Financial Report

INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

31st December 2020

Report for the financial condition

	Notes	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Assets			
Non-current assets			
Property, plant and equipment	6	14 822	14 740
Investment property	7	24 968	23 695
Investment in subsidiaries	9	5	5
Non-current assets		**36 712**	**39 795**
Current assets			
Work-in-progress	11		293
Trade accounts receivables	12	3 068	3 083
Advance payments	13		38
Receivables from related parties	33	2 708	1 797
Other receivables	14	34	159
Cash and cash equivalents	15	2	13
Current assets		**5 812**	**5 383**
Total assets		**45 607**	**43 823**

Date: 25.03.2021

Drafted: ____________________ /Optima Audit AD/

Executive Director: ____________________ /Velichko Klingov/

According to an audit report: ____________________ /Nicolay Polinchev/

Report for the financial condition

	Notes	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Shareholders' equity			
Share capital	14	27 766	6 011
Issue premiums		7 651	7 651
Revaluation reserve		7 508	7 381
General reserves		1	1
Undistributed profit		9 728	9 728
Uncovered loss		(29 830)	(29 764)
Current profit/loss		506	(66)
Total shareholder's equity		**23 330**	**942**
Liabilities			
Non-current liabilities			
Liabilities to financial institutions	17	11 735	11 735
Financial leasing	10		1 335
Other liabilities		**11 735**	**13 070**
Total non-current liabilities			
Current liabilities			
Liabilities to financial institutions	17	7	
Financial leasing	10	1 400	118
Liabilities to suppliers and customers	18	32	414
Customers` advance receivables	19	1 650	1 951
Short-term liabilities to related parties	33	10	13
Tax payables	20	49	58
Social security payables and salaries payables	21	191	167
Other liabilities	22	7 203	27 090
Total current liabilities		**10 542**	**29 811**
Total liabilities		**22 277**	**42 811**
Total shareholder's equity and liabilities		**45 607**	**43 823**

Date: 25.03.2021

Drafted: ____________________ Executive Director: ____________________
/Optima Audit AD/ /Velichko Klingov/

According to an audit report: ____________________
/Nicolay Polinchev/

Comprehensive Income Statement

	Notes	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Revenue from sales	22	1 215	803
Other revenue	23	-	1 298
	24		
Expenses for materials		(1)	(16)
Expenses for external services	25	(587)	(207)
Expenses for salaries	26	(51)	(46)
Expenses for depreciation	6	(45)	(55)
Other expenses	27	(200)	(895)
Change in the inventories of finished goods and work in progress	28	(370)	(106)
Operating profit/loss		**(39)**	**776**
Financial expenses	29	(1 099)	(897)
Changes in the fair value of the investment property	30	**1 644**	**55**
Net profit/ (loss)		**506**	**(66)**
Earnings per share	32	**0.049**	**(0.01)**
Other comprehensive income			
Profit from revaluation of land		**127**	**1 503**
Total annual comprehensive income		**633**	**1 437**

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Statement of Changes in Equity

All amounts are in '000 BGN	**Share Capital**	**Premium Reserves**	**Other Reserves**	**Undistributed Earnings**	**Uncovered loss**	**Total equity**
Balance 1st January 2019	**6 011**	**7 651**	**5 879**	**9 728**	**(29 764)**	**(495)**
Profit/Loss	-	-	-	-	(66)	(66)
Other comprehensive income	-	-	-	-	-	-
Revaluation of non-current assets	-	-	1 503	-	-	1 503
Total comprehensive income	**-**	**-**	**1 503**	**-**	**(66)**	**1 437**
Balance 31st December 2019	**6 011**	**7 651**	**7 382**	**9 728**	**(29 830)**	**942**
Profit/Loss	-	-	-	506	-	506
Issued capital	21 755					21 755
Other comprehensive income	-	-	-	-	-	-
Revaluation of non-current assets		-	127	-	-	127
Total comprehensive income		**-**	**127**	**506**	**-**	**22 388**
Balance 31st December 2020	**27 766**	**7 651**	**7 509**	**10 234**	**(29 830)**	**23 330**

Date: 25.03.2021

Drafted: ______________________
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Cash Flow Statement

	Notes	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Cash flow from operating activities			
Customers` receivables		861	493
Suppliers` payables		(1 434)	
Salaries and social securities payables		(9)	(1)
Other operating activities` payments, net		(9)	(7)
Net cash flow from operating activities		**(602)**	**485**
Cash flow from investment activity			
Acquisition of property, plant and equipment		-	-
Net cash flow from investment activity		-	-
Cash flow from financing activity		**-**	**-**
Issued capital		21 755	
Proceeds on loans		(20 121)	-
Payments of interest, fees and commissions		(971)	(474)
Payments on leases		(73)	
Net cash flow from financing activity		**591**	**11**
	-		
Net change in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		**(11)**	**11**
Cash and cash equivalents at the end of the period	15	13	2

Date: 25.03.2021

Drafted: ____________________ /Optima Audit AD/

Executive Director: ____________________ /Velichko Klingov/

According to an audit report: ____________________ /Nicolay Polinchev/

Explanatory Notes

1 General information

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

The Company is registered as a stock company and is entered in the Commercial Registry in the Sofia City Court, company case № 3624/2005, batch № 92329, volume 1204, reg. 1, page 23. The Bulstat Code is 131397743. The legal seat and the address of the Company`s management is Dobrudja Str. № 6, Sofia.

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

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

- Velichko Klingov,
- Tsvetelina Hristova.
- AHELOY 2012 EOOD, represented by the Petia Georgieva Yordanova

The Investor Relations Director is Radostina Pantaleeva.

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

2 Basis for the preparation of financial statements

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

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

The financial statements are prepared in BGN which is the functional currency of the Company. All amounts quoted are in thousands of BGN (‘000 lv) (including the comparative information for 2019) unless otherwise specified.
The financial report is compiled in compliance with the going concern principle.

This report is individual. The Company also prepares consolidated financial statements in accordance with the International Finacial Reporting Standards (IFRS), developed and published by the International Accounting Standard Council (IASC) and adopted by the EU, in which the investments in subsidiady companies are accounted and disclosed in accordance with the IFRS 10 “Consolidated Financial Reports”.

b. Management responsibilities

The actions of the management and the employees are in the direction of affirming the principles for good corporate governance, increasing the trust of the shareholders, investors and the persons interested in the management and the activity of the Company.

Management confirms that for the reporting period it has consistently applied adequate accounting policies in preparing the Annual Financial Statements and has made reasonable and prudent judgments, assumptions and estimates.

Management also confirms that it has adhered to the applicable accounting standards, and the Annual Financial Statements have been prepared on the going concern basis.

Going concern

The Company has prepared its financial statements for the year ended 31 December 2020 based on the assumption that the Company is a going concern, which assumes the continuation of current business activities and the sale of assets and settlement of liabilities in the normal course of its activities. The future financial results of the Company depend on the broader economic environment in which it operates. Factors that specifically affect the Company's results include zero or negative economic growth, investor confidence, prices of financial instruments, and the presence of subcontractors and suppliers. The COVID-19 pandemic increased the inherent uncertainty of the Company's assessment of these factors.
The company reports a profit for the period in the amount of BGN 506 thousand. The amount of current liabilities exceeds the amount of current assets by BGN 3,323 thousand as of 31.12.2020 compared to BGN 24 248 thousand as of 31.12.2019. These circumstances show the presence At the same time, as of 31-12-2020, the equity of the company amounts to BGN 23,330 thousand, while the subscribed capital amounts to BGN 27,766 thousand. These circumstances indicate the presence of an indication that may give rise to significant doubts about the ability of the Company to continue to operate as a going concern without the support of the owners and other sources of funding.
The management has taken the following significant measures to improve the financial condition of the Company:

The management believes that based on the forecasts for the future development of the Company and the measures taken, as well as due to the ongoing financial support from the owners will be able to continue its activities and repay its liabilities without selling assets and without making significant changes. in its activity.

Comparative Data

When appropriate, for the purposes of a better presentation of the financial statements, the comparative data is reclassified in order to provide comparability with the current period, while the nature, amount and reasons for the reclassification are duly reported. When it is practically impossible to reclassify the comparative data, the Company announces the reasons for that as well as the nature of the changes that would have been made, should the amounts had been reclassified.

a. New and amended standards

The Company's accounting policies are consistent with those applied in the previous reporting period, except for the following amended IFRS, adopted as of January 1, 2020:
For the first time in 2020, some amendments and clarifications are applied, but they do not have an impact on the financial statements of the Company. The Company has not adopted any standards, interpretations or amendments that have been published but have not yet entered into force.
Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Materiality
The amendments are effective for annual periods beginning on or after 1 January 2020, allowing for earlier application. The amendments clarify the definition of materiality and how it should be applied, providing practical guidance that has so far been included in other IFRSs. The amendments also clarify that materiality depends on the nature and significance of the information. The adoption of the amendments did not affect the financial condition or results of operations of the Company
IFRS 3 Business Combinations (Amendments): Definition of Business
The amendments are effective for annual periods beginning on or after 1 January 2020. The amendments clarify the minimum business requirements and limit the definition of a business. The amendments also remove the assessment of whether market participants are able to change missing elements, provide guidance to assist companies in assessing whether the acquired process is material and introduce an optional fair value concentration test. The definition of the term "business" has been amended to focus on goods and services provided to income-generating customers and excludes returns in the form of lower costs and other economic benefits. The adoption of the amendments did not have an impact on the financial condition or results of operations of the Company
Reform of interest rate benchmarks - IFRS 9, IAS 39 and IFRS 7 (Amendments)
The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. The published amendments address problems that arise during the replacement of existing interest rates with alternative interest rates. The effects on specific cases of hedge accounting under IFRS 9 and IAS 39, in which a forward-looking analysis is required, are addressed. The amendments provide for temporary reliefs applicable to hedging requirements, in cases where compliance with these requirements is directly affected by the benchmark reform. The changes allow hedge accounting to continue in the period of uncertainty until the replacement of the existing reference interest rates with alternative risk-free interest rates. Amendments have also been made to IFRS 7 Financial Instruments: Disclosures, which require the submission of additional information on hedge uncertainty as a result of the reform. The adoption of the amendments did not affect the financial condition or results of operations of the Company
Conceptual framework for financial reporting
The revised Conceptual Framework for Financial Reporting is effective for annual periods beginning on or after 1 January 2020. The Conceptual Framework presents financial reporting concepts, standards development, guidelines for the preparation of consistent accounting policies and guidelines for understanding and interpreting standards. The main changes introduced in the revised Conceptual Framework for Financial Reporting are related to the concept of valuation, including the factors to be taken into account when choosing a valuation basis, and the concept of presentation and disclosure, including which income and expenses are classified. in another comprehensive income. The conceptual framework also provides updated definitions of assets and liabilities and criteria for their recognition in the financial statements.

The amendments include subsequent amendments to the standards concerned to bring them into line with the new framework. However, not all amendments update the standards with the new concepts. Some amendments indicate only which version of the framework the specific standard refers to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010 or the new revised framework of 2018) or indicate that the definitions in the standard have not been updated with the new definitions developed in the revised conceptual framework.

The adoption of the amendments did not have an impact on the financial condition or results of operations of the Company

b. Published standards that are not yet in force and have not been adopted before

As of the date of approval of these financial statements, new standards, amendments and interpretations to existing standards have been published, but have not entered into force or have not been adopted by the EU for the financial year beginning on 1 January.

2020, and have not been applied by an earlier date by the Company. They are not expected to have a material effect on the Company's financial statements. Management expects all standards and amendments to be adopted in the Company's accounting policy in the first period beginning after the date of their entry into force.

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering the recognition and measurement, presentation and disclosure. Following its entry into force, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4), which was published in 2005. IFRS 17 applies to all types of insurance contracts (ie life insurance, non-life insurance, direct insurance and reinsurance). , regardless of the type of companies issuing them, as well as in respect of certain guarantees and financial instruments with additional, unsecured income (participation at discretion).

A small number of exceptions to the scope will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. Unlike the requirements in IFRS 4, which are largely based on past, previous, local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts that covers all relevant accounting aspects. At the core of IFRS 17 is the general model, supplemented by:

• Specific adaptation for contracts with direct participation characteristics (variable remuneration approach)

• Simplified approach (premium allocation approach) mainly for short-term contracts.

IFRS 17 is effective for accounting periods beginning on or after 1 January 2023, requiring comparative information. Earlier application is permissible provided that the entity also applies IFRS 9 and IFRS 15 on or before the date on which it first applies IFRS 17. These amendments have not yet been adopted by the EU. The adoption of the amendments would not affect the financial condition or results of operations of the Company.

IFRS 17: Insurance Contracts (Amendments), IFRS 4: Insurance Contracts (Amendments)

The amendments to IFRS 17 are effective retrospectively for annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments are intended to help the Companies implement the standard. In particular, the amendments are intended to reduce costs by simplifying certain requirements in the standard, facilitating the explanation of the financial condition and results of operations of the Company and facilitating the transition by postponing the date of entry into force of the Standard until 2023 and by providing additional facilitation to reduce the effort required to apply IFRS 17 for the first time. The amendments to IFRS 4 change the fixed expiry date of the temporary exemption in IFRS 4 Insurance Contracts from the application of IFRS 9 Financial Instruments, so that Companies will have to apply IFRS 9 for annual periods beginning on or after 1 January 2023. would not affect the financial condition or results of operations of the Company.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1, which specifically mentioned the requirements for classifying liabilities as current or non-current. The amendments clarify:

• What is meant by the right to reschedule the settlement
• That there should be a right to reschedule at the end of the reporting period
• That the classification is not affected by the probability that the entity will exercise its right to reschedule
• That only if an embedded derivative in a convertible liability is itself an equity instrument, the terms of the liability will not affect its classification

The amendments are effective for annual periods beginning on or after 1 January 2023 and must be applied retrospectively. These amendments have not yet been adopted by the EU. The company will analyze and evaluate the effects of the changes on the financial condition or the results of the activity.

Reference to the Conceptual Framework - Amendments to IFRS 3

In May 2020, the IASB published Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace the reference to the Framework for the Preparation and Presentation of Financial Statements, published in 1989, with a reference to the Conceptual Framework for Financial Reporting, published in March 2018, without significant changes in the requirements.

The Board also added an exception to the recognition principle in IFRS 3 to avoid potential gains or losses from "day 2" arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Taxes, if incurred separately. At the same time, the Council decided to clarify the existing guidance in IFRS 3 for conditional
assets that will not be affected by the replacement of the reference to the Framework for the preparation and presentation of financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2022 and are effective for future periods. These amendments have not yet been adopted by the EU. The company will analyze and evaluate the effects of the changes on the financial condition or the results of the activity.

Reform of interest rate benchmarks - Phase 2 - IFRS 7, IFRS 9 and IAS 39 (Amendments)

In August 2020, the IASB published the Reform of Interest Rate Reference Indicators - Phase 2 - IFRS 7, IFRS 9 and IAS 39, concluding its work in response to the IBOR reform. The amendments provide temporary relief that relates to the effects of financial reporting when the interbank interest rate (IBOR) is replaced by an alternative almost risk-free interest rate (RFR). In particular, the amendments provide practical guidance, where changes in the basis for determining contractual cash flows on financial assets and liabilities are taken into account, to require an adjustment to the effective interest rate equivalent to market interest rate movements. The amendments also introduce a facilitation to terminate the hedge relationship, including a temporary exemption from the need to comply with the separate identification requirement when the RFR instrument is designated as a hedging instrument. In addition, the amendments to IFRS 4 are intended to allow insurers that still apply IAS 39 to receive the same benefits as those provided for in the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable the users of financial statements to understand the effect of the reform of the reference interest rates on the financial instruments and the risk management strategy of the Company. The amendments shall enter into force for annual periods beginning on or after 1 January 2021, with earlier application permitted. As long as the application is retrospective, the Company is not obliged to recalculate previous periods. The company will analyze and evaluate the effects of the changes on the financial condition or the results of the activity.

Property, plant and equipment: revenue before intended use - Amendments to IAS 16

In May 2020, the IASB published Property, Plant and Equipment - Proceeds Before Intended Use, prohibiting businesses from deducting from the cost of acquiring property, plant and equipment, any proceeds from the sale of items produced while this asset is brought to the place and condition necessary for it to function in the manner prescribed by management. Instead, an entity recognizes the proceeds from the sale of such items and the cost of producing them in profit or loss. The amendments shall enter into force for annual periods beginning on or after 1 January 2022 and shall be applied in future periods for property, plant and equipment that are available for use on or after the beginning of the earliest period presented, during which the entity applies this amendment for the first time. These amendments have not yet been adopted by the EU. The company will analyze and evaluate the effects of the changes on the financial condition or the results of the activity.

Burdensome contracts - Contract performance costs - Amendments to IAS 37

In May 2020, the IASB published amendments to IAS 37, specifying which costs the Company should include in assessing whether a contract is onerous or loss-making. The amendments apply the "directly related costs approach." Costs that are directly attributable to a contract for the supply of goods or services include both inherent costs and an allocation of costs directly attributable to the contractual assets. directly with a contract and are excluded, unless they are explicitly subject to invoicing to the contractor under the contract.

The amendments enter into force for annual reporting periods beginning on or after 1 January 2022. These amendments have not yet been adopted by the EU. The company will analyze and evaluate the effects of the changes on the financial condition or the results of the activity.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

As part of the process for annual improvements to IFRS 2018-2020, the IASB published an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment allows a subsidiary that chooses to apply paragraph D16 (a) of IFRS 1 to measure the cumulative differences in foreign currency conversions to use the amounts reported by the parent based on the date of transition to the parent's IFRS. . This amendment also applies to associates or joint ventures

entities that choose to apply paragraph D16 (a) of IFRS 1. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments have not yet been adopted by the EU. The adoption of the amendments would not affect the financial condition or results of operations of the Company.

IFRS 9 Financial Instruments - Remuneration in the 10 Percent Test for Derecognition of Financial Liabilities

As part of the process for annual improvements to IFRS 2018-2020, the IASB publishes an amendment to IFRS 9. The amendment clarifies the remuneration that an entity includes when assessing whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. . These fees include only those paid or received between the borrower and the lender, including fees paid or received either by the borrower or by the lender on behalf of the other. An entity shall apply the amendment for financial liabilities that are modified or replaced on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. These amendments have not yet been adopted by the EU. The company will analyze and evaluate the effects of the changes on the financial condition or the results of the activity.

IAS 41 Agriculture - Fair Value Taxation

As part of the process for annual improvements to IFRS - 2018-2020, the IASB published an amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities should exclude tax-related cash flows when measuring the fair value of assets within the scope of IAS 41. An entity shall apply the amendment for future periods in respect of fair value measurements, on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted. These amendments have not yet been adopted by the EU. The adoption of the amendments would not affect the financial condition or results of operations of the Company.

c. Changes in accounting policy

The adopted accounting policy is consistent with the one applied in the previous year.

3 Accounting Policy

3.1 General Position

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

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

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

a) Applies accounting policies retrospectively;
b) Recalculates retrospectively positions in the financial report; or
c) Reclassifies positions in the financial report
d) And this has significant effect on the information in the report for financial condition as of the beginning of the previous period.

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

3.2 Transactions in foreign currency

The items 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 Company's financial statements are presented in Bulgarian lev BGN. This is the functional currency and the currency for presentation of the Company.

The transactions in foreign currency are accounted 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 at the settlement of those transactions and at the revaluation of 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 the ratio of 1:1. When the Euro was introduced, the Bulgarian lev was fixed to the Euro in proportion 1EUR = 1.95583 BGN.

3.3 Revenues and Expenses

The revenues include revenues from sales of finished goods, investment property and management of investment property.

The revenues are valuated at fair value of the received or receivable compensation, provided that all the commercial discounts and quantity rebates, 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 are recognized at the moment of their realization while the expenses are 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:

- The substantial risks and benefits from the ownership of the goods have been transferred to the buyer;
- The seller retains neither continuing participation in the management of the goods for sale or the finished goods, nor effective control over them;
- The amount of the revenue can be measured reliably;
- It is probable that the economic benefits of the transaction will flow to the Company;
- 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 construction (contracted with the client) as well as when the respective certificate of use is received;
- The revenue from sale of real estate property is reported when there is transfer of ownership or of right to use.

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 the packing of those goods the revenues shall be recognized.

The revenue related to a service providing transaction is recognized when the result of the transaction can be measured reliably. The investment revenue from renting of investment properties is included in the Comprehensive Income Statement on the basis of the rendered services for which the service company Marina Cape Management EOOD has issued invoices.

The operating expenses are 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 companies, are recognized at the moment of their distribution.

The gains and losses from foreign exchange operations are 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 are recognized on a proportionate time basis by using the method of the effective interest rate.

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

According to the model of the fair value all investment properties are estimated at fair (market) value and when the financial statements are prepared, the difference between the book and the fair value is accounted as a revenue or expenditure from revaluation of investment property in the Income Statement. Depreciation of investment property is not calculated.

The Company writes off its investment properties when they are sold or when they are permanently out of use, in case that no economic benefits are expected from their sale. The profits and losses from taking out of use or sale of the investment properties are included in the Income Statement (comprehensive income) and represent the difference between the net proceeds from the sale and the book value of the asset.

d. Operating expenses

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

e. Borrowing costs

Borrowing costs mainly represent interest on the Company's loans. All borrowing costs, including those that are directly attributable to the purchase, construction of a qualifying asset, are recognized as an expense in the period in which they are incurred as part of the "finance cost" in the income statement and other comprehensive income. In the Statement of profit or loss and other comprehensive income, additional paid bank fees related to renegotiation of loan relationships are reported. Until the final completion of construction and installation work for the respective site, the land costs increase the cost of the properties under construction. After the final completion of construction, the capitalization of borrowing costs is terminated. The capitalization of these costs is also terminated in case of temporary suspension of construction works.

f. Staff income

Short-term staff income includes salaries, wages, social security contributions and annual compensatory leave of employees, which are expected to be fully settled within 12 months after the end of the reporting period. When the Company receives the service, they are recognized as an expense to staff in profit or loss. The short-term income of the staff is estimated at the undiscounted amount of the expected expenses for settlement.

For the purposes of the Company's Remuneration Policy, permanent remunerations are all payments or other benefits that are determined in advance and do not depend on the achieved result, and variable remunerations are all additional payments or other benefits that are determined and paid depending on the achieved result. or from other contractually determined conditions.

The remuneration paid corresponds to the type of professional services provided; the level of education of the employee; the level in the corporate structure it occupies; professional experience; the imposed restrictions (prohibition to perform a certain activity or action, incompatibility to hold a position under an additional legal relationship, etc.).

The remuneration of the members of the Board of Directors, to whom the management will not be assigned, is determined by the General Meeting of the shareholders of the company. The remuneration of the members of the Board of Directors to whom the management is assigned is determined by the Board of Directors of the company. The Executive Director and the Chairman of the Board of Directors of the company form the specific amount of remuneration of all employees from all levels of the organizational structure of the company and from all categories defined by the Policy.

The company forms only a permanent remuneration, which is determined in the concluded contracts. No variable remuneration is formed and paid. The permanent remuneration includes:

• basic salary, determined in accordance with the current legislation and the applied system of remuneration;

• additional non-permanent remuneration, in the exceptional cases provided for in the Labor Code, in the ordinance or in another normative act, such as for overtime work;

• other remunerations specified in a normative act;

• Remuneration under management contracts and other non-employment contracts - payment established in the individual contract, which is not directly dependent on the assessment of the performance of the activity.

Remuneration may include a non-monetary compensation package - funds for health prevention, funds for improving working conditions and technical / computer security, funds for professional development, as well as additional incentives related to voluntary pension and / or health insurance and insurance, subject to of the general principles of this policy.

The Company may pay additional remunerations of a non-permanent nature and in the form of one-time remunerations for received annual results, target bonuses for the performance of additionally assigned or successfully completed additional tasks. Additional remuneration can be paid after positive financial results for the past period and positive forecasts for the future period.

The company did not benefit from extraordinary state aid.

3.4 Intangible assets

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

The subsequent assessment is performed at acquisition cost, less the accumulated amortization and impairment losses. The impairments are 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 are recognized in the Income Statement for the period in which they arise 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 are added to the cost of the asset.

The depreciation is calculated by using the straight-line method on the estimated useful life of the separate assets as follows:

- software 2 years
- others 6.5 years

The depreciation is included in “expenses for depreciation and impairment of non-financial assets” in the statement for comprehensive income.

The trade brands and licenses are reported at a 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 if 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 as of the date of the Report for Financial Condition. 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 essence of the non-current intangible assets owned by the Company is 700 BGN.

3.5 Property, plant and equipment (non-current tangible assets)

The property, plant and equipment are initially valuated at their cost, including the cost of acquisition as well as all directly attributable costs needed to bring the asset into working condition.

The subsequent valuation of land and building is performed at revaluation, which is the fair value at the date of revaluation less the accumulated depreciation and impairment losses. The impairments are recognized in the Comprehensive Income Statement and are reported as an expense in equity (revaluation reserve), if they are not preceded by previously accrued costs. Upon sale or disposal of the revalued asset, the remaining revaluation reserve is reflected the expense of retained earnings.

The subsequent valuation of all other asset groups is performed at acquisition cost less the accumulated depreciation and impairment losses. The impairments are reported as an expense and are recognized in the Income Statement and other comprehensive income for the respective reporting period.

The subsequent expenses related to a certain asset of property, plant and equipment are added to the book value of the asset when it is probable that the company shall have economic benefits exceeding the initially evaluated effectiveness of the existing asset. All other subsequent expenses are recognized as expenses for the period in which they have occurred.

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

The increases of the value which are due to revaluation of land are accounted as an increase of the reserves. The decreases that are up to the amount of previous increases in the same asset are reported as decrease of the same reserve. Further decreases in the value of the asset are accounted as decrease of the additional reserves (if any) or as current expenditure.
The revaluation reserve is recognized as undistributed profit after the decommissioning of the respective asset.

The results from decommissioning of non-current assets are determined by comparing the proceeds to the book value and are reported in 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, plant and equipment acquired under the terms of a financial lease are 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, plant and equipment is calculated by using the straight-line method of depreciation on the estimated useful life of the different groups of assets as follows:

- Machinery 3,3 years
- Office fittings 6,67 years
- Equipment 10 years
- Computers 2 years
- Others 6,67 years

The chosen threshold of essence of the property, plant and equipment owned by the Company is 700 BGN.

3.6 Lease Reporting

In accordance with IAS 17 "Leases", the rights of ownership of the asset are transferred from the leaser to the lessee, in cases where the lessee bears the substantial risks and rewards incidental to ownership of the leased asset.

Upon conclusion of a finance lease, the asset is recognized in the statement of financial position of the lessee at the lower of the two values - the fair value of the leased asset and the present value of the minimum lease payments plus incidental payments, if any. In the statement of financial position the corresponding finance lease obligation, regardless of whether some of these lease payments are payable in advance upon signing of the lease nis reflected.

Subsequently, the lease payments are apportioned between finance expense and a reduction of the outstanding obligation under finance lease.

Leasing of land and buildings are classified separately, distinguishing components of land and buildings in proportion to the ratio of the fair values of their shares in the lease, at the date on which the assets are recognized initially.

Assets acquired under finance leases are depreciated in accordance with IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets".

The interest element of lease payments represents a constant proportion of the liability outstanding and is recognized in profit or loss for the period of the lease.

All other leases are considered operating leases. Payments made under operating leases are recognized as an expense on a straight-line basis over the life of the agreement. Costs associated with operating leases, e.g. maintenance costs and insurance, are recognized in profit or loss as incurred.

3.7 Tests for impairment of the intangible assets, property, plant and equipment

In calculating 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, are tested for impairment when events or a change in the circumstances indicate that their book value cannot be reintegrated.

When the realizable value of a certain asset or a unit, generating cash flows, is lower than the respective book value, the latter is 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 calculates the expected future cash flows for each unit, generating cash flows, and determines a suitable discount factor to calculate the present value of these cash flows. The data, used to make tests for impairment is 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, are 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 loss recorded in a previous period shall be reintegrated if the realizable value of the unit, generating cash flows, is more than its book value.

3.8 Investment property

The Company reports as investment property buildings that are held rather to generate rental income or to increase the company's equity or for both and also for sale within the ordinary economic activity.

Investment property is recognized as an asset in the financial statements of the Company only if the following two requirements are met:

- it is likely that future economic benefits from the investment property are obtained;
- The value of the investment property can be estimated reliably.

The investment property is valuated initially at cost that includes the purchase price and any other expenditures which are directly related to the investment property – such as legal fees, transfer property's taxes and other expenditures for the deal.

After their initial recognition the investment properties are reported in compliance with the model of the fair value. The fair value is the most probable price which could be obtained on the market as of the date of compounding the Report for Financial Condition. The investment properties are revaluated on an annual basis and are included in the Income Statement and other comprehensive income at their market values. The revaluations are made by independent appraisers with professional qualification and considerable work experience and with recent experience in the location and the category of the qualified property. The qualifications have to be based on pieces of evidence for the market conditions.

The gain or loss arising from changes in the fair value of the investment property is included in the profit or loss in the period in which it arises.

The subsequent expenditures related to the investment property, which have already been recognized in the financial statements of the Company, are added to the book value of the property when it is probable for the Company to obtain future economic benefits that are higher than the initially estimated value of the existing investment property. All other subsequent expenditures are recognized for expenditure in the period when they are incurred.

The Company writes off its investment property when it is sold or when it is permanently taken out of use, in case that no economic benefits are expected from its sale. Profits and losses from decommissioning or sale of investment properties are included in the Income Statement and other comprehensive income and are calculated as the difference between the net proceeds from the sale and the book value of the asset.

The rental income and the operating expenditures, related to the investment property, are accounted accordingly as "sales", "cost of materials", "cost of external services" and "other expenditures". As a rule, the profit from investment property (renting) is an investment profit and is stated separately.

3.9 Financial Assets

The financial assets, excluding the hedging instruments, include the following categories of financial instruments:

- Loans and receivables;
- Financial assets, reported at fair value in the profit or loss
- Investments held to maturity;
- Financial assets available for sale.

Financial assets are distributed towards the different categories depending on the reason why they were acquired. The category of a financial instrument determines the method used for its valuation and whether the revenues and expenses are reported in the Income statement and other Comprehensive Income or directly to the equity of the Company.

When first recognizing a financial asset, the Company values it at fair value. The transaction costs which can be allocated directly to the purchase or the issuance of a financial asset are allocated to the value of the financial asset or liability except for the financial assets and liabilities reported at fair value in the profit or loss.

A write-off of a financial asset is carried out when the Company looses control over the contractual rights that represent the financial asset – i.e. when the rights to receive cash flows have lapsed or a significant portion of the risks and rewards from owning the assets has been transferred. Tests for the depreciation are carried out at each balance sheet date, in order to determine whether objective evidence about the depreciation of specific financial assets or groups of assets does exist.

The interest payments and other cash flows related to the ownership of financial instruments are recognized in the Income statement and other comprehensive income when they are received, regardless of how the balance sheet value of the financial asset they are related to is determined.

Loans and receivables are non-derivative financial instruments with fixed payments that are not traded on an active market. The subsequent valuation of loans and receivables is made based on the amortized value using the effective interest rate method.

Significant receivables are tested for any impairment separately, when they are past due as of the balance sheet date or when objective evidence exists that the counterparty would not honor its obligations. All other receivables are tested for impairment in groups, determined by the industry and the region of the counterparty as well as based on other credit risks, if applicable. In this case the percentage of depreciation is determined based on historical data on outstanding liabilities of counterparties in each group identified.

Trade receivables and contractual assets
The Company applies the simplified approach of IFRS 9 for measuring expected credit losses, which accrue impairment for expected lifelong losses for all trade receivables and contractual assets.
To measure expected credit losses, trade receivables and contractual assets are grouped on the basis of shared credit risk characteristics and days past due. Contractual assets relate to work not performed and have the same risk characteristics as trade receivables for the same types of contracts. The Company recognizes in profit or loss - as an impairment gain or loss, the amount of expected credit losses (or reverse recovery). When the adjustment for expected credit losses is recognized in other comprehensive income, any adjustment in it is recognized in other comprehensive income.
No changes were made to the methodology and assumptions on which the Company based its calculations of expected credit losses, however, the Company has included estimates, assumptions and judgments specific to the impact of Covid-19.
The impact of the COVID-19 pandemic on receivables recovery was analyzed. While the methodologies and assumptions used in the base calculations of expected credit losses remain unchanged from those applied in the previous financial year, the Company has included estimates, assumptions and judgments specific to the impact of the Covid-19 pandemic. In preparing these estimates, the Company has taken into account the business in which it operates, the age structure of its receivables and their comparability with the previous period, indicating the lack of significant deterioration in the liquidity position of its customers and the lack of extension of credit terms relative to those applied in the previous period. Although no significant recovery issues have been identified, there is a risk that the economic impact of the COVID-19 pandemic will be deeper or longer than expected, which could lead to higher

credit losses than those modeled in the base case.

3.10 Inventories, work in progress

The Company operates only by contracting various activities to specific contractors; i.e. the Company does not have its own staff and contracts all activities to outside firms. The direct cost of the work in progress includes the expenditures for design, construction-assembly works, advertisement, construction supervision, fees and etc. The cost of the finished goods includes also the loan expenses incurred for the construction of a particular project. (Amended IFRS 23, applicable from 01.01.2009).

A portion of the value of the land, corresponding to its impairment due to limited rights of disposal, is included as an element in the cost of the finished goods (real estate – apartments, commercial properties and etc.). The land shall be valuated (also according to the Bulgarian legislation) by an independent licensed appraiser at least once per year.

The direct expenditures are accumulated in the moment of their performance by batches for the particular units, and the indirect expenditures are distributed proportionally to the direct expenditures incurred for the unit.

The inventories include materials and finished goods. The purchase cost and other directly attributable costs related to the delivery are included in the cost of inventories. The expenses on used loan financing are included in the value of the inventories (work-in-progress) as their attachment to the particular unit is analytically taken into account, whereas after the cpmletion of the work-in-progress, the expenses for financing are reported in the result. After the final completion of the construction works, the financial expenses are reported directly in the financial result. In case of suspension of the construction works, the reporting of the loan expenses, fees and commissions on the used loan financing for the work-in-progress, shall be ceased.

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

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

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

3.11 Income taxes

The Company's financial result is not subject to taxation with a corporate tax pursuant to Art.175 of the Corporate Income Tax Law.

3.12 Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents include cash and cash equivalents as defined above.

3.13 Equity and dividend payments

The Company's share equity shows the nominal value of the issued shares.

The undistributed profit includes the current net profit/loss that is included in the Income Statement and cumulated profits and loss not covered from previous years.

In compliance with Art.10 of the ADSIC Law the Company should distribute as dividends at least 90% from its current annual profit which is determined in the way stated bellow and in consequence of the requirements of Art.247a of the Trade Law. The profit for distribution is the financial result (accounting profit/ loss) corrected as follows:

- increased/ decreased with the losses/ gains from subsequent asset valuations;
- increased/ decreased with the losses/ gains from transactions transferring ownership of real estate;
- increased/ decreased in the year of ownership transfer of assets with the positive/ negative difference between:
  - the asset selling price; and
  - the sum of asset historical price and subsequent expenses brought about the increase in its book value;

The Company could issue only dematerialized shares which are registered in accounts in the Central Depository. The Company's shares could be written down only for cash payments and their whole issued value should be paid, except in the cases of transforming from shares into bonds, issued as convertible. The ordinary shares are classified as shareholders` equity.

The inherent for issuing new shares or options additional expenditures are included in the shareholders` equity as decrease of proceeds on net taxes. The directly connected with issuing of new shares additional expenditures are included in the price of the acquisition as a part of the payment when purchasing.

The Company could not issue shares which give a right of more than one vote or additional liquidation quota.

The Company could issue different classes of shares. The shares from the same class give equal rights to the shareholders.

The Company could issue the following classes of shares:

- class A – ordinary registered shares with a right of vote and
- class B – p reference shares with a right of guaranteed or additional dividend and without a right of vote.

The Difference between the nominal value of issued shares and the issue value is included in the additional reserves and it is an element of shareholders` equity of the Company.

3.14 Pension and other liabilities to thepersonnel

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, since by law the Company may appoint under a contract of employment only one person - Director of Investor Relations.

3.15 Financial liabilities

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

The financial liabilities shall be recognized when there is a contracted obligation to pay a certain money amount or other financial assets to another company or contract liability of exchange of financial instruments with another company in case of unsuitable conditions. All the expenses related to interest payments are recognized as financial expenses in the Income Statement.

The 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 are reported in the Income Statement in accordance with the recording principle and the effective interest rate method, and are added to the carrying value of the financial liability to the extent to which they have not been settled as of the end of the period in which they haveoccurred.

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

The dividends that should be paid to the shareholders of the Company are recognized when the dividends are approved on a meeting of the shareholders.

3.16 Interst income

Interest income is reported on an accrual basis using the effective interest rate. Dividend income is recognized at the time when the right to receivepayment.

3.17 Operating expenses

Operating expenses are recognized in profit or loss using the services or date of occurrence. Warranty expenses are recognized and deducted from the related provisions in the recognition of the related revenue.

3.18 Provisions, conditional assets and conditional liabilities

Provisions are 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 could be measured reliably. It is possible that the duration or the amount of 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 are 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 are not recognized.

The amount recognized as a provision is computed based on the most reliable estimation of 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 are discounted when the effect of the time differences in the value of money is substantial.

Compensations by third parties in relation to a given liability of the Company are recognized as a different asset. This asset, however, could not be more than the amount of the respective provision.

The provisions are revised by any Balance Sheet date and their amount is 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 is not recognized. The Company does not recognize any conditional assets since recognizing them may result in recognizing an income which may never be realized.

3.19 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 below.

3.19.1. Uncertainty of the approximate accounting estimates

For 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.

3.19.2. Impairment

As impairment loss is 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.

3.19.3. Useful life of the amortizing assets

The management revises the useful life of the amortizing assets at the end of each reporting period. By 31st December, the management determines the useful life of assets, which is the expected duration of using the Company's assets. The book values of the assets are analyzed in point 6. The actual useful life may be different from the estimated one due to technical and moral warning out of mainly software products and computer equipment.

4. Property, plant and equipment (Tangible assets)

The book value of the property, plant and equipment could be presented as follows:

	Land	**Machinery**	**Computer and other equipment**	**Work in progress**	**Total**
	'000 BGN	**'000 BGN**	**'000 BGN**	**'000 BGN**	**'000 BGN**
Book Value					
Balance as of 1st January 2019	5 788	544	4	7 073	13 409
Newly acquired assets		-	-		
Modification as a result of revaluation	1 634	-	-	200	1 834
Written-off assets	-	-			
Balance as of 31st December 2019	**7 422**	**544**	**4**	**7 273**	**15 243**
Depreciation					
Balance as of 1st January 2020	-	(444)	(4)	-	(448)
Written-off depreciation	-	-	-	-	-
Depreciation	-	(55)	-	-	(55)
Balance as of 31st December 2017	**-**	**(499)**	**(4)**		**(503)**
Book Value as of 31st December 2020	**7 422**	**45**		**7 273**	**14 740**

	Land '000 BGN	Equipment '000 BGN	Computer and other equipment '000 BGN	Work in progress '000 BGN	Total '000 BGN
Book Value					
Balance as of 1st January 2020	7 422	544	4	7 273	15 243
Newly acquired assets	-	-	-	-	-
Modification as a result of revaluation	127	-	-	-	127
Written-off assets	-	-	-	-	-
Balance as of 31st December 2020	**7 549**	**544**	**4**	**7 273**	**15 370**
Depreciation					
Balance as of 1st January 2020	-	(499)	(4)	-	(503)
Written-off depreciation	-	-	-	-	-
Depreciation	-	(45)	-	-	(45)
Property, plant and equipment - continued					
Balance as of 31st December 2020	**-**	**(544)**	**(4)**		**(548)**
Book Value as of 31st December 2020	**7 549**	**-**	**-**	**7 273**	**14 822**

5. Investment property

The properties that are built and for which the Company has received Certificate for exploitation and that are not sold and respectively transferred to clients are reported in the item "Investment property", because the Company is restricted to operate the constructed assets by itself and it could realize income through assigning the management of those assets to third parties. The investment properties are valuated initially at their direct cost which includes all the expenditures that are directly related to the particular investment property – such as construction-assembly works, project services, legal fees and other expenditures. After their initial recognition the investment properties are reported through the use of the model of the fair value.

Pursuant to the Special Purpose Vehicles Act the Board of Directors has assigned the completion of revaluation as of 31.12.2019 of all the company's real estate properties to the independent appraiser – "Dobi 02" Ltd., the result of which was reported in the financial statement of the Company for 2017.

The next table presents the changes in the value of the investment property in 2017 and 2016.

	31.12.2020 '000 BGN
Book value as of January 01, 2020	**23 695**
Newly acquired assets	-
Written-off assets	(370)
Net profit from changes in fair value	1643
Book value as of December 31, 2020	**24 968**

	31.12.2019 '000 BGN
Book value as of January 01, 2019	**23 746**
Newly acquired assets	-
Written-off assets	(106)
Net profit from changes in fair value	(55)
Book value as of December 31, 2019	**23 695**

The Company has invested in the construction of two projects - "Marina Cape" and "Borovets Grand". The projects are described in detail further below.

The construction of the project "Marina Cape" was entirely comlpeted in 2010 and more particularly Zone 4 in the project was finished for which the Company received Certficate of commissioning in August 2010. In addition, the completion works and the final equipment of all the rest properties in the project which up to then were reported as work-in-progress were finished. As a result with Resolution of the Board of Directors from 01.10.2010 all non-sold properties in the complex "Marina Cape" were recognized as investment property.

The amount of BGN 328 thousand is reflected as a work in progress, which represents the sum of the accrued expenses on sales of properties in the resort complex "Marina Cape", which will be recognized as an expense in the recognition of revenue in sale with a deed or transferred right of use, subject to the principle of comparability of income and expense.

There are two projects that have been built on land plots, owned by the Company. The projects are described in detail below:

Marina Cape Project

"Marina Cape" holiday complex is located in the peninsula part of the Black sea town of Aheloy which allows for picturesque views of both the bay and the open sea. That is reflected both in the urban decision – plastic S-shape of the first and second zone, and in the modeling of the individual residences. An important emphasis of the overall silhouette is the lighthouse and the clock tower.

The complex consists of four distinct zones deployed on a property with area of 40 000 m^2 and forming a total gross floor area over 66 000 m^2, with a total of 761 apartments. The complex has 4 restaurants, 4 cafes, 14 spaces for shops, 2 squash rooms (licensed by the Squash Federation), a room for medical and dental center, fully equipped and working fitness, spa center, bowling, children`s center, a room set aside for a bank office, administrative part, offices, 2 swimming pools, and servicing rooms to the relevant objects.

Each zone consists of separate sectors (total 27) and the majority are residential, except the sectors which are intended for: bank office, sport playground area, children`s center and Sector 27 – a restaurant on two levels. As part of the housing sectors are included public buildings – restaurants, cafes, shops, offices, rooms for medical center, fitness. In the central part of the complex there is a swimming pool with a total area of 910 m^2 with a pool bar and a children's swimming pool, and in the north-east side is located a pool on area of 470 m^2.

There is a special project to plant surrounding area of the holiday complex. The ground floor residences of much of the buildings have small separate yards.

The total area of the trade and public objects in the complex is nearly 12 000 m^2.

For the purposes of the complex is constructed and put into operation a new incoming water supply, sewerage and electricity grid. It is done rehabilitation of the existing roads and streets in the region. It is also done and an entirely new road link. There are the appreciate systems to provide telephone signal and internet, including a network for wireless internet and also systems for fire-alarm and video surveillance.

Borovets Grand Project

The project envisages construction of residential properties mainly for holiday use in detached complex of buildings. The complex carries the trade name "Borovets Grand". It is located in the area of Borovets Resort. Borovets is located on 62 km southeast of Sofia. Borovets is one of the oldest and well-known winter resorts in Bulgaria. Today Borovets is the biggest Bulgarian ski center by length and capacity of the ski slopes and facilities. The climate is mild and in the winter is soft and with much snowfall. The average temperature in January that is the coldest month, is about 4,8° C. Usually the ski season is from the middle of December to April. The resort proposes excellent conditions for winter sports: Alpine skiing, snowboarding, ski-running. The slopes are marked and supported and their total length is 58 km and the longest slope is 12 km. In the complex there are 12 ski-lifts with total length over 14 km. The ski-lifts provide access to the surrounded peaks – Musala, Small Musala, Irechek, Deno, Aleko.

Borovets Grand Complex

The project is for "L"-shaped building situated in the southeastern side of the parcel. There is an egress on two streets. The first two levels are half-dug because of the big displacement. Above these two levels there are three residential floors and on the attic floor there are maisonettes. The Borovets Hotel Complex is located in the old center in the Borovets Resort. On the same place has functioned a summer cinema in the past.The property has been a part of forest, in its northwestern side there is a dense forest, and southwest there is a small river.

The trade-administrative zone and the servicing objects are located in the complex ground floor and basement. They include lounge with a reception and administration, lobby bar, restaurant for 110 places with banquet room and covered terrace, two shops, ski-cloakroom, fitness and spa center, indoor pool, children`s center, bowling, hairdresser`s, lounge with registry. Also there are technical and official rooms and water closets, including and for people with disabilities. The total area of the retails is 3 140 m^2. The complex has a covered parking on two levels with 34 places and open with 16 places as well.

The residential part of the complex consists of 75 residences with total gross floor area of 5 175 m^2. They are 41 studios, 14 apartments mainly with one bedroom, and a big variety of maisonettes.

In the surrounding area will be realized a project to plant, with alleys and part lighting and the pine forest will be preserved.

Real estate owned by "Intercapital Property Development" ADSIC given as collateral for credits received by the Company:

1) Provided collateral for liabilities to financial institutions

Number of real estate under collateral	Area of real estate under collateral	Carrying amount of collateral provided 'BGN 000
77 residential sites	7804.90 sq.m	xxxx
25 commercial sites / areas	7 884,70 sq.m	xxxx

2) Provided collateral for other trade liabilities

Number of real estate under collateral	Area of real estate under collateral
4 residential sites	271,23 sq.m

Number of real estate under collateral	Area of real estate under collateral
9 residential sites	616,01 sq.m

Number of real estate under collateral	Area of real estate under collateral
3 residential sites	244,24 sq.m

Number of real estate under collateral	Area of real estate under collateral
8 residential sites	501,84 sq.m.

2) Towards "BG Invest Properties" AD

Contract for sale-purchase of receivables dated 05.04.2013, concluded between Investbank AD and BG Invest properties AD, pursuant to which the bank has transferred its receivable from "Intercapital Property Development" ADSIC in the amount of 240 000 due to a contract for credit to "BG Invest Properties" AD.

Deed of establishment of a mortgage since 29.07.2013, act № 161, Volume III, registration № 3115, № case 538/2013, at a notary Gergana Nedina, collateral of a bank loan agreement of 08.03.2013 on the following property located in vacation complex Marina Cape, town Aheloy and property of ICPD ADSIC: sports and recreation center "Fitness Centre" with ID 00833.5.409.21, Aheloy, Municipality Pomorie, Burgas Region, an area of 214.00 sq.m., with adjacent parts: 33 square meters, along with their common parts of the building right on the pitch.

3). Teximbank AD:

Contract for bank loan for working capital from 09.12.2013, signed between "Teximbank" AD and Intercapital Property Development ADSIC under which "Teximbank" AD has provided the ICPD ADSIC as a borrower, loan of 130 000 (one hundred and thirty thousand euros), intended for working capital.

Deed of establishment of a mortgage since 5.2.2014, act № 53, Volume I, registration № 358, № case 51/2014, at a notary Gergana Nedina, collateral of a bank loan agreement of 09.12.2013, on the Company's own property consisting of residential 1 buildings, located in a complex of buildings for seasonal use "Marina Cape", built in the land with ID 00833.5.409 (zero zero eight three tree point five point four zero nine) Aheloy, Municipality Pomorie, Burgas Region, area "Prechistvatelnata".

6. Intangible non-current assets

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

Intangible assets	**License ‘000 BGN**	**Total ‘000 BGN**
Carrying value		
Balance at January 01, 2020	3	3
Balance at December 31, 2020	**3**	**3**
Depreciation and impairment		
Balance at January 01, 2020	(3)	(3)
Balance at December 31, 2020	**(3)**	**(3)**
Book value at December 31, 2020	**-**	**-**

Intangible assets	**License ‘000 BGN**	**Total ‘000 BGN**
Carrying value		

Balance at January 01, 2019	3	3
Newly acquired assets	-	-
Written-off assets	-	-
Balance at December 31, 2019	**3**	**3**
Depreciation and impairment		
Balance at January 01, 2019	(3)	(3)
Written-off assets	-	-
Depreciation	(-)	(-)
Balance at December 31, 2019	**(3)**	**(3)**
Book value at		
December 31, 2019	**-**	**-**

7. Investments in subsidiaries

The financial assets of the Company are comprised only of its investment in the servicing subsidiary "Marina Cape Management" EOOD (MCM).

Name of the subsidiary	**31.12.2020 '000 BGN**	**% ownership**	**31.12.2019 '000 BGN**	**% ownership**
"Marina Cape Management" EOOD	5	100	5	100
Total	**5**	**100**	**5**	**100**

In 2017, the Company entered into a contract for the sale of its subsidiary Marina Cape Management EOOD in exchange for repayment of an interest liability in the amount of BGN 12,604 thousand. The company's shares were to be transferred by March 31, 2018 As of the date of this report, the transfer has not taken place.

8. Leases

8.20. Finance leases as a lessee

The company has acquired lands and buildings under construction contracts under financial leasing. The net book value of assets acquired under finance leases amounts to BGN 10,305 thousand. The assets are included in the groups "Land" and "Assets under construction" of "Property, plant and equipment" (see Note 6).

The Company has concluded a number of financial leasing agreements with Bulgaria Leasing EAD dated December 17, 2013. The financial leasing liabilities are secured by the respective assets acquired under the terms of financial leasing.

On December 17, 2013 the Company entered into a contract for financial leasing of real estate with Bulgaria Leasing EAD with a leasing object: investment project Grand Borovets, owned by Intercapital Property Development REIT. The lease price to be paid was EUR 2,927,724.36 excluding VAT. Initially, the lease price was to be paid within 2 years of the transfer of possession of the leased objects, of which 6 months grace period, through 24 lease payments due on the 20th of the month for which the installment is due, at a fixed annual interest rate of 9 %. By mutual agreement between the parties from 2014, the term for repayment of the lease installments was extended to 20.12.2019, as a result of which the lease price was changed to EUR 3,183,968.45 without VAT. At the end of 2016, a new agreement was signed between the parties, according to which the term for repayment of the lease installments was extended to 20.12.2021, and the lease price was changed to EUR 3,411,746 without VAT. Pursuant to this contract, on December 17, 2013 Intercapital Property Development REIT transferred by notary the right of ownership over the land with identifier

65231.918.189, located in the town of Samokov, Samokov Municipality, Sofia District, and the property built in this property. building, representing a hotel apartment complex with service facilities with identifier 65231.918.189.2, of the lessor Bulgaria Leasing EAD. As a result, and under the terms of a reverse lease, Intercapital Property Development REIT received from the lessor the possession of the properties subject to the Financial Leasing Agreement.

On November 13, 2019, the Company signed an agreement by which Bulgaria Leasing was replaced by Investbank AD as a lessor, and all other clauses of the contract remain unchanged.

With Annex of 10.2020 the interest under the leasing contract is reduced to 6% per annum. To date, all other clauses of the contract are unchanged.

Leases include fixed lease payments and an option to purchase at the end of the last year of the lease term. Leases are irrevocable but do not contain other restrictions.

	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Liabilities under financial leasing contracts over 1 year		1 335
Liabilities under financial leasing contracts current	1 400	118
Total	**1 400**	**1 453**

9. Work in progress

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

Work in progress	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Selling expenses - brokerage commissions and advertising for real estate from the site "Marina Cape"	0	293
Total:	**0**	**293**

10. Trade receivables

The more significant receivables from customers are reported in the following table,.

Receivables from customers	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Local and foreign individuals		38
Grand Borovetz 2013 EOOD	3 035	3 035
Other	33	10
Total	**3 068**	**3 083**

The customers' receivables represent non-paid amounts on contracts for transfer of real estate properties in the vacation complex "Marina Cape" which are due to "Intercapital Property Development" ADSIC. The book value of the trade receivables is assumed for reasonable approximate estimate of their fair value.

All commercial receivables are exposed to a credit risk. The Company`s management does not identify a specific credit risk as much as the trade receivables consist of many different clients.

11. Advances granted

Supplier receivables are presented in the following table:

Supplier receivables	**31.12.2020 BGN '000**	**31.12.2019 BGN '000**
Nikonsult Ltd.	-	38
Others	-	-
Total	**-**	**38**

12. Other receivables

	31.12.2020 '000 BGN	**31.12.2019 '000 BGN**
Non-current:		
Non-current other receivables	**-**	**-**
Current:		
Administrative fees for loan servicing	-	88
VAT Recovery	13	4
Guarantees provided	16	16
Other	5	51
Current other receivables	**34**	**159**

13. Money

The money of the Company is kept in depository bank – UniCredit Bulbank AD, St. Nedelya Branch. Most of it is in Euro because of the sales` specificity and the clients' structure.

The money includes the following components:

	31.12.2020 '000 BGN	**31.12.2019 '000 BGN**
Money in cash and in bank accounts:		
• BGN	-	-
• EUR	2	13

Total	**2**	**13**

14. Shareheholder's equity

Share capital

The Company`s registered capital consists of 27 766 476 ordinary shares with a nominal value of 1 BGN per share. All the shares are with a right of dividend and liquidation quota and each of them gives a right of one vote in the General shareholders` meetings of the Company.

	31.12.2020	**31.12.2019**
	'000 BGN	**'000 BGN**
Issued and fully paid shares		
- at the beginning of the year	6 011 476	6 011 476
- issued during the year	21 755 000	-
Total shares, authorized	**27 766 476**	**6 011 476**

On 13.10.2020, according to entry № 20201013143520 in the electronic file of the Company, a change in the amount of the capital was entered in the Commercial Register, which was increased as a result of a successfully completed subscription under the terms of public offering of shares with 21,755,000 new ordinary shares. , registered dematerialized shares, each with the right to one vote, nominal value BGN 1 and issue value BGN 1.
On 14.10.2020 the Central Depository entered in its register the issue from the capital increase.
On 20.10.2020 the issue was entered in the register of the FSC under Art. 30, para. 1, item 3 of the FSCA;
On 23.10.2020 the issue was introduced for trading on the BSE.

Shareholders Capital Structure

	2020		2019	
	Number of shares	%	Number of shares	%
UPF Budeshte	1 900 000	6.84%	0	0%
MF ACTIVA	1 500 000	5.40%	0	0%
\ MARINA CAPE PROPERTIES OOD	6 930 108	24.96%	0	0%
Other individuals	1 725 246	6.21%	1 725 246	27.32%
Legal entities	24 141 230	86.94%	4 369 000	72.68%
TOTAL	**27 766 476**	**100**	**6 011 476**	**100**

Liabilities to financial institutions

	31.12.2020	**31.12.2019**
	'000 BGN.	**'000 BGN.**
Liabilities to financial institutions		
Long Term	11 735	11 735
Short Term <1 year	7	-
Total	**11 742**	**11 735**

Below are the liabilities for principal of the loans received from financial institutions with a distribution of the liability as of December 31, 2019 depending on the maturity, as the collateral provided is indicated above in item 7

Long term liability, EUR	Interest	Maturity
6 000 000	6%	01.07.2022

6. Staff expenses

Staff remuneration costs include:

	31.12.2020 '000 BGN.	31.12.2019 '000 BGN.
Intercapital Markets AD	20	7
Water supply and sewerage EAD, Burgas	-	23
Marina Cape Properties Ltd.	-	144
Other	12	240
Total	**32**	**414**

7. Other expenses

	31.12.2020 '000 BGN.	31.12.2019 '000 BGN.
Foreign citizens	1 090	1 351
Guarantee deposits from clients under concluded contracts	560	600
Total	**1 650**	**1 951**

17. Tax payables

	31.12.2020 '000 BGN	31.12.2019 '000 BGN
VAT for payment	4	9

Amounts due under personal taxes law	5	2
Obligations for property tax and garbage tax		
Waste	40	47
Total	**49**	**58**

18. Amounts due to the staff and social security entities

	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Salaries Due	187	161
Social contributions due	4	6
Total	**191**	**167**

19. Other Liabilities

	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Current:		
Cessioned liabilities under loan contract with Grand Borovets 2013 EOOD	208	-
Liabilities towards VEI Project	-	15 922
Liabilities towards BGI Imo EAD	6 281	6 248
Liabilities towards interests on loans	-	4 205
AVI CONSULT	522	522
Others	192	193
Total	**7 203**	**27 090**

20. Sales Revenues

Sales revenues include:

	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Sale of investment properties	393	156
Management of investment properties	822	647
Total	**1 215**	**803**

21. Other revenues

	31.12.2020 '000 BGN	31.12.2019 '000 BGN

Written-Off Revenues	-	1 288
Other revenues	-	10
Total	**-**	**1 298**

22. Expenses for materials

Expenses for materials include:

	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Expensese for electricity and heat	(1)	(16)
Total	**(1)**	**(16)**

23. Expenses for external services

Expenses for external services include:

	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Maintenance and management services	(291)	
Fees and other services	(113)	(161)
Consulting expenses	(23)	(24)
Rent	-	-
Telecommunication services	(4)	(5)
Other	(156)	(17)
Total	**(587)**	**(207)**

24. Expenses for salaries and social security contributions

The salary expenses include:

	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Expenses for salaries	(43)	(39)
Expenses for social security contributions	(8)	(7)
Total	**(51)**	**(46)**

25. Other expenses

Other expenses include:

	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Written off receivables	(12)	(93)
Loss on sale of a lease	-	(115)

Sales expenses		(3)
Fines, fees and penalties	(153)	(573)
Other	(35)	(111)
Total	**(200)**	**(895)**

26. Book value of sold assets

In the item "Book value of sold assets" the Company recognizes the book value of the expropriated investment properties.
Expropriation of investment property may arise in case of sale or establishment of a right of use. When determining the date of expropriation of investment property the Company applies the criteria pursuant to IAS 18 related to recognition of revenue from the sale of goods or takes into account the relevant guidance in the Appendix to IAS 18.

27. Financial Expenses

The receivables and expenses for the given periods can be analyzed as shown below:

	31.12.2020 '000 BGN.	**31.12.2019 '000 BGN.**
Income from positive differences from operations with financial asse instruments - repurchased own bonds		632
Interest expenses	(1 093)	(1 440)
Other financial expenses (fees for bank renegotiation loans and other penalties)	(6)	(89)
Total financial income and expenses, net	**(1 099)**	**(897)**

28. Changes in the fair value of the investment properties

	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Negative revaluations		(2 187)
Positive revaluations	1 644	2 242
Net change in the fair value of investment	**1 644**	**55**

29. Tax Expense

The financial result of the Company is not subject to income tax, in accordance with Art. 175 of the law on Corporate Tax

30. Earning/(Loss) per share

Basic earning per share and diluted earnings per share calculated, as the used numerator is the profit/ (loss) attributable to shareholders of the Company.

The weighted average number of shares used for basic earnings per share as well as net income/ (loss) attributable to holders of ordinary shares.

	31.12.2020 '000 BGN	31.12.2019 '000 BGN
Profit / (loss), attrubutalbe to shareholders (in '000 BGN)	506	(66)
Weighted AvegeNumber of Shares (in '000 BGN)	10 291	6 011
Basic Earnings per Share (in '000 BGN.)	(0.049)	(0.01)

For the purpose of dividend distribution a transformation of the financial result is made in accordance with p. 5.14 from the accounting policy.

31. Related party Transactions/ Insider Transactions

Insiders to the company incude the shareholders of the Company, key managmenet personell and other related persons described below.

If not explicitrly mentioned the insider transactions have not been made under special provisions, and no gurantees have been given or received.

a. Transactions with subsidiaries

	31.12.2020	31.12.2019

	'000 BGN.	'000 BGN.
Sale of goods and services		
- sale of servies to "Marina Cape Mangment" EOOD	821	647

Receivables from subsidiaries	**31.12.2018**	**31.12.2017**
	'000 BGN.	**'000BGN.**
Current:		
"Marina Cape Management" EOOD	2 673	1 762
Total current receivables from related Parties	**2 673**	**1 762**

	31.12.2020	**31.12.2019**
Liabilites towards subsidiaries		
	'000 BGN.	**'000BGN.**
Current:		
"Marina Cape Management" EOOD	10	13
Total current Liabilities towards related parties	**10**	**13**

8% of receivables between related parties arose more than 360 days ago.

b. Transactions with key management personnel

The key management personnel of the Company includes the Board of Directors. The remunerations of the key management personnel include the following expenses:

	31.12.2020	**31.12.2019**
	'000 BGN.	**'000 BGN.**
Remunerations towards individuals	43	39
Remunerations towards Aheloy 2012	-	-
Total:	**43**	**39**

The members of the Board of Directors receive a fixed monthly remuneration, determined by the General Meeting, which may not exceed 10 minimum monthly salaries. The General Meeting also adopted a decision that the remuneration of the Executive Director should be up to 12 minimum salaries.
By decision of the General Meeting of Shareholders, the members of the Board of Directors may receive bonuses in the amount of not more than 0.1% of the Company's profit before the distribution of dividends for each member of the Board of Directors, but not more than 0.5% for the whole Advice.
The Company does not owe any other amounts and / or benefits in kind, as well as does not set aside or accrue amounts for the provision of pensions, benefits or other compensations upon retirement of the members of the Board of Directors.
The members of the Board of Directors have not received remuneration or compensation from subsidiaries of the issuer and the latter have not set aside or accrues amounts for the provision of pensions, benefits or other compensations upon retirement of the members of the Board of Directors in 2020.

Liabilities of the company towards members of the Borad of Directors are the following:

	31.12.2020	**31.12.2019**
	'000 BGN.	**'000 BGN.**
Remunerations towards individuals	191	161
Remunerations towards Aheloy 2012	-	-
Total:	**191**	**161**

The receivables of the company from the members of the Board of Directors are as follows:

	31.12.2020	**31.12.2019**
	'000 BGN.	**'000 BGN.**

Remunerations towards Aheloy 2012	35	35
Total:	**35**	**35**

32. Risk management policy and objectives

The company regularly analyzes the liquidity of assets and liabilities.

In the ordinary course of business, the Company is exposed to various financial risks, the most important of which are: market risk (including currency risk, fair value risk and price risk), credit risk, liquidity risk and interest rate risk, tangible cash flows. General risk management focuses on the difficulties in managing liquidity and minimizing the potential negative effects that may affect the financial performance and the company's performance

(a) Market risk

(-) Currency risk. The expenses of the Company are denominated in BGN or in EUR. In BGN denominated expenses are associated with the construction and operation of real estate. The cost of the real estate most often is negotiated in BGN. On the other hand, almost all other earnings are negotiated in EUR. In a currency board and fixed exchange rate of the lev against the euro, currency risk for the company is virtually none.

The Company is exposed to a currency risk in the transactions with financial assets denominated in a foreign currency.
In conducting of transactions in foreign currency there are currency gains and expenses which are included in the Income Statement. During the reporting period the Company has not been exposed to currency risk, in so far as no positions have occurred in currencies other than the lev and euro.
The policy on currency risk management applied by the company is not to have substantial operations and do not maintain open positions in foreign currencies other than Euro.

(-) Price risk. The risk of increase in inflation is associated with reduction of real purchasing power of economic actors and the possible impairment of assets denominated in local currency. The currency board controls money supply, but external factors (e.g. rising oil prices) could put a pressure on upward price levels. After accession to the EU there is pressure on the convergence of price levels to those of other EU countries, i.e. inflation in the country is higher than the average rate of inflation in the Member States of the EU. Although the rate of inflation in the country slowed as a result of the recent global economic and financial crisis, it remains higher than the average inflation rate in the EU. At present and in general the mechanism of the currency board provides assurance that inflation will remain under control and there will be no adverse impact on the economy, and particularly on the Company.

The Company may be exposed to risks of rising prices of some individual commodities, materials and services related to the activity and the risk of lowering the price of owned properties.

- Risk of rising price of land property. Parcels of landed properties are a major "staples" used in the Company for the construction of real estate. Significant increases in land prices could reduce the profits of the Company and opportunities to pursue business. The possibility of loss is eliminated from the policy of the Company, under which property is sold (in advance) only after the landed property or the right to build on it be purchased or agreed (in the case of the provision of compensation).

- Risk of lower real estate prices. Evolution of market prices of real estate and specifically the assets owned by the Company changes their net value and net asset value per share. The reduction in market prices of real estate and the income from them would reduce revenues, respectively would reduce the Company's financial results, of which 90% is distributed as a dividend.

The financial crisis in Bulgaria led to a sharp decrease in the economic activity, a drop in foreign investments, an increase in the unemployment rate and a credit crunch. This has a strong negative effect on the real estate sector leading to a sharp drop in demand, price levels and activity. A large number of developers and construction companies were faced with the challenge of trying not to cease their activities or fall into bankruptcy, which had a negative effect on the employment in the sector.

The Company is exposed to a risk of lower real estate prices from the time it incurs any expenses related to their construction to the moment of their sale. The Company aims to mitigate that risk by incurring construction expenses (including purchase of land plots) only when there is actual market demand for the specific properties to be built and offered for sale.

- Risk of changes in other prices related to the construction. Most of the prices of materials and services related to construction are changing in the same direction with the change in prices of “output products” - real estate. This is because on them the greatest impact is demand from contractors in the local market. One major exception to this rule is the price of steel. It is affected much more by world prices rather than local factors. Because of that reason, a situation could arise in which steel prices are rising while output prices are not changed or decreased. Bulgarian economy in recent years shows an increasingly strong correlation with the EU economies. In

particular, the global financial and economic crisis affects almost equally and simultaneously (with a difference of several months) the global property markets and the market in Bulgaria. We expect prices of construction materials and services to run in parallel with the percentage movement of property prices.
The decrease of the real estate market prices and the income from them would lead to a decrease in the revenues, respectively a reduction of the financial result realized by the Company, of which 90% are distributed in the form of a dividend. The financial crisis in Bulgaria has led to a sharp decline in economic activity, a decline in foreign investment, a rise in unemployment and limited lending. This has had a significant negative impact on the real estate sector, resulting in a strong drop in demand, price levels and activity in the sector. Many investors and builders in the country were faced with the challenge of not ending their business and / or not falling into insolvency, which also had a negative impact on employment in the construction sector. In 2017 there was a revival in the real estate sector, and the 2018 experts' forecasts are also optimistic, and in their opinion this year is expected to further intensify this market with the largest growth again in the segment of agricultural land. Expectations for growth of land transactions are mainly based on the fact that the country has good conditions for the development of modern agriculture, which is also contributed by the European programs. Although there are still many obstacles to rapid recovery in the real estate and construction sectors, there is currently a stabilization of the market alongside the increase in banks' lending activity. The Company is at risk of lowering real estate prices from the moment they incur expenses for their construction until their sale. The Company seeks to reduce this risk by incurring construction costs (including acquisition of plots) only if there is proven market interest in the particular properties to be built and offered for sale.
(-) Risks associated with increased competition. Following the significant growth of the Bulgarian property market in recent years before the global financial crisis, in the sector have entered many new players, including many foreign investors. As a result, we have witnessed increasing competition among construction companies, real estate companies with special investment purpose, commercial banks, individuals and others. This reflects the investment costs of the Company and may reduce the attractiveness of investments in securities of Intercapital Property Development ADSIC.

As a result of the current global financial situation, development of the real estate market has made a significant change that began during the last months of 2008.

In the current conditions of timid and slow recovery from the economic crisis and of increased competition, the Company is looking to find still undervalued sectors or market niches where it could achieve a profitability that is higher than the sector average. In addition the Company is adding other value added services to its clients including the possibility of a delayed payment up to 5 years.

(b) Interest rate risk of cash flow and fair value
The Company may be exposed to interest rate risk if there is a mismatch between the type (fixed or floating income, respectively interest) of assets and liabilities. The main assets of the Company are property (land or those under construction). It could be assumed that these assets are fixed-price or income because their price is not affected directly by changes in interest rates. The Company will seek to finance these assets in debt instruments, which also be fixed rate. Where this is not possible or not favorable to the company, it may use and a floating-rate debt. In these cases the Company will constantly analyze forecasts on interest rates. In case of significant risks of a large increase in interest rates, which have a significant negative impact on profits of the company, it may use derivatives or other financial instruments to hedge this risk.

	2020	2019

	'000 BGN.	'000 BGN.
Libilities towards financial companies	11 742	11 735
Liabilities towards financial leasing	1 400	1 453
	13 142	**13 188**

(c) Credit risk

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

	2020 '000 BGN.	**2019** '000 BGN.
Cash and cash equivalents	2	13
Trade and other receivables	5 797	5 035
	5 799	5 048

(d) Liquidity risk

Liquidity risk arises in connection with securing funding for the activities of the Company and its management positions. It has two dimensions - risk the Company will not be able to meet its obligations when they fall due and the risk of being unable to realize company assets at an appropriate price and within acceptable limits.
The company aims to maintain a balance between maturity of funding and flexibility of the use of funds with varying maturity structure.
The company aims to reduce the risks of a shortage of cash by taking investments and works only when the financing is secured with its own funds, advances from customers or borrowings. Company monitors closely the financial markets and the opportunities for raising additional funds (own or debt). The company seeks to shorten the time to raise such funds as necessary.
In the current financial crisis when liquidity risk is becoming more relevant to existing businesses, Intercapital Property Development ADSIC seeks to reduce the negative impact thereof, and because of that it has taken the following measures:

- The Company ensures strict observance of their contracts with financial institutions to exclude the possibility to request early repayment;
- Priority work with financial institutions (banks) in good financial health;
- Optimization of costs, review the investment program;
- Actively seeking buyers for the properties offered by the Company to generate cash and maintain adequate cash

33. Policy and procedures for capital management

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

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

The Company manages the capital structure and makes the necessary adjustments in accordance with changes in the economic environment and risk characteristics of the respective assets.

To maintain or adjust the capital structure, the Company may change the amount of the dividends distributed to the shareholders, may return capital to the shareholders, may issue new shares and may sell assets in order to reduce its liabilities.

34. Information regarding events after the balance sheet reporting date

And in 2021 we are in an emergency situation because of the global pandemic of the Crown virus declared by the WHO. Europe is one of the centers of the pandemic. A state of emergency has been declared in the Republic of Bulgaria by a decision of the National Assembly by March 31, 2021. Measures have been introduced to limit travel, the operation of public buildings and public establishments. Restrictions on border crossings have been introduced in and from almost all European countries. Most transport companies have declared force majeure. The financial system is in the process of reorganizing and limiting work with clients.
The employees of the company face on an equal footing with all people in Bulgaria before unforgettable challenges for preserving their health, work and property.
The main assets of the company are located in the town of Aheloy, Marina Cape. The assets are kept and managed by the subsidiary Marina Cape Management EOOD, which has imposed measures to protect the staff, property and ensure the functioning of the complex in compliance with the provisions of all state and municipal authorities. The company has two managers who can guarantee functioning and representativeness. Strict restrictions have been imposed on entering the complex. Security has been increased. Employees over 60 have been released.
Currently, there are all possibilities are normal life in the complex of property owners, as well as the possibility of accommodating tourists on the basis of their own kitchen.
The other large asset of the company is a building under construction in the Borovets resort, which is only guarded.

Date: 26.03.2021

Drafted: ____________________ Executive Director: ____________________
/Optima Audit AD/ /Velichko Klingov/