

Consolidated Financial Statement

Intercapital Property Development ADSIC

30th June 2017

Consolidated Report for the Financial Condition

Assets	Notes	30.06.2017 '000 BGN.	31.12.2016 '000 BGN.
Non- Current Assets			
Property, plant and equipnet	6	12 695	12 748
Investment properties	7	35 637	35 637
Intangible assets	8	2	3
Other receivables	10.2	670	1893
Deffered taxes		21	21
Non Current Assets		49 025	49 302
Current Assets			
Inventory	9.1	1 096	1 060
Work-in-progress	9.2	1 056	1 056
Tax Claim	12	55	91
Trade Account Receivables	10.1	6 114	6 762
Cash and Cash Equivalents	11	301	412
Current Assets		8 622	9 381
Total Assets		57 647	59 666

Compiled: _____
/OPTIMA ODIT AD/

Executive Director : _____
/VELICHKO KLINGOV/

Date: 29.08.2017

Consolidated Report for the Financial Condition

(continued)

Shareholder's Equity and Liabilities	Notes	30.06.2017 '000 BGN.	31.12.2016 '000 BGN.
Shareholder's Equity			
Share Capital	13.1	6 011	6 011
Issue Premiums	13.2	7 651	7 651
Revaluation Reserve	13.2	5 115	5 115
General reserves	13.2	1	1
Uncovered loss/ Net		(16 399)	(15 803)
Total Shareholder's Equity		2 379	2 975
Liabilities			
Non Current Liabilities			
Liabilities to Financial Institutions	14.2	-	-
Bonds	14.3	3 423	3 912
Financial Leasing	14.1	1 530	1 530
Other Liabilities	17	1 204	1 502
Non Current Liabilities		6 157	6 944
Current Liabilities			
Liabilities to Financial Institutions	14.2	23 952	23 446
Financial Leasing	14.1	342	275
Bonds	14.3	978	978
Trade payables	15	13 416	13 324
Staff Salaries and Social Security Payables		283	222
Tax Payables	16	380	362
Other Liabilities	17	9 760	10 157
Current Liabilities		49 111	48 764
Total Liabilities		55 268	53 708
Total Shareholder's Equity and Liabilities		57 647	58 683

Compiled by: _____
/OPTIMA ODIT AD/
Date: 29.08.2017

Executive Director : _____
/Velichkov Klingov/

Comprehensive Income Statement

	Notes	30.06.2017 ‘000 BGN.	30.06.2016 ‘000 BGN.
Sales Revenue	18	455	395
Other Revenue	19	550	890
Expenses for materials	20	(88)	(109)
Expenses for External Services	21	(226)	(202)
Expenses for Salaries	22	(125)	(99)
Depreciation and Amortization	6	(55)	(63)
Other Expenses	23	(284)	(175)
Operating Profit/(Loss)		227	637
Financial Expenses	24	(823)	(824)
Changes in the Fair Value of the Investment property		-	-
Net Pre-tax Profit/(Loss)		(596)	(187)
Tax Expense		-	-
Net Profit/(Loss)		(596)	(187)
Earnings per Share		(0.1)	(0.03)
Other comprehensive income		-	-
Profit/(Loss) from revaluation of properties		-	-
Total Annual Comprehensive Income		(596)	(187)

Compiled by: _____
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Executive Director : _____
/Velichkov Klingov/

Date: 29.08.2017

Statement of Changes in Equity

All amounts are in '000 BGN.	Share Capital	Premium Reserves	Other reserves	Undistributed Income/ (Accumulated Loss)	Total Equity
Balance as of 1st January 2016	6 011	12 160	716	(15 676)	3 211
Revisions					
Revised Balance as of 1st January 2016	6 011	12 160	716	(15 676)	3 211
Annual Profit/(Loss)				(127)	(127)
Other Comprehensive Income: Revaluation of Non-Current Assets:					
Upward Revisions		(109)			(109)
Downward Revisions					
Total Annual Comprehensive Income		(109)		(127)	(236)
Balance as of 31st December 2016	6 011	12 051	716	(15 803)	2 975

All amounts are in '000 BGN.	Share Capital	Premium Reserves	Other reserves	Undistributed Income/ (Accumulated Loss)	Total Equity
Balance as of 1 st January 2017	6 011	12 051	716	(15 803)	2 975
Revisions					
Revised Balance as of 1st January 2017	6 011	12 051	716	(15 803)	2 975
Annual Profit/(Loss)				(596)	(596)
Revaluation of Non-Current Assets: Upward Revisions					
Downward Revisions					
Total Annual Comprehensive Income				(596)	(596)
Balance as of 30th June 2017	6 011	12 051	716	(16 399)	2 379

Compiled By:

/Optima Audit AD/

Executive Director /: _____
/Velichkov Klingov/

Date: 29.08.2017

Cash Flow Statement

	Notes	30.06.2017 '000 BGN.	30.06.2016 '000 BGN.
Cash Flow From Operating Activities			
Receivables from Customers		292	309
Payables to Suppliers		(237)	(199)
Salaries and Social Security Payables		(49)	(85)
Paid/Reclaimed Tax (Excl. Income Tax)		(3)	(7)
Paid Income Tax		-	(4)
Other Payables from Operating Activities		(114)	23
Net Cash Flow from Operating Activities		(111)	41
Cash Flow From Investment Activities			
Purchase of Long-Term Assets		-	-
Net Cash Flow From Operating Activities		-	-
Cash Flow from Financing Activities			
Proceeds on Loans			
Payables on Loans		-	(14)
Interest Expense and Fees		-	(1)
Net Cash Flow from Financing Activities		-	(15)
Net Change in Cash and Cash Equivalent		(111)	26
Cash and Cash Equivalents in the Beginning of the Year		412	147
Cash and Cash Equivalents at the end of the Year		301	173

Compiled by: _____

/Optima Audit AD/

Executive Director: _____

/Velichko Klingov/

Date: 29.08.2017

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 2016) 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.

As of 30.06.2017, the Group reported a loss of BGN 596 thousand and a negative cash flow from operating activities of BGN 11 thousand. Current liabilities exceed current assets by BGN 40 489 thousand.

As of 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 June 30, 2017, 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 June 30, 2017. 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 June 30, 2017.

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	2017 Ownership %	2016 Ownership %
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Marina Cape Management EOOD	Bulgaria	Renting and exploitation of properties	100%	100%
Marina Cape Tours EOOD	Bulgaria	Tourist Agency	100%	100%

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 To 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 material 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 2016	5 133	503	330	1 264	7 073	14 303
Newly Acquired Assets		-	3			3
Out of use						
Revaluation of Land						
Upward Revisions						
Downward Revisions	(108)					(108)
Balance as of 31st December 2016	5 025	503	333	1 264	7 073	14 198
Amortization and Depreciation						
Balance as of 1 st January 2016		(120)	(323)	(885)	(-)	(1 328)
Amortization		(20)	(3)	(99)	(-)	(121)
Revised Balance as of 31 st December 2016		(140)	(326)	(984)	-	(1 449)
Balance as of 31st December 2016	5 025	363	7	280	7073	12 748

	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 2017	5 025	503	333	1 264	7 073	14 198
Newly acquired assets			1			
out of use						
Revaluaiton						
Upward Revision						
Downward Revision						

Balance as of 30th June 2017	5 025	503	334	1 264	7 073	14 199
Amortization and Depreciation						
Balance as of 1 st January 2017		(140)	(326)	(984)	(-)	(1 450)
Amortization	(-)	(4)	(2)	(48)	(-)	(54)
Balance as of 30 th June 2017	(-)	(144)	(328)	(1 032)		(1 504)
Balance Amount as of 30th June 2017	5 025	359	6	232	7 073	12 696

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 2016	35 970
Net loss from the change in the fair value	
Balance 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
	Investment Properties
	'000 BGN.
Balance amount as of 1st January 2017	35 637
Balance amount as of 30th June 2017	35 637
Disposed assets	-
Net loss from the change in the fair value	-
Balance amount as of 30th June 2017	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 2016		
Balance as of 31 st December 2016	66	66
Amortization and Depreciation		
Balance as of 1 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

Intangible Assets

	Програмни продукти ‘000 ЛВ.	Общо ‘000 ЛВ.
Reporting Value	66	66
Balance as of 1 st January 2017	66	66
Amortization and Depreciation		
Balance as of 1 st January 2017	(63)	(63)
Writeoffs		
Amortization	(1)	(1)
Balance as of 30 th June 2017	(64)	(64)
Balance Amount as of 30th June 2017	2	2

9 Inventory

9.1 Inventory

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

	30.06.2017 ‘000 BGN.	31.12.2016 ‘000 BGN.
Materials	724	718
Goods	1336	314
Inventory	1 060	1 032

	30.06.2017 ‘000 BGN.	31.12.2016 ‘000 BGN.
Fuel-lubricants	9	9
Base Materials	692	685
Snack Bar Materials	19	14
Pizza Restaurant Materials	20	16
Pub Materials	-	-
Total:	740	724

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.

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	30.06.2017	31.12.2016
	'000 BGN	'000 BGN
“Marina Cape” project	1 056	1 056
Total:	1 056	1 056

As of 30.06.2017 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 30.06.2017 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

	30.06.2017	31.12.2016
	'000 BGN	'000 BGN
Local and foreign individuals	188	188
BG Invest Properties	19	19
Grand Borovec 2013 Ltd.	3068	3703
Advances provided	234	234
Others	931	917
Trade receivables	4 440	5 061
Personnel receivables	50	50
Reverse lease	451	451
Others	1 173	1 200
Other receivables	1 674	1 701
Current trade and other receivables	6 114	6 762

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:	30.06.2017	31.12.2016
	'000 BGN	'000 BGN
Deferred expenses under a contract for leaseback	670	893
Total:	670	893

11 Cash and cash equivalents

The cash and cash equivalents include the following elements:

	30.06.2017 '000 BGN	31.12.2016 '000 BGN
Cash and cash in banks:		
- Cash	253	365
- Cash in demand deposits	-	-
- Blocked cash	48	47
Cash and cash equivalents	301	412

12 Tax receivables

	30.06.2017 '000 BGN	31.12.2016 '000 BGN
Advance payments Law on Corporate Income Taxation	8	17
VAT refund	47	74
Total:	55	91

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.

	30.06.2017 '000 BGN	31.12.2016 '000 BGN
Issued and fully paid shares:		
- at the beginning of the year	6 011 476	6 011 476
Total shares, authorized as of June 30th 2017	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 valuated 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 valuated one.

When calculating the market value of the property information is used about three properties similar to the valuated 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.

	30.06.2017	31.12.2016
	'000 BGN	'000 BGN
Premium reserves from shares' issuance	7 651	7 651
Other reserves	1	1
Revaluation reserves of assets	5 115	5 115
Total reserves	12 767	12 767

14 Loans

The loans include the following financial liabilities:

	Current		Long-term	
	2017	2016	2017	2016
	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Bank loans	23952	23446		
Bond loans	978	978	3423	3912
Finance leases	342	275	1530	1530
Total loans	25 272	24 699	4 953	5 442

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 30.06.2017 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	52 500.00	-	20.12.2018

The main details of the Company's credits as of 30.06.2017 are presented in the following table:

Name of the credit institution	Interest rate	Long-term obligation in EUR	Maturity
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 leva 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 invitationn

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:	30.06.2017	31.12.2016
	'000 BGN	'000 BGN
Telelink AD	344	344
Midia AD	1 830	1 830
VIK Burgas	122	121
Optima Audit	39	49
Aheloy 2012	653	633
IP Intercapital Markets AD	384	384
Amounts received in advance from customers	8009	7981
Others	2035	1 982
Total :	13 416	13 324

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

16 Tax payables

The tax payables include:

	30.06.2017 ‘000 BGN	31.12.2016 ‘000 BGN
Value added tax	240	238
Other	140	
		124
Total	380	362

The tax payables in the amount of BGN 380 thousand as of 30.06.2017 represent mainly value added tax ifor 2014, 2015, 2016 and 2017 which shall be paid in 2017.

17 Other payables

The other obligations can be summarized as follows:

	30.06.2017 ‘000 BGN	31.12.2016 ‘000 BGN
Long-term:		
Other long-term liabilities	1 204	1 502
	1 204	1 502
Short-term:		
Other short-term liabilities	9 760	10 157
Total	9 760	10 157

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:

	30.06.2017 ‘000 BGN	30.06.2016 ‘000 BGN
Revenues from sale of investment property	-	-
Revenues from sale of finished goods	36	64
Revenues from sale of goods	26	52
Revenues from sale of services	392	290
Other	1	9
Total	455	415

19 Expenses for materials

The expenses for materials include:

30.06.2017 ‘000 BGN	30.06.2016 ‘000 BGN
------------------------	------------------------

Expenses for materials	(25)	(37)
Expenses for heat and electricity	(40)	(62)
Other expenses	(23)	(10)
Total	(88)	(109)

20 Expenses for external services

The expenses for external services include:

	30.06.2017	30.06.2016
	'000 BGN	'000 BGN
Expenses for maintenance and management	(80)	(3)
Accounting services and consulting services	(37)	(57)
Other	(109)	(142)
Total	(226)	(202)

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.

21 Expenses for staff

Expenses for staff remuneration include:

	30.06.2017	30.06.2016
	'000 BGN	'000 BGN
Expenses for salaries	(105)	(85)
Expenses for social security	(20)	(14)
Total	(125)	(99)

The average list of staff in the group is 24 people. There are no accruals for leave allowances.

22 Other expenses

	30.06.2017	30.06.2016
	'000 AB.	'000 AB.
Book value of sold assets	(17)	(19)
Amendment in inventories of production and work in progress	(28)	(31)
Recognition of loss from reverse finance leases	(223)	(112)
Others	(16)	(6)
	(284)	(168)

23 Financial net expenses and receivables

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

	30.06.2017	30.06.2016
	'000 BGN	'000 BGN
Interest expenses	(821)	(823)
Other financial expenses	(2)	(1)
Financial expenses	(823)	(824)

24 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.

25 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:

	30.06.2017	30.06.2016
	'000 BGN	'000 BGN
Profit/ (loss), subject to distribution (BGN)	(596)	(127)
Weighted average number of shares	6 011	6 011
Basic profit/ (loss) per share (in BGN per share)	(0.10)	(0.02)

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.

26 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:

	30.06.2017	31.12.2016
	'000 BGN	'000 BGN
Remunerations:	17	41
Salaries of the management personnel in the Group	20	62
Total remunerations	37	103

27 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.

28 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:

	30.06.2017	30.06.2016
	'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

29 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.

30 Information about events after the annual 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.

31 Accepting the consolidated financial report

The consolidated financial report as of 30 June 2017 (including the comparative information) is approved and accepted by the Board of Directors on 29.08.2017.