Grant Thornton

Independent Auditor's Report

Financial Report

Annual Management Report

INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

31st December 2013

Grant Thornton OOD
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Independent Auditor's Report

To: The shareholders of
INTERCAPITAL PROPERTY DEVELOPMENT ADSIC
Address of the Company – City of Sofia

Report on the Financial Statements
We have audited the accompanying financial statements of "Intercapital Property Development" ADSIC as of 31st December 2013, including statement of financial condition as of 31st December 2013, consolidated income statement, statement of the changes in equity, and cash flow statement, ending on the same date, as well as the summarized disclosure of applied accounting policies, and other explanatory information.

Responsibility of the management for the financial report
It is the management of the Company who bears the responsibility for the preparation and the true presentation of this financial statement in compliance with the International Financial Reporting Standards, endorsed by the EU and the Bulgarian legislation, as well as for the internal control system which the management considers appropriate for the preparation of these financial statements, which shall not contain any substantial inaccuracies, regardless whether they are caused by fraud or error.

Responsibility of the auditor
Our responsibility comes down to reporting an auditor's opinion on these financial statements, based on the audit performed by us. The audit has been carried out in compliance with the International Financial Reporting Standards. These standards imply complying with the ethical requirements as well as planning and performing the audit in a way which allows us to confirm with reasonable assurance the extent to which the financial statements do not contain any substantial inaccuracies.

The audit includes performing procedures for acquiring audit proofs concerning the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's opinion, including assessment of the risks of significant inaccuracies in the financial report, regardless whether they are caused by fraud or error. While carrying out these risk assessments, the auditor takes in consideration the internal control system applied for the preparation and truthful presentation of the financial report by the Company in order to develop audit procedures that are suitable for these circumstances but not with the purpose of expressing opinion on the effectiveness of internal control system of the Company. The auditor also includes an assessment of the relevance of the accounting policies applied and of the rationality of the accounting estimations made by the management, as well as an assessment of the overall performance of the financial report. We consider that the audit performed by us presents sufficient and suitable base for expressing our audit opinion.

Opinion
In our opinion, the financial report provides correct and truthful presentation of the financial condition of Intercapital property Development ADSIC as of 31st December 2013, as well as for the financial results from operations and cash flows for the year, ending on this date in accordance with the International Financial Reporting Standards (IFRS), endorsed by the EU and the Bulgarian legislation.

Paragraph for emphasis on matter
We pay particular attention to Note 2.1 "Going concern" to the financial report, where it is pointed out that the Company has accumulated losses in the last three reporting periods in the amount of BGN 23 655 thousand for 2013, BGN 18 234 thousand for 2012, but the equity of the Company remains positive, as well as the cash flow from operating activities as of 31st December 2013, which is also positive in the amount of BGN 1 629 thousand and as of 31st December 2012 it is positive in the amount of BGN 3 012 thousand. As of 31st December 2013, the sum of current liabilities exceeds the sum of current assets with BGN 36 820 thousand, and in 2012 the sum of the current liabilities exceeds the sum of current assets with BGN 38 301 thousand. Our opinion is not modified with respect to these issues.

Report on other legal and regulative requirements – Annual management report as of 31st December 2013
We examined the Annual management report of Intercapital Property Development ADSIC as of 31st December 2013, which is not part of the financial report. The historical information presented in the annual management report written by the management, complies in all material aspects with the financial information contained in the financial report as of 31st December 2013, prepared in compliance with the International Financial Reporting Standards, endorsed by the EU and the Bulgarian legislation. The responsibility for the preparation of the annual management report lies within the management.

Margiy Apostolov
Registered Auditor
Director

Dr. Mariana Mihailova
Registered Auditor

Grant Thornton OOD
Specialized audit entity
27th March 2014
Sofia

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Report for the financial condition

	Notes	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Assets			
Non-current assets			
Property, plant and equipment	6	12 499	4 931
Investment property	7	37 986	41 987
Intangible assets	8	-	-
Investment in subsidiaries	9	5	5
Other receivables	14	2 137	-
Non-current assets		**52 627**	**46 923**
Current assets			
Work-in-progress	11	1 070	8 347
Trade accounts receivables	12	436	309
Advance payments	13	190	142
Receivables from related parties	34.2	1 567	1 251
Other receivables	14	2 452	377
Cash and cash equivalents	15	103	100
Current assets		**5 818**	**10 526**
Total assets		**58 445**	**57 449**

Accountant: ____________________
/Optima Audit AD/

Executive Director: ____________________
/Velichko Klingov/

Date: 27.03.2014

Certified with auditor's report:

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Dr. Mariana Mihailova

Report for the financial condition

	Notes	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Shareholders' equity			
Share capital	16.1	6 011	6 011
Issue premiums		7 651	7 651
Revaluation reserve	16.2	5 164	715
General reserves		1	1
Undistributed profit		9 437	9 437
Uncovered loss		(18 234)	(13 794)
Current profit/loss		(5 421)	(4 440)
Total shareholder's equity		**4 609**	**5 581**
Liabilities			
Non-current liabilities			
Liabilities to financial institutions	17	3 041	3 041
Bonds	17	5 867	-
Financial leasing	10	2 108	-
Other liablities	22	182	-
Total non-current liabilities		**11 198**	**3 041**
Current liabilities			
Liabilities to financial institutions	15	17 322	25 863
Bonds	15	665	6 929
Financial leasing	10	5 099	1 647
Liabilities to suppliers and customers	18	4 337	3 806
Customers` advance receivables	19	8 675	8 899
Short-term liabilities to related parties	34.2	1 484	988
Tax payables	20	378	569
Social security payables and salaries payables	21	37	22
Other liabilities	22	4 641	104
Total current liabilities		**42 638**	**48 827**
Total liabilities		**53 836**	**51 868**
Total shareholder's equity and liabilities		**58 445**	**57 449**

Accountant: ____________________ **Executive Director:** ____________________

/Optima Audit AD/ **/Velichko Klingov/**

Date: 27.03.2014

Certified with auditor's report: ____________________

Dr. Mariana Mihailova

Comprehensive Income Statement

	Notes	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Revenue from sales	23	1 965	2 155
Other revenue	24	7 644	1 755
Expenses for materials	25	(61)	(53)
Expenses for external services	10.2; 26	(1 057)	(1 234)
Expenses for salaries	27	(166)	(158)
Expenses for depreciation	6	(55)	(55)
Other expenses	28	(171)	(455)
Book value of assets sold	29	(1 900)	(2 175)
Change in the inventories of finished goods and work in progress	11	(5 176)	(66)
Operating profit/loss		**1 023**	**(286)**
Financial expenses	30	(3 692)	(3 445)
Changes in the fair value of the investment property	31	(2 752)	(709)
Profit before tax		**(5 421)**	**(4 440)**
Net tax expenses	32	-	-
Net profit/ (loss)		**(5 421)**	**(4 440)**
Earnings per share	33	**(0.90)**	**(0.74)**
Other comprehensive income			
Profit from revaluation of land	7	4 449	4
Total annual comprehensive income		**(972)**	**(4 436)**

Accountant: ____________________
/Optima Audit AD/

Executive Director: ____________________
/Velichko Klingov/

Date: 27.03.2014

Certified with auditor's report: ____________________
Dr. Mariana Mihailova

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 2012	**6 011**	**7 651**	**712**	**9 437**	**(13 794)**	**10 017**
Profit/Loss	-	-	-	-	(4 440)	(4 440)
Other comprehensive income	-	-	-	-	-	-
Revaluation of non-current assets	-	-	4	-	-	4
Total comprehensive income	**-**	**-**	**4**	**-**	**(4 440)**	**(4 436)**
Balance 31st December 2012	**6 011**	**7 651**	**716**	**9 437**	**(18 234)**	**5 581**
Profit/Loss	-	-	-	-	(5 421)	(5 421)
Other comprehensive income	-	-	-	-	-	-
Revaluation of non-current assets	-	-	4 449	-	-	4 449
Total comprehensive income	**-**	**-**	**4 449**	**-**	(5 421)	**(972)**
Balance 31st December 2013	**6 011**	**7 651**	**5 165**	**9 437**	**(23 655)**	**4 609**

Accountant: ____________________
/Optima Audit AD/

Executive Director: ____________________
/Velichko Klingov/

Date: 27.03.2014

Certified with auditor’s report:

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Dr. Mariana Mihailova

Cash Flow Statement

	Notes	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Cash flow from operating activities			
Customers` receivables		2 841	4 598
Suppliers` payables		(1 009)	(1 186)
Salaries and social securities payables		(157)	(157)
Other operating activities` payments, net		(46)	(243)
Net cash flow from operating activities		**1 629**	**3 012**
Cash flow from investment activity			
Acquisition of property, plant and equipment		(1)	-
Acquisition of investment properties		-	(10)
Net cash flow from investment activity		**(1)**	**(10)**
Cash flow from financing activity			
Proceeds on loans		755	-
Payments of bank loans		(489)	(1 535)
Payments of interest, fees and commissions		(821)	(1 573)
Payments on leases		(1 070)	-
Net cash flow from financing activity		**(1 625)**	**(3 108)**
Net change in cash and cash equivalents		**3**	**(106)**
Cash and cash equivalents at the beginning of the period		100	206
Cash and cash equivalents at the end of the period	**13**	**103**	**100**

Accountant: ____________________ **Executive Director:** ____________________
/Optima Audit AD/ **/Velichko Klingov/**

Date: 27.03.2014

Certified with auditor's report: ____________________
Dr. Mariana Mihailova

Explanatory Notes

1 General information

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

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

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

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

- Velichko Klingov,
- Tsvetelina Hristova.

The Investor Relations Director is Milen Bozhilov.

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

2 Basis for the preparation of financial statements

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

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

2.1 Going concern

The financial report is compiled in compliance with the going concern principle. As of the date of the compliance of the present financial report the management of the Company has made an assessment of its ability to continue as a going concern based on the information available for the foreseeable future. Despite the fact that the Company has accumulated losses from its activity in the last two reporting years and that the sum of the current liabilities exceeds the sum of the current assets with BGN 36 820 thousand for 2013 and with BGN 38 301 thousand for 2012, after examination of the Company's activity the management expects that the Company shall have sufficient financial resources to continue its operational activity in the near future and shall continue to apply the going concern principle when preparing its financial statements.

3 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 have been reclassified.

4 Changes in accounting policy

4.1 General provisions

The Company applies the following new standards, amendments and interpretations of IFRS, developed and published by IASB, which affect the financial report of the Company and are mandatory for application since the reporting period beginning on 1st January 2013.

IFRS 7 "Financial Instruments: Disclosures" - Netting of financial assets and financial liabilities – effective since 1 January 2013, adopted by the EU on December 13, 2012

The new disclosures are associated with quantitative information on recognized financial instruments, which are netted in the statement of financial position as well as those financial instruments for which there is a netting agreement regardless whether they are netted. As the Company has no agreements in force for netting financial assets and financial liabilities, the application of the amendments had no significant effect on the disclosures or the amounts recognized in the financial statement.

IFRS 13 "Fair Value Assessment" effective from 1 January 2013, adopted by the EU on December 11, 2012

IFRS 13 "Fair Value Assessment" defines fair value as the price that would be received upon sale of an asset or paid to transfer a liability in customary transaction between market participants at the measurement date. The standard clarifies that fair value is based on trades executed on the main market for the asset or liability, or failing that - the market with the most favorable conditions. The main market is the market with the largest volume and activity for the asset or liability. The standard is applied prospectively for annual periods beginning on or after January 1, 2013.

IAS 1 "Presentation of Financial Statements" - other comprehensive income - effective July 1, 2012, adopted by the EU on June 5, 2012

The amendments require to present the components of the other comprehensive income into two groups, depending on whether they will be reclassified in profit or loss in subsequent periods. Components which are not reclassified, e.g. revaluation of property, plant and equipment are presented separately from components that will be reclassified such as deferred gains and losses on cash flow hedges. As the Company has chosen to present the components of other comprehensive income, before taxes, it should show the amount of tax for each group separately. The name of the income statement has been changed to “statement of profit or loss and other comprehensive income”. The amendments should be applied retrospectively.

IAS 19 "Employee Benefits" effective since 1 January 2013, adopted by the EU on 5 June 2012

Amendments to IAS 19 remove the corridor method and require the presentation of financial costs and revenues on a net basis. Actuarial gains and losses are renamed revaluation and should be recognized immediately in the other comprehensive income. They are not reclassified to profit or loss in subsequent periods.

Annual 2011 Improvements effective since 1 January 2013, adopted by the EU on 27 March 2013

- Amendments to IFRS 1 clarify that an entity can apply IFRS 1 more than once under certain circumstances. A right to choose the application of IAS 23 from the date of transition or an earlier date is introduced.
- IAS 1 amendment clarifies that the statement of financial position as at the beginning of the previous period should be provided only if the retrospective changes have a significant effect on that date.The enterprises that represent two comparative periods in the statement of financial position in accordance with IAS 8, should not include information about the opening balance of the previous period in the notes. If the management presents on their own accord additional comparative information in the statement of financial position or the income statement and notes, then the notes should also include additional information.
- The amendment to IAS 16 clarifies that spare parts and servicing equipment are classified as property, plant and equipment, not inventory, where the definition of property, plant and equipment is applicable and they are used for more than one year.
- The amendment to IAS 32 clarifies that the reporting of income tax in respect of dividends and expenses on transactions with owners in accordance with IAS 12. Income tax relating to the distribution of dividends is recognized in profit or loss as income tax expenses related to transactions with owners recognized directly in equity.
- The amendment to IAS 34 clarifies that the total assets and liabilities by segment is presented in the interim financial statement, if this information is regularly provided to the persons responsible for making operating decisions and it has changed significantly compared to the information disclosed in the last annual financial statements. As a result of this amendment, the information by segments includes both total assets and total liabilities per segment.

4.2 Standards, amendments and interpretations, which are still not in force and have not been applied at an earlier date by the Company

The following new standards, amendments and interpretations to existing standards have been published, but are not yet effective for the fiscal year beginning on January 1, 2013 and have not been applied at an earlier date by the Company:

IFRS 9 "Financial Instruments" effective from 1 January 2015, not yet endorsed by the EU

IFRS 9 is the first part of the project of the International Accounting Standards Board (IASB) to replace IAS 39 "Financial Instruments: Recognition and Measurement". It replaces the four categories of financial assets in their assessments of IAS 39 classification based on a single principle. IFRS 9 requires all financial assets to be measured at either amortized cost or fair value. Amortized cost provides information that is useful in making decisions regarding financial assets that are held primarily to the receipt of cash flows represent the payment of principal and interest. For all other financial assets, including those held for trading, fair value is the most relevant measurement basis. IFRS 9 eliminates the need for multiple methods of depreciation by requiring the use of the depreciation method only for assets carried at amortized cost. Additional sections in relation to impairment and hedge accounting are still being developed. The Company does not expect the changes to be implemented before the release of all sections of the standard and currently can not assess their overall effect.

IFRS 10 "Consolidated Financial Statements" effective from 1 January 2014, adopted by the EU on 11 December 2012

IFRS 10 "Consolidated Financial Statements" introduces a new definition of control based on certain principles that should apply to all investments in determining the basis for consolidation. According to preliminary analyzes of leadership IFRS 10 does not lead to changes in the classification of the existing investments of the Company as of 31.12.2013 or in the previous periods.

IFRS 10, 11, 12 - Transitional provisions, effective from 1 January 2014, endorsed by the EU on 16th April 2013

The transitional provisions allow companies not to apply IFRS 10 retrospectively in certain circumstances and to present adjusted comparative information pursuant to IFRS 10, 11, 12 only for the previous comparative period. Provisions exempt companies from the requirement to present comparative information in financial statements for periods prior to the first financial year in which IFRS 12 is attached.

IAS 27 "Separate Financial Statements" (revised) effective since 1 January 2014, adopted by the EU on 11th December 2012

IAS 27 "Separate Financial Statements" (revised) now applies only to individual financial statements; the requirements are not substantially altered.

IAS 32 "Financial Instruments: Presentation" (amended) effective from 1 January 2014, adopted by the EU on 13 th December 2012

The amendment specifies that a netting of assets and liabilities should be in force at the time, not to arise by a future event. It should also be exercised by all parties in the ordinary course of business and in the case of default, insolvency or bankruptcy.

IAS 36 "Impairment of assets" (amended) effective from 1 January 2014, not yet endorsed by the EU

The amendments require disclosure of information about the recoverable amount of impaired financial assets in the event that it is determined based on the fair value less sale costs. They should be applied retrospectively. Earlier application is only possible with IFRS 13.

IAS 39 "Financial instruments: Recognition and Measurement" (amended) effective from 1 January 2014, not yet endorsed by the EU

The amendments allow the further hedge accounting in the case of novation of derivatives as a result of legislative changes, which are designated as hedging instruments and are not traded on the exchange.

The following new standards and interpretations have already been published, but are not expected to have a significant effect on the financial statement of the Company:

- IFRS 11 "Joint Arrangements" effective from 1 January 2014, adopted by the EU on 11th December 2012
- IFRS 12 "Disclosure of interests in other entities" effective from 1 January 2014, adopted by the EU on 11 th December 2012
- IFRS 10, 12, 27 – "Investment Companies"(amended), effective from 1 January 2014, not yet endorsed by the EU
- IAS 28 "Investments in Associates and Joint Ventures" (revised), effective from 1 January 2014, adopted by the EU on 11th December 2012
- IFRIC 20 "Taxes", effective from 1 January 2014, not yet endorsed by the EU

5 Accounting Policy

5.1 General Position

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

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

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

Substantial effects in the current, previous and future periods resulting from the initial implementation of above mentioned standards and interpretations regarding presentation, recognition and estimation of the amounts have occurred.

5.2 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.

5.3 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 usage, in case that no economic benefits are expected from their sale. The profits and losses from taking out of usage 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.

5.4 Loan expenses

The loan expenses are mainly interest paid on the loans received by the Company. All the loan expenses, including those which could be directly attributed to the purchase, the construction of an asset responding to the requirements, are recognized as expenses for the period in which they have arisen as part of the "financial expenses" in the Income Statement. In the Comprehensive Income Statement are reported additionally paid bank fees related to renegotiating loan relationships. Till the final completion of the construction works for a respective project, the loan expenses increase the direct cost of the properties in construction. After the final completion of the construction works on the project the capitalization of the loan expenses shall be ceased. The capitalization of those expenses shall be ceased also in case of temporary suspension of the construction works.

5.5 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 Income Statement.

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

The Company performs a careful estimation when determining 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.

5.6 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 the 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 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 asset shall generate more than the initially expected future economic benefits. Any 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 there are such ones) 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:

- Buildings 25 years
- Machinery 3,3 years
- Vehicles 4 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.

5.7 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 is reflected the corresponding finance lease obligation, regardless of whether some of these lease payments are payable in advance upon signing of the lease.

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.

5.8 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.

5.9 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 to be obtained future economic benefits from the investment property;
- the value of the investment property could be estimated reliably.

The investment property is valuated initially at cost that includes the purchase price and any others 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 to **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 they are included in the Income Statement with their market values. The revaluations are made by independent appraisers with professional qualification and serious work experience and they also have to have 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 probably 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 usage, 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 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 services” and “other expenditures”. As a rule the profit from investment property (renting) is an investment profit and is stated separately.

5.10 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 methods used for its valuation and whether the revenues and expenses are reported in the Comprehensive Income Statement 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 could 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 the financial assets and liabilities reported at fair value in the profit or loss.

A write-off of a financial asset is affected 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 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 passed due as of the balance sheet date or when objective evidence exists that the counterparty would not honor its obligations. All other assets are tested for impairment in groups, determined based on 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 defaults of counterparties in each group identified.

5.11 Inventories, work in progress

The Company operates only by contracting various activities to different 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).

In the cost of the finished goods (real estate – apartments, commercial properties and etc.) is included as an element and a portion of the value of the land that corresponds to its impairment due to limited rights of disposal. The land shall be valuated (according to the Bulgarian legal framework too) by independent licensed appraiser at least once annually.

The direct expenditures are accumulated in the moment of their incurrence by batches for the particular projects, and the indirect expenditures are distributed proportionally to the direct expenditures incurred for the project.

The inventories include materials and finished goods. In the cost of inventories are included the purchase cost and other directly attributable costs related to the delivery. The financial expenses on used loan financing are included in the value of the inventories (work-in-progress) as their attachment to the particular project is analytically taken into account. 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 to 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.

5.12 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.

5.13 Cash and cash equivalents

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

5.14 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:

1. increased/ decreased with the losses/ gains from subsequent asset valuations;
2. increased/ decreased with the losses/ gains from transactions transferring ownership of real estate;
3. increased/ decreased in the year of ownership transfer of assets with the positive/ negative difference between:

a) the asset selling price; and
b) 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 – preference 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.

5.15 Pension and other liabilities to the personnel

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

The Company has not elaborated and does not apply any plans for remuneration of employees after they leave or other long-term remunerations and plans for remuneration of employees after they leave, or in the form of compensations with stocks or shares of the equity, since by law the Company may appoint under a contract of employment only one person - Director of Investor Relations.

5.16 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 have occurred.

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.

5.17 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.

5.18 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 5.19.

5.19 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.

5.19.1 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.

5.19.2 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.

6 Property, plant and equipment (Tangible assets)

After their initial recognition the investment property is reported using the reasonable value method. In compliance with the Law on the special purpose vehicles the Board of Directors has assigned the implementation of evaluation of all the properties owned by the Company as of 31.12.2013 to the independent appraiser Dobi 02 OOD. The results of the evaluation shall be reported in the final annual financial statement of the Company.

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

	Land '000 BGN	Machinery '000 BGN	Computer and other equipment '000 BGN	Work in progress '000 BGN	Total '000 BGN
Book Value					
Balance as of 1st January 2013	4 504	545	3	-	5 052
Newly acquired assets	208	-	1	5 346	5 555
Modification as a result of revaluation	2 743	-	-	1 706	4 449
Written-off assets	(2 381)	-	-	-	(2 381)
Balance as of 31st December 2013	**5 074**	**545**	**4**	**7 052**	**12 675**
Depreciation					
Balance as of 1st January 2013	-	(118)	(3)	-	(121)
Written-off depreciation	-	-	-	-	-
Depreciation	-	(55)	-	-	(55)
Balance as of 31st December 2013	**-**	**(173)**	**(3)**	**-**	**(176)**
Book Value as of 31st December 2013	**5 074**	**372**	**1**	**7 052**	**12 499**

	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 2012	4 500	545	3	-	5 048
Newly acquired assets	-	-	-	-	-
Modification as a result of revaluation	4	-	-	-	4
Written-off assets	-	-			
Balance as of 31st December 2012	**4 504**	**545**	**3**	**-**	**5 052**
Depreciation					
Balance as of 1st January 2012	-	(64)	(3)	-	(67)
Written-off depreciation	-	-	-	-	-
Depreciation	-	(54)	-	-	(54)
Balance as of 31st December 2012	**-**	**(118)**	**(3)**		**(121)**
Book Value as of 31st December 2012	**4 504**	**427**	**-**	**-**	**4 931**

Land owned by the Company has been revaluated with BGN 4 thousand in 2012 (in 2013 the land was impaired with a total of BGN 4 449 thousand).

7 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 31.12.2013 of all the company's real estate properties by the independent appraiser – "Dobi 02" Ltd., the result of which was reported in the financial statement of the Company.

The next table presents the changes in the value of the investment property in 2013 and 2012.

	31.12.2013 **'000 BGN**
Book value as of January 01, 2013	**41 987**
Newly acquired assets	443
Written-off assets	(1 692)
Net profit from changes in fair value	(2 752)
Book value as of December 31, 2013	**37 986**

	31.12.2011 **'000 BGN**
Book value as of January 01, 2012	**44 861**
Newly acquired assets	10
Written-off assets	(2 175)
Net profit from changes in fair value	(709)
Book value as of December 31, 2012	**41 987**

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 which led to increase of the value of the investment property with BGN 22 806 thousand.

The amount of BGN 1 070 thousand is reflected as a work in progress and represents the accumulated cost of sales of real estate in the resort "Marina Cape", which will be recognized as an expense when the revenue from sale is recognized by a notary deed or a transfer of rights of use in order to observe the principle of comparability of revenues and expenses. Another BGN 261 thousand is also shown as work in progress and represents equipment for restaurants on site.

As of 31.12.2012 the "Borovets Grand" project is also reported as "work-in-progress".

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. Real estate owned by “Intercapital Property Development” ADSIC given as collateral for credits granted to the Company:

<u>1. Towards “Piraeus Bank Bulgaria” AD</u>

1.1. Contract for an investment credit № 1236/2007, concluded on 19.10.2007 for the amount of 4 500 000 (four million and five hundred thousand) EUR to finance the construction of a complex of residential buildings for a seasonal use “Marina Cape”, Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 08.11.2007, № 112, vol. XII, reg. № 3901, case № 2217/2007 of a notary Hristo Roidev, collateral of bank credit № 1236/2007, concluded on 19.10.2007, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.
- Deed of incorporation of mortgage contract from 04.12.2009, № 80, vol. VII, reg. № 4288, case № 1226/2009 of a notary Gergana Nedina, collateral of bank credit № 1236/2007, concluded on 19.10.2007, Annex A1-1236 from 16.01.2009 and Annex A2-

1236 from 19.10.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province;

- Pledge contract on receivables №1236-1/2007, concluded on 23.10.2007, collateral of investment credit № 1236/2007 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract entered in the Central Pledges Register on 07.11.2007;
- Pledge contract on receivables №1236-2/2007, concluded on 23.10.2007, collateral of investment credit № 1236/2007 – Registered pledge on receivables of cash funds from the special bank account of the company at "Bank Piraeus Bulgaria" AD – entered in the Central Pledges Register on 07.11.2007;
- Pledge contract on receivables №1236-4/ 2009, concluded on 19.10.2009, collateral of investment credit № 1236/2007 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract entered in the Central Pledges Register on 03.12.2009.

1.2. Contract for an investment credit № 736/2008, concluded on 07.07.2008 for the amount of 3 000 000 (three millions) EUR to finance construction-assembly and finishing works in complex of residential buildings for seasonal use "Marina Cape", Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 09.07.2008, № 35, vol. VIII, reg. № 2387, case № 1404/2008 of a notary Hristo Roidev, collateral of bank credit № 736/2008, concluded on 07.07.2008, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.;
- Pledge contract on receivables № 736 – 1/2008, concluded on 07.07.2008, collateral of bank credit № 736/2008 from 07.07.2008 – Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract in the Central Pledges Register.
- Pledge contract on receivables № 736 – 2/2008, concluded on 07.07.2008, collateral of bank credit № 736/2008г. от 07.07.2008 г. - Registered pledge on receivables of cash funds from the special bank account of the company at "Bank Piraeus Bulgaria" AD – entered in the Central Pledges Register;
- Pledge contract on furniture and facilities № 736 – 3/2008, concluded on 10.07.2008, collateral of bank credit № 736/2008 from 07.07.2008 – Registered pledge on furniture and facilities of the apartments from Zone 4 in "Marina Cape" Complex, Aheloy Town, Pomorie Municipality;
- Deed of incorporation of mortgage contract from 04.12.2008, № 80, vol. VII, reg. № 4288, case № 1226/2009 of a notary Gergana Nedina, collateral of bank credit № 736/2008, concluded on 07.07.2008, Annex A1-736 from 16.01.2009 and Annex A2-736 from 19.10.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.

1.3. Contract for an investment credit № 327/2009, concluded on 14.12.2009 for the amount of 3 300 000 (three millions and three hundred thousand) EUR to finance payments on dividends and finishing works and infrastructure of “Marina Cape” project, Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 21.12.2009, № 162, vol. VII, reg. № 4500, case № 1306/2009 of a notary Gergana Nedina, collateral of bank credit № 327/2009, concluded on 14.12.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province;
- Pledge contract on receivables № 327-1/2009, concluded on 14.12.2009, collateral of bank credit № 327/2009 от 14.12.2009 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex “Marina Cape”, described in detail in an enclosure to the contract in the Central Pledges Register;
- Pledge contract on receivables № 327-4/2009, concluded on 14.12.2009 - Registered pledge on receivables of cash funds from the special bank account of the company at “Bank Piraeus Bulgaria” AD – entered in the Central Pledges Register.

2. Towards “Grand Borovets 2013” EAD

Contract for sale-purchase of receivables pursuant to Contract for a credit № 716/18.09.2008 and Contract for a credit № 717/18.09.2008, pursuant to which the Creditor of the Company DSK Bank EAD has transferred its receivables streaming from the two contract for credit on total amount of EUR 5 832 886.5 to Grand Borovets 2013 EAD

- Deed of incorporation of mortgage contract from 26.09.2008, № 81, vol. VA, reg. № 7186, case № 846/2008 of a notary Borislav Mehandgiiski, collateral of bank credit № 716/2008, concluded on 18.09.2008, including land property No. 65231.918.189 and a building right over 77 (seventy seven) individual properties;
- Deed of incorporation of mortgage contract from 28.10.2009, № 154, vol. VI, reg. № 3867, case № 1102/2009 of a notary Gergana Nedina, collateral of bank credit № 716/2008, concluded on 18.09.2008, Annex №1 from 29.01.2009 and Annex № 2 from 17.09.2009, including commercial properties, located in Marina Cape Complex, Aheloy Town, Pomorie Municipality, Bourgas Province.
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 716 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.
- Deed of incorporation of mortgage contract from 26.09.2008, № 82, vol. VA, reg. № 7189, case № 847/2008 of a notary Borislav Mehandgiiski, collateral of bank credit № 716/2008, concluded on 18.09.2008, including land property No. 65231.918.189 and a building right over 77 (seventy seven) individual properties;
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 717 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.

Pursuant to the agreement concluded on 27.12.2013, between “Grant Borovets 2013” EOOD from one side, ICPD ADSIC as principal debtor and “Marina Cape Management” EOOD, “Marina Cape Tours” EOOD and Velichko Stoichev Klingov as joined debtors, the amount of the debt of ICPD ADSIC outstanding towards “Grand Borovets 2013” EOOD was reduced with BGN 2 000 000. Additionally, it was agreed that the contractual mortgage on the property with identification number 65231.918.189, located in Samokov, Sofia municipality, Sofia district, together with the building on that property, an apartment hotel complex with related facilities with identification number 65231.918.189.2, which secures the claim of “Grand Borovets 2013” EOOD, to be removed.

3) Towards “BG Invest Properties” EAD

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

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.

8 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, 2013	3	3
Newly acquired assets	-	-
Written-off assets	-	-
Balance at December 31, 2013	**3**	**3**
Depreciation and impairment		
Balance at January 01, 2013	(3)	(3)
Written-off assets	-	-
Depreciation	-	-
Balance at December 31, 2013	**(3)**	**(3)**
Book value at December 31, 2013	**-**	**-**

Intangible assets	**License ‘000 BGN**	**Total ‘000 BGN**
Carrying value		
Balance at January 01, 2012	3	3
Newly acquired assets	-	-
Written-off assets	-	-

Balance at December 31, 2012	**3**	**3**
Depreciation and impairment		
Balance at January 01, 2012	(2)	(2)
Written-off assets	-	-
Depreciation	(1)	(1)
Balance at December 31, 2012	**(3)**	**(3)**
Book value at December 31, 2012	**-**	**-**

9 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	**31.12.2013 '000 BGN**	**% ownership**	**31.12.2012 '000 BGN**	**% ownership**
Marina Cape Management EOOD	5	100	5	100
Total	**5**	**100**	**5**	**100**

The financial information for the subsidiary company – "Marina Cape Management" EOOD could be presented as it follows:

	31.12.2013 '000 BGN	**31.12.2013 '000 BGN**
Assets	4 088	3 793
Liabilities	4 202	4 150
Revenues	2 418	2 363

10 Leases

10.1 Finance leases as a lessee

The Company has acquired under finance leases land and buildings under construction. The net book value of assets acquired under finance leases amounted to BGN 9 953 thousand. The assets are included in the groups "Land" and "Assets under construction" from "Property, Plant and Equipment" (see note 6).

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

On 17 December 2013 the Company has concluded a contract with Bulgaria Leasing EAD for financial leasing of real estate subject to which is the investment project "Grand Borovets", property of Intercapital Property Development ADSIC. The lease price of the contract is EUR 2 927 724.36, excl. VAT with a 2-year period for the lease payments or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%. Under this contract of December 17, 2013 ICPD has transferred by notary ownership of land with ID 65231.918.189 located in Samokov, Sofia region, and built in the property building representing hotel apartment complex service sites with ID 65231.918.189.2, the lessor "Bulgarian Leasing" EAD. As a result, and under the conditions of a leaseback agreement ICPD has received by the lessor possession of the properties subject to finance lease contracts.

Future minimum lease payments at the end of each reporting period are presented as follows:

	Minimum lease payments due			
	Less than 1 year	1 to 5 years	Over 5 years	Total
	BGN '000	BGN '000	BGN '000	BGN '000
31 December 2013				
Lease payments	5 392	2 211	-	7 603
Discounting	(293)	(103)	-	(396)
Present value	**5 099**	**2 108**	**-**	**7 207**

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

10.2 Operating leases as a lessee

Future minimum lease payments at the end of each reporting period are presented as follows:

	Minimum lease payments due			
	Less than 1 year	1 to 5 years	Over 5 years	Total
	BGN '000	BGN '000	BGN '000	BGN '000
As of 31 December 2013	17	-	-	17
As of 31 December 2012	29	-	-	29

Lease payments recognized as an expense in the period amounted to BGN 17 thousand (2012: BGn 29 thousand). This amount includes the minimum lease payments. Sublease payments or contingent rent payments are not made or received. Income from subleasing is not expected to be realized, as all assets acquired under operating leases are only used by the Company.

Company has signed two contracts for operating leases for rental of office space in Sofia with IP Intercapital markets AD and an individual. Operating lease agreements of the Company contain no provisions for contingent rent. None of the operating lease agreements contains an option to renew or purchase escalation clauses or restrictions regarding dividends, further leasing or additional debt.

11 Work in progress

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

Work in progress	**31.12.2013**	**31.12.2012**
	'000 BGN	**'000 BGN**
"Marina Cape" project*	1 070	1 104

"Borovets Grand" project	-	7 243
Total:	**1 070**	**8 347**

As of 31.12.2013 the Company accounts as "work-in-progress" only the project Marina Cape.. Due to the completion of the construction works in Zone 4 in the vacation complex "Marina Cape" and the conclusion of the completion works on all the rest properties in the project, as of 31.12.2013 there are no properties in "Marina Cape" that are reported in the item "work-in-progress". The reported value of BGN 1 070 thousands (for 2011 BGN 1 104 thousand) represents expenses for property sales – brokerage commissions and advertising expenses for the real estate properties in the "Marina Cape" project amounting to BGN 809 thousand (BGN 843 thousand in 2012), which shall be recognized as expenditures in the moment of the income recognition (the final transfer of the ownership on the properties or the establishment of the right to use over them), and BGN 261 thousand (BGN 261 thousand in 2012) which are reported as work in progress, representing equipment bought for the restaurants on site.

12 Trade receivables – advance payments to suppliers, receivables from customers

The more significant receivables from customers are reported in the following table, incl. receivables from related parties:

Receivables from customers	**31.12.2013 '000 BGN**	**31.12.2012 '000 BGN**
Local and foreign individuals	619	503
Vila OOD	9	-
Bulgarian Bo EOOD	8	8
R S Company EOOD	4	4
Other	7	5
Impairment	(211)	(211)
Total	**436**	**309**

Movement of impartment of trade receivables by periods:

	31.12.2013 '000 BGN	**31.12.2012 '000 BGN**
Balance as of 1st January	**(211)**	**(211)**
Write-offs (uncollectible)	-	-
Impairment loss	-	-
Recovery of impairment loss	-	-
Balance as of 31st December	**(211)**	**(211)**

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 trade receivables of the Company are revised for impairment indications. The Company does not have expectations that the due customers payments will not be paid pursuant to the advanced concluded contracts.

All 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.

13 Advances granted

Supplier receivables are presented in the following table:

Supplier receivables	**31.12.2013 BGN '000**	**31.12.2012 BGN '000**
Ventenergy OOD	175	175
Impairment of advance granted to Ventenergy OOD	(44)	(44)
Vetenergy OOD, net of impairment	131	131
Trace Bourgas EOOD	170	170
Impairment of advance granted to Trace Bourgas EOOD	(170)	(170)
Trade Bourgas EOOD, net of imparment	-	-
Buildimex OOD	61	61
Impairment of advance granted to Buildimex OOD	(61)	(61)
Buildimex OOD, net of imparment	-	-
Technos OOD	47	-
Others	58	57
Impairment of others	(46)	(46)
Others, net of imparment	12	11
Total	**190**	**142**

Supplier's receivables represent advances paid for the performance of activities related to the landscaping of the Borovets Grand Complex. The receivable from Trace Bourgas EOOD is related to the road connection built at the Marina Cape Complex; the Board of Directors has initiated talks with the Pomorie municipality about the transfer of the said road connection to them.

Movement of impartment of trade receivables by periods:

	31.12.2013 '000 BGN	**31.12.2012 '000 BGN**
Balance as of 1st January	**(321)**	**(216)**
Write-offs (uncollectible)	-	-
Impairment loss	-	(105)
Recovery of impairment loss	-	-
Balance as of 31st December	**(321)**	**(321)**

14 Other receivables

	31.12.2013 '000 BGN	**31.12.2012 '000 BGN**
Non-current:		
Deferred expenses under a leaseback	2 137	-

Nonfinancial assets	2 137	-
Non-current other receivables	**2 137**	**-**
Current:		
Deferred expenses under a leaseback	2 137	-
Prepaid expenses	56	46
Others	259	331
Nonfinancial assets	2 452	377
Current other receivables	**2 452**	**377**

The deferred expenses during the reporting period have been formed in connection with the leaseback agreement signed by the Company on 17.12.2013. The result from the sale of lease back agreement is a financial lease. In accordance with Art. 20 of IAS 17 "Leases" at the beginning of the lease term of a finance lease the Company recognizes the object of the lease as an asset and a liability in the statement of financial position by an amount equal to the fair value of the leased property at the beginning of the lease term or if lower - the present value of the minimum lease payments, each determined at the beginning of the lease. Initial direct costs incurred by the Company - Fees for research, initial fee, etc. added to the amount recognized as an asset. The result of the sale and leaseback is a finance lease. Therefore from transactions financial result is not definitive. It is not recognized for the period of the transaction in the profits or losses of the two parties to this transaction, in order to meet the requirement of true and fair view.

The difference between the sale proceeds and the carrying value of the asset sold is negative (i.e. the carrying amount is greater in size than the achieved selling price and the proceeds received from the sale), resulting in a realized loss. It should be recognized not once and instantly – at the date of the transaction but to be deferred and amortized over the entire period or period of the lease. In the contract for leasing ICPD realized a loss - the difference between the carrying amount of the asset and the leasing price – in the amount of BGN 4 274 thousand. This cost under IAS 17 is not final but should be rescheduled for the duration of the lease.

15 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:

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Money in cash and in bank accounts:		
• BGN	55	17
• EUR	48	83
Total	**103**	**100**

16 Sharehareholder's equity

16.1 Share capital

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

	31.12.2013 '000 BGN	**31.12.2012 '000 BGN**
Issued and fully paid shares		
- at the beginning of the year	6 011 476	6 011 476
- issued during the year	-	-
Total shares, authorized	**6 011 476**	**6 011 476**

16.2 Revaluation reserve of assets

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

By using the expenditure and market approach the objects are treated as they are in the moment of the valuation. When using the income approach in the valuation of the objects are added also the perspective of their growth – their yield.

In accordance with the objective of the valuations as the most approximate approach of calculating the market value is adopted the market approach. In that case the price of the property is formed on the base of research of realized deals on the market with comparable real estate. The market approach looks for the supposed market price of properties that are similar in quality to the valuated one.

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

In the calculating of the evaluation is used the following:

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

With Resolution of the Board of Directors the revaluation of the company's assets is assigned to the independent appraisers – "Dobi 02" Ltd., the result of which is reported in the annual financial statements of the Company.

17 Liabilities to financial institutions and liabilities on bond issue

	31.12.2013 '000 BGN	**31.12.2012 '000 BGN**
Bonds		
Incl. long-term liabilities	5 867	-
Incl. short-term (up to 1 year) liabilities	665	6 929

Total	**6 532**	**6 929**
Bank Loans		
Incl. long-term liabilities	3 041	3 041
Incl. short-term (up to 1 year) liabilities	17 322	25 863
Total	**20 363**	**28 904**

The next table presents the loans received by the Company from financial institutions divided by liabilities as of 31.12.2013 according to the obligation's maturity.

Name of the credit institution	Short-term obligation in EUR	Long-term obligation in EUR	Maturity
Texim Bank AD	130 000.00	-	20.12.2014
PIRAEUS BANK AD	1 576 313.38	1 554 867.00	30.10.2015
PIRAEUS BANK AD	2 562 680.06	-	30.01.2014
PIRAEUS BANK AD	2 535 185.53	-	30.01.2014

The next table presents the loans received by the Company from financial institutions divided by liabilities as of 31.12.2012 according to the obligation's maturity.

Name of the credit institution	Short-term obligation in EUR	Long-term obligation in EUR	Maturity
DSK EAD	3 951 790.00	-	24.07.2012
PIRAEUS BANK AD	2 535 183.41	-	28.02.2013
PIRAEUS BANK AD	2 562 682.18	-	28.02.2013
PIRAEUS BANK AD	1 576 313.38	1 554 867.00	30.10.2015

The main details of the Company`s credits as at 31.12.2013 are presented in the following table:

Name of the credit institution	Interest rate	Maturity	Currency of the payments
Texim Bank	BIR + 1.25%	20.12.2014	Euro
PIRAEUS BANK AD	3M Euribor + 7%	28.02.2013	Euro
PIRAEUS BANK AD	3M Euribor + 7%	28.02.2013	Euro
PIRAEUS BANK AD	3M Euribor + 7%	30.10.2015	Euro

The main details of the Company`s credits as at 31.12.2012 are presented in the following table:

Name of the credit institution	Interest rate	Maturity	Currency of the payments
DSK EAD	3M Euribor + 8%	24.07.2012	Euro
PIRAEUS BANK AD	3M Euribor + 7%	28.02.2013	Euro
PIRAEUS BANK AD	3M Euribor + 7%	28.02.2013	Euro
PIRAEUS BANK AD	3M Euribor + 7%	30.10.2015	Euro

The Company issued bond loan in 2007 which was secured only by insurance against financial risk issued by Euroins AD. In the memorandum for the placement of the issue it is stated that the funds will be used mainly for purchase of land property in Sofia. The bond loan was issued on August 14, 2007. The initial term was 3 years. The amount of the issue was 5 million EUR (9 779 thousand BGN). The principal should be paid at the end of the period, and the interests were paid semi-annually. The coupon was 9%. The Company`s total expenditure was estimated to about 10,2% annually. The initial maturity date of the issue was August 14, 2010.

On August 6, 2010 a General Meeting of the company's bondholders was held that took the following decisions:
They agreed to restructure the corporate bond issue with ISIN code BG2100019079, by renegotiating the terms of the issue as follows:
1. Extension of the issue by 36 months (from 14.08.2010 to 14.08.2013);
2. Interest on the bond is amended to 9.5% and it is payable every three months;
3. Scheme to repay the bond loan is amended as follows:
3.1. Repayment of the principal:

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

3.2. Maturity dates of interest payments in the extended period:

Date of interest payment	Days in interest period	Days	Interest rate	Amount of due interest (EUR)
14.11.2010	92	365	9.5%	107 753
14.02.2011	92	365	9.5%	107 753
14.05.2011	89	365	9.5%	101 344
14.08.2011	92	365	9.5%	101 767
14.11.2011	92	365	9.5%	98 774
14.02.2012	92	366	9.5%	95 519
14.05.2012	90	366	9.5%	90 523
14.08.2012	92	366	9.5%	89 549
14.11.2012	92	366	9.5%	86 564
14.02.2013	92	365	9.5%	83 808
14.05.2013	89	365	9.5%	78 180
14.08.2013	92	365	9.5%	77 822

4. ICPD shall establish the following collateral for the bond issue:
4.1. <u>Collateral under Art. 100z, par. 1 of the Law on the Public Offering of Securities:</u> from Euroins Insurance AD, covering the risk of default by the issuer for the interest or the principal payments for the new term of the issue;

4.2. Additional collateral: Establishing a second mortgage on 7 835,99 m^2 of commercial properties in the vacation complex “Marina Cape”, Aheloy (described in an annex to the written materials) in favor of the trustee of the bondholders "Investbank” AD within no later than one month after the date of the General meeting of the bondholders.

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

In fulfillment of its obligations regarding the renegotiation of the bond for collateral of the bondholders' receivables in favor of the trustee bank on the bond issue - "Investbank” AD is established second mortgage on 24 (twenty four) independent retail stores with total area of 7 835,99 m^2 owned by the Company located in the complex "Marina Cape” Aheloy, Pomorie Municipality Bourgas Province. The mortgage contract was concluded under the Deed of incorporation of contractual mortgage on 01.09.2010, № 158, Vol. IV, reg.№ 3289, case № 732/2010 of a notary Gergana Nedina.

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

With regard to a corporate bond issue of the Company issued in August 2007, on 3rd January 2013, with entry № 20130103135306 in the electronic file of the Company in the Commercial Register an invitation was announced for convocation of General Meeting of the bondholders of the corporate bond issue. Based on Art. 214, para 1 of the Commercial Act, the General Meeting of bondholders was convened by the representative of the bondholders Commercial Bank “INVESTBANK” AD and should be held on 16th January 2013 at 11:00 h on address: Sofia, 27 Vasil Levski Blvd., hotel Downtown, the conference hall. The proposed agenda was as follows:
Item One
Giving consent on rescheduled repayment of the liabilities under the bond issue having ISIN code BG2100019079 through a partial re-negotiation of the terms, as follows:

1. Extension of the term of the issue by 60 months (as from 14 August 2013 until 14 August 2018);

2. The principal repayment schedule is amended as follows:
2.1. Principal (amortisation) payments in euro:

- On 14.02.2013, 14.05.2013, 14.08.2013, 14.11.2013 - EUR 62 500;
- On 14.02.2014, 14.05.2014, 14.08.2014, 14.11.2014 - EUR 62 500;
- On 14.02.2015, 14.05.2015, 14.08.2015, 14.11.2015 - EUR 125 000;
- On 14.02.2016, 14.05.2016, 14.08.2016, 14.11.2016 - EUR 187 500;
- On 14.02.2017, 14.05.2017, 14.08.2017, 14.11.2017 - EUR 250 000;
- On 14.02.2018, 14.05.2018, 14.08.2018 - EUR 250 000;

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

- The interest rate following 14 Feb 2013 until the maturity date shall be decreased to 7.25% per annum, payable at 3-month period on the dates as per the Table enclosed in the invitation;
- The interest payments due following 14 February 2013 until the maturity date shall be calculated by gradual decrease of the interest rate by 0.25%. The exact amount of the interest payments as well as the terms for applying the new gradual decrease of the interest rate are specified in the invitation and in the table enclosed;

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

3. All due principal and interest payments under the bond issue shall be effected in Bulgarian levs as per the official rate of exchange of the BNB as of the date of performance of the GMB /EUR 1 = BGN 1.95583/. In case that BNB's central exchange rate is changed, all payments shall be effected in Euro;
4. The Issuer shall be obligated to open a special current account at UniCredit Bulbank AD to service the payments under the debenture loan;
5. Security of the issue: Except for the insurance provided by Insurance Company Euro Ins and the second-tier mortgage, the Issuer shall be obligated to provide new additional collaterals such as: to sign a supplement to the insurance policy provided by Euro Ins and to create a first-tier mortgage on an own real property as described in the invitationn
6. Other terms and ratios:

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

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

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

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

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

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

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

18 Trade payables

The next table represents the most significant obligations of ICPD ADSIC as of 31.12.2013.

	31.12.2013 '000 BGN	**31.12.2012 '000 BGN**
Midia AD	2 174	2 174
Telelink AD	354	498
VEI Project AD	313	198
IP Intercapital Markets AD	290	-
BG Invest Properties AD	156	-
VEI Project AD	78	52
Delta Capital International AD	70	75
BTC AD	42	42
Intercapital Solicitors OOD	27	27
Nikmar 61 OOD	20	20
Estate Group	12	12
Tokushev and Partners Law office	9	5
Ventenergy OOD	6	11
Others	786	692
Total	**4 337**	**3 806**

These liabilities have arisen in relation to concluded contracts for construction of the "Marina Cape" project – a complex of residential buildings for seasonal usage and for the "Borovets Grand" project. The repayment amounts will be finalized in the end of 2014.

The most significant obligation is to the main constructor "Midia" AD. The obligations toward Intercapital Solicitors OOD are due to transferred receivables (through cessions) from Company to the former one. Except the obligations to the construction company, which represent the greatest part of all liabilities of ICPD, the Company has obligations due to received advance payments from clients to whom the Company shall render ready apartments according to the specific terms agreed.

19 Advances received from Clients

Client Payables include

Trade accounts payable (to clients)	**31.12.2013 '000 BGN**	**31.12.2012 '000 BGN**
Foreign individuals	5 260	5 375
Guarantee deposits from clients under contracts	2 825	2 876
Midia AD	481	481
Dao OOD	86	77
Vila OOD	20	82

RIK MT OOD	-	5
Dao Real EOOD	3	3
Total	**8 675**	**8 899**

20 Tax payables

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
VAT for payment	359	567
Amounts due under personal taxes law	-	2
Obligations for property tax and garbage tax	19	-
Total	**378**	**569**

21 Amounts due to the staff and social security entities

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Salaries Due	36	20
Social contributions due	1	2
Total	**37**	**22**

22 Other Liabilities

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Non-cuurent:		
Penalty liability towards ICM IMO EAD	182	-
	182	**-**
Current:		
Cessioned liabilities under loan contract with Grand Borovets 2013 EOOD	4 058	-
Cessioned liabilities under loan contract with BG Invest Properties EAD	263	-
Accrued interest under contract with VEI Project AD	130	-
Liabilities under contract with ICM IMO EAD	84	-
Penalty liability towards Technos OOD	31	31
Liabilities towards Titan Bulgaria OOD under contract for debt replacement	40	-
Penalty liability towards Titan Bulgaria OOD	17	17
Penalty for outstanding payments for VAT	12	56
Others	6	-
Total	**4 641**	**104**

23 Sales Revenues

Sales revenues include:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Sale of investment properties	1 430	1 742
Management of investment properties	535	413
Total	**1 965**	**2 155**

24 Other revenue

Other revenue includes:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Written-off liabilities	2 294	1 495
Sale of fixed assets under leaseback agreement	5 350	-
Others	-	260
Total	**7 644**	**1 755**

25 Expenses for materials

Expenses for materials include:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Expensese for electricity and heat	(59)	(47)
Other	(2)	(6)
Total	**(61)**	**(53)**

26 Expenses for external services

Expenses for eternal services include:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Maintenance and management services	(609)	(585)
Fees and other services	(270)	(208)
Consulting expenses	(91)	(197)
Advertisement	(1)	(42)
Sales expenses – brokerage commissions	(6)	(31)
Rent	(16)	(29)
Telecommunications services	(51)	(29)
Other	(13)	(113)
Total	**(1 057)**	**(1 234)**

27 Expenses for salaries and social security contributions

The salary expenses include:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Expenses for salaries	(148)	(143)
Expenses for social security contributions	(18)	(15)
Total	**(166)**	**(158)**

28 Other expenses

Other expenses include:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Impairment of trade and other liabilities	(167)	-
Impairment of work in progress	-	(281)
Impairment of advances granted	-	(105)
Impairment of trade receivables	-	-
Penalty for unpaid obligations to VAT payment	-	(56)
Other	(4)	(13)
Total	**(171)**	**(455)**

29 Book value of assets sold

In the item "Book value of sold assets" the Company records the book value of the alienated investment properties.

The investment property could be written off in case of a sale or in case of an establishment of a right to use in favor of third party. The Company applies the IAS 18 for revenue recognition from sale of goods or uses the Appendix to IAS 18.

Book value of sold assets (incl. investment property)	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Commercial properties	-	-
Residential properties	(1 900)	(2 175)
Total	**(1 900)**	**(2 175)**

30 Financial expenses and financial income

The financial expenses for the presented periods include the following elements:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Interest proceeds	-	-
Interest expenses on bank loans	(2 682)	(2 566)
Interest expenses on bonds	(497)	(704)

Other expenses	-	-
Losses from foreign exchange operations	(2)	(2)
Other financial expenses (fees on renegotiation of bank loans and forfeits	(511)	(173)
Total financial expenses/income	**(3 692)**	**(3 445)**

31 Changes in the fair value of investment properties

The negative changes in the valuation of the investment properties in 2013 amounts to BGN 2 852 thousand. The positive revaluation of the investment properties reported amounts to BGN 100 thousand. The total net revaluations in 2013 amounted to a loss of BGN 2 752 thousand. There are no positive revaluations of investment properties in 2012, and negative in the amount of BGN 709 thousand.

32 Tax expenses

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

33 Per share Profit/Loss

The basic and diluted profit / loss per share are calculated using the net profit / loss subject to distribution among Company shareholders.

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

	31.12.2013 BGN	31.12.2012 BGN
Profit / (Loss) for distribution (in BGN '000)	(5 421)	(4 440)
Weighted average number of shares (in '000)	6 011	6 011
Basic profit / (loss) per share (in BGN)	**(0.90)**	**(0.74)**

For the purpose of dividend distribution the financial results are converted in accordance with Section 5.14 of the accounting policies.

34 Transactions with related parties

The Company`s related parties are the Company`s shareholders, the key management personnel and other related parties which are described bellow.

Unless otherwise stated, the transactions with related parties are carried out under no special conditions. They have neither received nor have given any guarantees.

34.1 Transactions with subsidiaries:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Sale of goods and services		

- sale of services to "Marina Cape Management" EOOD	536	496
Purchase of goods and services		
- purchase of services from "Marina Cape Management" EOOD	609	702

34.2 Related party balances at year end:

Receivables from subsidiaries	**31.12.2013 '000 BGN**	**31.12.2012 '000 BGN**
Current:		
Marina Cape Management EOOD	1 567	1 251
Total current receivables from related parties	**1 567**	**1 251**

The receivable of ICPD from its subsidiary Marina Cape Management EOOD in the amount of BGN 1 567 thousand as of the end of 2013 comes from transactions for the management, maintenance and rent of real estate, as follows:

- Services according to contract for management and maintenance – BGN 1 071 thousand;
- Rent of commercial properties – BGN 496 thousand.

The receivable of ICPD from its subsidiary Marina Cape Management EOOD in the amount of BGN 1 484 thousand as of 31.12.2013 is due to transactions related to management and maintenance services.

Liabilities to subsidiaries	**31.12.2013 '000 BGN**	**31.12.2012 '000 BGN**
Current:		
Marina Cape Management EOOD	1 484	988
Total current liabilities to subsidiaries	**1 484**	**988**

35 Risk management policy and objectives

The company regularly analyzes the liquidity of assets and liabilities.

(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 EUR. On the other hand all 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 gone.

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.

Financial assets and liabilities denominated in foreign currency and converted to BGN as at the end of the reporting period are presented below:

31st December 2013	**Exposure to short-term risk**	**Exposure to long-term risk**
	'000 BGN	**'000 BGN**
Financial assets – trade receivables	436	-
Financial assets – cash	48	-
Financial liabilities – trade payables	(633)	-
Financial liabilities – bank and bond loans	-	(8 909)
Financial liabilities – financial lease	(5 099)	(2 108)
Financial liabilities – other liabilities	(4 142)	(182)
Total risk exposure	**(9 390)**	**(11 199)**

31st December 2012	**Exposure to short-term risk**	**Exposure to long-term risk**
	'000 ЛВ	**'000 ЛВ**
Financial assets – trade receivables	309	-
Financial assets – cash	83	-
Financial liabilities – trade payables	(541)	-
Financial liabilities - financial lease	(1 647)	
Financial liabilities – bank and bond loans	(32 792)	(3 041)
Total risk exposure	**(34 588)**	**(3 041)**

(-) 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 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.
In spite of the timid signs of improvement in certain sectors of the economy already visible from the middle of 2012, experts have much more cautious forecasts regarding the real estate sector and in their opinion, in 2014 there won't be a substantial boost in this market, with the exception of transactions in agricultural land, where the demand for such properties is expected to increase dramatically. Expectations for growth in land transactions are based mostly on the fact that the country has favorable conditions for the development of modern agriculture, to which European programs have also contributed. With regard to residential property, after the headlong fall of prices for four consecutive years for the first time in the third and fourth quarters of 2013, an increase in house prices was reported in Sofia, Varna, Plovdiv, Burgas and Blagoevgrad by 0.25 to half percent of the levels reached in early 2013. The expectations are for this trend to continue.
In spite of the numerous hurdles to the rapid recovery in the property development and construction sectors currently a certain stabilization of the market could be noticed in parallel with the increasing activity on behalf of banks in terms of mortgage lending. 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.

(-) 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.

During 2009, and up to the middle of 2010 this trend has strengthened because of continuing restrictions on funding for both sides - investors and buyers. A significant number of projects dropped due to financial crisis, most of them in the capital. The global slowdown in the real estate sector carried over its negative impact on Bulgaria. One trend is the withdrawal of higher risk foreign investors from the Bulgarian market and the introduction of more conservative German and Austrian companies and funds.

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. This could be a swap of floating payments at a fixed interest rate, futures or other instruments. At the end of 2012 most of the obligations of the Company are floating rate based on EURIBOR. In this connection, the company is at risk from rising interest rates in the Eurozone. Since much of the debts of the company are long term, the governing body intends to purchase futures on EURIBOR, to neutralize the risk of increased interest on borrowings, considering the fact that with the overcoming of the financial crisis, the Eurozone countries will begin to withdraw stimulus measures of their economies, including raising key interest rates, which will directly affect the level of EURIBOR.

It should be noted that any increase in market interest rates are likely to adversely affect the prices and demand for real estate, since most of these transactions are financed by loans.

The sensitivity to 1% changes in interest rates on the bank loans of the Company is presented below:

31st December 2013	**Exposure to short-term risk**	**Exposure to long-term risk**
	'000 BGN	**'000 BGN**
Financial liabilities – bank loans	17 322	3 041
Total risk exposure	**17 322**	**3 041**
Effect of change in interest rate		
Increase by 1%	173	30
Decrease by 1%	(173)	(30)

31st December 2012	**Exposure to short-term risk**	**Exposure to long-term risk**
	‘000 BGN	**‘000 BGN**
Financial liabilities – bank loans	25 863	3 041
Total risk exposure	**25 863**	**3 041**
Effect of change in interest rate		
Increase by 1%	259	30
Decrease by 1%	(259)	(30)

(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.

The Company credit risk exposure is limited to the book value of financial assets recognized as at the end of the reporting period, as described below:

	31.12.2013	**31.12.2012**
	‘000 BGN	**‘000 BGN**
Book value – Groups of financial assets:		
Cash and cash equivalents	103	100
Trade receivables	436	309
Receivables from related parties	1 567	1 251
Other receivables	-	36
Total Book value	**2 106**	**1 696**

(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.

As at the end of 2013 the terms of the contractual obligations of the Company (including interest payments if applicable) are summarized below:

	Current		Non-Current	
31st December 2013	**Up to 6 months ‘000 BGN**	**From 6 to 12 months ‘000 BGN.**	**From 1 to 5 years ‘000 BGN**	**More than 5 years ‘000 BGN**
Bank loans and bonds	17 743	244	8 908	-
Financial lease liabilities	1 647	3 452	2 108	
Trade and other liabilities, liabilities to related parties	10 444	-	182	-
Total	**29 834**	**3 696**	**11 198**	**-**

The terms of contractual obligation for previous periods are summarized below:

	Current		Non-Current	
31st December 2012	**Up to 6 months ‘000 BGN**	**From 6 to 12 months ‘000 BGN.**	**From 1 to 5 years ‘000 BGN**	**More than 5 years ‘000 BGN**
Bank loans and bonds	24 871	7 921	3 041	-
Financial lease liabilities	1 647			
Trade and other liabilities, liabilities to related parties	4 842	-	-	-
Total	**31 360**	**7 921**	**3 041**	**-**

36 Categories of financial assets and liabilities

The book value of the financial assets and liabilities of the Company can be presented in the following categories:

Financial Assets	**31.12.2013 ‘000 BGN**	**31.12.2012 ‘000 BGN**
Loans and receivables		
Trade receivables	436	309
Receivables from related parties	1 567	1 251
Other receivables	-	36
Cash and cash equivalents	103	100
Total	**2 106**	**1 696**

Financial liabilities	**31.12.2013 '000 BGN**	**31.12.2012 '000 BGN**
Financial liabilities reported at amortized value		
Non-current liabilities:		
Bank loans and bonds	8 908	3 041
Financial lease liabilities	2 108	-
Other liabilities	182	-
Current liabilities :		
Bank loans and bonds	17 987	32 792
Financial lease liabilities	5 099	1 647
Trade and other payables and payables to related parties	10 444	4 842
Total	**44 728**	**42 322**

37 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.

38 Events after the end of the reporting period

No adjusting events have occurred between the reporting date and the date of approval for publication.

Pursuant to the agreement concluded on 27.12.2013, between "Grant Borovets 2013" EOOD from one side, "Intercapital Property Development" ADSIC as principal debtor and "Marina Cape Management" EOOD, "Marina Cape Tours" EOOD and Velichko Stoichev Klingov as joined debtors, it was agreed that the contractual mortgage on the property with identification number 65231.918.189, located in Samokov, Sofia municipality, Sofia district, together with the building on that property, an apartment hotel complex with related facilities with identification number 65231.918.189.2, which secures the claim of "Grand Borovets 2013" EOOD, to be removed. The deletion of the mortgage is registered on the 21st January 2014.
Pursuant to the decisions of the General Meeting of Bondholders of the Company, held on 06.02.2013, the interest rate on the bond issue by the Company decreases in increments of 0.25% provided the payment due for the preceding quarter has been transferred to the bank account of Central Depository AD no later than two working days before the relevant maturity. Due to the fact that "Intercapital Property Development" ADSIC satisfied that condition as regards the

payment due to 14.02.2014, the interest rate that will be applied to the rest of the bond issue for the next three-month period beginning on 15/02/2014, is in the amount of 7.00% per annum.

Pursuant to a decision of the General Meeting of Shareholders of the Company on 14.03.2014, a change in the Board of Directors of the Company is listed in the Commercial Register to the Registry Agency. For a new member of the Board of Directors of the Company in place of the former member Temenuga Ivanova is selected "AHELOY 2012" EOOD, registered in the Commercial Register at the Registry Agency, with UIC: 202371390, seat and registered address: Sofia, Sredets, "Aksakov" № 7A, 4th floor, represented by the manager Nikolay Stefanov Chergilanov. The new member is selected for a 5-year term in effect from this General Meeting. The change in the Board of Directors is listed in the Commercial Register to the Registry Agency on 20.03.2014 on under the batch of the Company with number 20140320113319.

39 Approval of the financial statements

The financial statements as of 31st December 2013 (including the comparable data) have been approved and adopted by the Board of Directors on 27th March 2014.

ANNUAL MANAGEMENT REPORT

of INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

for 2013

28 March 2014

Content of the management report:

I. Presentation on the development of the Company's activities and its condition as well as on its future prospects:
1. Liquidity:
a) Trends, circumstances, and risks
b) Investment projects of the Company
c) Financing of Company operations
2. Capital Resources:
a) material commitments on capital expenditures as of the end of the last reporting period
b) significant trents, favorable or not, for the capital resources of the company
c) expected significant changes in the proportion and relative price of these resources
3. Performance
a) unusual or sporadic events
b) disclosure of changes in the proportion of revenues and expenses
c) analysis of the effect inflation anf volatile prices have on the main revenues of the Company for the reported period
II. Important events after the annual closure of the Company's accounts
III. Important research and development
IV. Changes in the price of Company's shares
V. Information about the programme for implementation of the internationally recognized standards for good corporate governance under Art.94, para 2, point 3 of the Law on public offering of securities
1. Programme for implementation of the internationally recognized standards for good corporate governance
VI. Additional information under Appendix No. 10 (pursuant to Art. 32, para 1, p. 2, Art. 35, para 1, p. 2, Art. 41, para 1, p. 2 of Ordinance No. 2 from 17.09.2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regular market and on disclosure of information by the public companies and the other issuers of securities)

I. Presentation on the development of the company's activity and its condition as well as on its future prospects:

1. Liquidity

a) trends, circumstances and risks

The Company's liquidity depends largely on the timing of the incoming and the outgoing cash flows. The incoming cash flows for the Company may have the following origin:

- from the Company's activity. These are mainly advance or final payments on contracts for sale of real estate property constructed by the Company.
- from financial activity. In case of issuance of securities (equity or debt) or obtaining bank loans.

In 2013, for a seventh consecutive year, the Company has reported revenue from sale of real estate property, i.e. - residential buildings for seasonal use which it has constructed in the "Marina Cape" vacation complex since the end of 2005. The total value of the sold apartments in 2013 is BGN 1 430 thousand which refer to a sold area of 937.38 sq.m. (built-up area). In comparison in 2012 the sales of real estate property amount to BGN 1 742 thousand and refer to a sold area of 1 127.47 sq.m. (built-up area). The main reason for the 18% reduction of the net sales and sold areas, respectively, is due to the unfavorable market conditions and reduced demand for vacation properties. Here it has to be noted that since the beginning of 2013, the Company offers the possibility for carrying out the sale of properties on deferred payment terms (within the maximum term of 3 years) and the transfer of the real estate property by a notary deed to the new owner is executed after the full payment of the apartment's purchase price. On the other hand, in compliance with the accounting policy of the Company, the latter reports as revenue the price of only those apartments which are transferred by a notary deed or in full possession. In that way the sales of apartments that were negotiated in the past 2013 shall be reported as revenue most probably within the next 3 years.

In addition, at present the Company has concluded preliminary contracts for sale of apartments with built-up area of 5 377.08 sq.m. in the "Marina Cape" vacation complex.

After the two extensions of the "Marina Cape" vacation complex and the sales that have been realized up to present, the total area of the residential properties that remain available for sale is 13 567.63 sq.m. (not including the built-up area for which preliminary contracts for sale have been concluded). "Intercapital Property Development" ADSIC is the owner of all commercial, entertainment, administrative and servicing properties on the territory of the complex with total built-up area of around 12 000 sq.m. excluding the commercial properties that were sold to the subsidiary company "Marina Cape Management" EOOD in 2009 with area of 497.62 sq.m. "Intercapital Property Development" ADSIC has sold the SPA centre and Bowling hall in the vacation complex Marina Cape which constitute a build-up area of 987.16 sq.m. However, on 30.12.2011 a contract with the buyer from the previous sentence was concluded, which provides the option for the Company to take back the ownership and right to use of the properties and to make deferred payments as financial leasing for the next 5 years. On 31st January 2013, Intercapital Property Development ADSIC signed an Annex to the contract dated 30.12.2011, according to which the parties agreed that ICPD paid down the outstanding balance of the property price, subject to the contract, which as of 30.01.2013 was in the amount of EUR 841 989.39, incl. VAT under the conditions of deferred payment as follows:

- Interest: 9% annual, which starts to accrue on 01.02.2013;
- Period: 30.09.2016;
- Interest payment: monthly;
- Payment of the outstanding balance of the sale price: payment on 90 equal installments from January 2016 till September 2016.

In 2013, only part of the real estate properties have been transferred at prices higher than their costs, but the sale price of some is actually lower compared to the appraisal value provided by an independent appraiser as of 31.12.2012. The reasons for these deviations are different for each real estate sale but can be grouped in the following several classes:

First, due to the unfortunate market conditions and the restricted demand for vacation properties, the Company has been pressured to make discounts in the sale prices of the apartments sold. The discounts vary depending on the negotiated term of payment of the respective property's sale price. Basically, for an immediate and complete payment of the sale price, the Company has announced on its website a discount of 5% but depending on the case, it can reach up to 15%.

Second, during 2013 the Board of Directors has reached an agreement with separate entities for transferring real estate properties instead of paying the liabilities the Company has to them. The agreements have been made with entities which have had long-term contractual relations with the Company and up to this moment have earnestly fulfilled their obligations to Intercapital Property Development ADSIC. With separate decisions, the Board of Directors has approved the sale prices of these properties before their transfer.

In connection with this, on 19th August 2013, the Company has transferred by notary the ownership of property (an apartment in vacation complex "Marina Cape") to "VEI Project" AD with regard to Contract for giving instead of implementation dated 16.08.2013, concluded with "VEI Project" AD. The Contract from 16.08.2013 was signed between the parties in connection with Contract dated 30.12.2011, under which "VEI Project" AD has undertaken to transfer to "Intercapital Property Development" ADSIC the ownership of properties, located in vacation complex "Marina Cape", the town of Aheloy. Due to the fact that "Intercapital Property Development" ADSIC has not paid the negotiated purchase price for the real estates, subject of the Contract from 30.12.2011, by 30.01.2013, and has exercised its right to acquire the properties under deferred payment terms, agreed with Annex dated 30.01.2013, "Intercapital Property Development" ADSIC owes a penalty to "VEI Project" AD in the amount of EUR 80 000 pursuant to the clauses of point 5.3 from the Contract dated 30.12.2011. By transferring the above-described property at the amount of EUR 80 000 excl. VAT, "Intercapital Property Development" ADSIC repays its obligation to "VEI Project" AD, which represents the due and payable penalty, stipulated in point 5.3 in the Contract from 30.12.2011. Subsequently, a preliminary contract for the sale of real estate dated 30 August 2013 was signed between "ICPD" ADSIC and "VEI Project" AD, pursuant to which "ICPD" ADSIC undertakes to repurchase the property from the preceding paragraph, under the conditions deferred payment.

In 2013, the book value of the properties sold by "Intercapital Property Development" ADSIC at "Marina Cape" totaled BGN 1 692 thousand. This value represents the revaluation of the investment properties sold on 31.12.2012 determined by a licensed appraiser. Thus, the gross result of the sale of properties in 2013 was a loss of BGN 262 thousand. If the revaluation made at the end of 2012 is eliminated, the gross result of the sale of the property in 2013 amounts to a profit of BGN 204 thousand.

For obtaining the net result, the cost of brokerage commissions and advertising fees for servicing companies that deal with the management of the holiday complex, as well as other costs that can be attributed to the carrying amount of properties sold should be deducted. For 2013, the cost of brokerage commissions and advertising amounted to BGN 42 thousand.

One of the main reasons for the loss incurred by the Company in 2013 is the fact that after completion of the project "Marina Cape" in August 2010 and the freezing of the "Grand Borovets" in January 2010, all interest expenses on bank loans and bonds are directly reported as an expense for the period, instead of being capitalized in the cost of constructed properties. For these reasons, interest expense amounting to a total of BGN 3 179 thousand was reported as a direct expense in 2012. The Company believes that the increase in nominal property prices for a

long enough period of time, added to the revenues from exploitation of these properties should offset the cost of interest paid on the financing of the property, even if price increases have affected of specific market conditions in a given year.
In addition, in 2013 the Company made "Other financial expenses" in the amount of BGN 511 thousand. By and large, they are the service charges of bank loans, which are also directly reported as an expense for the period.
In 2013 “Intercapital Property Development” ADSIC for a fifth consecutive year has reported revenue on a non-consolidated basis from the exploitation of the investment properties in the complex (incl. commercial and residential areas). This activity is executed by the subsidiary company “Marina Cape Management” EOOD. Pursuant to the contract concluded between the parent company (ICPD) and the subsidiary, “Intercapital Property Development” ADSIC receives 70% of the profit realized from the commercial and residential properties which “Marina Cape Management” EOOD operates directly. For the year 2013 that revenue is in the amount of BGN 536 thousand and is formed as follows: BGN 233 thousand from operations of commercial areas, BGN 165 thousand from residential property management in vacation complex Marina Cape, BGN 98 thousand are from the management of residential properties, and BGN 138 thousand from renting out warehouses and unused commercial areas.
As of 31st December 2013 the Company has realized other revenues in the amount of BGN 7 644 thousand. The main part of these revenues amounting to BGN 5 350 thousand are realized under contract for financial leasing of real estate, concluded on 17th December 2013 with Bulgaria Leasing EAD. The property under the lease is the investment project Grand Borovets, property of Intercapital Property Development ADSIC. The period for payment of the lease is 2-year or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%.
Under this contract of December 17, 2013 ICPD has transferred by notary ownership of land with ID 65231.918.189 located in Samokov, Sofia region, and built in the property building representing hotel apartment complex service sites with ID 65231.918.189.2, the lessor "Bulgarian Leasing" EAD. As a result, and under the conditions of a leaseback agreement ICPD has received by the lessor possession of the properties subject to finance lease contracts. It should be noted that in the initial sale of the property to " Bulgaria Leasing" EAD the difference between the sale proceeds and the carrying amount of the asset sold is negative (i.e. the carrying amount is greater in size than the achieved selling price and proceeds received from the sale), resulting in a realized loss. This loss is deferred and amortized over the lease term. In the leaseback agreement ICPD generates a loss - the difference between the carrying amount of the asset and the lease price, in the amount of BGN 4274 thousand. Under IAS 17, this expense is not final and is deferred over the term of the lease.
Other part of the reported revenues amounting to BGN 2 294 thousand represent written-off liabilities. From them, BGN 2 000 thousand are written-off liabilities towards the creditor Grand Borovets 2013 EOOD.
On 18.12.2013 ICPD ADSIC has received notification from DSK Bank EAD, that all the claims from the bank on ICPD ADSIC under the Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 with all the annexes on 17.12.2013, and on the guarantors “Marina Cape Management” EOOD, “Marina Cape Tours” EOOD and Velichko Stoichev Klingov, arising under a guarantee contract, are transferred to cession agreement of "Grand Borovets 2013" EOOD.
On 18.12.2013 ICPD ADSIC has received a notification from DSK Bank EAD that all claims of the bank towards ICPD ADSIC under the Credit agreement № 716/18.09.2008 and under Credit agreement № 717/18.09.2008 and all related annexes as of 17.12.2013 and all claims of the bank towards the guarantors „Marina Cape Management” EOOD, „Marina Cape Tours” EOOD and Velichko Soichev Klingov, arising under a guarantee contract are transferred to “Grand Borovets 2013” EOOD under an agreement for cession.

On 18.12.2013 ICPD ADSIC has repaid part of its obligations under Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 concluded with DSK Bank, in the amount of BGN 5 350 000 to the new creditor Grant Borovets 2013 EOOD.
The new creditor has suspended all enforcement actions against ICPD ADSIC according to the above mentioned credit agreements.
According to the agreement on 27.12.2013, concluded between "Grand Borovets 2013" EOOD on the one hand, and ICPD ADSIC as principal and "Marina Cape Management" EOOD", “Marina Cape Tours" EOOD and Velichko Stoichev Klingov as joint debtors, it was agreed, that the amount of the debt outstanding of the ICPD ADSIC to "Grand Borovets 2013" EOOD to be reduced by the amount of 2 000 000 BGN, as well as the contractual mortgage, recorded under the property identification number 65231,918,189, located in Samokov, Sofia municipality, Sofia district, and built on that property building, hotel apartment complex with related facilities with the following identification number 65231.918.189.2, which secures the claim of “Grand Borovets 2013” EOOD, to be removed.
The remaining part of the revenues generated from written-off liabilities which amount to BGN 294 thousand are realized in third quarter of 2013. The liabilities are written-off due to non-fulfilled obligations of clients/contractors of the company.
In the end of 2013, in compliance with the clauses of the current legislation, the Company’s investment properties, land, and work-in-progress have been revaluated. The investment properties of the Company include all properties – residential and commercial – in the vacation complex Marina Cape. As a result of the revaluation as of 31.12.2013, the value of the investment properties of the Company has been reduced with BGN 2 752 thousand compared with their value before the revaluation as of 31.12.2013. The value of the work-in-progress, namely the reported value of the Grant Borovets project, has also been reduced from BGN 7 243 thousand as at 31.12.2012 to BGN 7 052 thousand as at 31.12.2013 as a result of the revaluation made by a licensed appraiser. The result of the revaluation of the land, owned by the Company, as of 31.12.2013 is positive. As of 31.12.2013 its value is estimated at BGN 5 074 thousand, provided that as at 31.12.2012 it has been BGN 4 504 thousand.

b) Development of the Company’s investment projects

“Marina Cape”
The vacation complex has been fully completed since August 2010, when on 12th August 2010 with certificate No 45 (26 s.) and No 48 (27 s.) sector number 26 and 27 (Zone 4) has been commissioned.
The vacation complex has been exploited during the whole year. In the winter season 2012-2013, 2 of all the 4 restaurants were functioning, as well as the bowling hall, the spa centre, the fitness hall and the squash courts. A minimum of 100 apartments were maintained for letting out to tourists – organized or casual visitors.
During the summer season 2013, the complex was exploited at over 90% capacity (for the apartments that are owned by the Company and for those that are not owned by it but are managed by the subsidiary company “Marina Cape Management” EOOD).
There are regular conference meetings in the complex “Marina Cape”. The company plans to actively develop this type of tourism during the current and the following years.

“Borovets Grand”
In May 2008 the Company received the construction permit and started the construction works in the Borovets resort. The company that was chosen to carry out the gross construction is Midia AD. The plot where the project has been constructed is with total area of 6 600 sq.m. The project provides for 10 000 sq.m. built-up area and includes – residential area – 5 175 sq.m., commercial area – 3 140 sq.m. and underground garages – 1 685 sq.m.

In October 2008 the Company received Act 14 and Certificate for completed rough construction for the project in Borovets. As of today the issuance of Act 15 for the outside electric supply of the building project is expected so as to be put into operation and the Company to sign a contract for the sale of the electric post.
The Company's plans about the "Borovets Grand" project were it to be finished with the funds from the capital increase procedure that was carried out in July-August 2010. The amount raised however fell short of the total funds needed to complete the complex.
On 06th June 2011, the Board of Directors has taken a decision for starting negotiations for the sale of the real estate and the built hotel apartment complex "Grand Borovets" of the Company for a starting price not lower than € 5 000 000.
In connection with this, several publications of an add for sale were made in few national daily newspapers in Bulgaria, as well as in the newspaper "Vedomosti" in Russia. In addition, the Company has presented projects for sale to brokers in the Arab countries, Russia and Kazakhstan.
Parallel to this, the Company is actively searching for a partner who is willing to invest €2 000 000 for finishing the project Grand Borovets in order to make the complex function as a hotel. In conjunction, in 2011, the Company has established contacts and negotiated with several international hotel chains.
On 17 December 2013 the Company has concluded a contract with Bulgaria Leasing EAD for financial leasing of real estate subject to which is the investment project "Grand Borovets", property of Intercapital Property Development ADSIC. The lease price of the contract is EUR 2 927 724.36, excl. VAT with a 2-year period for the lease payments or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%. Under this contract of December 17, 2013 ICPD has transferred by notary ownership of land with ID 65231.918.189 located in Samokov, Sofia region, and built in the property building representing hotel apartment complex service sites with ID 65231.918.189.2, the lessor "Bulgarian Leasing" EAD. As a result, and under the conditions of a leaseback agreement ICPD has received by the lessor possession of the properties subject to finance lease contracts.

c) Financing of Company's operations

During the first quarter of 2013 the Company received a working capital loan for the amount of BGN 240 000 from Investbank AD. On 05.04.2013 Investbank AD has transferred its receivable from "Intercapital Property Development" ADSIC to "BG Invest Properties" EAD pursuant to a Contract for transfer of receivables dated 05.04.2013.
With the intention of ensuring the claim by "BG Invest Properties" EAD on "Intercapital Property Development" ADSIC, in the interest of "BG Invest Properties" EAD, on the 29th July 2013 a first-tier mortgage has been set on the following property owned by "Intercapital Property Development" ADSIC: Sports & Recreational center "Fitness Centre" with ID: 00833.5.409.21, Aheloy, Pomorie, Burgas, with address of the property - Aheloy. "Marina Cape" № 21, fl. 0, site C21 – designated for sports and recreational purposes. The property is set on two levels with combined area of 214 sq.m. (two hundred and fourteen square meters), with adjacent areas of 33 sq.m. (thirtythree square meters), together with the common parts of the construction right on the location.
With regard to a corporate bond issue of the Company issued in August 2007, on 3rd January 2013, with entry № 20130103135306 in the electronic file of the Company in the Commercial Register an invitation was announced for convocation of General Meeting of the bondholders of the corporate bond issue. Based on Art. 214, para 1 of the Commercial Act, the General Meeting of bondholders was convened by the representative of the bondholders Commercial Bank "INVESTBANK" AD and should be held on 16th January 2013 at 11:00 h on address: Sofia, 27 Vasil Levski Blvd., hotel Downtown, the conference hall. The proposed agenda was as follows:

Item One

Giving consent on rescheduled repayment of the liabilities under the bond issue having ISIN code BG2100019079 through a partial re-negotiation of the terms, as follows:

2. Extension of the term of the issue by 60 months (as from 14 August 2013 until 14 August 2018);

2. The principal repayment schedule is amended as follows:

2.1. Principal (amortisation) payments in euro:

- On 14.02.2013, 14.05.2013, 14.08.2013, 14.11.2013 - EUR 62 500;
- On 14.02.2014, 14.05.2014, 14.08.2014, 14.11.2014 - EUR 62 500;
- On 14.02.2015, 14.05.2015, 14.08.2015, 14.11.2015 - EUR 125 000;
- On 14.02.2016, 14.05.2016, 14.08.2016, 14.11.2016 - EUR 187 500;
- On 14.02.2017, 14.05.2017, 14.08.2017, 14.11.2017 - EUR 250 000;
- On 14.02.2018, 14.05.2018, 14.08.2018 - EUR 250 000;

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

- The interest rate following 14 Feb 2013 until the maturity date shall be decreased to 7.25% per annum, payable at 3-month period on the dates as per the Table enclosed in the invitation;
- The interest payments due following 14 February 2013 until the maturity date shall be calculated by gradual decrease of the interest rate by 0.25%. The exact amount of the interest payments as well as the terms for applying the new gradual decrease of the interest rate are specified in the invitation and in the table enclosed;

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

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

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

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

6. Other terms and ratios:

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

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

Item two:

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

Due to lack of a quorum, the General Meeting of the Bondholders of Intercapital Property Development ADSIC has failed to take place on January 16, 2013. Thereby, the GMB was held on January 31, 2013 under the same agenda. However the Company's bondholders did not approve the proposals written in the invitation.

In the meantime on 25th January 2013, with entry № 20130125162118 in the electronic file of the Company in the Commercial Register an invitation was announced for convocation of General Meeting of bondholders of corporate bond issue with ISIN code BG2100019079, issued by ICPD. Based on Art. 214, para 1 of the Commercial Act, the General Meeting of bondholders was convened by the representative of the bondholders Commercial Bank "INVESTBANK" AD and would be held on 6th February 2013 at 11:00 h on address: Sofia, 27 Vasil Levski Blvd., hotel Downtown, the conference hall.

The agenda of the meeting, convened for 06.02.2013 was essentially analogous to the agenda of the meeting that was convened for 16.01.2013, the main difference being some technical corrections made in the draft of the supplement to the insurance policy provided by Euro Ins AD (which is part of the written materials for the meeting) which aimed to provide better protection of the bondholders' rights.

The General meeting of the bondholders of "Intercapital Property Development" ADSIC held on 06.02.2013 approved the proposal and respectively all the suggested terms for renegotiation of the Company's bond loan.

At a session of the Board of Directors of BSE-Sofia held under Record of Proceedings No. 8 of February 11, 2013 there was taken a decision for amendment of the parameters of the Company's bond issue admitted to trading on the Bonds Segment of the BSE Main Market. The amendments were registered as of 13.02.2013.

According to the General Meeting of 06.02.2013, on 06.03.2013 in front of Zhiva Barantieva – Assistant Notary replacing Gergana Nedina, notary area of operation - the area of the District Court - Pomorie entered in the register of Notary Chamber under № 607 signed a deed of establishment of a mortgage in favor of "Investbank" AD, in his capacity as representative of the holders of the said bond, the following property owned by "Intercapital Property Development" ADSIC: zoned property ID 00833.5.409, address: Aheloy, Treatment Area, an area 40,002 square meters.

With the establishment of the mortgage "Intercapital Property Development" ADSIC fulfills its obligation to provide collateral on outstanding bond issue in the amount of 3 500 000 EUR (three million five hundred thousand Euros), plus interest due.

The deed was registered in the Registry Agency, Registry Office - Pomorie ref. Reg № 493, № 13 Act, Volume 1, Case № 270 of 06.03.2013.

In compliance with the decisions of the General Meeting of the Company's bondholders, held on 06.02.2013, on 08.03.2013 the Company paid out the owed interest as of 14.02.2013 on its corporate bond issue in the amount of EUR 83 808.

On 08.03.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.02.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.02.2013 and 08.03.2013 amounting to BGN 534.18 (i.e. BGN 0.106835257 per bond).

On 07/06/2013, the "Intercapital Property Development" ADSIC paid interest on the bond issue due since 14.05.2013 in the amount of EUR 60,768.

On 07.06.2013, the Company also made principal amortization payment in the amount of EUR 62 500 due since 14.5.2013. Due to the delay in payment of principal amortization, company paid the bondholders compensation interest for the period 15.05.2013 -07.06. 2013 in the total amount of BGN 582.74 (or BGN 0.116548 per bond).

On 09.09.2013 the Company paid out the owed interest as of 14.08.2013 on its corporate bond issue in the amount of EUR 61 675.

On 09.09.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.08.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.08.2013 and 09.09.2013 amounting to BGN 631.29 (i.e. BGN 0.126258 per bond).

On 10.12.2013 the Company paid out the owed interest as of 14.11.2013 on its corporate bond issue in the amount of EUR 60 533.

On 10.12.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.08.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.11.2013 and 10.12.2013 amounting to BGN 631.28 (i.e. BGN 0.126256 per bond).

On 14.02.2014 the Company paid out the owed interest in the amount of EUR 59 390 and principle amortization payment in the amount of EUR 62 500 that are accrued on its corporate bond issue.

Due to the fact that ICPD has complied with this condition regarding the payment due on 14.02.2014, the interest rate that shall be applied on the remainder of the bond issue for the next quarter starting on 15.02.2014 amounts to 7.00% annually.

On 06.09.2013, a contract has been concluded between ICPD and ICM IMO EAD for the sale of receivables arising from forward contracts for the purchase and sale of real estate in vacation complex "Marina Cape", Aheloy between ICPD and third parties - buyers. On 27.09.2013, the Contract for Cession dated 06.09.2013 has been terminated on the grounds of Art . 87 and following the CPA due to incompletion of obligations from ICPD. As a result, as of 30.09.2013 ICPD has a liability to return the funds received from ICM IMO EAD as part of the purchase price, pursuant to the contract, in the amount of EUR 133 447.18.

On 09.12.2013, a loan contract has been concluded between ICPD ADSIC and Teximbank AD, according to which the Company has received working capital loan in the amount of EUR 130 000 at annual rate 7.75% and maturity date 20.12.2014.

On 17 December 2013 the Company has concluded a contract with Bulgaria Leasing EAD for financial leasing of real estate subject to which is the investment project “Grand Borovets”, property of Intercapital Property Development ADSIC. The lease price of the contract is EUR 2 927 724.36, excl. VAT with a 2-year period for the lease payments or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%.

On 18.12.2013 ICPD ADSIC has received notification from DSK Bank EAD, that all the claims from the bank on ICPD ADSIC under the Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 with all the annexes on 17.12.2013, and on the guarantors “Marina Cape Management” EOOD, “Marina Cape Tours” EOOD and Velichko Stoichev Klingov, arising under a guarantee contract, are transferred to cession agreement of "Grand Borovets 2013" EOOD.

On 18.12.2013 ICPD ADSIC has received a notification from DSK Bank EAD that all claims of the bank towards ICPD ADSIC under the Credit agreement № 716/18.09.2008 and under Credit agreement № 717/18.09.2008 and all related annexes as of 17.12.2013 and all claims of the bank towards the guarantors „Marina Cape Management” EOOD, „Marina Cape Tours” EOOD and Velichko Soichev Klingov, arising under a guarantee contract are transferred to “Grand Borovets 2013” EOOD under an agreement for cession.

On 18.12.2013 ICPD ADSIC has repaid part of its obligations under Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 concluded with DSK Bank, in the amount of BGN 5 350 000 to the new creditor Grant Borovets 2013 EOOD.

According to the agreement on 27.12.2013, concluded between "Grand Borovets 2013" EOOD on the one hand, and ICPD ADSIC as principal and "Marina Cape Management" EOOD", “Marina Cape Tours" EOOD and Velichko Stoichev Klingov as joint debtors, it was agreed, that

the amount of the debt outstanding of the ICPD ADSIC to "Grand Borovets 2013" EOOD to be reduced by the amount of 2 000 000 BGN, as well as the contractual mortgage, recorded under the property identification number 65231,918,189, located in Samokov, Sofia municipality, Sofia district, and built on that property building, hotel apartment complex with related facilities with the following identification number 65231.918.189.2, which secures the claim of "Grand Borovets 2013" EOOD, to be removed. Thus, the liability of ICPD tpwards Grand Borovets 2013 EOOD amounts to BGN 4 058 thousand.
In 2013, the Company has not raised funds in the form of share capital.

2. Capital resources:

a) Material commitments for capital expenditures as of the end of the last reporting period
With regard to the "Marina Cape" vacation complex the Company does not have material commitments for realization of capital expenditures because for all the residential properties in the complex licenses for use have been issued. I.e. the properties, which are subject to preliminary contracts for sale concluded and with regard to which there have been received advance payments, are ready for use.
With regard to the "Borovets Grand" vacation complex at present the Company has concluded preliminary contracts for sale of around 2 745.33 sq.m. of residential properties pursuant to which the Company is bounded with particular terms and obligations for realization of capital expenses.
As previously mentioned, as of this moment, the construction works on Grand Borovets project have been frozen due to lack of financing. According to the management, the project needs around € 2 500 000, which include expenses for the construction f all facilities in the complex (including water supply, sewerage, electrical installation), setting of flooring, tiling, landscaping, insulation, plaster walls and everything else that is needed for the obtaining of a certificate for commissioning.

b) Indication of significant trends, favorable or not, for the capital resources of the Company
As of this moment, the Company cannot make projections for capital increase through new issuance of shares due to the instability and uncertainty of the capital markets.

c) Indication of the expected significant changes in the ratio and the relative price of these resources

- **Equity.** In 2013, among the developing countries first in growth in leading index was Greece. The main benchmark of the Greek stock market ASE climbed 27.41 percent in 2013. Second in rank was Egypt. The political crisis, social unrest and social tension in Egypt did not prevent the main index CASE to add 20.91% to its value. Next in capital market growth in 2013 stands South Africa. In the third quarter, it appeared that the the economy of the African country grew at its slowest pace in four years. Nevertheless, South African index grew by 10.03 percent last year. Poland on the other hand is defined as the most dynamic European economy in 2013. It occupies the fourth position. WIG added 9.06% to its value during the year. In Asia Malaysia, Taiwan and India registered a noticeable increase among the major stock exchanges. In the region of North and South America, it is noteworthy that the indices in the top 5 take their seats because of decreases rather than positive movements. The first in the ranking is Mexico, followed by Colombia and Chile. Asian markets the Japanese Nikkei 225 ended the year with the best performance in the last more than 40 years. Growth of 57 percent come through economic reforms of Prime Minister Shinzo Abe and cash incentives for the central bank. Australian shares rose by 15% in 2013 - the biggest annual profit since 2009. The benchmark Kospi in South Korea added just 0.7 % yoy , while Shanghai Composite fell

6.7%. Thus, the two markets proved the worst performers on the continent in 2013. The past year was extremely successful for the U.S. market. Dow Jones closed the year with a total increase of 26.29%. S&P 500 also advanced to a record 29.49 percent, driven by the good performance of energy components. NASDAQ does rose 38.15 percent. In Europe, the Stoxx 600 index rose by 17.66 per cent in 2013, reaching its strongest growth since 2009. Policies gave impetus to expanding the monetary base of the world's central banks, and overall signs of economic recovery worldwide. Britain's FTSE 100 index rose 14 percent in 2013 in Germany, the DAX ended with a growth of 25.48 to 9 552.16 points. The year was marked by faith in the recovery of the Eurozone countries. CAC 40 ended the year with a rise of 17.4%, while Spain's IBEX 35 added 21.2 percent. A little bit behind but still on green area was left the Italian FTSE MIB, which grew by 12.2%. The Bulgarian capital market two main stock indexes began the year with values from 343.72 to 125.06 for SOFIX and BG40. Index of share prices SOFIX and BG40 showed overall positive movement during the year , especially pronounced in the middle of the first, the entire third and fourth quarter, even though in the late first and early second there was some decrease. Indices ended the year respectively 491.52 and 158.92 points. The annual growth index was 43% and 27.1%, outpacing the growth of the Romanian BET (an increase of 24.2%) and the German DAX (an increase of 22.8%. Despite these positive trends, expectations of the management of ICPD are moderately optimistic The company takes into consideration the occurrence of volatility in the markets of Central and Eastern Europe, mostly related to the events in Ukraine and Crimea. Therefore the Company cannot predict the upcoming procedures increase the company's capital.

- **Debt securities.** Trade in the money market in 2013 was characterized mainly by the maintenance of the established in 2012 decreased activity, reported only a slight increase in volume, which was more prominent in repo transactions. At the same time there have been relatively stable interest rates throughout the period. Domestic money market is strongly influenced by trends in the euro money market and monetary policy of the ECB as a result of the currency board in Bulgaria, pegging the lev to the euro. In this regard, the absence of significant changes in the monetary policy operations led to the preservation of a record low near zero interest rates - both in the euro area and the country (except the voltage at the end of the year in the euro area, which led to a price increase of euro denominated resource). Continuing the trend from previous years, banks in Bulgaria continued to maintain a significant resource in their current accounts with the BNB and in 2013. The high excess reserve banking system, but also historically low interest rates, which deprived the market participants of alternatives for the disposal of liquid funds, were the cause of preserving the decreased activity of the local interbank market. In 2013 the practice of placement of corporate bonds outside the stock exchange, with subsequent registration for stock trading. Five-year and three-year bond issue for another year continue to be the largest volume and the preferred currency of denomination of the euro remains issuers. The turnover of the bonds on the stock exchange more than doubled to 211.3 million lev (corporate issues), 95.5 million in 2012 by the management of the Company expect activation in the issuance of new bond issues, which is a prerequisite for the observed decline in levels of interest rates on deposits in Bulgaria.
- **Bank loans**. While back in 2011 the banking market began to observe some movement, it was more in terms of housing loans, i.e. the buyers and almost negligible in terms of developers. We expect that in 2014 the situation in the credit markets would continue to improve, but the construction contracting sector will likely continue to be not very desirable borrower.

<u>3. Results from the Company's activity</u>

a) Unusual or sporadic events

In the year 2013 there were no unusual or sporadic events for the Company, which have influenced the results from its activity.
b) Disclosure of the change in the ratio between the Company's revenues and expenses

Construction work on the project "Grand Borovets' remained frozen in 2012. It can be revived in providing financing to complete the site.
In 2013 the expenses of the project "Marina Cape" were mainly fees for management and maintenance overheads. It is expected that in 2013 the Company will continue to realize revenue from the sale of vacation properties in Marina Cape as well as their management.

c) Analysis of the effects of inflation and the changing prices on the revenue from the Company's main activity for the reporting period.

In 2013 began the recovery from the crisis and the real estate market showed more often positive data. The year was characterized by higher volume, sale prices stopped falling, and there was an increase in new loans granted. Seaside holiday homes continued to attract the interest of Russian buyers to purchase your own holiday home in a warm and sunny place like Bulgaria. The volume of apartments sold during the year grew by 20% yoy. In addition, it is also registered increase in prices. According to the real estate agency Bulgarian Properties in the third quarter of 2013 transactions resort Sunny Beach are concluded at an average price of €570 per square meter, which is more than 16% increase over last year's average of 490 euros per square meter. Median price of purchased during the third quarter of 33 apartments €700.
The data show that during the crisis the prices of real estate with higher quality have remained stable. These are apartments on the first or second line finished with quality materials, with geographic location that supposes a nice view and good sight communications in place. That is one of the advantages of the residential complex "Marina Cape" owned by "Intercapital Property Development" ADSIC. Another key factor that puts complex, and the Company, respectively, in a favorable and competitive position compared to many other developers is the fact that demand in the sector is concentrated mainly in search of completed projects (such as those in the holiday complex "Marina Cape") and not in green fields. Launched in 2008, buyers tend to look for properties that are ready for use, due to an unwillingness to take risks of Greenfield investments. In this context and given the current market conditions the Company's projects in holiday complex "Marina Cape" (which is completely finished) can be more profitable than the company's project in the resort "Borovets" (which is under construction).

II. Important events after the annual closure of the Company's accounts
In compliance with a resolution of the General Meeting of the Company's bondholders, held on 06.02.2013, the interest rate applicable to the bond issue of the Company decreases with a step of 0.25% under the condition that the payment due for the previous quarter has been wired to the bank account of Central Depository AD not later than 2 working days before the payment date. Due to the fact that ICPD has complied with this condition regarding the payment due on 14.02.2014, the interest rate that shall be applied on the remainder of the bond issue for the next quarter starting on 15.02.2014 amounts to 7.00% annually.

Following a resolution of the General meeting of shareholders held on 14.03.2014 a change in the Board of Directors is registered in the Commercial Register of the Registry Agency. The new member of the Board, chosen in place of the former member Temenuga Ivanova Ivanova, is „AHELOY 2012" EOOD, registered in the Commercial Register at the Registry Agency, with UIC: 202371390, seat and registered address: Sofia, Sredets, "Aksakov" № 7A, 4th floor,

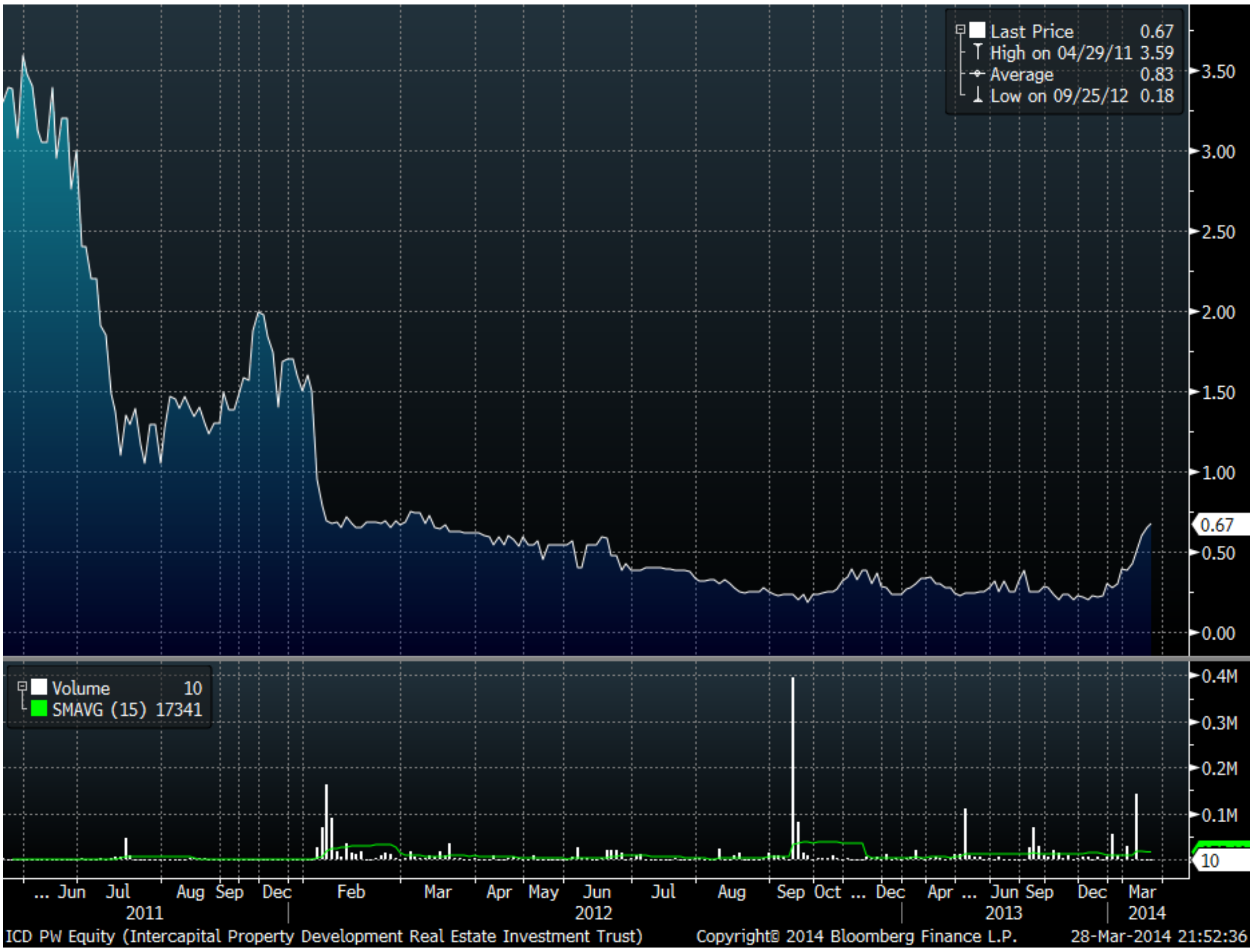
represented by the manager Nikolay Stefanov Chergilanov. The new member is elected for a term of 5 years counted from the day of the General meeting of shareholders.
The change in the Board of Directors is registered in the Commercial Registry of the Registry Agency on 20.03.2014 with file number 20140320113319.

III. Important research and development

There have not been any important research and development carried out by the Company in 2012.

IV. Changes in the price of the Company's shares
on the Bulgarian Stock Exchange – Sofia AD (currency - BGN)

Source: www.infostock.bg
The shares of the Company have been traded on BSE – Sofia AD since December 05, 2005.
on the "NewConnect" market, organized by the Warsaw Stock Exchange (currency - PLN)



Source: www.bloomberg.com

The shares of the Company have been traded on the "NewConnect" market since 11 August 2010.

V. Information about the program for implementation of the internationally recognized standards for good corporate governance under Art. 100n, para 4, p. 3 of the Law on the public offering of securities

1. Program for implementation of the internationally recognized standards for good corporate governance

The program for implementation of the internationally recognized standards for good corporate governance of the Company is accepted on March 27, 2006. Since that date up to now the Company has applied all the material aspects of the program.

With resolution of the Board of Directors of "Intercapital Property Development" ADSIC dated 30.03.2011 some amendments in the Program for implementation of the internationally recognized standards for good corporate governance of the Company were accepted which aim to update it with regard to the changes in the legislation regulating the public companies' activity.

VI. Additional information under Appendix No. 10 (pursuant to Art. 32, para 1, p. 2, Art. 35, para 1, p. 2, Art. 41, para 1, p. 2 of Ordinance No. 2 from 17.09.2003 on the prospectuses to be published when securities are offered to the public or admitted to trading on a regular market and on disclosure of information by the public companies and the other issuers of securities)

1. Information given in value or quantitative terms about the main categories of commodities, products and/or provided services, with indication of their share in the revenues from sales of the issuer as a whole and the changes that occurred during the reporting fiscal year

The major revenues from sales of the Company during 2013 are realized from sale of finished goods – residential properties for seasonal use in the "Marina Cape" vacation complex".

Revenues ('000 BGN)	2013	2012
Net revenues from the sale of:		
1. Finished goods		
2. Goods for sale	1 430	1 742
3. Services	535	413
4. Other	7 644	1 755
Total:	**9 609**	**3 910**

YTD revenue from property sales in the holiday complex "Marina Cape" amounted to BGN 1 430 thousand and refer to the sold area of 937.38 square meters.
In connection with this, on 19th August 2013, the Company has transferred by notary the ownership of property (an apartment in vacation complex "Marina Cape") to "VEI Project" AD with regard to Contract for giving instead of implementation dated 16.08.2013, concluded with "VEI Project" AD. The Contract from 16.08.2013 was signed between the parties in connection with Contract dated 30.12.2011, under which "VEI Project" AD has undertaken to transfer to "Intercapital Property Development" ADSIC the ownership of properties, located in vacation complex "Marina Cape", the town of Aheloy. Due to the fact that "Intercapital Property Development" ADSIC has not paid the negotiated purchase price for the real estates, subject of the Contract from 30.12.2011, by 30.01.2013, and has exercised its right to acquire the properties under deferred payment terms, agreed with Annex dated 30.01.2013, "Intercapital Property Development" ADSIC owes a penalty to "VEI Project" AD in the amount of EUR 80 000 pursuant to the clauses of point 5.3 from the Contract dated 30.12.2011. By transferring the above-described property at the amount of EUR 80 000 excl. VAT, "Intercapital Property Development" ADSIC repays its obligation to "VEI Project" AD, which represents the due and payable penalty, stipulated in point 5.3 in the Contract from 30.12.2011.
As of 31st December 2013 the Company has realized other revenues in the amount of BGN 7 644 thousand. The main part of these revenues amounting to BGN 5 350 thousand are realized under contract for financial leasing of real estate, concluded on 17th December 2013 with Bulgaria Leasing EAD. The property under the lease is the investment project Grand Borovets, property of Intercapital Property Development ADSIC. The period for payment of the lease is 2-year or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%.
Other part of the reported revenues amounting to BGN 2 294 thousand represent written-off liabilities. From them, BGN 2 000 thousand are written-off liabilities towards the creditor Grand Borovets 2013 EOOD.
On 18.12.2013 ICPD ADSIC has received notification from DSK Bank EAD, that all the claims from the bank on ICPD ADSIC under the Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 with all the annexes on 17.12.2013, and on the guarantors "Marina Cape Management" EOOD, "Marina Cape Tours" EOOD and Velichko Stoichev Klingov,

arising under a guarantee contract, are transferred to cession agreement of "Grand Borovets 2013" EOOD.
On 18.12.2013 ICPD ADSIC has received a notification from DSK Bank EAD that all claims of the bank towards ICPD ADSIC under the Credit agreement № 716/18.09.2008 and under Credit agreement № 717/18.09.2008 and all related annexes as of 17.12.2013 and all claims of the bank towards the guarantors „Marina Cape Management" EOOD, „Marina Cape Tours" EOOD and Velichko Soichev Klingov, arising under a guarantee contract are transferred to "Grand Borovets 2013" EOOD under an agreement for cession.
On 18.12.2013 ICPD ADSIC has repaid part of its obligations under Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 concluded with DSK Bank, in the amount of BGN 5 350 000 to the new creditor Grant Borovets 2013 EOOD.
The new creditor has suspended all enforcement actions against ICPD ADSIC according to the above mentioned credit agreements.
According to the agreement on 27.12.2013, concluded between "Grand Borovets 2013" EOOD on the one hand, and ICPD ADSIC as principal and "Marina Cape Management" EOOD", "Marina Cape Tours" EOOD and Velichko Stoichev Klingov as joint debtors, it was agreed, that the amount of the debt outstanding of the ICPD ADSIC to "Grand Borovets 2013" EOOD to be reduced by the amount of 2 000 000 BGN, as well as the contractual mortgage, recorded under the property identification number 65231,918,189, located in Samokov, Sofia municipality, Sofia district, and built on that property building, hotel apartment complex with related facilities with the following identification number 65231.918.189.2, which secures the claim of "Grand Borovets 2013" EOOD, to be removed.
The remaining part of the revenues generated from written-off liabilities which amount to BGN 294 thousand are realized in third quarter of 2013. The liabilities are written-off due to non-fulfilled obligations of clients/contractors of the company.
In 2013 "Intercapital Property Development" ADSIC for a fifth consecutive year has reported revenue on a non-consolidated basis from the exploitation of the investment properties in the complex (incl. commercial and residential areas). This activity is executed by the subsidiary company "Marina Cape Management" EOOD. Pursuant to the contract concluded between the parent company (ICPD) and the subsidiary, "Intercapital Property Development" ADSIC receives 70% of the profit realized from the commercial and residential properties which "Marina Cape Management" EOOD operates directly. For the year 2013 that revenue is in the amount of BGN 536 thousand.

2. Information about the revenues allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of commodities or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user, where if the share of any of them exceeds 10 per cent of the expenses or revenues from sales, information shall be provided about every person separately about such person's share in the sales or purchases and his relations with the issuer

The main buyers of the properties which the Company sells are concentrated in the following countries: Russia, Poland and to a lesser extent the Czech Republic, Slovakia, Lithuania and other former Russian republics.
During the last year, the Company has focused on reaching new geographical markets for its sales. The company started business relations with partners from China by offered its properties for sale. The properties sold in 2013 are mainly bought by Russian citizens. The management of the Company is encouraged by the revival of interest in real estate from this market.
As a special purpose vehicle "Intercapital Property Development" ADSIC uses the services of outside companies in its operating activity. For the construction of the "Marina Cape" vacation

complex in the village of Aheloy, Burgas District and the "Borovets Grand" project in the "Borovets" holiday complex the Company has used and shall use the services of the following companies:

- Midia Group AD, for the construction of the buildings
- Vodokanalstroy EOOD – for projection and construction of the water supply and the sewage installations
- Telelink AD – for the implementation of weak and strong current electric installations
- Nikmar OOD – for supply of terracotta, tiles and other ceramic products
- Nikconsult EOOD – for projection of the buildings
- ET Jo 44 – ventilation and air conditioning
- Consulting and engineering group OOD – for independent construction audit

3. Information about concluded big transactions and such of material importance for the issuer's activity

In 2013 "Intercapital Property Development" ADSIC has not concluded large transactions and transactions that are essential for the Company's activity.

4. Information about the transactions concluded between the issuer and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions which are outside its usual activity or substantially deviate from the market conditions, to which the issuer or its subsidiary is a party, indicating the amount of the transactions, the nature of relatedness and any information necessary for an estimate of the influence over the issuer's financial status

Sales/Purchases of goods and services ('000 BGN)	2013	2012
- "Intercapital Property Development" ADSIC sells equipment to "Marina Cape Management" EOOD	-	-
- Services executed by "Marina Cape Management" EOOD for "Intercapital Property Development" ADSIC	609	702
- Services executed by "Intercapital Property Development" ADSIC for "Marina Cape Management" EOOD	536	496

5. Information about events and indicators of unusual for the issuer nature, having substantial influence over its operation and the realized by it revenues and expenses made; assessment of their influence over the results during the current year

In 2013 there were no events of unusual nature for "Intercapital Property Development" ADSIC, having substantial influence over its operation and the realized by it revenues and expenses made.

6. Information about off-balance kept transactions – nature and business objective, indication of the financial impact of the transactions on the operation, if the risk and benefits of these transactions are substantial for the assessment of the issuer's financial status

In 2013 there were no transactions for "Intercapital Property Development" ADSIC that are kept off-balance.

7. Information about holdings of the issuer, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as the investments in equity securities outside its economic group and the sources/ways of financing

As of 31.12.2013 "Intercapital Property Development" ADSIC has the following investments in subsidiary companies:

Name of the subsidiary company	2013 '000 BGN	share %	2012 '000 BGN	share %
Marina Cape Management EOOD	5	100%	5	100%

As of 31.12.2013 the book value of the land owned by the Company is in the amount of BGN 5 074 thousand, the value of the Company's investment property is BGN 37 986 thousand, the value of work in progress is BGN 7 052 thousand and the value of unfinished production (in connection with the construction of residential complex Marina Cape and Grand Borovets) is BGN 1 070 thousand of which BGN 261 thousand also depicted as work in progress, which represents purchased equipment for the restaurants on site.
As of the end of 2013 the Company has cash funds and demand deposits in the amount of BGN 103 thousand.

8. Information about the concluded by the issuer, by its subsidiary or parent undertaking, in their capacity of borrowers, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the provided guarantees and assuming of liabilities

As of 31.12.2013 "Intercapital Property Development" ADSIC has the following obligations to financial institutions:

Creditor	Current liability, EUR	Non-current, EUR	Maturity
Piraeus Bank Bulgaria AD	1 576 313.38	1 554 867.00	30.10.2015
Piraeus Bank Bulgaria AD	2 562 680.06	-	28.02.2013
Piraeus Bank Bulgaria AD	2 535 185.53	-	28.02.2013
DSK Bank EAD	3 951 790.00	-	24.07.2012

The loans are guaranteed with assets of the Company as follows:
<u>1. Towards "Piraeus Bank Bulgaria" AD</u>

1.1. Contract for an investment credit № 1236/2007, concluded on 19.10.2007 for the amount of 4 500 000 (four million and five hundred thousand) EUR to finance the construction of a complex of residential buildings for a seasonal use "Marina Cape", Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 08.11.2007, № 112, vol. XII, reg. № 3901, case № 2217/2007 of a notary Hristo Roidev, collateral of bank credit №

1236/2007, concluded on 19.10.2007, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.

- Deed of incorporation of mortgage contract from 04.12.2009, № 80, vol. VII, reg. № 4288, case № 1226/2009 of a notary Gergana Nedina, collateral of bank credit № 1236/2007, concluded on 19.10.2007, Annex A1-1236 from 16.01.2009 and Annex A2-1236 from 19.10.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province;
- Pledge contract on receivables №1236-1/2007, concluded on 23.10.2007, collateral of investment credit № 1236/2007 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract entered in the Central Pledges Register on 07.11.2007;
- Pledge contract on receivables №1236-2/2007, concluded on 23.10.2007, collateral of investment credit № 1236/2007 – Registered pledge on receivables of cash funds from the special bank account of the company at "Bank Piraeus Bulgaria" AD – entered in the Central Pledges Register on 07.11.2007;
- Pledge contract on receivables №1236-4/ 2009, concluded on 19.10.2009, collateral of investment credit № 1236/2007 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract entered in the Central Pledges Register on 03.12.2009.

1.2. Contract for an investment credit № 736/2008, concluded on 07.07.2008 for the amount of 3 000 000 (three millions) EUR to finance construction-assembly and finishing works in complex of residential buildings for seasonal use "Marina Cape", Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 09.07.2008, № 35, vol. VIII, reg. № 2387, case № 1404/2008 of a notary Hristo Roidev, collateral of bank credit № 736/2008, concluded on 07.07.2008, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.;
- Pledge contract on receivables № 736 – 1/2008, concluded on 07.07.2008, collateral of bank credit № 736/2008 from 07.07.2008 – Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract in the Central Pledges Register.
- Pledge contract on receivables № 736 – 2/2008, concluded on 07.07.2008, collateral of bank credit № 736/2008г. от 07.07.2008 г. - Registered pledge on receivables of cash funds from the special bank account of the company at "Bank Piraeus Bulgaria" AD – entered in the Central Pledges Register;
- Pledge contract on furniture and facilities № 736 – 3/2008, concluded on 10.07.2008, collateral of bank credit № 736/2008 from 07.07.2008 – Registered pledge on furniture and facilities of the apartments from Zone 4 in "Marina Cape" Complex, Aheloy Town, Pomorie Municipality;
- Deed of incorporation of mortgage contract from 04.12.2008, № 80, vol. VII, reg. № 4288, case № 1226/2009 of a notary Gergana Nedina, collateral of bank credit № 736/2008, concluded on 07.07.2008, Annex A1-736 from 16.01.2009 and Annex A2-736 from 19.10.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province.

1.4. Contract for an investment credit № 327/2009, concluded on 14.12.2009 for the amount of 3 300 000 (three millions and three hundred thousand) EUR to finance payments on dividends and finishing works and infrastructure of "Marina Cape" project, Aheloy Town, Pomorie Municipality, Bourgas Province.

- Deed of incorporation of mortgage contract from 21.12.2009, № 162, vol. VII, reg. № 4500, case № 1306/2009 of a notary Gergana Nedina, collateral of bank credit № 327/2009, concluded on 14.12.2009, including residential properties situated in vacation complex Marina Cape, town of Aheloy, Municipality Pomorie, Bourgas Province;
- Pledge contract on receivables № 327-1/2009, concluded on 14.12.2009, collateral of bank credit № 327/2009 от 14.12.2009 - Registered pledge on receivables from concluded contracts for sale of detached residential properties in the complex "Marina Cape", described in detail in an enclosure to the contract in the Central Pledges Register;
- Pledge contract on receivables № 327-4/2009, concluded on 14.12.2009 - Registered pledge on receivables of cash funds from the special bank account of the company at "Bank Piraeus Bulgaria" AD – entered in the Central Pledges Register.

2. Towards "Grand Borovets 2013" EAD

Contract for sale-purchase of receivables pursuant to Contract for a credit № 716/18.09.2008 and Contract for a credit № 717/18.09.2008, pursuant to which the Creditor of the Company DSK Bank EAD has transferred its receivables streaming from the two contract for credit on total amount of EUR 5 832 886.5 to Grand Borovets 2013 EAD

- Deed of incorporation of mortgage contract from 26.09.2008, № 81, vol. VA, reg. № 7186, case № 846/2008 of a notary Borislav Mehandgiiski, collateral of bank credit № 716/2008, concluded on 18.09.2008, including land property No. 65231.918.189 and a building right over 77 (seventy seven) individual properties;
- Deed of incorporation of mortgage contract from 28.10.2009, № 154, vol. VI, reg. № 3867, case № 1102/2009 of a notary Gergana Nedina, collateral of bank credit № 716/2008, concluded on 18.09.2008, Annex №1 from 29.01.2009 and Annex № 2 from 17.09.2009, including commercial properties, located in Marina Cape Complex, Aheloy Town, Pomorie Municipality, Bourgas Province.
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 716 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.
- Deed of incorporation of mortgage contract from 26.09.2008, № 82, vol. VA, reg. № 7189, case № 847/2008 of a notary Borislav Mehandgiiski, collateral of bank credit № 716/2008, concluded on 18.09.2008, including land property No. 65231.918.189 and a building right over 77 (seventy seven) individual properties;
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 717 concluded on 19.09.2008, entered in the Central Pledges Register on 14.10.2009.

Pursuant to the agreement concluded on 27.12.2013, between "Grant Borovets 2013" EOOD from one side, ICPD ADSIC as principal debtor and "Marina Cape Management" EOOD, "Marina Cape Tours" EOOD and Velichko Stoichev Klingov as joined debtors, the amount of the debt of ICPD ADSIC outstanding towards "Grand Borovets 2013" EOOD was reduced with BGN 2 000 000. Additionally, it was agreed that the contractual mortgage on the property with identification number 65231.918.189, located in Samokov, Sofia municipality, Sofia district, together with the building on that property, an apartment hotel complex with related facilities with identification number 65231.918.189.2, which secures the claim of "Grand Borovets 2013" EOOD, to be removed.

3) Towards "BG Invest Properties" EAD

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

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.

9. Information about the concluded by the issuer, by its subsidiary or the parent undertaking, in their capacity of lenders, loan contracts, including the provision of guarantees of any type, including to related persons, with indication of the concrete conditions there under, including the deadlines for repayment and the purpose for which they have been granted

In 2013 "Intercapital Property Development" ADSIC and/or its subsidiary has not concluded loan contracts in the capacity of lenders, including the provision of guarantees of any type, including to related persons.

10. Information on the use of the funds from a new issue of securities carried out during the reported period

In 2013 the Company has not issued any new shares.

11. Analysis of the ratio between the achieved financial results reflected in the financial statement for the fiscal year, and previously published forecasts for these results

The Company does not publish forecasts about its financial results.

12. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual jeopardizes and measures which the issuer has undertaken or is to undertake with a view to their removal

With regard to a corporate bond issue of the Company issued in August 2007, on 3rd January 2013, with entry № 20130103135306 in the electronic file of the Company in the Commercial Register an invitation was announced for convocation of General Meeting of the bondholders of the corporate bond issue. Based on Art. 214, para 1 of the Commercial Act, the General Meeting of bondholders was convened by the representative of the bondholders Commercial Bank "INVESTBANK" AD and should be held on 16th January 2013 at 11:00 h on address: Sofia, 27 Vasil Levski Blvd., hotel Downtown, the conference hall. The proposed agenda was as follows:
Item One

Giving consent on rescheduled repayment of the liabilities under the bond issue having ISIN code BG2100019079 through a partial re-negotiation of the terms, as follows:

3. Extension of the term of the issue by 60 months (as from 14 August 2013 until 14 August 2018);

2. The principal repayment schedule is amended as follows:
2.1. Principal (amortisation) payments in euro:

- On 14.02.2013, 14.05.2013, 14.08.2013, 14.11.2013 - EUR 62 500;
- On 14.02.2014, 14.05.2014, 14.08.2014, 14.11.2014 - EUR 62 500;
- On 14.02.2015, 14.05.2015, 14.08.2015, 14.11.2015 - EUR 125 000;
- On 14.02.2016, 14.05.2016, 14.08.2016, 14.11.2016 - EUR 187 500;
- On 14.02.2017, 14.05.2017, 14.08.2017, 14.11.2017 - EUR 250 000;
- On 14.02.2018, 14.05.2018, 14.08.2018 - EUR 250 000;

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

- The interest rate following 14 Feb 2013 until the maturity date shall be decreased to 7.25% per annum, payable at 3-month period on the dates as per the Table enclosed in the invitation;
- The interest payments due following 14 February 2013 until the maturity date shall be calculated by gradual decrease of the interest rate by 0.25%. The exact amount of the interest payments as well as the terms for applying the new gradual decrease of the interest rate are specified in the invitation and in the table enclosed;

2.3. The Issuer shall be still entitled to make a total or partial early repayment of the outstanding principal of the debenture loan. That repayment might be effected only on a date of an interest payment. The minimum amount that might be early repaid must equal at least one amortisation payment due for the respective period;
3. All due principal and interest payments under the bond issue shall be effected in Bulgarian levs as per the official rate of exchange of the BNB as of the date of performance of the GMB /EUR 1 = BGN 1.95583/. In case that BNB's central exchange rate is changed, all payments shall be effected in Euro;
4. The Issuer shall be obligated to open a special current account at UniCredit Bulbank AD to service the payments under the debenture loan;
5. Security of the issue: Except for the insurance provided by Insurance Company Euro Ins and the second-tier mortgage, the Issuer shall be obligated to provide new additional collaterals such as: to sign a supplement to the insurance policy provided by Euro Ins and to create a first-tier mortgage on an own real property as described in the invitationn
6. Other terms and ratios:
<u>Ratio between Equity and Secured Debt</u>: The Company undertakes to maintain a ratio between equity and secured debt, calculated by dividing the balance sheet equity capital of the Company to the sum of all collateralized obligations, not lower than 0.10 (zero point ten) until the full payment of the bonds of this issue.
<u>Maximum ratio of Liabilities to Assets according to their book value:</u> The Company undertakes to maintain a maximum ratio of the book value of its Liabilities to the book value of its Assets at an amount of not more than 0.95 (zero point ninety five) until the full payment of the bonds of this issue.
Item two:
Adoption of a decision, the GMB to assign and respectively authorise Intercapital Property Development ADSIC to undertake all necessary decisions and actions in pursuance with the voted amendments to the terms and conditions of the bond issue having ISIN code BG2100019079.

Due to lack of a quorum, the General Meeting of the Bondholders of Intercapital Property Development ADSIC has failed to take place on January 16, 2013. Thereby, the GMB was held on January 31, 2013 under the same agenda. However the Company's bondholders did not approve the proposals written in the invitation.
In the meantime on 25th January 2013, with entry № 20130125162118 in the electronic file of the Company in the Commercial Register an invitation was announced for convocation of General Meeting of bondholders of corporate bond issue with ISIN code BG2100019079, issued by ICPD. Based on Art. 214, para 1 of the Commercial Act, the General Meeting of bondholders was convened by the representative of the bondholders Commercial Bank "INVESTBANK" AD and would be held on 6th February 2013 at 11:00 h on address: Sofia, 27 Vasil Levski Blvd., hotel Downtown, the conference hall.
The agenda of the meeting, convened for 06.02.2013 was essentially analogous to the agenda of the meeting that was convened for 16.01.2013, the main difference being some technical corrections made in the draft of the supplement to the insurance policy provided by Euro Ins AD (which is part of the written materials for the meeting) which aimed to provide better protection of the bondholders' rights.
The General meeting of the bondholders of "Intercapital Property Development" ADSIC held on 06.02.2013 approved the proposal and respectively all the suggested terms for renegotiation of the Company's bond loan.
At a session of the Board of Directors of BSE-Sofia held under Record of Proceedings No. 8 of February 11, 2013 there was taken a decision for amendment of the parameters of the Company's bond issue admitted to trading on the Bonds Segment of the BSE Main Market. The amendments were registered as of 13.02.2013.
According to the General Meeting of 06.02.2013, on 06.03.2013 in front of Zhiva Barantieva – Assistant Notary replacing Gergana Nedina, notary area of operation - the area of the District Court - Pomorie entered in the register of Notary Chamber under № 607 signed a deed of establishment of a mortgage in favor of "Investbank" AD, in his capacity as representative of the holders of the said bond, the following property owned by "Intercapital Property Development" ADSIC: zoned property ID 00833.5.409, address: Aheloy, Treatment Area, an area 40,002 square meters.
With the establishment of the mortgage "Intercapital Property Development" ADSIC fulfills its obligation to provide collateral on outstanding bond issue in the amount of 3 500 000 EUR (three million five hundred thousand Euros), plus interest due.
The deed was registered in the Registry Agency, Registry Office - Pomorie ref. Reg № 493, № 13 Act, Volume 1, Case № 270 of 06.03.2013.
In compliance with the decisions of the General Meeting of the Company's bondholders, held on 06.02.2013, on 08.03.2013 the Company paid out the owed interest as of 14.02.2013 on its corporate bond issue in the amount of EUR 83 808.
On 08.03.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.02.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.02.2013 and 08.03.2013 amounting to BGN 534.18 (i.e. BGN 0.106835257 per bond).
On 07/06/2013, the "Intercapital Property Development" ADSIC paid interest on the bond issue due since 14.05.2013 in the amount of EUR 60,768.
On 07.06.2013, the Company also made principal amortization payment in the amount of EUR 62 500 due since 14.5.2013. Due to the delay in payment of principal amortization, company paid the bondholders compensation interest for the period 15.05.2013 -07.06. 2013 in the total amount of BGN 582.74 (or BGN 0.116548 per bond).
On 09.09.2013 the Company paid out the owed interest as of 14.08.2013 on its corporate bond issue in the amount of EUR 61 675.

On 09.09.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.08.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.08.2013 and 09.09.2013 amounting to BGN 631.29 (i.e. BGN 0.126258 per bond).

On 10.12.2013 the Company paid out the owed interest as of 14.11.2013 on its corporate bond issue in the amount of EUR 60 533.

On 10.12.2013 the Company made also an amortization payment on its bond issue in the amount of EUR 62 500 that was due as of 14.08.2013. With regard to the delay in the payment of the amortization on the principal the Company paid out to the bondholders interest for the delay for the period between 15.11.2013 and 10.12.2013 amounting to BGN 631.28 (i.e. BGN 0.126256 per bond).

On 14.02.2014 the Company paid out the owed interest in the amount of EUR 59 390 and principle amortization payment in the amount of EUR 62 500 that are accrued on its corporate bond issue.

Due to the fact that ICPD has complied with this condition regarding the payment due on 14.02.2014, the interest rate that shall be applied on the remainder of the bond issue for the next quarter starting on 15.02.2014 amounts to 7.00% annually.

On 06.09.2013, a contract has been concluded between ICPD and ICM IMO EAD for the sale of receivables arising from forward contracts for the purchase and sale of real estate in vacation complex "Marina Cape", Aheloy between ICPD and third parties - buyers. On 27.09.2013, the Contract for Cession dated 06.09.2013 has been terminated on the grounds of Art . 87 and following the CPA due to incompletion of obligations from ICPD. As a result, as of 30.09.2013 ICPD has a liability to return the funds received from ICM IMO EAD as part of the purchase price, pursuant to the contract, in the amount of EUR 133 447.18.

On 09.12.2013, a loan contract has been concluded between ICPD ADSIC and Teximbank AD, according to which the Company has received working capital loan in the amount of EUR 130 000 at annual rate 7.75% and maturity date 20.12.2014.

On 17 December 2013 the Company has concluded a contract with Bulgaria Leasing EAD for financial leasing of real estate subject to which is the investment project “Grand Borovets”, property of Intercapital Property Development ADSIC. The lease price of the contract is EUR 2 927 724.36, excl. VAT with a 2-year period for the lease payments or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%.

On 18.12.2013 ICPD ADSIC has received notification from DSK Bank EAD, that all the claims from the bank on ICPD ADSIC under the Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 with all the annexes on 17.12.2013, and on the guarantors “Marina Cape Management” EOOD, “Marina Cape Tours” EOOD and Velichko Stoichev Klingov, arising under a guarantee contract, are transferred to cession agreement of "Grand Borovets 2013" EOOD.

On 18.12.2013 ICPD ADSIC has received a notification from DSK Bank EAD that all claims of the bank towards ICPD ADSIC under the Credit agreement № 716/18.09.2008 and under Credit agreement № 717/18.09.2008 and all related annexes as of 17.12.2013 and all claims of the bank towards the guarantors „Marina Cape Management” EOOD, „Marina Cape Tours” EOOD and Velichko Soichev Klingov, arising under a guarantee contract are transferred to “Grand Borovets 2013” EOOD under an agreement for cession.

On 18.12.2013 ICPD ADSIC has repaid part of its obligations under Credit agreement № 716/18.09.2008 and Credit agreement № 717/18.09.2008 concluded with DSK Bank, in the amount of BGN 5 350 000 to the new creditor Grant Borovets 2013 EOOD.

According to the agreement on 27.12.2013, concluded between "Grand Borovets 2013" EOOD on the one hand, and ICPD ADSIC as principal and "Marina Cape Management" EOOD", “Marina Cape Tours" EOOD and Velichko Stoichev Klingov as joint debtors, it was agreed, that

the amount of the debt outstanding of the ICPD ADSIC to "Grand Borovets 2013" EOOD to be reduced by the amount of 2 000 000 BGN, as well as the contractual mortgage, recorded under the property identification number 65231,918,189, located in Samokov, Sofia municipality, Sofia district, and built on that property building, hotel apartment complex with related facilities with the following identification number 65231.918.189.2, which secures the claim of "Grand Borovets 2013" EOOD, to be removed. Thus, the liability of ICPD tpwards Grand Borovets 2013 EOOD amounts to BGN 4 058 thousand.
Detailed information on the agenda and the general meetings of bondholders held could be found in section II of the present report.

13. Assessment of the possibilities for realization of the investment intentions, indicating the amount of the available funds and stating the possible changes in the structure of the financing of this activity

Up to this moment, the Company has frozen the construction works on the investment project in Borovets resort due to lack of financing. The Company cannot project when it would be able to secure financial resources for completing the project Grand Borovets because of two reasons. On one hand, up to this date the market conditions for capital increase are still unfavorable. On the other hand, it would be difficult to receive bank financing due to the significant level of debt the company already has.
On 06th June 2011, the Board of Directors has taken a decision for starting negotiations for the sale of the real estate and the built hotel apartment complex "Grand Borovets" of the Company for a starting price not lower than EUR 5 000 000.
In connection with this, several publications of an add for sale were made in few national daily newspapers in Bulgaria, as well as in the newspaper "Vedomosti" in Russia. In addition, the Company has presented projects for sale to brokers in the Arab countries, Russia and Kazakhstan.
Parallel to this, the Company is actively searching for a partner who is willing to invest €2 500 000 for finishing the project Grand Borovets in order to make the complex function as a hotel. In conjunction, in 2012, the Company has established contacts and negotiated with several international hotel chains.
New investment project would be feasible only after an increase in the capital of the Company, which would be possible when the global financial markets are once again stable.

14. Information about occurred during the reporting period changes in the base principles for management of the issuer and its economic group

No such changes have occurred during the reporting period.

15. Information about the main characteristics of the applied by the issuer in the course of preparation of the financial statements internal controls system and risk management system

The financial reports of the Company are prepared in compliance with the International Financial Reporting Standards (IFRS), developed and published by the Council for the International Accounting Standards (CIAS), applicable for the year 2010.

The International Financial Reporting Standards include:
a) The International Accounting Standards
b) The International Standards for the Financial Statements (ISFS)

c) The interpretations of the Standing Interpretations Committee and the interpretations of the Committee for interpretations of the IFRS

16. Information on the changes in the management and supervisory bodies during the reporting fiscal year

Following a resolution of the General meeting of shareholders held on 14.03.2014 a change in the Board of Directors is registered in the Commercial Register of the Registry Agency. The new member of the Board, chosen in place of the former member Temenuga Ivanova Ivanova, is „AHELOY 2012" EOOD, registered in the Commercial Register at the Registry Agency, with UIC: 202371390, seat and registered address: Sofia, Sredets, "Aksakov" № 7A, 4th floor, represented by the manager Nikolay Stefanov Chergilanov. The new member is elected for a term of 5 years counted from the day of the General meeting of shareholders.
The change in the Board of Directors is registered in the Commercial Registry of the Registry Agency on 20.03.2014 with file number 20140320113319.

17. Information on the amount of the remunerations, rewards and/or the benefits of everyone of the members of the management and control bodies for the fiscal year under review, paid by the issuer and its subsidiaries, irrespective of whether they have been included in the issuer's expenses or arise from profit distribution, including:
a) received amounts and non-money remunerations;
b) contingent or deferred remunerations, occurred during the year, even if the remuneration is due at a later time;
c) amount owed by the issuer or its subsidiaries for payment of pensions, compensations at retiring on a pension or other similar compensations

The members of the Board of Directors receive fixed monthly remuneration, determined by the General meeting, which can not exceed 10 minimum monthly salaries. At present the members of the Board of Directors receive monthly remuneration in the amount of BGN 3 100 (three thousand one hundred). The General meeting has adopted a resolution pursuant to which the remuneration of the executive member to be in the amount of 12 minimum monthly salaries.
The members of the Board of Directors of "Intercapital Property Development" ADSIC have received the following remunerations in 2013:

Member of the Board of Directors*	**in BGN**
1. Velichko Stoichev Klingov – Executive director	44 640
3. Tsvetelina Chavdarova Hristova – Member	36 039
4. Temenuga Ivanova Ivanova – member**	29 113

***The amounts indicated represent the remunerations paid:**
**** On 15.10.2013 there was a change in the Board of Directors, namely decreasing the number of member from three to two due to death of the third member.**
By a resolution of the General Meeting of the shareholders the members of the Board of Directors can receive bonuses in amount which does not exceed 0.1% of the Company's profit before dividend distribution for each one of the members of the Board but not more than 0.5% for all the members of the Board.
The Company does not owe any other amounts and/or benefits as well as does not allocate or charge amounts to provide for pension benefits or other retirement compensations for 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 allocated or charged amounts for pension benefits and other retirement compensations for the members of the Board of Directors in 2013.

18. For the public companies – information about the owned by the members of the management and of the control bodies, procurators and the senior management shares of the issuer, including the shares held by anyone of them separately or as a percent from the shares of each class, as well as provided to them options on securities of the issuer by the latter – type and amount of the securities over which the options have been set up, price of exercising of the options, purchase price, if any, and term of the options.

As of 31.12.2013 the members of the Board of Directors own shares of the company as follows:

	Number of shares	*% from the capital*
Velichko Klingov[1]	77 111	1,28%

1. As of 31.12.2013 Velichko Klingov has concluded REPO Contracts with a collateral – shares of "Intercapital Property Development" ADSIC (total number of 37 806 shares), as a seller (borrower) and those shares are part of the total number of shares stated above.

As of 31.12.2012 the members of the Board of Directors own shares of the company as follows:

	Number of shares	*% from the capital*
Velichko Klingov*................................	77 111	1.28%

* As of 31 Dec 2012 Velichko Klingov has concluded REPO Contracts with a collateral – shares of "Intercapital Property Development" ADSIC (a total of 41 656 in count), as a seller (borrower) and these shares are part of the ones indicated above.
The issuer has not issued options on the securities from the share capital.

19. Information about the known to the company agreements (including also after the fiscal year closing) as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder.

The management body of the Company does not have information about agreements as a result of which changes may occur at a future time in the owned percent of shares or bonds by current shareholders and bondholder.

20. Information about pending legal, administrative or arbitration proceedings relating to issuer's liabilities or receivables at amount at least 10 percent of its equity; if the total amount of the issuer's liabilities or receivables under all initiated proceedings exceeds 10 per cent of its equity, information shall be submitted for each procedure separately

As of 31 Dec 2013 the Company has no pending legal, administrative or arbitration proceedings relating to claims or liabilities of at least 10 percent of the equity of the issuer.

21. Data about the investor relations director, including telephone and address for correspondence

The position of investor relations director of "Intercapital Property Development" ADSIC is taken by:
Milen Bozhilov
Correspondence address: Sofia, 7A Aksakov Str., fl. 4,
tel: 02 / 980 12 51

Signature:
/Velichko Klingov – Executive Director/

Date: 28.03.2014

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