MARINA CAPE MANAGEMENT EOOD

Annual Financial Report

30 June 2018

Report for the financial condition

	Notes	30.06.2017 '000 BGN	31.12.2016 '000 BGN
Assets			
Current Assets			
Materials		718	706
Goods	8	354	354
	9		
Trade receivables - advance payments	10	3 056	2 911
- incl. receivables from related parties		2 784	2 784
Tax receivables	11	-	10
Other receivables	12	816	693
Cash and cash equivalents	13	87	154
Current assets		**5 031**	**4 828**
Total assets		**5 442**	**5 263**

Accountant: ___________________
/ Optima Audit AD/

Manager: ___________________
/Radostina Panteleeva and Nedyalko Dinev /

26.07.2018

The explanatory notes from p.7 to 27 to the financial report are an integral part of it.

Report for the financial condition

	Notes	30.06.2016 '000 BGN	31.12.2016 '000 BGN
Shareholders' equity	14		
Share capital	14.1	5	5
Undistributed profit / (uncovered loss)	14.2	352	107
Current profit / (loss)	14.3	3	245
Total shareholders' equity		**360**	**357**
Liabilities			
Non-current liabilities	**15**		
-Financial Institutions		-	-
Other non-current liabilities	15	898	873
Total non-current liabilities		**898**	**873**
Current liabilities			
Liabilities toward suppliers and customers	16	3 357	3 253
- *Advance payments*	16.1	273	182
- *Current liabilities toward related parties*	16.2	2 668	2 702
- *Payables to suppliers and customers*	16.3	405	369
Tax payables	18	369	332
Salaries and Social security payables	17	215	155
Other liabilities	19	254	293
Total current liabilities		**4 184**	**4 033**
Total liabilities		**5 082**	**4 906**
Total shareholders' equity and liabilities		**5 442**	**5 263**

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Comprehensive Income Statement

	Notes	30.06.2017 '000 BGN	30.06.2016 '000 BGN
Revenues from the sale of:	23	**425**	**455**
Finished goods		57	36
Goods for sale		11	26
Services		353	392
Others		4	1
Cost of goods sold:		**(416)**	**(470)**
Expenses for materials	20	(133)	(85)
Expenses for external services	21	(103)	(188)
Expenses for depreciation		(24)	(36)
Expenses for salaries and social security	17	(133)	(100)
Other expenses		(13)	(16)
Book value of assets sold	19	(10)	(17)
Change in the inventories of finished goods and work in progress		-	(28)
Profit/ (loss) from operations		**9**	**(15)**
Financial expenses		(6)	(2)
Financial income		-	-
Extraordinary costs/ revenues		-	-
Changes in the fair value of investment property			
Profit / (loss) before tax		**3**	**(17)**
Net tax expenses			-
Net profit / (loss)		**3**	**(17)**
Earnings per share			
Total annual comprehensive income		**3**	**(17)**

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Statement of changes in equity

All amounts are in thousand BGN	Share Capital	Premium Reserves	Other Reserves	Retained Earnings	Total Equity
Balance as of 01 January 2017	**5**	**0**	**0**	**107**	**112**
Comprehensive Income					
Errors					
Profit/Loss				245	245
Other comprehensive income					
Profit / Loss from revaluation					
Total comprehensive income					
Transactions with owners					
Dividends for 201					
Total transactions with owners					
Balance as of 31 December 2017	**5**			**352**	**357**

All amounts are in thousand BGN	Share Capital	Premium Reserves	Other Reserves	Retained Earnings	Total Equity
Balance as of 01 January 2018	**5**			**352**	**357**
Comprehensive Income					
Errors					
Profit/Loss					
Other comprehensive income					
Profit / Loss from revaluation				3	3
Total comprehensive income					
Transactions with owners					
Dividends for 2018					
Total transactions with owners					
Balance as of 30 June 2018	**5**			**355**	**360**

Accountant: ____________________ **Manager: ____________________**

/ Optima Audit AD/ **/ Radostina Paneteleeva and Nedyalko**

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Dinev /

Cash flow statement

	Notes	30.06.2018 '000 BGN	30.06.2017 '000 BGN
Cash flow from operating activities			
Cash receipts from customers		289	284
Cash paid to suppliers		(242)	(236)
Cash paid to employees and social security		(64)	(45)
Taxes paid		-	(3)
Other payments from operational activity		(50)	(104)
Net cash flow from operating activities		**(67)**	**(104)**
Cash flow from investing activities			
Purchase of property, plant and equipment		-	-
Sale of investments in subsidiaries		-	-
Net cash flow from investing activities		-	-
Cash flow from financing activities			
Proceeds on bank loans			
Payments of bank loans			
Payments on leasing contracts			
Proceeds on loans			
Interest paid			
Other proceeds/payments on financing activities			
Net cash flow from financing activity		-	-
Net change in cash and cash equivalents		(67)	(104)
Cash and cash equivalents as of the beginning of the period		154	368
Foreign exchange rate differences			
Cash and cash equivalents as of the end of the period		**87**	**264**

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Notes

1. General information

The company “Marina Cape Management” EOOD is registered in compliance with the Trade Law as an Entity with limited liability. The Company’s main activity is related to management and maintenance of properties, renting real estates, consulting and intermediary activity.

The Company is registered as an entity with limited liability and is entered in the Commercial Registry in the Sofia City Court; company case No 12083/ 2006, batch No. 109422, volume 1476, and page 149. The Company Number is 175158218. The legal seat and address of the Company is: 7a Aksakov Str., Sofia.

Managers of the Company are Radostina Panteleeva and Nedyalko Dinev.

2. Basis for financial statements preparation

The Company organizes and performs the current accounting in compliance with the requirements of the Bulgarian legislation regarding accounting, taxation and trade.

The financial statements of the Company are prepared in compliance with IFRS approved by the European Commission. They include the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and SIC - IFRS interpretations. IFRS also include the subsequent changes and complements of these standards and their interpretation, as well as the future standards and their interpretations elaborated by the International Accounting Standards Board (IASB).

3. Comparative data

In the present report a comparative data as of the previous period for 2016 is presented.

4. Accounting policy

The application of new and revised international standards of IFRS

A. Changes in IFRS, which are mandatory for application for the present year

The Company applies the following new standards, changes and interpretations of IFRS, developed and published by IASB, which are mandatory for application since the reporting period beginning on 1st January 2017 and have an effect on the financial report of the Company.

IAS 1 "Presentation of Financial Statements" (amended) - Disclosures effective from 1 January 2016 adopted by the EU

These amendments are part of the IASB's Improvement of Presentation and Disclosure in the Financial Statements. They clarify the guidance in IAS 1 on materiality, aggregation, presentation of interim dividends, the structure of financial statements and disclosure of accounting policies.

IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" (amended), effective from 1 January 2016, adopted by the EU

These amendments clarify that the use of revenue-based depreciation methods is inappropriate as the revenues generated by a particular tangible or intangible asset business do not reflect the use of the economic benefits expected from the assets.

Annual Improvements 2014, effective as of 1 January 2016, adopted by the EU

These amendments concern 4 standards:

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" on derecognition methods;

- IFRS 7 "Financial Instruments: Disclosure" on Service Contracts;

- IAS 19 Employee Benefits on Discount Rates

- IAS 34 Interim Financial Reporting on Disclosure of Information.

There are no other IFRSs or IFRIC interpretations that are not yet effective, which are expected to have a material impact on the company.

B. Standards, amendments and interpretations that have not yet entered into force and are not applied by the Company from an earlier date

IFRS 2 “Share-based payment” (as amended) effective from 1 January 2018 has not yet been adopted by the EU

The amendment clarifies the basis for measuring cash-settled share-based transactions and issuance of equity instruments, as well as accounting for changes in the remuneration from providing cash in equity instruments.

IFRS 4 "Insurance Contracts" (as amended) in force since 1 January 2018, not yet adopted by the EU

IFRS 9 Financial Instruments, effective from 1 January 2018, has not yet been adopted by the EU

The International Accounting Standards Board (IASB) issued IFRS 9 Financial Instruments by completing its draft for the replacement of IAS 39 “Financial Instruments: recognition and measurement". The new standard introduces significant changes in the classification and measurement of financial assets and a new model of expected credit loss for impairment of financial assets. IFRS 9 also includes a new guidance on hedge accounting. The management of the Company is still in the process of assessing the effect of IFRS 9 on the financial statements but it is not yet possible to provide quantitative information. At this stage, the following areas have the expected effect:

· the classification and measurement of the Company's financial assets should be reviewed on the basis of the new criteria that take into account the agreed cash flows for the assets and business model under which they are managed;

· impairment on the basis of the expected loss should be recognized in respect of the Company's trade receivables and investments in assets classified as held for sale and held to maturity unless they are classified at fair value through profit or loss under the new criteria;

· equity instruments will not be measured at cost less any impairment losses. Instead, all these investments will be measured at fair value. Changes in fair value will be presented in current profit or loss unless the Company presents them without the right of cancellation to other comprehensive income. This will have an effect on the company's investment in XY Ltd. if it is still owned by the Company as of January 1, 2018;

· if the Company continues to select the measurement of certain financial liabilities at fair value, changes in fair value will be recognized in other comprehensive income to the extent that those changes relate to the Company's own credit risk.

IFRS 9 "Financial Instruments" (amended) - Hedging reporting, effective from 1 January 2018, has not yet been adopted by the EU

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

IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" (amended), date of entry into force not yet defined, not yet adopted by the EU

These amendments are the result of the non-compliance between the requirements of IFRS 10 and IAS 28 in the treatment of a sale or an in-kind contribution of assets between the investor and the associate or joint venture. As a result of these changes, a full profit or loss is recognized when the transaction involves a business whether the business is separate in a subsidiary. A partial gain or loss is recognized when the transaction involves assets that are not a business, even if those assets are owned by a subsidiary.

IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Participations in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Companies (amended) effective from 1 January 2016, not yet have been adopted by the EU

Измененията изясняват прилагането на изключението относно консолидация за инвестиционните дружества и техните дъщерни предприятия. Изключението относно изготвянето на консолидирани финансови отчети важи и за междинни предприятия майки, които са дъщерни предприятия на инвестиционни дружества. То важи, в случай че инвестиционното дружество майка оценява своите дъщерни предприятия по справедлива стойност. Междинното предприятие майка следва да изпълни и останалите критерии съгласно МСФО 10.

The amendments clarify the application of the consolidation exemption for investment companies and their subsidiaries. The exemption for the preparation of consolidated financial statements also applies to parent companies that are subsidiaries of investment companies. This applies if the parent investment company evaluates its subsidiaries at fair value. The intermediate company parent shall also meet the other criteria under IFRS 10.

IFRS 14 "Deferred accounts at regulated prices" effective from 1 January 2016, has not yet been adopted by the EU

IFRS 15 "Revenue from contracts with customers" effective from 1 January 2018, not yet adopted by the EU

IFRS 15 "Revenue from contracts with customers" effective from 1 January 2018, not yet adopted by the EU

IFRS 15 replaces IAS 18 "Revenues", IAS 11 "Construction Contracts" and related explanations, and introduces a new revenue recognition model based on control. The new standard changes the rules for determining whether earnings are recognized at a given time or over a given period of time and results in expanding and improving disclosures about earnings. IFRS 15 is based on a basic principle that requires the Company to recognize income in a manner that reflects the transfer of goods or the provision of services to customers and to an amount that reflects the expected consideration that the Company will receive in exchange for those goods or services. Earlier application of the standard is permitted. Companies should apply the standard retrospectively for each prior period presented or retrospectively, as the cumulative effect of initial recognition is reflected in the current period.

The management intends to apply the standard retrospectively, recognizing the cumulative effect of the original application of this Standard as a change in the opening balance of retained earnings at the date of initial application. According to this method, IFRS 15 will be applied only to contracts that are not completed by 1 January 2018. Management has begun to assess the effect of applying this new standard and has determined that the following areas will be affected:

· Initial costs - Under the existing IFRS requirements, these costs are included in the measurement of the outcome of the contract. Because they arise from activities that the Company carries out to perform the contract rather than directly delivering goods or services to the client, IFRS 15 does not treat them as contractual obligations. These costs are excluded from the outcome of the contract and do not affect the recognition of revenue. Instead, these costs are assessed for their possible capitalization according to the specific criteria of the standard.

If they are capitalized, the respective asset is subsequently amortized on a straight-line basis over the estimated period of performance of the contract in which they arise. If the Company had applied IFRS 15 to contracts valid on or before 31 December 2016, revenue for the year would have been reduced by XXX, and personnel and material costs would have decreased by XXX and XXX together with the depreciation of the capitalized costs of performance of the contract amounting to BGN XXX, the decrease of the result for the year and of the total assets would be BGN XXX (representing x% and x% respectively).

· Multiparty contracts - IFRS 15 introduces new guidance that requires the Company to assess whether components in a contract can be separated on the basis of their "distinctiveness". Goods or services are distinguishable if both conditions are met:

- the customer benefits from the product or service itself or in combination with other available resources, and

- it is "separately identifiable" (ie the company does not provide significant services to integrate, modify or customize it).

The subsequent distribution of the agreed remuneration to the individual components is based on their relatively autonomous selling price. The Company is currently in the process of reviewing all its contracts to assess how the new requirements will affect the identification of distinct goods and services and the distribution of total remuneration to them.

· Losses - under the existing IFRS requirements when it is probable that the cost of a contract will exceed the total revenue, the expected loss is recognized immediately in the current profit or loss. When the contract concerns the construction of several assets, the construction of each asset is treated for that purpose as a separate contract if the segmentation criteria under IAS 11 "Construction Contracts" are met.

IFRS 15 does not include instructions on how to handle accounting burdens. Such contracts should be accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The assessment of whether a provision should be recognized is made at the level of the separate contract and the segmentation criteria are not applied. As a result, there may be cases where recognized losses under contracts in prior periods will not be recognized under IFRS 15 as the contract as a whole generates profit. When, in accordance with IFRS 15, the Company may combine two or more contracts that are concluded at approximately the same time, the assessment of whether the contract is at a loss is made on the basis of the combined contract. Contract losses under IAS 11 are estimated on the basis of the total contract costs, including, for example, the total cost of the construction. This amount may be greater than the amount of 'non-cancellable costs' determined in accordance with IAS 37. As of December 31, 2016, the Company has identified only two provisions for losses under burdensome contracts amounting to BGN XXX. The Company is in the process of reviewing all of their contracts with customers to assess the effect that the new requirements will have on the recognition and measurement of provisions for losses on burdensome contracts.

IFRS 15 “Revenue from contracts with customers” (as amended) effective from 1 January 2018 has not yet been adopted by the EU

These amendments include guidance on identifying performance obligations, recording intellectual property rights, and assessing whether the principal or agent is involved (gross or net income).

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

This standard replaces the instructions of IAS 17 and introduces significant changes in the reporting of leases, particularly on the part of lessees.

According to IAS 17, of the lessees were required to distinguish between a finance lease (recognized in the balance sheet) and an operating lease (recognized off-balance). IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a 'right to use an asset' for virtually all leases. The IASB has included a right of option for some short-term leases and leases of under - priced assets; this exception can only be applied by the lessees. Accounting by lessors remains almost unchanged.

Under IFRS 16, a contract that is or contains a lease is considered to be a contract that confers the right to control the use of the asset for a certain period of time against consideration.

Management is in the process of assessing the effect of applying the standard but cannot yet provide quantitative information. The following actions are taken to determine the effect:

· a full review of all contracts is carried out to assess whether additional contracts will not be considered as leasing contracts under the new definition of IFRS 16;

· it is to decide which implementing conditions should be selected; or full retrospective application or partial retrospective application (meaning that comparative information will not be changed). Partial implementation allows for ongoing contracts to be assessed whether they contain leases and other benefits. The decision on which approach to choose is important, as it cannot be changed later;

· current disclosures on finance leases and operating leases are reviewed as they are likely to be the basis for determining the amount of capitalization and to become eligible assets

· it is determined which accounting simplification is applicable to lease agreements and whether the right of exemption will be used;

· the requirements for the existing IT system are considered and whether a new lease accounting system is needed. This is done together with a review of the requirements for the application of IFRS 15 and IFRS 9 to make any changes to the Company's system at once;

· the additional disclosures required are considered.

IAS 7 "Statement of Cash Flows" (amended) effective from 1 January 2017 has not yet been adopted by the EU

These amendments require additional disclosures to allow users of financial statements to assess changes in liabilities arising from financial activities.

IAS 12 "Income Taxes" (as amended) effective from 1 January 2017 has not yet been adopted by the EU

4.2. Transactions in foreign currency

The elements of the financial statements of the Company are valuated in the currency of the general economic environment in which the Company performs its activity (“functional currency”). The financial statements of the Company are prepared in BGN which is the functional and presenting currency of the Company.

The transactions in foreign currency are accounted for when they are initially recognized in the accounting currency of the Company at the official foreign exchange rate for the transaction date, (the fixing announced by the Bulgarian National Bank). The gains and losses from foreign exchange operations, arising when arranging those transactions and revaluating the positions in foreign currency at the end of the period, are reflected in the Income Statement.

The Currency Board in Bulgaria was introduced on 1 July 1997 in accordance with the recommendations of the International Monetary Fund (IMF) and initially the BGN was fixed to Deutsche Mark in proportion 1:1. When the Euro was introduced, the BGN was fixed to the Euro in proportion 1EUR = 1.95583 BGN.

4.3 .Revenues and expenses

The revenues include revenues from sales of finished goods, goods for sale, services and other sales.

The revenues shall be valuated at fair value of the received or receivable compensation, provided that all the commercial discounts and quantity rabats, made by the Company, have been taken into account. In case of an exchange of similar assets with similar price, the exchange is not counted as a revenue generating transaction. The revenues shall be recognized at the moment of their realization while the expenses shall be recorded in compliance with the principle of matching with the realized revenue.

In case of a sale of finished goods and goods for sale the revenue is recognized if the following criteria are met:

- Substantial risks and rewards of the ownership of goods have been transferred to the buyer;
- The seller retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits of the transaction will flow to the entity;
- The costs (both incurred to date and expected future costs) are identified and can be measured reliably;
- When there is a completed stage of the building (contracted with the client) as well as when the respective certificate of use is received;

To summarize, the main principle in the accounting policy of the Company is the Matching principle of the revenues to the expenses. That is, only after the final delivery of the finished goods or the goods for sale and the completion of all the expenses related to producing and packing those goods the revenues shall be recognized.

The revenue related to a service providing transaction shall be recognized when the result of the transaction can be measured reliably.

The operating expenses shall be recorded in the Income Statement at the moment of using the service or on the date of their emergence. The dividends received, excluding those coming from investments in associated entities, shall be recognized at the moment of their distribution.

The gains and losses from foreign exchange operations shall be recognized currently as the transactions are performed and the related foreign exchange differences are realized.

The revenues from fees and commissions are classified as operating revenues.

The revenues from interests shall be recognized on a proportionate time base by using the method of the effective interest rate.

When a receivable is questionable the Company shall reduce its book value to its realizable value - the expected future cash inflow discounted at the initial effective interest rate of the instrument – and continue to unfold the discount in the form of interest revenues.

4.4. Loan expenses

The loan expenses are mainly interest paid on the loans received by the Company. All the loan expenses, including those which can be directly attributed to the purchase of an asset responding to the requirements, shall be recognized as expenses for the period in which they have arisen as part of the "financial expenses" in the Income Statement. In the Comprehensive Income Statement are reported additionally paid bank fees related to renegotiating loan relationships.

4.5.Intangible assets

The intangible assets shall be initially valuated at their cost. In case of independent acquisition the cost is equal to the purchase amount plus all non-recoverable taxes and the direct expenses made in relation to the preparation of the asset for exploitation.

The subsequent valuation shall be performed at acquisition cost less the accumulated amortization and impairment losses. The impairments shall be reported as an expense and are recognized in the Income Statement for the respective reporting period.

The subsequent expenses arising in relation to the intangible assets after the initial recognition shall be recognized in the Income Statement for the period in which they arose unless there is a possibility to help the asset generate more than the initially expected future economic benefits, and when these expenses can be measured reliably and assigned to the asset. If these two conditions are fulfilled the expenses shall be added to the cost of the asset.

The amortization is included in "Expenses for amortization and impairment of non-financial assets".

The trade brands and licenses are reported at historical price. They have limited useful life and are recorded at their cost less the accumulated amortization.

The Company performs a careful estimation when determining whether the criteria for initial recognition of the expenses as an asset are met. The estimation of the management is based on all the existing information by the date of the Balance Sheet. In addition, all the activities related to the development of a non-current intangible asset are observed and controlled by the management.

The chosen threshold of significance of the non-current intangible assets owned by the Company is BGN 700.

4.6.Property, machines, facilities and equipment (non-current tangible assets)

The property, machines, facilities and equipment are initially valuated at their cost, including the cost of acquisition as well as all the directly attributable costs needed to bring the asset in working statement.

The subsequent valuation shall be performed at acquisition cost less the accumulated depreciation and impairment losses. The impairments shall be reported as an expense and are recognized in the Income Statement for the respective reporting period.

The subsequent expenses related to a certain asset from Property, machines, facilities and equipment shall be added to the book value of the asset when it is probable that the asset generates more than the initially expected future economic benefits. Any other subsequent expenses shall be recognized as expenses for the period in which they have occurred.

The Company applies the alternative approach for further valuation of land and buildings, and the recommended approach for all the other non-current tangible assets.

The results from the disposal of non-current assets are determined by comparing the inflows to the book value and are assigned to the financial result for the period.
If the book value of a certain non-current asset is higher than its realizable value, this asset shall be impaired to its realizable value.

Property, machines, facilities and equipment acquired under the conditions of a financial lease shall be depreciated based on their expected useful duration determined by comparing the asset to similar assets, or based on the lease value if the latter has a shorter duration.

The depreciation of property, machines, facilities and equipment is recorded by using the linear method of depreciation on the estimated useful life of the different groups of assets as follows:

- Buildings 25 years
- Machinery and equipment 3,3 years
- Vehicles 4 years
- Other equipment 6,67 years
- Computers 2 years
- Others 6,67 years

The chosen threshold of significance of the property, machines, facilities and equipment owned by the Company is BGN 700.

The management of the company revises the useful life of the amortized assets at the end of every reported period. As of 31st December 2017, the management has determined the useful life of the assets, which represents the expected period of their use by the Company. The book value of the assets is analyzed in Note 5. The actual useful life could be differentiated from the valuation made due to technical and moral wear-off, mainly of the software products and computer equipment.

4.7. Tests for impairment of intangible assets and property, machines, facilities and equipment

To calculate the impairment the Company defines the smallest distinctive group of assets for which independent cash flows can be determined – a unit generating cash flows. As a result, some of the assets need to be tested for impairment on an individual basis and others on a unit basis, generating cash flows.

All the assets and units, generating cash flows, shall be tested for impairment when events or a change in the circumstances indicate that their book value cannot be reintegrated.

When the realizable value of certain asset or a unit, generating cash flows, is lower than the respective book value, the latter shall be reduced to the amount of the asset's realizable value. This reduction is an impairment loss. In order to determine the realizable value the Company's management calculate the expected future cash flows for each unit, generating cash flows, and determine a suitable discount factor to compute the present value of these cash flows. The data, used to test for impairment are directly related to the last approved forecast budget of the Company, which is corrected if necessary in order to exclude the influence of future reorganizations and substantial improvements of the assets. The discount factors are determined separately for any distinct unit, generating cash flows, and reflect the risk profile estimated by the Company's management.

The impairment losses per unit, generating cash flows, shall be distributed in reduction of the book value of the assets from this unit proportionately to their book value. The Company's management subsequently estimates if indications exist showing that the impairment loss recorded in previous years is reduced or does not exist anymore. An impairment recorder in a previous period shall be reintegrated if the realizable value of the unit, generating cash flows, is more than its book value.

4.8.Financial assets

The financial assets include the following financial asset categories:

- Credits and receivables;
- Investments in subsidiaries

The financial assets are distributed between the distinct categories according to the objective of acquiring them. The category of a given financial instrument determines the valuation method and whether the revenues and expenses shall be reported in the Income Statement or directly in the Company's equity.

When initially recognizing a financial asset, the Company valuates it at fair value. The expenses related to the transaction, which can be directly assigned to its acquisition or the issue of a financial asset, shall be assigned to the amount of the financial asset or liability, excluding the financial assets and liabilities reported at fair value in the profit or loss.

A financial asset shall be written off when the Company loses control over the contract rights constituting the financial asset, i.e. when the rights to receive cash flows have expired or a substantial part of the risks and benefits concerning the ownership has been transferred. The impairment tests shall be performed by the date of the Balance Sheet in order to determine whether there is objective evidence on the presence of impairment of specific financial assets or groups of financial assets.

The interest payments and other cash flows related to the ownership of financial instruments shall be reported in the Income Statement at the moment of their receiving regardless of the way of valuating the book value of the financial asset to which they refer.

The credits and receivables are non-derivative financial instruments with fixed payments, which are not traded on an active market. The credits and receivables shall be subsequently valuated at depreciating value by using the method of the effective interest rate.

Substantial receivables shall be tested for impairment separately when they are overdue by the date of the Balance Sheet, or when objective evidence exist showing that the counterparty will not fulfill its obligations. All the other receivables shall be tested for impairment in groups determined according to the counterparty's industry or region as well as according to other credit risks if such risks exist. In this case the percentage of impairment is determined based on historical data about the non-paid liabilities for each specific group.

Investments in subsidiaries are reported at fair value. They are reported as held for sale financial assets, according to IAS 39 Financial Instruments, Recognition and Measurement.

4.9.Inventories

The inventories include materials and finished goods. In the cost of inventories shall be included the purchase cost and other directly attributable costs related to the delivery. The financial expenses shall not be included in the cost of inventories. By the end of each reporting period the inventories shall be valuated at the lower of their cost and net realizable value. The amount of any impairment of inventories to their net realizable value shall be reported as an expense for the period of the impairment.

The net realizable value is the expected selling price of the inventories less the expected costs associated with the sale. In case that the inventories have already been impaired to their net realizable value and in a subsequent reporting period the impairment indications do not hold anymore, the new net realizable value shall be taken. The reintegrated amount can be only up to the book value of the inventories before the impairment. This reintegrated amount shall be reported as a decrease in the expenses for materials for the period in which the reintegration has occurred.

The Company determines the expenses for inventories by using the weighted average method.

In case of a sale of inventories, their book value shall be recognized as an expense for the period in which the respective revenue has been recognized.

4.10. Income taxes

The Company's financial result is subject to taxation with a corporate tax in compliance with Art. 92 of the Corporate Income Tax Act (CITA).

4.11. Cash and cash equivalents

The Company reports as cash and cash equivalents the money held in cash and in bank accounts.

4.12. Equity and dividend payments

The Company's shareholders' equity is completely paid in.

The retained earnings include the current financial result reported in the Income Statement as well as the undistributed profit and uncovered loss from previous years.

4.13. Pensions and other liabilities to the personnel

The short-term liabilities to the personnel include wages, salaries and social contributions.

The Company has not elaborated and does not apply any plans for remuneration of employees after they leave or other long-term remunerations and plans for remuneration of employees after they leave, or in the form of compensations with stocks or shares of the equity.

4.14. Financial liabilities

The financial liabilities include bank loans, commercial and other liabilities as well as financial lease payables.

Financial liabilities shall be recognized when there is a contracted obligation to pay a certain money amount or other financial assets to the counterparty. All the expenses related to interest payments shall be recognized as financial expenses in the Income Statement.

Bank loans are reported in the Company's Balance Sheet, net from the expenses associated with receiving the credit. Financial expenses such as premium payable when settling the debt or its buy-back, and directly attributable to the transaction expenses shall be reported in the Income Statement in accordance with the accruing principle and the effective interest rate method, and shall be added to the carrying value of the financial liability to the extend to which they have not been settled by the end of the period in which they have occurred.

Trade payables shall be initially recognized at nominal value and consequently valuated at their depreciating value less any payments associated with settling the liability.

4.15. Provisions, conditional assets and conditional liabilities

Provisions shall be recognized when there is likelihood that present liabilities, as a result of past events, bring about an outflow of resources of the Company and the amount of the liability can be measured reliably. It is possible that the duration or the amount of the cash outflow is not reliable. The current liability rises from the presence of a legal or constructive obligation in consequence of past events. Provisions for restructuring shall be recognized if a detailed restructuring plan is elaborated and applied or if the management has announced the main points of the restructuring plan to the affected persons. Provisions for future losses from the activity shall not be recognized.

The amount recognized as a provision shall be computed based on the most reliable estimation of the expenses necessary to settle the current liability by the end of the reporting period provided that the risk and uncertainty are taken into account, including those related to the current liability. The provisions shall be discounted when the effect of the time differences in the value of money is substantial.

Compensations by third persons in relation to a given liability of the Company shall be recognized as a different asset. This asset, however, cannot be more than the amount of the respective provision.

The provisions shall be revised by any Balance Sheet date and their amount shall be corrected so that it reflects the best approximate estimate by the Balance Sheet date. In the cases in which it is assumed that a resource outflow as a result of a current liability is not likely to occur, such a liability shall not be recognized. The Company does not recognize any conditional assets since recognizing them may result in recognizing an income which may never be realized.

4.16. Significant estimations of the management when applying the accounting policy
The significant estimations of the Management when applying the accounting policies of the Company, which have the most essential influence on the financial statements, are described below. The main sources of uncertainty when using the approximate accounting estimates are described in point 4.17.

4.17. Uncertainty of the approximate accounting estimates
Preparing the financial report the management makes a number of suppositions, estimations, and assumptions associated with the recognition and valuation of assets, liabilities, revenues and expenses.

The actual results may differ from the suppositions, estimations, and assumptions made by the management and very rarely correspond to the results estimated in advance.

Information about the existing suppositions, estimations, and assumptions which have the most essential influence on the recognition and valuation of assets, liabilities, revenues and expenses is presented below.

4.18.1. Impairment
As impairment loss shall be recognized the amount by which the book value of a given asset or a unit generating cash flows exceeds its realizable value. In order to determine the realizable value the Company's management calculates the expected future cash flows for each unit generating cash flows and determines the suitable discount factor to compute the net present value of these cash flows. To calculate the expected future cash flows the management makes suppositions on the future gross income. These assumptions are associated to future events and circumstances. The actual results may vary and impose substantial corrections in the Company's assets for the next reporting year.

In most cases determining the applicable discount factor includes performing suitable corrections due to market risk and risk factors which are specific for the different assets.

4.18.2. Deferred taxes
The deferred profit taxes are determined by the application of the liabilities' method, on the basis of the temporary differences arising between the tax basis of the assets and the liabilities and their book values in the financial report. Deferred taxes however are not acknowledged if they arise from initial recognition of an asset or a liability in a transaction other than a business combination and which on the date of the transaction does not have an effect neither on the accounting nor on the taxable profit or loss. The deferred taxes are determined through the application of those tax rates and regulations which are enacted or

essentially enacted as of the date of the financial report and it is expected to be applied when the deferred tax assets or the deferred tax liabilities arise retroactively.

The deferred tax assets are acknowledged up to the amount to which it is possible profits to be realized in the future which shall allow the use of the temporary differences.

In compliance with the current legislation profits are levied with a corporate income tax in the amount of 10%. For the calculation of the amount of the deferred taxes a tax rate of 10% is used which is expected to be valid for the reversal.

For the calculation of the amount of the deferred taxes a tax rate of 10% is applied due to lack of reliable information about forthcoming changes in the rate of the corporate income tax.

5. Property, machines, facilities and equipment (tangible assets)

The book value of the property, machines, facilities and equipment can be presented as follows:

Tangible Assets

	Fixtures and fittings	**Buildings – investment properties**	**Machines and equipment**	**Vehicles**	**Total**
	'000 BGN	**'000 BGN**	**'000BGN**	**'000 BGN**	**'000 BGN**
Carrying value					
Balance as of 1st January 2018	132	570	111	313	1126
Newly acquired assets	-	-	-	-	-
Written-off assets	-	-	-	-	-
Balance as of 30st June 2018	**132**	**570**	**111**	**313**	**1126**
Depreciation					
Balance as of 1st January 2018	125	187	105	305	722
Written-off assets	-	-	-	-	-
Depreciation	4	12	1	7	24
Balance as of 30st June 2018	**129**	**199**	**106**	**312**	**746**
Revaluation of tangible assets					
Balance as of 30st June 2018	**3**	**371**	**5**	**1**	**380**

The Company owns property – 2 buildings. They are acquired through a purchase contract with the mother company. In the buildings are located 2 commercial objects – Snack bar "Antika", Pizzeria "Antika" and "Biraria".

6. Intangible non-current assets

The intangible assets of the Company include acquired software licenses. Their book value for the current reporting period can be presented as follows:

Intangible Assets	**Licenses ‘000 BGN**	**Total ‘000 BGN**
Carrying value		
Balance as of 1st January 2018	63	63
Newly acquired assets	-	-
Written-off assets	-	-
Balance as of 30th June 2018	**63**	**63**
Depreciation and impairment		
Balance as of 1st January 2018	63	63
Written-off assets	-	-
Depreciation	-	-
Balance as of 30th June 2018	**63**	**63**
Total Balance as of 30th June 2018	**0**	**0**

7. Financial assets – investments in subsidiaries

Name of the subsidiary	**30.06.2018 ‘000 BGN**	**% ownership**	**31.12.2017 ‘000 BGN**	**% ownership**
Marina Cape Tours EOOD	10	100	10	100
Total	**10**	**100**	**10**	**100**

The Resolution of the Board of Directors of “Intercapital Property Development” ADSIC, as a private owner of the capital of “Marina Cape Tours” EOOD, to sell all the shares of “Marina Cape Tours” EOOD to “Marina Cape Management” EOOD was taken on 28.10.2009. The Resolution of the Board of Directors of “Intercapital Property Development” ADSIC, as a private owner of the capital of “Marina Cape Management” EOOD, to purchase the shares was taken on 29.10.2009.

The Contract for transferring the company’s shares was signed on 02.11.2009 and the change of the private equity owner was registered in the Commercial Register on 04.11.2009 under No. 20091104123740.

8. Materials

	30.06.2018 ‘000 BGN	**31.12.2017 ‘000 BGN**
Fuel greasing	8	8
Basic materials	692	692
Materials Snack bar	10	5
Materials Pizzeria	8	1
Materials Pub	-	-
Total	**718**	**706**

The basic materials form the contents of the product of labor or play a main role in the exploitation activity. These are materials with a low useful duration which shall be calculated directly in the cost of the tourist service. These are beddings, electrical devices, folding temporary beds, curtains for the serviced apartments, spare parts, metal trash containers, sanitary materials etc.

9. Goods for sale

	30.06.2018 '000 BGN	31.12.2017 '000 BGN
Inventory - furniture	227	227
Other inventory	126	122
Fruit and vegetables	1	
Supermarket	-	5
Bowling bar	-	-
Total	**354**	**354**

The Company maintains a high level of warehouse goods. These are mostly purchased furniture – pieces of furniture, electronic devices, and sanitary ware. The same goods are being realized through a direct sale to the company's clients. The goods in the Supermarket and the Bowling bar are mostly foodstuffs and are being sold without any processing.
When writing off the goods the weighted average method shall be applied – a weighted average price shall be calculated for each reporting groups of goods.

10. Trade receivables – advance payments to suppliers

	30.06.2018 '000 BGN	31.12.2017 '000 BGN
Suppliers' receivables	1	2
Clients' receivables	3 055	2 909
Total	**3 056**	**2 911**

The suppliers' receivables consist of the advance payments for future delivery of goods and services. The receivables' extent of executability is within one year. The Company does not expect any of the suppliers not to fulfill their obligations in compliance with the contracts concluded beforehand.

The clients' receivables consist of concluded Contracts for management and maintenance and representation of real estates with the owners and the associated non-paid installments. The receivables' extent of executability is within one year.

All the commercial and other receivables of the Company have been tested for impairment indications.

The clients' receivables are non-paid amounts due to "Marina Cape Management" EOOD for performed services.

The trade receivables' book value is assumed to be a reasonable approximate estimation of their fair value.

Much of the Company's receivables from customers of current nature and due date within 180 to 360 days.

The Company does not expect any of the clients not to pay in compliance with the contracts concluded beforehand.

All the commercial receivables are subject to credit risk. The Company’s management does not identify any specific credit risks as the commercial receivables consist of a large number of different clients.

Related parties receivables

The Company’s receivable from “Intercapital Property Development” ADSIC amounts to BGN 2 712 thousand. The amount is formed according to a Contract for management of real estate properties that are owned by “Intercapital Property Development ADSIC.
The receivable of “Marina Cape Management” EOOD from “Marina Cape Tours” EOOD is in the amount of BGN 72 thousand. The amount is due to unpaid services rendered.

11. Tax receivables	**30.06.2018 ‘000 BGN**	**31.12.2017 ‘000 BGN**
Advance payments CITA	-	-
VAT recovery	-	10
TOTAL:	**-**	**10**

12. Other receivables	**30.06.2018 ‘000 BGN**	**31.12.2017 ‘000 BGN**
Receivables from employees	45	-
Guarantees	771	693
TOTAL:	**816**	**693**

The other receivables represent the guarantees of contracts with the Ministry of Regional Development and Public Works for beach concession in Aheloy town for BGN 1 000 and other receivables in the amount of BGN 770 thousand.

13. Cash and cash equivalents

The cash funds of the Company are kept in the following banks – CIBANK AD, UNICREDIT BULBANK AD, PIRAEUS BANK AD, Municipal Bank AD and Investbank AD. Due to the specificity of the sales and the client structure most of the cash is kept in currency (Euro).

The Company’s bank accounts are as follows:

“Unicredit Bulbank” AD	7 Sveta Nedelya Sq., Sofia	BG03UNCR70001502123586	BGN
“Unicredit Bulbank”	7 Sveta Nedelya Sq., Sofia	BG08UNCR700015021235	GBP

AD		93	
“Unicredit Bulbank” AD	7 Sveta Nedelya Sq., Sofia	BG62UNCR70001502123591	EUR
“CIBANK” AD	2 Slavyanska Str., Sofia	BG83BUIB98881095615700	BGN
“CIBANK” AD	2 Slavyanska Str., Sofia	BG65BUIB98881495615700	EUR
“PIRAEUS BANK” AD	3 Vitosha Blvd., Sofia	BG15PIRB71721602845417	EUR
“PIRAEUS BANK” AD	3 Vitosha Blvd., Sofia	BG15PIRB71721602845382	BGN
Municipal Bank AD	6 Vrabcha str., Sofia	BG68SOMB91301052773501	BGN
Municipal Bank AD	6 Vrabcha str., Sofia	BG50SOMB91301452773501	EUR
Investbank AD	85 Bulgaria Blvd., Sofia	BG81IORT80481020681600	BGN

The cash funds include the following components:

	30.06.2018 ‘000 BGN	**31.12.2017 ‘000 BGN**
Cash and cash in banks :	**87**	**154**
- BGN	76	143
- EUR	11	11

14. Shareholders’ equity

14.1. Share capital

The Company’s share capital amounts to BGN 5 000 and 100% of it is owned by “Intercapital Property Development” ADSIC.

14.2. Retained Profit / Loss

The retained earnings amount to 470 thousand BGN and the uncovered loss amounts to 363 thousand BGN.

14.3. Current profit

	30.06.2018 ‘000 BGN	**31.12.2017 ‘000 BGN**
Current profit / (loss)	**3**	**(17)**

The most significant revenues and expenses are disclosed in the following table:

Revenues	30.06.2018	(%)	Expenses	30.06.2018	(%)
Finished Goods	57	13.41%	Energy	40	9,85%
Goods for Sale	11	2.59%	Materials	93	22,91%
Accommodation	49	11.53%	Rental Management	116	28,57%
Maintenance	297	69.88%	Depreciation	24	5,91%
Recreation	7	1.65%	Salaries	112	27,59%
Joint Activity	4	0.94%	Social Securities	21	5,17%

15. Non-current liabilities

15.1. Liabilities to financial corporations

Up to 31.12.2017 the company does not have any liabilities to financial corporations

15.2. Other non-current liabilities

	30.06.2018 '000 BGN	31.12.2017 '000 BGN
Borrowed Funds from VEI Project AD	78	78
Marina Cape Properties- cession	507	507
Borrowed funds from Intercapital EOOD	107	107
Others	206	181
Total:	**898**	**873**

16. Suppliers and clients payables

16.1 Advance payments received from clients

Advances received from customers in the total amount of BGN 273 000 are formed from customers' advances on maintenance contracts – 128 000 BGN, advances paid for accommodation for 56 thousand BGN and deposits for representation – 0 thousand BGN, deposits - 80 thousand BGN.

16.2 Related parties payables

Related parties payables	**30.06.2018 '000 BGN**	**31.12.2017 '000 BGN**
Intercapital Property Development ADSIC	2 460	2 702
Marina Cape Tours EOOD		-
Total:	**2 460**	**2 702**

The Company owes BGN 2 460 thousand under a contract for management and maintenance of commercial properties in vacation complex Marina Cape for the period 2013-2018. "Marina Cape Management" EOOD performs the management and maintenances of commercial properties, owned by "Intercapital Property Development" ADSIC and transfers the revenues generated from it into the owner's account.

16.3 Trade Payables to Suppliers and Clients

Trade Payables to Suppliers and Clients	**30.06.2018**	**31.12.2017**
	'000 BGN	**'000 BGN**
EVN B/E ELECTRICITY DISTRIBUTION	18	7
VENTENERGY EOOD	157	157
BULVINTRADE	23	23
AHELOY 2012 OOD	-	-
OTHERS	207	182
	405	**369**

17. Salaries and social security payables

The salaries payables for pensions, wages, and non-used leaves included in the Balance Sheet consist of the following amounts:

	30.06.2018	**31.12.2017**
	'000 BGN	**'000 BGN**
Salaries payables	24	-
Social security payables	191	155
Salaries and social security payables	**215**	**155**

The current payables to the personnel are payables to current employees of the Company, which are due to be settled in 2018. The average number of the Company's personnel as of 30.06.2018 is 37 employees.

18. Tax payables

The tax payables included in the Balance Sheet are formed by taxes due to the Law on taxation of the individuals' income, currently accrued as of June 2018 - BGN 59 thousand, VAT - BGN 255 thousand and tourist tax – BGN 8 thousand and corporate tax BGN 47 thousand.

	30.06.2018	**31.12.2017**
	'000 BGN	**'000 BGN**
Tax Payables	369	332
Total	**369**	**332**

19. Book value of sold assets

In the item "Book value of sold assets" the Company reports the book value of the goods sold.

The Company applies the criteria under IAS 18 for recognizing the revenues from the sale of goods or takes into account the respective direction in the IAS 18 Supplement.

The revenues from finished goods sold are generated in two commercial objects, property of the Company – Snack bar and Pizzeria, and their trading activity is related to offering meals to guests. The revenues from goods sold are generated in four commercial objects – Supermarket, Bowling bar, Groceries store and Spa bar.

The Company generates revenues from the sale of packet services to clients on the territory of the complex – spa procedures, bowling hall entertainments, squash, fitness hall, beautician and hairdresser services, entertainments for children in a kids' center. The Company also receives revenues pursuant to Contracts for management, maintenance and representation concluded with owners of real estate properties.
The revenues from other sources include amounts due to Contracts for joint activity with outer company - Teokom EOOD. The commercial properties ''Voden bar'' are exploited pursuant to the Contracts. The revenues from services related to electronic payments with clients of the complex are also included here.

	30.06.2018 'BGN 000	**30.06.2017 'BGN 000**
Book value of sold assets	38	169
Total:	**38**	**169**

20. Expenses for materials

The expenses for materials as of 30.06.2018 are presented in the following table:

Type of expense	**Amount of the expense in '000 BGN**	**% of total expenses for materials**
Stationery	1	0,75
Materials below the threshold value	-	0,00
Electric power	40	30,08
Spare parts for operating activities	58	43,61
Sanitary products	2	1,50
Utilities	15	11,28
Fuel greasing materials	17	12,78
Others	-	0.00
Total	**133**	**100%**

21. Expenses for external services

The expenses for external services as of 30.06.2018 are presented in the next table:

Type of expense	**Amount of the expense in '000 BGN**	**% of total expenses for external services**
Taxes and fees	9	8,74

Commissions	10	9,71
Communication services	7	6,80
Subscription services	14	13,59
Maintenance and management	59	57,28
Sanitary services	4	3,88
Accounting services	-	
Other external services for operations	**103**	**100%**
Total	9	8,74

22. Policy and procedures for capital management

The Company's objectives related to the capital management are as follows:

- to ensure capacity so that the Company to continue to exist in compliance with the going concern principle; and
- to ensure adequate profitability to the Private equity owner by setting the price of its products and services in accordance with the risk factor.

The Company manages the capital structure and makes the necessary corrections in compliance with the changes in the economic environment and the risk characteristics of the respective assets. In order to maintain or correct the capital structure, the Company may change the amount of the dividends distributed to the Private equity owner, and to sell assets in order to reduce its liabilities.

23. Revenues from sales of current and non-current assets

Revenues from sales	**30.06.2018 '000 BGN**	**30.06.2017 '000 BGN**
Of finished goods	36	64
Of goods for sale	26	34
Of management and maintenance services	392	290
Other revenues	1	2
Total	**455**	**388**

The revenues from sales of finished products are formed from the sale of food items in the Antika, Pizza and Pub sites. The revenues from sales of goods are from the Supermarket, Bowling and Grocery sites. The revenues from management and maintenance services are from Intercapital REIT and clients of the company.

24. Risk management policy of the Company

24.1. Financial risk management

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

Market risk

Currency risk

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

Price risk

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

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

In order to achieve greater predictability of revenues and optimization of assets and personnel, the company is actively working to organize conference type events. This is part of the measures of the Company's apartment complex to offset the competitive advantages which traditional hotels working with tour-operators and relying on greater coordination and predictability of earnings have.

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

Interest rate risk

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

The interest rate risk results from the loans received. The loans with a floating interest rate expose the Company to an interest rate risk related to changes in the future cash flows. The loans with a fixed interest rate expose the Company to an interest rate risk related to fluctuations in determining fair values in the future.
The Company's policy is to conclude loan contracts with an interest rate which is fixed to the market one, for example EURIBOR, and the expositions to be regularly observed.

Credit risk

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

Liquidity risk

The cautious liquidity risk management involves maintaining a large enough quantity of money and liquid securities as well as options for additional credit financing and closing open market positions. Due to the dynamic nature of the main types of business, the Company's financial department aims at flexibility in financing through maintaining enough non-used authorized credit lines.

25. Subsequent events

No correcting or substantial non-correcting events have occurred after the date of the financial report.