MARINA CAPE MANAGEMENT EOOD

Interim Financial Report

30th September 2018

Report for the financial condition

	Notes	30.09.2018 '000 BGN	31.12.2017 '000 BGN
Assets			
Non-current assets			
Property, plant and equipment	5	375	404
Intangible assets	6	-	-
Financial assets	7	10	10
Non-current assets		**385**	**414**
Deferred taxes	11.1	**21**	**21**
		406	**435**
Current assets			
Materials	8	747	706
Goods	9	360	354
Trade receivables-advances provided	10	3 203	2 911
- incl. receivables from related parties		2 784	2 784
Tax receivables	11	-	10
Other receivables	12	1 085	693
Cash and cash equivalents	13	235	154
Current assets		**5 630**	**4 828**
Total assets		**6 036**	**5 263**

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/Optima Audit AD/

Director: ____________________
/Radostina Panteleeva and Nedyalko Dinev/

26.10.2018

Report for the financial condition

	Notes	30.09.2018 '000 BGN	31.12.2017 '000 BGN
Shareholders' equity	14		
Share capital	14.1	5	5
Undistributed profit/loss	14.2	352	107
Current profit/loss	14.3	245	245
Total equity		**602**	**357**
Liabilities			
Non-current liabilities	**15**		
Liabilities to financial institutions	15.1	-	-
Other non-current liabilities	15.2	960	873
Total non-current liabilities		**960**	**873**
Current liabilities			
Liabilities to suppliers and customers, incl.	16	3 546	3 253
- *Received advances from customers*	16.1	395	182
- *Short-term liabilities to related parties*	16.2	2 577	2 702
- Liabilities to suppliers and customes	16.3	574	369
Tax payables	18	443	332
Liabilities to personnel and insurance institutions	17	242	155
Other liabilities	19	243	293
Total current liabilities		**4 474**	**4 033**
Total liabilities		**5 434**	**4 906**
Total shareholder's equity and liabilities		**6 036**	**5 263**

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26.10.2018

Comprehensive Income Statement

	Notes	30.09.2018 '000 BGN	30.09.2017 '000 BGN
Revenue from sales	23	**1 209**	**1 317**
Incl. production		246	142
Incl. goods		34	165
Incl. services		907	932
Incl. others		22	78
Cost of sales		**(955)**	**(1 189)**
Expenses for materials	20	(262)	(216)
Expenses for external services	21	(216)	(376)
Expenses for depreciation		(32)	(49)
Expenses for personnel	17	(254)	(219)
Other expenses		(16)	(38)
Book value of the assets sold	19	(16)	(169)
Change in the inventories of finished goods and work in progress		(159)	(122)
Operating profit/(loss)		**254**	**128**
Financial expenses		(9)	(83)
Financial income		-	-
Extraordinary income/expenses		-	-
Changes in the fair value of the investment property			
Profit/ (loss) before taxes		**245**	**45**
Expenses for taxes, deferred corporate taxes			
Profit/ (loss)		**245**	**45**
Earnings per share			
Total annual comprehensive income		**245**	**45**

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Statement of changes in equity

All amounts are in '000 BGN	**Share Capital**	**Premium Reserves**	**Other Reserves**	**Accumulated profit/ loss**	**Total equity**
Balance 1st January 2017	**5**	0	**0**	107	**112**
Comprehensive income					
Mistakes					
Profit/Loss				245	245
Other comprehensive income					
Profit/loss from revaluation					
Total comprehensive income					
Transactions with owners					
Dividends for 2017					
Total transactions with owners					
Balance 31st December 2017	**5**			**352**	**357**

All amounts are in '000 BGN	**Share capital**	**Premium Reserves**	**Other Reserves**	**Accumulated profit/ loss**	**Total equity**
Balance 1st January 2018	**5**			352	**357**
Comprehensive income					
Mistakes					
Coverage of losses from past years					
Profit/Loss				245	245
Other comprehensive income					
Profit/loss from revaluation					
Total comprehensive income					
Transactions with owners					
Dividends for 2018					
Total transactions with owners					
Balance 31st September 2018	**5**			**597**	**602**

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Cash Flow Statement

	Notes	30.09.2018 BGN	30.09.2017 BGN
Operating activity			
Customers' receivables		1 190	1 306
Suppliers' payables		(797)	(981)
Salaries and social securities' payables		(149)	(127)
Tax payables		(2)	(3)
Bank fees, interests and foreign exchange differences		(6)	(6)
Other operating activities' payments		(155)	(200)
Net cash flow from operating activities		**81**	**(11)**
Investment activity			
Purchase of fixed assets		-	-
Sale of a holding in a subsidiary		-	-
Net cash flow from investment activities		**-**	**-**
Financing activity			
Received bank loans			
Payments on loans			
Payments on leases			
Received loans			
Interest payments			
Other cash flow from financing activity			
Net cash flow from financing activity		**-**	**-**
Net change in cash and cash equivalents		81	(11)
Cash and cash equivalents at the beginning of the period		154	368
Loss from currency revaluation of cash			
Cash and cash equivalents at the end of the period		**235**	**357**

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26.10.2018

Explanatory 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 2017 is presented.

4. Accounting policy

4.1. General Position

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

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 separate elements of the Company's financial statements are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Company are in BGN (BGN). This is the functional currency and the presentation currency of the Company.

Transactions in foreign currency are reported at initial recognition in the Company's reporting currency at the official exchange rate for the day of the transaction (the Bulgarian National Bank's fixed exchange rate). Exchange-rate income and expense arising on the settlement of these transactions and the revaluation of foreign currency monetary items at the end of the period are recognized 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 value of the Bulgarian lev was fixed at the value of the German mark in a ratio of 1: 1. After the introduction of the euro, the Bulgarian lev was fixed to the euro at a rate of 1EUR = 1.95583 BGN.

4.3. Income and Expenses

Revenue includes revenue from the sale of finished goods, goods, services and other sales.

Revenues are measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and quantitative rebates made by the Company. 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.

In the case of sales of finished goods, revenue is recognized when the following conditions are met:

- the significant risks and rewards of ownership of the goods, the finished products are transferred to the buyer;
- continued participation in the management of the goods, the finished products or the effective control thereof is not retained;
- the amount of revenue can be reliably estimated;
- It is likely that the economic benefits of the transaction will be received;
- the costs incurred or those to be incurred can be reliably estimated;
- availability of a completed phase of the construction (agreed with the client), as well as obtaining a corresponding certificate of use;

To sum up, we can say that the main principle underlying the company's accounting policy is the comparability of revenue with costs., i.e. only after the final delivery of the goods, the finished products and all the expenses for their completion, the revenues will be recognized.

Revenue associated with a service transaction is recognized when the outcome of the transaction can be reliably measured.

Operating expenses are recognized in the income statement at the time of service or at the date of their occurrence. Dividends received, except those from investments in associated companies, are recognized at the time of their distribution.

Revenues and expenses from foreign currency transactions are recognized on a going-concern basis and on the realization of exchange differences.

Fee and commission income is related to the Company's ordinary activities.

Interest income is recognized on a proportionate time basis using the effective interest method.

When a receivable is doubtful, the company reduces its carrying amount to its recoverable amount - the expected future cash flow discounted at the original effective interest rate of the instrument - and continues to expand the discount as interest income.

4.4. Borrowing costs

Borrowing costs are mainly interest on the loans of the Company. All borrowing costs, including those directly attributable to the purchase, of a qualifying asset are recognized as an expense for the period in which they arise as part of "financial expenses" in the Income Statement. In the Profit and Loss Statement and other comprehensive income, additional bank charges related to the renegotiation of a borrowing relationship are accounted for.

4.5. Intangible assets

Intangible assets are measured initially at cost. In the case of a self-acquisition, it is equal to the purchase price, as well as all non-recoverable taxes and direct costs incurred in connection with the preparation of the asset for exploitation.

Subsequent measurement is carried at a price of acquisition, reduced with the accumulated amortization and impairment losses. Impairments done are recognized as an expense and are recognized in the income statement for the period.

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

Depreciation is included in 'depreciation and impairment costs of non-financial assets'.

Trademarks and licenses are displayed at historical cost. They have a limited useful life and refer to cost less the accumulated amortization.

The Company makes a careful assessment when determining whether the criteria for initial recognition as an asset of development costs have been met. Management's judgment is based on all available information at the balance sheet date. In addition, all activities related to the development of an intangible fixed asset are monitored and controlled by the management.

The materiality threshold chosen for the intangible fixed assets of the Company amounts to BGN 700.00.

4.6. Property, plant and equipment

Property, plant and equipment is initially measured at cost, including the cost of acquisition, as well as all direct costs of bringing the asset into working condition.

Subsequent measurement is carried out on an acquisition cost less accumulated amortization and impairment losses. Impairments are recognized as an expense and are recognized in the income statement for the period.

Subsequent costs associated with a particular asset, plant and equipment are added to the carrying amount of the asset when it is probable that the entity will have economic benefits that exceed the initially estimated cost of an existing asset. All other subsequent costs are recognized as an expense for the period in which they are incurred.

The Company has adopted the alternative approach for subsequent land and buildings valuation and the recommended for all other non-current tangible assets.

The results of the disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are reported in the financial result for the period. When the carrying amount of a non-current asset is higher than the recoverable amount, that asset is impaired to its recoverable amount.

Property, plant and equipment acquired under finance leases is amortized on the basis of the expected useful life, determined by comparison with similar assets or on the basis of the value of the lease if its term is shorter.

Depreciation of property, plant and equipment is accounted for using the straight-line method over the estimated useful lives of the individual asset groups as follows:

- Buildings 25 years
- Machines 3,3 years
- Cars 4 years
- Inventory 6,67 years
- Computers 2 years
- Other 6,67 years

The selected threshold of materiality chosen for property, plant and equipment of the Company amounts to BGN 700.00.

Management reviews the useful lives of depreciable assets at the end of each reporting period. As at 31 December 2017, the management determines the useful life of the assets, which represents the expected useful life of the Company's assets. The book values of the assets are analyzed under Note 5. The actual useful life may differ from the valuation due to technical and moral waste, mainly software and computer equipment.

4.7. Impairment testing of intangible assets and property, plant and equipment

In calculating the impairment, the Company defines the smallest identifiable group of assets for which cash flows may be determined, a cash-generating unit. As a result, some of the assets are subject to an impairment test on an individual basis and others on a cash-generating unit basis.

All assets and cash-generating units are tested for impairment when events or changes in circumstances indicate that their book value may not be recovered.

When the recoverable amount of an asset or cash-generating unit is lower than the carrying amount, the latter should be reduced to the recoverable amount of the asset. This decrease is an impairment loss. In order to determine the recoverable amount, the Company's management calculates the expected future cash flows for each cash-generating unit and determines the appropriate discount factor in order to calculate the present value of those cash flows. The data used in the impairment test is directly related to the Company's most recent approved forecast budget, adjusted when necessary, to be excluded the effects of future re-organizations and significant asset improvements. Discount factors are determined separately for each cash-generating unit and reflect the risk profile assessed by the Company's management.

Impairment losses per unit of cash-generating unit are allocated to a reduction in the carrying amount of the assets of that unit in proportion to their carrying amount. The management of the Company subsequently assesses whether there are indications that the impairment loss recognized in prior years may no longer exist or be impaired. Impairment recognized in a prior period is reversed if the recoverable amount of the cash-generating unit exceeds its carrying amount.

4.8. Financial assets

The financial assets include the following categories of financial instruments:

- Loans and receivables;
- Investments in subsidiaries;

Financial assets are allocated to individual categories depending on the purpose with which they are acquired. The category of a given financial instrument determines its measurement method and whether the income and expense is reflected in the income statement or directly into the equity of the Company.

Upon initial recognition of a financial asset, the Company estimates it at fair value. Transaction costs that may be directly attributable to the acquisition or issue of the financial asset are attributable to the value of the financial asset or liability, except for financial assets or liabilities designated at fair value tin the profit or loss.

The write-off of a financial asset is made when the Company loses control over the contractual rights that make up the financial asset, when the rights to receive cash flows have expired or the significant part of the risks and rewards of ownership has been transferred. Impairment tests are performed at each balance sheet date to determine whether there is objective evidence of impairment of particular financial assets or groups of financial assets.

Interest payments and other cash flows associated with the ownership of financial instruments are reflected in the income statement when received, regardless of how the carrying amount of the financial asset to which they relate is valued.

Loans and receivables are non-derivative financial instruments with fixed payments that are not traded on an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method.

Significant receivables are tested for impairment separately when they are overdue at the balance sheet date or when there is objective evidence that the counterparty will not fulfill its obligations. All other receivables are tested for impairment by groups that are determined depending on the counterparty industry and region, as well as other credit risks, if any. In this case, the write-down is determined on the basis of historical data on outstanding counterparty liabilities for each identified group.

Investments in subsidiaries are carried at cost. They are reported as held for sale financial assets in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

4.9. Inventories

Inventories include materials and finished goods. The cost of inventories include purchase costs and other direct costs associated with their delivery. Financial costs are not included in the value of inventories. At the end of each reporting period inventories are measured at the lower of their cost and net realizable value. The amount of any impairment of inventories to their net realizable value is recognized as an expense for the period of impairment.

Net realizable value is the estimated selling price of the inventory, reduced with the expected selling costs. In the event that inventories have already been impaired to their net realizable value, and in a subsequent reporting period it appears that the conditions that led to the impairment are no longer present, their new net realizable value is assumed. The amount of the refund may be only up to the balance sheet value of inventories before impairment. The amount of reversal of the value of inventories is reported as a reduction in material costs for the period in which the refund occurs.

The Company determines the cost of inventories using the weighted average cost method.

Upon sale of inventories, their carrying amount is recognized as an expense in the period in which the respective revenue is recognized.

4.10. Taxes on income

The financial result of the Company is subject to corporation tax, Art. 92 of the Corporate Income Tax Act.

4.11. Money and cash equivalents

The Company recognizes as cash and cash equivalents the available cash and cash in bank accounts.

4.12. Equity and dividend payments

The share capital of the Company is fully paid in. Retained earnings include the current financial result shown in the income statement as well as accrued earnings and uncovered losses from past years.

4.13. Pension and other payables to staff

Short-term payables to staff include wages, salaries and social securities. The Company has not developed or applied salary compensation plans or other long-term remuneration and post-employment remuneration plans or in the form of share compensation or equity.

4.14. Financial liabilities

Financial liabilities include bank loans, trade and other payables and finance lease liabilities.

Financial liabilities are recognized when there is a contractual obligation to pay cash or another financial asset to another entity. All interest-related expenses are recognized as financial expenses in the Income Statement

Bank loans are reflected in the balance sheet of the Company, net of borrowing costs. Financial expenses such as a premium payable on debt settlement or redemption and direct transaction costs are reported in the income statement using the effective interest method and are added to the carrying amount of the financial liability to the extent, in which they are not settled at the end of the period in which they occurred.

Trade payables are initially recognized at their nominal value and are subsequently measured at amortized cost, less payment to settle.

4.15. Provisions, contingent assets and contingent liabilities

Provisions are recognized when it is probable that current liabilities due to past events will result in an outflow of resources from the Company and a reliable estimate of the amount of the obligation can be made. It is possible that the term or the amount of outgoing cash flow is not certain. A present obligation arises from the existence of a legal or constructive obligation as a result of past events. Restructuring provisions are only recognized if a detailed formal restructuring plan has been developed and implemented or the management has announced the main points of the restructuring plan to the parties concerned. Provisions for future operating losses are not recognized.

The amount recognized as a provision is calculated on the basis of the most reliable estimate of the costs necessary to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties, including the present obligation. Provisions are discounted when the effect of time differences in the value of money is significant.

Compensations from third parties in respect of a Company's liability are recognized as a separate asset. However, this asset may not exceed the amount of the relevant provision.

Provisions are reviewed at each balance sheet date and their value is adjusted to reflect the best estimate at the balance sheet date. Where an outflow of resources is considered unlikely as a result of a current obligation, such liability is not recognized. The Company does not recognize contingent assets because their recognition may result in the recognition of income that may never be realized.

4.16. Significant judgement of the management when applying the accounting policy

Significant management's judgment in applying the Company's accounting policies that have the most material effect on the financial statements is described below. The main sources of uncertainty in the use of approximate accounting estimates are described in note 4.17.

4.17. Uncertainty of accounting estimates

In the preparation of the financial statements, the management makes a number of assumptions, assessments and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from management's assumptions and assessments and in rare cases fully correspond to the previously assessed results.

Information on the essential assumptions and estimates that have the most significant impact on the recognition and measurement of assets, liabilities, income and expenses is presented below.

4.18.1 Impairment

An impairment loss recognizes the amount by which the carrying amount of an asset or a unit that generates cash flows exceeds its recoverable amount. In order to determine the recoverable amount, the Company's management calculates the expected future cash flows for each cash-generating unit and determines the appropriate discount factor in order to calculate the present value of those cash flows. When calculating the expected future cash flows, management makes assumptions about future gross profits. These assumptions are related to future events and circumstances. Actual results may differ and result in significant adjustments in the Company's assets in the following accounting year.

In most cases, determining the applicable discount factor involves making appropriate market risk adjustments and risk factors that are specific to individual assets.

4.18.2

Deferred income taxes are determined using the liability method based on the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxes are not recognized if they arise from the initial recognition of an asset or liability in a transaction other than a business combination and which, at the date of the transaction, does not affect either the accounting or the taxable profit or loss. Deferred tax is determined by applying those tax rates and regulations that are in force or substantially enacted at the balance sheet date and are expected to be applied when deferred tax assets or deferred tax liabilities arise retrospectively. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available in the future to allow tax temporary differences to be used. Under current law, profits are taxed at a corporate tax of 10%. For calculating the amount of deferred tax, a rate of 10% is used, which is expected to be valid in the event of reversal.

For calculating the amount of deferred tax, a 10% rate has been applied due to the lack of reliable information on forthcoming changes to corporation tax rates.

5. Properties, machinery, facilities and equipment (Tangible assets)

The book value of properties, machinery, facilities and equipment can be presented as follows:

	Fixtures and fittings	Buildings, inv.prope rties	Machines and equipment	Vehicles	Total
	‘000 BGN	‘000 BGN	‘000 BGN	‘000 BGN	‘000 BGN
Carrying value					
Balance as of January 1 2018	132	570	111	313	1126
Newly acquired assets	-	-	3	-	3
Written-off assets	-	-	-	-	-
Balance as of 31 December 2018	**132**	**570**	**114**	**313**	**1129**
Depreciation					
Balance as of 1st January 2018	125	187	105	305	722
Written-off assets	-	-	-	-	-
Depreciation	4	18	3	7	32
Balance as of 31st September 2018	**129**	**205**	**108**	**312**	**754**
Revaluation of tangible assets					
Balance as of 31st September 2018	**3**	**365**	**6**	**1**	**375**

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 September 2018	**63**	**63**
Depreciation and impairment		
Balance as of 1st January 2018.	63	63

Written-off assets	-	-
Depreciation	-	-
Balance as of 30th September 2018	**63**	**63**
Total Balance as of 31st September 2018	**0**	**0**

7. Financial assets – investments in subsidiaries

The Company has the following investments in subsidiaries:

Name of the subsidiary	**30.09.2018 '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

	30.09.2018 '000 BGN	**31.12.2017 '000 BGN**
Fuel greasing	9	8
Basic materials	692	692
Materials Snack bar	18	5
Materials Pizzeria	23	1
Materials Pub	5	-
TOTAL:	**747**	**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

	30.09.2018 '000 BGN	**31.12.2017 '000 BGN**
Inventory - furniture	227	227
Other inventory	132	122

Fruit and vegetables	1	
Supermarket	-	5
Bowling bar	-	-
TOTAL:	**360**	**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

	30.09.2018 '000 BGN	**31.12.2017 '000 BGN**
Suppliers' receivables	1	2
Clients' receivables	3 202	2 909
TOTAL:	**3 203**	**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 is in the amount of BGN 2712 thousand due to a Contract for management and maintenance 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 services rendered

11. Tax receivables

	30.09.2018 '000 BGN	31.12.2017 '000 BGN
Advance payments CITA	-	-
VAT recovery	-	10
TOTAL:	**-**	**10**

12. Other receivables

	30.09.2018 '000 BGN	31.12.2017 '000 BGN
Receivables from employees	79	-
Guarantees	1 006	693
TOTAL:	**1 085**	**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 1 084 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" AD	7 Sveta Nedelya Sq., Sofia	BG08UNCR70001502123593	GBP
"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 АД	6 Vrabcha str., Sofia	BG50SOMB91301452773501	EUR
Investbank AD	85 Bulgaria Blvd., Sofia	BG81IORT80481020681600	BGN

The cash funds include the following components:

	30.09.2018 '000 BGN	31.12.2017 '000 BGN
Cash and cash in banks :	**235**	**154**
- BGN	226	143
- EUR	9	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 714 thousand BGN and the uncovered loss amounts to 363 thousand BGN.

14.3 Current profit

	30.09.2018 '000 BGN	30.09.2017 '000 BGN
Current profit/ loss	**245**	**45**

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

Revenues	30.09.2018	(%)	Expenses	30.09.2018	(%)
Finished Goods	246	20.38	Energy	101	19.23
Goods for Sale	34	2.78	Materials	61	11.61
Accommodation	318	26.32	Rental Management	77	14.67
Maintenance	505	41.76			
Rents	33	2.73	Depreciation	32	6.10
Recreation	51	4.21	Salaries	214	40.76
Joint activities	22	1.81	Social Securities	40	7.63

15. Non-current liabilities

15.1. Liabilities to financial corporations

As of 30.09.2018, the company does not have any liabilities to financial corporations.

15.2. Other non-current liabilities

	30.09.2018 '000 BGN	31.12.2017 '000 BGN
Borrowed Funds from VEI Project AD	78	78
Marina Cape Imoti OOD – Cession	500	507
Borrowed funds from Intercapital EOOD	107	107
Others	275	181
Total	**960**	**873**

16. Suppliers and clients payables

16.1 Advance payments received from clients

Advances received from customers in the total amount of BGN 158 thousand are formed from customers' advances on maintenance contracts.

16.2. Related parties payables

Liabilities to related parties	**30.09.2018 '000 BGN**	**31.12.2017 '000 BGN**
Intercapital Property Development ADSIC	2 369	2 702
Marina Cape Tours EOOD	-	-
TOTAL:	**2 369**	**2 702**

The Company owes BGN 2 369 thousand to the sole owner of the capital – Intercapital Property Development ADSITS 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

	30.09.2018 '000 BGN	**31.12.2017 '000 BGN**
EVN B/E ELECTRICITY DISTRIBUTION	24	7
VENTENERGY EOOD	157	157
BULVINTRADE	23	23
Aheloy 2012 OOD	-	-
Others	214	182
	418	**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:

	30.09.2018 '000 BGN	**31.12.2017 '000 BGN**
Salaries payables	22	-
Social security payables	220	155
Salaries and social security payables	**242**	**155**

The current portion of the payables to the staff represents liabilities to current employees of the Company that are to be settled in 2018.The average number of the Company's personnel as at 30.09.2018 is 66 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 at September 2017 - BGN 59 thousand, VAT - BGN 255 thousand, corporate tax - BGN 47 thousand and tourist tax – BGN 8 thousand.

	30.09.2018 '000 BGN	31.12.2017 '000 BGN
Tax payables	443	332
TOTAL:	**443**	**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 "Teocom" EOOD. According to these contracts the "Aqua Bar:" is managed jointly. The revenues from services related to electronic payments with clients of the complex are also included here.

	30.09.2018 '000 BGN	31.12.2017 '000 BGN
Book value of sold assets	16	169
TOTAL:	**38**	**169**

20. Expenses for materials

The expenses for materials as of 30.09.2018 are presented in the following table:

Type of expense	**Amount of the expense in '000 BGN**	**% of total expenses for materials**
Stationery	2	0.75
Materials below the threshold value	6	2.38
Electric power	100	38.51
Spare parts for operating activities	61	23.48
Sanitary products	3	1.00
Utilities	56	21.85
Fuel greasing materials	34	12.03
Others	-	0.00
Total:	**262**	**100**

21. Expenses for external services

The expenses for external services as of 30.09.2018 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	52	24.08
Commissions	30	13.80
Communication services	11	4.99
Subscription services	14	13.59
Maintenance and management	77	35.65
Dry cleaning	22	5.59
Accounting services	4	1.85
Other external services for operations	6	0.45
Total:	**216**	**100%**

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	**30.09.2018 '000 BGN**	**30.09.2017 '000 BGN**
Of finished goods	246	36
Of goods for sale	34	26
Of management and maintenance services	907	392
Other revenues	422	1
Total	**1 209**	**455**

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.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.

24. Subsequent events

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