| PIRAEUS BANK AD | 3M Euribor + 7% | 30.01.2014 | Euro |
| PIRAEUS BANK AD | 3M Euribor + 7% | 30.01.2014 | Euro |
| PIRAEUS BANK AD | 3M Euribor + 7% | 30.10.2015 | Euro |
| Texim Bank AD | BIR in EUR +1.25% annually | 20.12.2018 | Euro |

14.3. Bonds

The Company issued bond loan in 2007 which was secured only by insurance against financial risk issued by Euroins AD. In the memorandum for the placement of the issue it is stated that the funds were to be used mainly for purchase of land property in Sofia. The bond loan was issued on August 14, 2007. The initial term was 3 years. The amount of the issue was 5 million EUR (9 779 thousand BGN). The principal was to be paid at the end of the period, and the interests to be paid semi-annually. The coupon was 9%. The initial maturity date of the issue was August 14, 2010.

On August 6, 2010 a General Meeting of the company's bondholders was held that took the following decisions:

They agreed to restructure the corporate bond issue with ISIN code BG2100019079, by renegotiating the terms of the issue as follows:

1. Extension of the issue by 36 months (from 14.08.2010 to 14.08.2013);
2. Interest on the bond is amended to 9.5% and it is payable every three months;
3. Scheme to repay the bond loan is amended as follows:
 - 1.1. Repayment of the principal:

| 2010 | | 2011 | | 2012 | | 2013 | |
|-------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|
| Date | Amount (EUR) | Date | Amount (EUR) | Date | Amount (EUR) | Date | Amount (EUR) |
| 14.08. | 500 000 | 14.02. | 125 000 | 14.02. | 125 000 | 14.02. | 125 000 |
| - | - | 14.05. | 125 000 | 14.05. | 125 000 | 14.05. | 125 000 |
| - | - | 14.08. | 125 000 | 14.08. | 125 000 | 14.08. | 3 250 000 |
| - | - | 14.11. | 125 000 | 14.11. | 125 000 | - | - |

- 1.2. Maturity dates of interest payments in the extended period:

| Date of interest payment | Days in interest period | Days | Interest rate | Amount of due interest (EUR) |
|--------------------------|-------------------------|------|---------------|------------------------------|
| 14.11.2010 | 92 | 365 | 9.5% | 107 753 |
| 14.02.2011 | 92 | 365 | 9.5% | 107 753 |
| 14.05.2011 | 89 | 365 | 9.5% | 101 344 |
| 14.08.2011 | 92 | 365 | 9.5% | 101 767 |
| 14.11.2011 | 92 | 365 | 9.5% | 98 774 |
| 14.02.2012 | 92 | 366 | 9.5% | 95 519 |
| 14.05.2012 | 90 | 366 | 9.5% | 90 523 |
| 14.08.2012 | 92 | 366 | 9.5% | 89 549 |
| 14.11.2012 | 92 | 366 | 9.5% | 86 564 |
| 14.02.2013 | 92 | 365 | 9.5% | 83 808 |

| | | | | |
|------------|----|-----|------|--------|
| 14.05.2013 | 89 | 365 | 9.5% | 78 180 |
| 14.08.2013 | 92 | 365 | 9.5% | 77 822 |

2. ICPD shall establish the following collateral for the bond issue:

2.1. Collateral under Art. 100z, par. 1 of the Law on the Public Offering of Securities: from Euroins Insurance AD, covering the risk of default by the issuer for the interest or the principal payments for the new term of the issue;

2.2. Additional collateral: Establishing a second mortgage on 7 835,99 m² of commercial properties in the vacation complex "Marina Cape", Aheloy (described in an annex to the written materials) in favor of the trustee of the bondholders "Investbank" AD within no later than one month after the date of the General meeting of the bondholders.

Prepayment:

The Company has the right to repay early all or part of the outstanding principal on the bonds. Repayment may be made only on interest payment date and after providing one month's notice to the bondholders. The minimum amount that the company could repay early and partially is 250 000 EUR or 5% of the initial amount of issue.

In fulfillment of its obligations regarding the renegotiation of the bond for collateral of the bondholders' receivables in favor of the trustee bank on the bond issue - "Investbank" AD is established second mortgage on 24 (twenty four) independent retail stores with total area of 7 835,99 m² owned by the Company located in the complex "Marina Cape" Aheloy, Pomorie Municipality Bourgas Province. The mortgage contract was concluded under the Deed of incorporation of contractual mortgage on 01.09.2010, № 158, Vol. IV, reg.№ 3289, case № 732/2010 of a notary Gergana Nedina.

In addition, with regard to the signing of insurance policy with Euroins AD, covering the risk of default by the Company for interest or principal payments for the new date of the issue, and to ensure the receivable of Euroins AD from Intercapital Property Development ADSIC in the amount of 84 000 EUR, representing part of the premium due under the insurance policy of 104 000 EUR, in favor of Euroins AD was established a mortgage on 2 separate objects, with total area of 108.65 m² owned by the Company located in the complex "Marina Cape" Aheloy, Pomorie Municipality Bourgas Province. The mortgage contract was concluded under the Deed of incorporation of contractual mortgage on 09.08.2010, № 81, Vol. IV, registration № 2884, case № 656/2010 of a notary Gergana Nedina.

At the General Meeting held on 6th February 2013 of the bondholders of Intercapital Property Development ADSIC was adopted proposal to restructure the Company's bond loan.

The proposed agenda was as follows:

Item one:

- Giving consent for rescheduling and restructuring of the obligations on emission ISIN code BG2100019079, through renegotiation of some of the conditions as follows:

1. Extension of the term of the issue by 60 months (as from 14 August 2013 until 14 August 2018);
2. The principal repayment schedule is amended as follows:

2.1. Principal (amortisation) payments in euro:

| 2013 г. | | 2014 г. | | 2015 г. | | 2016 г. | | 2017 г. | | 2018 г. | |
|---------|---------------|---------|---------------|---------|---------------|---------|---------------|---------|---------------|---------|---------------|
| date | amount (euro) | date | amount (euro) | date | amount (euro) | date | amount (euro) | date | amount (euro) | date | amount (euro) |
| 14.02. | 62 500 | 14.02. | 62 500 | 14.02. | 125 000 | 14.02. | 187 500 | 14.02. | 250 000 | 14.02. | 250 000 |
| 14.05. | 62 500 | 14.05. | 62 500 | 14.05. | 125 000 | 14.05. | 187 500 | 14.05. | 250 000 | 14.05. | 250 000 |
| 14.08. | 62 500 | 14.08. | 62 500 | 14.08. | 125 000 | 14.08. | 187 500 | 14.08. | 250 000 | 14.08. | 250 000 |

14.11. 62 500 14.11. 62 500 14.11. 125 000 14.11. 187 500 14.11. 250 000 - -

2.2. Interest (coupon) payments within the extended term:

- The interest rate following 14 Feb 2013 until the maturity date shall be decreased to 7.25% per annum, payable at 3-month period on the dates as per the Table enclosed in the invitation;

- The interest payments due following 14 February 2013 until the maturity date shall be calculated by gradual decrease of the interest rate by 0.25%. The exact amount of the interest payments as well as the terms for applying the new gradual decrease of the interest rate are specified in the invitation and in the table enclosed;

2.3. The Issuer shall be still entitled to make a total or partial early repayment of the outstanding principal of the debenture loan. That repayment might be effected only on a date of an interest payment. The minimum amount that might be early repaid must equal at least one amortisation payment due for the respective period;

3. All due principal and interest payments under the bond issue shall be effected in Bulgarian levs as per the official rate of exchange of the BNB as of the date of performance of the GMB /EUR 1 = BGN 1.95583/. In case that BNB's central exchange rate is changed, all payments shall be effected in Euro;

4. The Issuer shall be obligated to open a special current account at UniCredit Bulbank AD to service the payments under the debenture loan;

5. Security of the issue: Except for the insurance provided by Insurance Company Euro Ins and the second-tier mortgage, the Issuer shall be obligated to provide new additional collaterals such as: to sign a supplement to the insurance policy provided by Euro Ins and to create a first-tier mortgage on an own real property as described in the invitation

6. Other terms and ratios:

6.1. Ratio between Equity and Secured Debt: The Company undertakes to maintain a ratio between equity and secured debt, calculated by dividing the balance sheet equity capital of the Company to the sum of all collateralized obligations, not lower than 0.10 (zero point ten) until the full payment of the bonds of this issue.

6.2. Maximum ratio of Liabilities to Assets according to their book value: The Company undertakes to maintain a maximum ratio of the book value of its Liabilities to the book value of its Assets at an amount of not more than 0.95 (zero point ninety five) until the full payment of the bonds of this issue.

Item two:

Adoption of a decision, the GMB to assign and respectively authorise Intercapital Property Development ADSIC to undertake all necessary decisions and actions in pursuance with the voted amendments to the terms and conditions of the bond issue having ISIN code BG2100019079.

In addition, technical corrections in the draft on insurance policies of "Euro Ins" AD were made (which was part of the written materials for the meeting) to better protect the rights of the bondholders of the Company.

At a meeting of the Board of Directors of BSE-Sofia AD under Minutes № 8/11.02.2013, it was decided to change the parameters of the issue of debentures of the Company admitted it to Segment of the BSE-Sofia. The changes were reflected on BSE with effect from 13.02.2013.

According to the decision of the General Assembly on 06.02.2013, on 06.03.2013 in front of Zhiva Barantieva - assistant - notary who replaces Gergana Nedina, notary area of operation - the area of the District Court - Pomorie entered in the register of Notary Chamber under № 607 was signed deed of establishment of a mortgage in favor of Investbank AD, in his capacity as representative of the holders of the above bond, the following property owned by ICPD plot of land with ID 00833.5.409, address: Aheloy, Treatment area with an area 40,002 square meters

With the establishment of a mortgage ICPD fulfill its obligation to provide collateral on outstanding, as of the date of the meeting, bond loan of € 3,500,000 (three million five hundred thousand euro), together with interest due.

On 11/02/2015, there was a General Meeting of Bondholders of corporate bonds with ISIN code BG2100019079, issued by the ICPD. Pursuant to Art. 214 para. 1 of the CA General Meeting of Bondholders was convened by the representative of the bondholders "InvestBank" AD. At the meeting the following decisions on relevant agenda items were adopted.

On the first point was given for rescheduling and restructuring of the obligations on the issue of corporate bonds with ISIN code BG2100019079, by renegotiating the terms of the issue as follows:

1. Extension of the issue 24 months (from 14.08.2018 years - until 14.08.2020 years);
2. Scheme for repayment of the bond loan and interest shall be amended as follows:

2.1. The principal shall be paid to the following contributions:

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Date/amount (euro) | Date/amount (euro) | Date/amount (euro) | Date/amount (euro) | Date/amount (euro) | Date/amount (euro) |
| 14.02./ 62 500 | 14.02./ 62 500 | 14.02./ 125 000 | 14.02. /125 000 | 14.02./ 187 500 | 14.02./ 250 000 |
| 14.05./ 62 500 | 14.05./ 62 500 | 14.05./ 125 000 | 14.05./ 125 000 | 14.05./ 187 500 | 14.05./ 250 000 |
| 14.08./ 62 500 | 14.08./ 62 500 | 14.08./ 125 000 | 14.08./ 125 000 | 14.08./ 187 500 | 14.08./ 250 000 |
| 14.11./ 62 500 | 14.11./ 62 500 | 14.11./ 125 000 | 14.11./ 125 000 | 14.11./ 187 500 | |

2.2 . Interest payments are due under the following conditions:

- a) The agreed interest rate on the bond loan will be reduced to 6% on an annual basis from 14.02.2015.
- b) The possibility of applying a step for the reduction of the interest rate on the bond loan in the amount of 0.25% (zero point twenty five percent) is retained only on condition that there is prompt payment of interest and principal payments, until the interest rate reaches 5% annually. The principles and interest payments are considered to be paid on time in the event that the total amount payable for the preceding quarter, was ordered to the bank account of the "Central Depository" AD servicing debenture loan payments no later than two working days before the corresponding maturity.

c) Interest on the debenture loan is payable quarterly on the dates indicated in the table below:

| Date of interest payment | Days in interest period | Days | Interest rate | Amount of due interest (EUR) |
|--------------------------|-------------------------|------|---------------|------------------------------|
| 14.02.2015 | 92 | 365 | 7,00% | 52 932 |
| 14.05.2015 | 89 | 365 | 6,00% | 42 976 |
| 14.08.2015 | 92 | 365 | 5,75% | 41 668 |
| 14.11.2015 | 92 | 365 | 5,50% | 38 990 |
| 14.02.2016 | 92 | 366 | 5,25% | 36 291 |
| 14.05.2016 | 90 | 366 | 5,00% | 33 043 |
| 14.08.2016 | 92 | 366 | 5,00% | 32 992 |
| 14.11.2016 | 92 | 366 | 5,00% | 32 206 |
| 14.02.2017 | 92 | 365 | 5,00% | 31 507 |
| 14.05.2017 | 89 | 365 | 5,00% | 28 955 |
| 14.08.2017 | 92 | 365 | 5,00% | 28 356 |
| 14.11.2017 | 92 | 365 | 5,00% | 26 781 |
| 14.02.2018 | 92 | 365 | 5,00% | 25 205 |
| 14.05.2018 | 89 | 365 | 5,00% | 22 860 |
| 14.08.2018 | 92 | 365 | 5,00% | 22 055 |
| 14.11.2018 | 92 | 365 | 5,00% | 20 479 |

| | | | | |
|------------|----|-----|-------|--------|
| 14.02.2019 | 92 | 365 | 5,00% | 18 904 |
| 14.05.2019 | 89 | 365 | 5,00% | 16 002 |
| 14.08.2019 | 92 | 365 | 5,00% | 14 178 |
| 14.11.2019 | 92 | 365 | 5,00% | 11 815 |
| 14.02.2020 | 92 | 366 | 5,00% | 9 426 |
| 14.05.2020 | 90 | 366 | 5,00% | 6 148 |
| 14.08.2020 | 92 | 366 | 5,00% | 3 142 |

3. If, within three (3) days before the expiration of 30 days from the maturity of any outstanding principle and/or interest payment the issuer fails to submit to the bondholders' trustee the document that the payment is made in a bank account "Central Depository" AD, servicing debenture loan payments, it is considered to be the event of default on the bond issue as "Investbank" AD may exercise their rights of bondholders' trustee, under contract with the Issuer and the relevant laws.

4. The bondholders agree that any payment under the terms of the issue within the period prescribed under p. 3 will be considered for payment under the issue and will not give rise to any adverse effect on the Issuer. Payment to meet the conditions of the previous sentence can be done both by the Issuer and by any third party.

5. All other conditions issued by "Intercapital Property Development " REIT bond issue , except as expressly stated above shall remain in force and retain their effect as originally agreed, respectively renegotiated by the General Meeting of Bondholders.

On the second point changing the conditions of security provided by the issuer pursuant to Art. 100z, par. 1 of the Law on the Public Offering of Securities and representing insurance from "Euroins" AD was adopted covering the risk of default by the Issuer of interest or principal on corporate bonds with ISIN code BG2100019079.

15 Trade payables

The trade payables, reported in the consolidated report for the financial condition, include:

| Current: | 31.12.2016 | 31.12.2015 |
|--|-------------------|-------------------|
| | '000 BGN | '000 BGN |
| Telelink AD | 344 | 344 |
| Midia AD | 1 830 | 1 830 |
| VIK Burgas | 121 | 110 |
| Optima Audit | 49 | 72 |
| Aheloy 2012 | 633 | 58 |
| IP Intercapital Markets AD | 384 | 297 |
| Amounts received in advance from customers | 7981 | 8337 |
| Others | 1982 | 2077 |
| Total : | 13 324 | 13 125 |

The net book value of the trade payables is assumed for approximate valuation of their fair value.

16 Tax payables

The tax payables include:

| | 31.12.2016 | 31.12.2015 |
|-----------------|-------------------|-------------------|
| | '000 BGN | '000 BGN |
| Value added tax | 238 | 153 |
| Other | 124 | 92 |

| | | |
|--------------|------------|------------|
| Total | 362 | 245 |
|--------------|------------|------------|

The tax payables in the amount of BGN 362 thousand as of 31.12.2016 represent mainly value added tax in the amount of BGN 362 thousand for 2014 and 2015, which shall be paid in 2016, which are going to be paid in 2017.

17 Other payables

The other obligations can be summarized as follows:

| | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|------------------------------|------------------------|------------------------|
| Long-term: | | |
| Other long-term liabilities | 1 502 | 1 737 |
| | 1 502 | 1 737 |
| Short-term: | | |
| Other short-term liabilities | 10 157 | 11 374 |
| Total | 10 157 | 11 374 |

The other long-term liabilities of the Group are formed as follows:
Liabilities under a finance leaseback with "Bulgaria Leasing" AD and other liabilities.

The other short-term liabilities of the Group are formed as follows:
Ceded liabilities under a loan contract to "Grand Borovets 2013" EOOD. Ceded liabilities under a loan contract to "BG Properties Invest Properties" EAD. Matured interest under contract with "VEI Project" AD. A contractual obligation to "IKM IMO" EAD. Obligations for penalty to "Technos" OOD. Liabilities to "Titan Bulgaria" OOD under a contract for replacement in debt.
Pursuant to a contract concluded between the subsidiary company "Marina Cape Management" EOOD and "Intercapital" EOOD, part of the receivables due to signed agreements for maintenance of the common parts of the vacation complex "Marina Cape" are ceded and the contract provides for the possibility, in case of payment on behalf of clients to bank accounts of "Marina Cape Management" EOOD, the accrued amounts to be refunded or the receivables to be exchanged by the cessionary – Intercapital EOOD.

18 Sales revenues

The sales revenues of the Group can be analyzed as follows:

| | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|---|------------------------|------------------------|
| Revenues from sale of investment property | - | - |
| Revenues from sale of finished goods | 259 | 255 |
| Revenues from sale of goods | 236 | 273 |
| Revenues from sale of services | 1134 | 912 |
| Other | 65 | 762 |
| Total | 1 694 | 2 202 |

19 Other revenues

| | 31.12.2016 ‘000 BGN | 31.12.2015 ‘000 BGN |
|-------------------------|------------------------|------------------------|
| Written off liabilities | 2455 | 985 |
| Other revenues | - | 25 |
| Total | 2 455 | 1 010 |

20 Expenses for materials

The expenses for materials include:

| | |
|------------|------------|
| 31.12.2016 | 31.12.2015 |
|------------|------------|

| | '000 BGN | '000 BGN |
|-----------------------------------|-----------------|-----------------|
| Expenses for materials | (169) | (124) |
| Expenses for heat and electricity | (128) | (223) |
| Other expenses | (33) | (-) |
| Total | (330) | (347) |

21 Expenses for external services

The expenses for external services include:

| | 31.12.2016 | 31.12.2015 |
|---|-------------------|-------------------|
| | '000 BGN | '000 BGN |
| Expenses for maintenance and management | (54) | (92) |
| Accounting services and consulting services | (47) | (152) |
| Other | (593) | (432) |
| Total | (694) | (676) |

The expenses for consulting services are due to a contract for consulting activity with IP Intercapital Markets AD. The company is chosen by the Constitutive Assembly of the shareholders of ICPD ADSIC and is obliged to present investment advices, to prepare motivated proposals for changes in the investment objectives and directions in the investment activity as well as to advise ICPD in the preparation of prospectuses for public offering of securities and to cooperate in the organization and the realization of public issues of securities and etc. In item "other" the expenses for brokerage commissions, rent, advertisement, etc. are included.

22 Expenses for staff

Expenses for staff remuneration include:

| | 31.12.2016 | 31.12.2015 |
|------------------------------|-------------------|-------------------|
| | '000 BGN | '000 BGN |
| Expenses for salaries | (197) | (256) |
| Expenses for social security | (34) | (41) |
| Total | (231) | (297) |

23 Other expenses

| | 31.12.2016 | 31.12.2015 |
|---|-------------------|-------------------|
| | '000 AB. | '000 AB. |
| Book value of sold assets | (154) | (232) |
| Amendment in inventories of production and work in progress | (121) | (120) |
| Recognition of loss from reverse finance leases | (446) | (446) |
| Others | (105) | (37) |
| | (826) | (835) |

24 Financial net expenses and receivables

The financial expenses for the presented reporting periods can be analyzed as follows:

| | 31.12.2016 | 31.12.2015 |
|-------------------------------|-------------------|-------------------|
| | '000 BGN | '000 BGN |
| Interest expenses | (1 866) | (1 995) |
| Other financial expenses | (9) | (11) |
| Financial expenses | (1 875) | (2 006) |
| Others | - | 1 389 |
| Financial receivables | - | 1 389 |
| Net financial expenses | (1 875) | (617) |

25 Expenses for income tax

The parent Company's financial result is not subject to corporation tax art. 175 of the Corporate Income Tax Act.

For 2016 the subsidiary of Marina Cape Management EOOD has been charged with corporate tax amounting to BGN 6 thousand. For comparison in 2015, the accrued corporate tax is at the amount of BGN 2 thousand.

26 Profit/ (Loss) per shares and dividends

a. Profit/(Loss) per share

The basic profit/(loss) per share and the profit/ (loss) with reduced value are calculated as the net profit/ (loss) subject to distribution among the shareholders of the parent company is used for a numerator.

The weighted average number of shares used for the calculation of the basic profit/ (loss) per share, as well as the net profit/ (loss) that is subject to distribution between the holders of ordinary shares, is presented as follows:

| | 31.12.2016 | 31.12.2015 |
|---|-------------------|-------------------|
| | '000 BGN | '000 BGN |
| Profit/ (loss), subject to distribution (BGN) | (127) | 210 |
| Weighted average number of shares | 6 011 | 6 011 |
| Basic profit/ (loss) per share (in BGN per share) | (0.02) | (0.03) |

b. Dividends

In 2014, the Group did not pay dividends to its owners, as the Group recorded a loss in the reported year of 2013. In 2015, the Group did not pay dividends because the Group reported a loss again in the reporting year 2014. In 2016 the Group has not paid dividends because losses do not cover the company's profit in 2015.

27 Transactions with related parties

The related parties of the Company include the shareholders, key management personnel and other related parties pointed below:

a. Transactions with key management personnel

The key management personnel of the Group include the members of the Board of Directors / management board and supervisory board. The remunerations of the key management personnel include the following expenses:

| | 31.12.2016 | 31.12.2015 |
|---|-------------------|-------------------|
| | '000 BGN | '000 BGN |
| Remunerations: | 41 | 41 |
| Salaries of the management personnel in the Group | 62 | 97 |
| Total remunerations | 103 | 138 |

28 Risks, related to the financial instruments

Objectives and goals of the Board of Directors regarding the risk management

The Group is exposed to different kind of risks with regard to its financial instruments. The most important financial risks to which the Group is exposed are the market risk, the credit risk and the liquidity risk.

The risk management of the Group is carried out by the Board of Directors of the parent company, assisted by IP Intercapital Markets AD, with which the Company has a contract for risk management and evaluation in collaboration with the Board of Directors / management board. A priority of the Company's management is to ensure the short-terms and the medium-term cash flows by reducing the credit exposure. The long-term financial investments are managed so as to bring long-term yield.

The parent company does not have the right to trade on financial markets.

28.1 Analysis of the market risk

Currency risk

The expenses of the Group are denominated in BGN or in EUR. The expenses denominated in BGN are related to the construction and the operation of the real estate properties. The cost of the real estate properties most often is negotiated in EUR. On the other hand all earnings of the Group are negotiated in EUR, but all the payments in cash are in BGN. In the terms of currency board and fixed exchange rate of the BGN to the EUR, there is practically no currency risk for the Company.

In conducting of transactions in foreign currency there are currency gains and expenses which are included in the Income Statement. The Company has been only exposed to a currency risk in conducting transactions with currencies other than BGN and EUR in the presented reporting periods.

The policy on currency risk management applied by the Group is not to have substantial operations and not to maintain open positions in foreign currencies other than Euro.

The financial assets and the liabilities denominated in foreign currency are converted into BGN as of the end of the reporting period.

Interest risk

The Group may be exposed to interest rate risk if there is a mismatch between the type (fixed or floating income, respectively interest) of assets and liabilities. The main assets of the Group are property (land or those under construction). It could be assumed that these assets are fixed-price or income because their price is not affected directly by changes in interest rates. The Group will seek to finance these assets with debt instruments, which also to be fixed rate. Where this is not possible or not favorable to the Group, it may use and a floating-rate debt. In these cases the Company will constantly analyze forecasts on interest rates. In case of significant risks of a large increase in interest rates, which have a significant negative impact on the profits of the company, it may use derivatives or other financial instruments to hedge this risk. This could be a swap of floating payments at a fixed interest rate, futures or other instruments. At the end of 2016 most of the obligations of the Company are floating rate based on EURIBOR. In this connection, the Group is at risk from rising interest rates in the Eurozone.

Here it should be pointed that a possible increase of the market interest rates will probably have a negative effect on the prices and the demand of real estate properties, due to the fact that a large part of these transactions are financed by loans.

The policy of the Group is aimed at minimizing the interest rate risk for long-term financing.

28.2 Analysis of the credit risks

In its activity the Group may be exposed to credit risk when it pays in advance (grant advances) to its suppliers or has receivables from sales (including sales with deferred payment). The Group's policy provides for the avoidance as far as possible of advances. Yet when these are imposed (e.g. for purchase of windows, elevators and etc. for buildings under construction, for materials and services), the Group will analyze in detail and depth the reputation and financial condition of the suppliers and if necessary will require a bank and other guarantees for good performance. Similarly, in the conduct of sales of goods and services and providing loans to customers, the Group will focus on the credit reputation of the counterparties.

28.3 Analysis of the liquidity risk

Liquidity risk arises with regard to securing funding for the activities of the Group and the management of its positions. It has two dimensions – the risk that the Group will not be able to meet its obligations when they fall due and the risk of being unable to realize its assets at an appropriate price and within reasonable terms. The Group aims to maintain a balance between maturity of funding and flexibility of the use of funds with varying maturity structure. The Group aims to reduce the risks of a shortage of cash by making investments and undertaking construction works only when the financing is secured with its own funds, advances from customers or borrowings. The Group monitors closely the financial markets and the opportunities for raising additional funds (own or debt). The Group seeks to shorten the time for raising such funds if necessary.

29 Policy and procedures for capital management

The Company's objectives associated with the capital management are as follows:

- to ensure capacity so that the Group to continue to exist in compliance with the going concern principle; and
- to ensure adequate return for the shareholders by determining the price of its products and services in accordance with the level of risk.

The Group monitors the capital on the basis of the ratio between the adjusted share capital and the net liabilities.

The Group manages the capital structure and makes the necessary adjustments in accordance with changes in the economic environment and risk characteristics of the respective assets. To maintain or adjust the capital structure the Group may change the amount of the dividends distributed to the shareholders, may return capital to the shareholders, may issue new shares and may sell assets in order to reduce its liabilities.

The capital for the presented reporting periods can be analyzed as follows:

| | 31.12.2016 | 31.12.2015 |
|-----------------------------|-------------------|-------------------|
| | '000 BGN | '000 BGN |
| Share capital | 6 011 | 6 011 |
| +Increase | | |
| - Reduction | | |
| Adjusted capital | 6 011 | 6 011 |
| Total share capital: | 6 011 | 6 011 |

30 Contingent assets and contingent liabilities

The company has been notified of new cases against it, the most important of which are:

In 2016 "PIRAEUS BANK" AD submitted an application for initiation of insolvency proceedings under Art. 629, para. 2 of the Commercial Law against Intercapital Property Development ADSIC. On the basis of the request, No 2209/2016 on the inventory of the Sofia City Court.

On 13 March 2017, the Intercapital Property Development ADSIC was informed that by order of 16.02.2017 the court had discontinued the proceedings in the case filed on the basis of the request of PIRAEUS BANK AD for initiation of insolvency proceedings against Intercapital Property Development ADSIC.

Additional information on outstanding court, arbitrary and enforcement proceedings can be found in section VI, art. 20 below.

In addition, on 01.02.2016 the Company has signed an annex to a contract with VEI Project AD from 30.12.2011 according to which the parties agree that the term during which ICPD shall pay the outstanding amount of the properties, subject of the contract, which as of 01.02.2016 is in the amount of 841 989.39 euro, VAT included, shall be extended to 30.09.2021, whereas the conditions of payment are altered as follows:

- Interest 6.5% annually for the extended period of the contract, applied as of 01.02.2016
- Maturity 30.09.2021
- Interest payment: monthly, before the end of each month until maturity
- Payment of the remainder of the purchase price: 9 equal monthly payments starting January 30, 2021, ending September 30, 2021.

31 Information about events after the balance sheet date

By judgments of the Sofia City Court, dated on 16.02.2017 and 01.03.2017, the cases under Article 1 (1) (c) of the Annual Report on the Activities of the Company were filed on the basis of settling claims, Submitted by PIRAEUS BANK AD, the proceedings in the cases were terminated by virtue of an agreement concluded between the parties. In this regard, Intercapital Property Development ADSIC withdrew its objection to the ordered procedure in the year. No 9110/2016 on the inventory of the Regional Court in Sofia.

In 2016 PIRAEUS BANK AD submitted an application for initiation of insolvency proceedings under Art. 629, para. 2 of the Commercial Law against Intercapital Property Development ADSIC. On the basis of the request, No 2209/2016 on the inventory of the Sofia City Court. On 13 March 2017, the company was informed that by order of 16.02.2017 the court had discontinued the proceedings in the case filed on the basis of the request of PIRAEUS BANK AD for initiation of insolvency proceedings against Intercapital Property Development ADSIC.

32 Accepting the consolidated financial report

The consolidated financial report as of 31 December 2016 (including the comparative information) is approved and accepted by the Board of Directors 19.04.2017.