

INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

Independent Auditor's report
Annual Consolidated Financial Report
Annual Management Report

31 December 2013

INDEPENDENT AUDITOR'S REPORT

TO
The Management of
"INTERCAPITAL PROPERTY DEVELOPMENT" ADSIC
Sofia

Report on the company's consolidated financial statement

I have audited the accompanying consolidated financial report of "Intercapital Property Development" ADSIC, (the "Company"), including the consolidated report for the financial condition as of 31 December 2013 and the consolidated comprehensive income statement, the statement of changes in equity, the cash flow statement for the year ended on that date, as well as a summary of the significant accounting policies and the other explanatory notes.

Responsibility of the management for the financial report

The responsibility for the preparation and the true presentation of this consolidated financial report in compliance with the International Financial Reporting Standards (IFRS), adopted by the European Commission and the national legislation is borne by the management. This responsibility includes: elaborating, implementing and maintaining an internal control system related to the preparation and the true presentation of the financial reports which cannot contain any substantial inaccuracies, deviations and discrepancies, whether caused by fraud or error; selection and application of suitable accounting policies and preparation of approximate accounting estimates which must be reasonable under the particular circumstances.

Responsibility of the auditor

The responsibility of the auditor is to report opinion on this consolidated financial report, based on the performed audit. This audit has been performed in compliance with the professional requirements of the International Auditing Standards. These standards imply observing the ethical requirements as well as planning and performing the audit in a way which let us confirm with reasonable assurance the extent to which the consolidated financial report does not contain any substantial inaccuracies, deviations and discrepancies.

Basis for an opinion

The audit includes performance of procedures in order to obtain audit evidence relevant to the amounts and disclosures in the consolidated financial report. The selected procedures depend on the auditor's estimation, including valuation of risks from substantial inaccuracies, deviations and discrepancies in the consolidated financial report, whether caused by fraud or error. When carrying out these risk valuations the auditor takes into account the company's internal control system related to the preparation and the true presentation of the consolidated financial report in order to develop audit procedures which are suitable under these circumstances, but not to express opinion on the efficiency of the company's internal control system. The audit also includes assessment of the relevance of the applied accounting policies and the reasonability of the approximate

accounting estimates made by the management, as well as valuation of the whole presentation of the consolidated financial report.

I consider that the audit I have performed represents adequate and suitable basis for the expressed auditor's opinion.

Auditor's opinion

As a result of this, I certify that the consolidated financial report represents truthfully all financial and property matters of importance of the group as of 31.12.2013, as well as the final consolidated financial result, the change in cash flows and equity for the year ending on this date in accordance with International Financial Reporting Standards, endorsed by the EU and the Bulgarian legislation.

Paragraph for emphasis on matter

Without qualifying my auditor's opinion, I draw attention to the fact that the annual consolidated financial report of the Company is prepared on the basis of the going concern principle which means that the Company is able to continue its activity in the foreseeable future and that the management do not plan to terminate that activity. As of 31st December 2013 the current liabilities of the group exceed the current assets by BGN 36 114 thousand, and for a consecutive year the group reports a negative financial result.

Report on other legal and regulatory requirements

I examined the annual consolidated management report of the Company as of 31st December 2013, which is not part of the financial report. The historical financial information presented in the annual management report, prepared by the management of the Company, corresponds in its matter of importance to the financial information contained in the consolidated financial report as of 31st December 2013, prepared according to the International Financial Reporting Standards, endorsed by the EU and the national legislation. The responsibility for the preparation of the annual management report lies within the management of the Company.

29 April 2014
Sofia

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Dafin Sredkov
certified expert accountant
registered auditor

Consolidated Report for Financial Condition

Assets	Notes	2013 ‘000 BGN	2012 ‘000 BGN
Long-term assets			
Property, Plant and Equipment	7	13153	5719
Investments reported by the method of owned capital		-	-
Investment property	8	37986	41987
Intangible assets	9	4	9
Other receivables	12	2137	-
Deferred tax assets		21	21
Long-term assets		53301	47736
Current assets			
Inventories	10	977	871
Work in progress	10	1070	8347
Advances received		218	142
Derivatives		-	-
Trades accounts receivables	11	596	374
Tax receivables	11	22	15
Other receivables	12	3030	399
Cash and cash equivalents	13	145	1002
Current assets		6058	11150
Total assets		59359	58886

Accountant: _____
/”Optima Audit” AD/

Executive Director: _____
/Velichko Klingov/

Date: 10th April 2014

Certified according to audit report:

Consolidated Report for Financial Condition

(continued)

Liabilities and Shareholders' equity	Notes	2013 '000 BGN	2012 '000 BGN
Shareholders' equity			
Share capital	14a	6011	6011
Issue premiums	14b	7651	7651
Revaluation reserves	14b	5164	715
General Reserves	14b	1	1
Retained Earnings		9822	9822
Accumulated Loss		(19120)	(14774)
Current profit/loss		(5187)	(4346)
Total Shareholders' Equity		4342	5080
Liabilities			
Long-term Liabilities			
Liabilities to financial institutions	15	3087	3040
Bonds	15	5867	-
Financial leasing	15.1	2108	-
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Other liabilities			-
Deferred tax liabilities			-
Total long-term liabilities		12845	4373
Current Liabilities			
Liabilities to financial institutions	15	17987	32876
Financial leasing	15.1	5099	-
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Trade payables			
Customers advance receivables		8875	9097
Salaries and social securities payables		75	700
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Tax payables			
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Other liabilities			
Total current liabilities		42172	49433
Total Liabilities		55017	53806
Total Liabilities and Shareholders' Equity		59359	58886

Accountant: _____

/Optima Audit AD/

Executive Director:.....

/Velichko Klingov/

Intercapital Property Development ADSIC
Annual Consolidated Financial Report
31st December 2013

Date: 10.04.2014

Certified according to audit report:

Consolidated Income Statement

	Notes	31.12.2013 '000 BGN	31.12.2012 '000 BGN
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Sales revenue	19	3171	3427
Other revenue		7714	1849
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Expenses for materials		(439)	(506)
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Expenses for external services		(814)	(978)
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Personnel expenses		(490)	(537)
Depreciation		(197)	(223)
Book value of assets sold		(2047)	(2332)
Change in the inventories of finished goods and work in progress		(5311)	(242)
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Other expenses		(263)	(591)
Operating profit / (loss)		1324	(133)
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Financial Income/Expenses		(3759)	(3507)
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Changes in the fair value of investment properties		(2752)	(709)
Loss before tax		(5187)	(4349)
Cost of deferred corporate income tax		-	(3)
Net Profit / (Loss)		(5187)	(4346)

Accountant: _____

Executive Director: _____

/ Optima Audit AD /

/ Velichko Klingov /

Date: 10.04.2014

Certified according to audit report:

Consolidated Statement of Changes in Equity

All amounts are in '000 BGN	Share Capital	Premium Reserves	Other Reserves	Retained Earnings / (Accumulated Loss)	Total Equity
Balance as of 1 January 2012	6011	7651	712	(4952)	9422
Revaluated balance as of 1 January 2012	6011	7651	712	(4952)	9422
Dividends					
Fundamental errors					
Profit / (Loss)				(4364)	(4346)
Other comprehensive income					
Revaluation of fixed tangible assets:					
Increase			4		4
Decrease					
Total comprehensive income	6011	7651	716	(9298)	5080
Balance as of 31 December 2012					

All amounts are in '000 BGN	Share Capital	Premium Reserves	Other Reserves	Retained Earnings / (Accumulated Loss)	Total Equity
Balance as of 1 January 2013	6011	7651	716	(9298)	5080
Revaluated balance as of 1 January 2013	6011	7651	716	(9298)	5080
Dividends					
Shares Issued					
Fundamental errors					
Profit / (Loss)				(5187)	(5187)
Revaluation of fixed tangible assets:					
Increases		5094			5094
Decreases		(645)			(645)

Intercapital Property Development ADSIC
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Total comprehensive income					
Balance as of 31 December 2013	6011	12100	716	(14485)	4342

Accountant: _____
/ Optima Audit AD /

Executive Director: _____
/ Velichko Klingov /

Date: 10.04.2014

Certified according to audit report:

Consolidated Cash Flow Statement

	Notes	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Operating activities			
Customers receivables		4654	6562
Suppliers Payables		(1393)	(3041)
Salaries and Social Securities Payables		(1083)	(402)
Paid / Refunded taxes (except for corporate tax)		(558)	(65)
Paid corporate taxes			
Foreign currency exchange rate gains/losses net		(2)	(1)
Other receivables from operating activities		(594)	(305)
Net cash flow from operating activities		1024	2748
Investment activities			(-)
Purchase of long-term assets		(4)	(66)
Net cash flow from investing activities		(4)	(66)
Financial activities			
Loans received		755	587
Proceeds on loans		(1122)	(1736)
Proceeds on financial leasing		(1070)	(-)
Proceeds from share issues			-
Payments of interest and fees		(440)	(1573)
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Dividend payments			
Net cash flow from financing activities		(1877)	(2722)
Net change in cash and cash equivalents		(857)	(40)
Cash and Cash equivalents in the beginning of the period		1002	1042
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Cash and Cash equivalents in the end of the period			

Accountant: _____
/Optima Audit AD/

Executive Director: _____
/Velichko Klingov/

Date: 10.04.2014

Certified according to audit report:

Explanatory Notes

1. General Information

“Intercapital Property Development” ADSIC is a company registered in accordance with the Special Purpose Vehicles Act for securitization of real estate properties. 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 in the Republic of Bulgaria as a joint-stock company and is initially entered in the Sofia City Court with Decision № 1 as of 29.03.2005 with company file № 3624/2005, batch № 92329, volume 1204, reg. 1, page 23. Up until this moment, the Company has been registered in the Commercial Registry of the Trade Registry Agency with code EIK 131397743. The legal seat and the address of the Company’s management is 7A Aksakov Str., Sofia. In the Board of the Directors are sitting the following members:

- Velichko Klingov,
- Tsvetelina Hristova

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, IP Intercapital markets AD, Marina Cape Management EOOD, and AD Tokushev and Partners. Independent appraiser of the company is Dobi 02 EOOD.

The Company’s shares are registered on the Bulgarian Stock Exchange – Sofia AD.

2. Basis for preparing the financial statements

The consolidated financial report of the Group is prepared in compliance with the International Accounting Standards (IAS), prepared by the International Accounting Standards Board (IASB) and accepted by the European Union (EU).

The consolidated financial reports are prepared in BGN, which is the functional currency of the Company. All amounts are presented in thousands (‘000 BGN) (including the comparative information for 2010), unless otherwise stated.

The consolidated financial reports are prepared according to the “going concern” principle.

In 2012, the Group has reported a loss for the period amounting to BGN 4 346 thousand and a positive cash flow from operating activity amounting to BGN 2 748 thousand. The current liabilities exceed the current assets with BGN 38 283 thousand.

In 2013, the Group reports a loss for the period amounting to BGN 5 187 thousand and a positive cash flow from operating activity amounting to BGN 1 024 thousand. The current liabilities exceed the current assets with BGN 36 114 thousand.

These circumstances reveal a considerable insecurity, which may raise a significant doubt concerning the ability of the Group to continue functioning as a going entity without the support of the owners and other financial sources.

The management of the Company has taken the following steps for improving the financial condition of the Group:

- The Group has rescheduled its short-term debt to creditor banks, which would considerably improve the financial condition of the Group from the point of view of the current assets-to-current liabilities ratio.
- The Group undergoes a policy for optimization of costs, material reserves and other elements of the turnover capital. It is expected that this measure would considerably reduce the inventories, which would improve the liquidity and the turnover capital of the Group. As of 31.12.2013, the Group reports only the property “Grand Borovets” in Borovets resort as work in progress. The reported expenses represent the expenses on the sale of the parent company – brokerage commissions and advertisement of the real estate in the property Marina Cape, which would be recognized at the moment of recognizing the revenue (upon final transfer of the property or establishment of a entitlement for usage)

According to the managers of the Company, based on the forecasts for future development and the ongoing measures, combined with the support of part of the shareholders and the devoted work of the Board of Directors on restructuring the financing of the Company and searching of other low-interest bearing financing, the Company would manage to continue its activities and to repay its debt without the need to sell shares or to undertake considerable measures for amending activities.

At the date of preparing the current consolidated financial report, the managers of the Company have revalued the ability of the Group to continue its activities as an operating entity based on the available information for its foreseeable future. Following a review of the activities of the Group, the Board of Directors expects that the Group, despite the difficulties, has the necessary resources for continuing its operating activities in the foreseeable future and for applying the “going concern” principle when preparing the consolidated financial report.

3. Changes in accounting policies

3.1. General Provisions

The Company applies the following new standards, amendments and interpretations of the IFRS, prepared and published by the IASB, which have an impact on the Company’s financial statements and are mandatory for application for the annual period starting on 1 January 2010:

- IFRS 1 “First-time Adoption of IFRS” (adjusted) - Additional exemptions for companies applying IAS for the first time adopted by the EU 25/6/2010;
- IFRS 1 “First-time Adoption of IFRS” (adjusted in 2008) adopted by the EU on 25/11/2009;
- IFRS 2 “Share-based Payment” (adjusted) – group transactions with share-based payments adopted 23/03/2010;
- IFRS 3 “Business combinations” (adjusted in 2008) – adopted by EU on 12/6/2009;
- IAS 27 “Consolidated and individual financial statements” (adjusted in 2008), adopted by EU on 12/6/2009;
- IAS 39 “Financial instruments: recognition and valuation” (adjusted) – Meeting the conditions for hedging positions, adopted by the EU on 16/09/2009
- IFRIC 15 “Agreements for construction of real estate properties”, in effect as of 1/1/2009, adopted by the EU 23/6/2009 for periods as of or after 1/1/2010;
- IFRIC 16 “Hedge of net investments in foreign operations”, in effect as of 1/10/2009, adopted by the EU for periods as of or after 1/07/2009;

- IFRIC 17 "Distribution of non-cash assets of owners", adopted by the EU on 25/11/2009;
- IFRIC 18 "Transfer of assets from clients", adopted by the EU on 27/11/2009, in effect for the period as of or after 31/10/2009.
- Annual amendments 2008 – IFRIC 5 "Non-current assets, hold for sale, and discontinued operations", adopted by the EU;
- Annual amendments 2009, adopted by the EU on 23/03/2010

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 have been already published but have not been enforced yet and have not been applied earlier by the Company:

IFRS 1 "First-time Adoption of International Financial Reporting Standards" - changes on hyperinflation and fixed dates, effective July 1, 2011, not yet adopted by the EU.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" - government loans, effective since 1 January 2013, not yet adopted by the EU.

IFRS 7 "Financial Instruments: Disclosures" - Netting of financial assets and financial liabilities – effective since 1 January 2013, not yet endorsed by the EU

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.

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 representing 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 and depreciation method provides 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 2013, not yet endorsed by the EU

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 31.12.2012

IFRS 11 "Joint Arrangements" effective from 1 January 2013, not yet endorsed by the EU

IFRS 10, 11, 12 - Transitional provisions, effective from 1 January 2013, not yet endorsed by the EU

The transitional provisions allow companies not to apply IFRS 10 retrospectively in certain circumstances and to present comparative information adjusted 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.

IFRS 12 "Disclosure of interests in other entities" effective from 1 January 2013, not yet endorsed by the EU

IFRS 12 "Disclosure of interests in other entities" is a new standard on disclosure requirements for all forms of interests in other entities, including joint ventures, associates, special purpose entities and other unconsolidated companies.

IFRS 13 "Fair Value Assessment" effective from 1 January 2013, not yet endorsed by the EU

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 largest volume and activity for the asset or liability. Management is currently reviewing the methodology for assessing the fair value of the new requirements and still analyzes the effect of the change on the financial statements.

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

The amendments require the production of components of other comprehensive income into two groups, depending on whether they will be reclassified in profit or loss in subsequent periods. Components that are not reclassified, e.g. revaluation of property, plant and equipment are presented separately from components that will be reclassified as deferred gains and losses on cash flow hedges. Companies selected to present components of other comprehensive income before taxes must 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", but can use other titles. The amendments should be applied retrospectively.

IAS 12 "Income Taxes" - Deferred tax - effective since 1 January 2012, not yet endorsed by the EU

The standard requires companies to evaluate deferred tax assets related to, depending on how it is expected to be restored to their carrying amount through use or sale. Since for investment properties reported at fair value in accordance with IAS 40 "Investment Property" it is difficult and subjective to determine how much you will be reimbursed by subsequent use or sale, an exception to that rule is introduced – rebuttable presumption that the carrying value of these investment properties will be recovered only through sale. As a result of the amendments included SIC 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets", would be canceled.

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 other comprehensive income. They are not reclassified to profit or loss in subsequent periods. The amendments apply retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". No major changes are expected for the Company does not apply the corridor method or does not recognize all actuarial gains and losses directly in a profit or loss.

IAS 27 "Separate Financial Statements" (revised) effective since 1 January 2013, not yet endorsed by the EU

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

IAS 28 "Investments in associates and joint ventures" (Revised) effective since 1 January 2013, not yet endorsed by the EU

IAS 32 "Financial Instruments: Presentation" (amended) effective from 1 January 2014, not yet endorsed by the EU

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.

IFRIC 20 "Cost of removal and surface cleaning in the production phase of the mine" effective since 1 January 2013, not yet endorsed by the EU

Annual 2011 Improvements effective since 1 January 2013, not yet adopted by the EU

- 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 entities 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 management presents on his own additional comparative information in the statement of financial position or income statement and notes, it should 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 applicable definition of property, plant and equipment and 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 statements, if this information is regularly provided to the persons responsible for making operating decisions and it has changed significantly compared to information disclosed in the last annual financial statements.

4. Accounting Policy

4.1. General Conditions

The most important accounting policies applied to the preparation of 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.

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.

4.2. Presenting the Consolidated Financial report

The Consolidated Financial Report is presented in compliance with IAS 1 "Presenting of Financial Reports". The Group has accepted to present the Consolidated Financial Report for comprehensive income in a united report: Consolidated Report for the Comprehensive Income.

In the Consolidated Report for Financial Condition, two comparative periods are presented in cases when the Group:

- a) Applies an accounting policy retrospectively;
- b) Revalues retrospectively positions in the consolidated financial report; or
- c) Reclassifies a position in the consolidated financial report.

4.3. Base for Consolidation

In the financial report of the Group are consolidated the financial reports of the parent Company and all subsidiaries as of 31 December 2013. Subsidiaries are all entities, upon which the Group exerts control over their financial and operating policies. The parent company acquires and exerts control when it holds more than half of the total number of votes. All subsidiaries have a reporting period, ending on 31 December.

All intergroup deals and balances are eliminated, including the unrealized profits and losses streaming from transactions between subsidiaries of the Group. When the unrealized losses from intergroup transactions are eliminated, the corresponding assets are tested for impairment from the point of view of the Group. The amounts presented in the financial reports of the subsidiaries are corrected when it is necessary for maintaining the accounting policy, applied by the Group.

The profit or loss or other comprehensive income of subsidiaries, which are acquired or sold throughout the year, are recognized at the date of acquisition or at the date of the sale, respectively.

4.4. Transactions with foreign currency

Transactions in foreign currency are reported in the functional currency of the related company according to the exchange rate at the date of the transaction (the announced fixing by the Bulgarian National Bank). The profits and losses from exchange rates, which are incurred as a result of these transactions and the revaluations of the cash position in a foreign currency by the end of the reported period, are recognized in the profit or loss.

Non-cash positions, valued by the historical price of the foreign currency, are reported according the exchange rate prevailing at the date of the transaction (they are not revalued). Non-cash positions, valued by the fair value of the foreign currency, are reported according to an exchange rate of the date on which the fair value is determined.

In the consolidated financial report of the Group, all assets, liabilities and transactions of subsidiaries of the Group in functional currencies different from BGN (the presentation currency of the Group) are revalued in BGN when consolidated. The functional currency of the separate subsidiaries of the Group does not change in the reported period.

When consolidated, all assets and liabilities are revalued in BGN according to the ending exchange rate at the date of the consolidated financial report. The revenues and the expenses are revalued in the presentation currency of the Group according to the average exchange rate for the period. The currency exchange rates lead to increasing or decreasing the other comprehensive income and are recognized as a reserve in the revaluation of the shareholders' equity. When net investments of foreign operations are released, the accumulated differences, resulting from exchange rates revaluations that are recognized in the shareholders' capital, are classified in the gain or loss and are

recognized as part of the revenue or loss from the sale. The reputation and corrections, connected with the determination of fair values at the date of acquisition, are treated as assets and liabilities of the foreign entity and are revalued in BGN according to the ending rate.

4.5. Revenues

Revenues include proceeds from the sale of investment properties, goods for sale and the provision of services. The main revenues – from investment properties, goods for sale and services are presented in the notes.

The revenues are valued according to their fair value of the received or expected compensation, excluding VAT, trade discounts and volume rebates provided by the Group.

Most often, the Group concludes deals, which include the sale of several types of goods and services (multicomponent deals). For each separate component of such a deal for sale, the Group applies the criteria for recognizing revenues, which is presented below, in order to report its proper value. The revenue received from such a deal for sale is distributed between the separate components based on the ratio of their fair values.

The revenues are recognized when the following conditions are met:

- The total sum of the revenue can be adequately valued.
- It is most probable that the economic benefits of the transaction would be received.
- The incurred expenses or those that would be incurred can be adequately valued.
- The criteria for recognition, which are specific for each and every activity of the Group, are fulfilled. They are determined according to the goods or services provided to the client and according to the conditions contracted and presented below.

4.5.1. Sale of investment properties

Revenues from sale of investment properties is recognized when the Group uses fair value method for valuing the received or expected to be received payment or remuneration, accounting for all trade discounts and volume rebates received until this moment. In case of an exchange of similar assets, which have similar prices, the exchange is not considered to be a deal that generates revenues. Revenues are recognized at the moment of their realization and expenses are accrued according to the principle for matching revenues.

According to the fair value method, all investment properties are valued according to their fair (market) value as of 31 December of the reported period. The difference between the book and fair value is reported in the income statement as an income or expense, resulting from an impairment test of the investment properties. Investment properties are not amortized.

The Group writes off its investment properties when they are sold or permanently withdrawn from usage, in case no economic benefits from their sale could be expected. The profits or losses, resulting from their sale or withdrawal from usage, are reported in the Income Statement (Consolidated) and are determined as the difference between the net income from sales and the book value of the asset.

4.5.2. Goods for sale

Revenue is recognized when the Group has transferred to the buyer the significant benefits and risks coming with the ownership of the goods provided. It is considered that the significant benefits and risks are transferred to the buyer when the client has accepted the goods without objection.

When the sale of goods includes incentives for loyal customers, the received remuneration is distributed among the separate components of the contract for sale on the basis of their fair value. Revenues streaming from such a sale are recognized when the client exchanges the received incentives for products, provided by the Group.

4.5.3. Provision of Services

The services provided by the Group include Contracts for property management, brokerage, and maintenance (see explanation).

Service revenues are recognized when the service has been provided according to the degree of completion of the contract at the date of the consolidated financial report (for more information about the method degree of completion of the contract, see below).

4.5.4. Income from interest and dividends

Interest income is reported on a continuous basis using the method of effective interest rate. Income from dividends, which is different from the income streaming from investments in associated entities, are recognized at the moment of the entitlement to payment.

4.5.5. Operating expenses

Operating expenses are recognized in the profit or loss when the service has been used or at the date when they are spent. Cost of warranties are recognized and deducted from the related provisions when the related revenue is recognized.

4.5.6. Interest expenses and payment of loans

Interest expenses are reported using the method of effective interest rate.

Payments of loans primarily comprise interest on loans of the Group. Payments of loans are recognized as an expense in the consolidated income statement in the account "Financial Expenses" for the period when they have been incurred.

4.6. Intangible assets

Intangible assets include Program goods. They are recorded at cost, including any import duties, irrevocable taxes, and direct expenses incurred for preparing the asset for use, whereby the capitalized costs are amortized on a straight-line basis over the estimated useful lives of the assets, since it is believed that their useful lives is limited. When an intangible asset is procured as a result of a business combination, its value is equal to the fair value at the date of the procurement.

Subsequent valuations are based on the value at cost, less accumulated amortization and impairment losses. Impairment losses are reported as expenses and are recognized in the Consolidated Income Statement for the relative period.

Subsequent costs, which are incurred in connection with other intangible assets after their initial recognition, are recognized in the Consolidated Income Statement in the period when they have been incurred, unless the costs generate economic benefits of the asset in excess of the expected ones and

can be reliably measured and thus, attributed to the asset. If these conditions are met, the costs can be added to the cost of the asset.

The residual values and the useful lives of other intangible assets are assessed by the management of the Group at each reporting date.

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

Amortization is calculated using the straight-line method on the basis of the useful lives of different assets as follows:

- Buildings 25 years
- Machinery 3.3 years
- Automobiles 4 years
- Equipment 6.67 years
- Facilities 10 years
- Computers 2 years
- Others 6.67 years (software)

5. Joint Ventures

Marina Cape Management EOOD is a subsidiary of ICPD, which is 100% owned. Its financial report is included in the consolidated financial report by using the proportionate consolidation method / equity method. The financial information of Marina Cape Management EOOD could be summed up as follows:

	2013 ‘000 BGN	2012 ‘000 BGN
Non-current assets	718	896
Current assets	3335	2897
Total assets	4088	3793
Long-term liabilities	(1647)	(1416)
Short-term liabilities	(2555)	(2734)
Total liabilities	(4202)	(4150)
Income	2418	2366
Expenses	(2176)	(2270)

The Group has no contingent liabilities or other commitments, related with the joint venture.

6. Investments accounted for using the equity method

ICPD owns 100% of the voting rights and equity of the company Marina Cape Management EOOD.

7. Property, machinery, facilities and equipment

The property, machineries and the facilities of the Group include land, computer equipment, transport vehicles. Their book value can be analyzed as follows:

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	Land	Buildings and constructions	Machinery and equipment	Transport vehicles and others	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Gross book value					
Balance at 1 January 2012	4504	503	299	1311	6613
Newly acquired assets	-	-	6	45	51
Revaluation of Land	4				4
Increase					
Decrease					
	4504	503	305	1356	6668
Balance at 31 December 2012					
Depreciation					
Balance at 1 January 2012		(40)	(200)	(493)	(733)
Written-off assets					
Depreciation		(20)	(67)	(129)	(216)
Balance at 31 December 2012		(60)	(267)	(622)	(949)
Book value at 31 December 2012	4504	443	38	734	5719

	Land	Buildings and constructions	Machinery and equipment	Transport vehicles and others	Costs for acquiring constructed assets	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
Gross book value						
Balance at 1 January 2013	4504	503	305	1356	-	6668
Newly acquired assets			2	1	5346	7055
Revaluation:						
Increase	3388				1706	
Decrease	(645)					
Balance at 31 December 2013	5074	503	307	1357	7052	14293
Depreciation and impairment						
Balance at 1 January 2013		(60)	(267)	(622)	(-)	(949)
Depreciation	(-)	(21)	(40)	(130)		(191)
Balance at 31 December 2013	(-)	(81)	(307)	(752)		(1140)
Book value at 31 December 2013	5074	422	0	605	7052	13153

All expenses for depreciation and impairment are included in the consolidated income statement on the row named "Expenses for depreciation and impairment of non-financial assets".

The Group has not pledged properties, machineries and facilities as collateral for its obligations.

8. 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 parent 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 valued 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 assigned the completion of revaluation as of 31.12.2013 of all the company’s real estate properties to the independent appraisers – “Dobi 02” Ltd.

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

	Investment property ‘000 BGN
Book value as of 1 January 2012	44 861
Newly acquired assets	
Net loss from changes in fair value	
Book value as of 31 December 2012	44 861
Newly acquired assets	10
Written – off assets	(2175)
Net profit from changes in fair value	(709)
Book value as of 31 December 2012	41 987
	Investment property ‘000 BGN
Book value as of 1 January 2013	41987
Newly acquired assets	443
Net loss from changes in fair value	(1692)
Book value as of 31 December 2013	40738
Newly acquired assets	
Sold assets	
Net profit from changes in fair value	(2752)
Book value as of 31 December 2013	37986

9. Intangible assets

The intangible assets of the Group are long-terms assets which include software licenses. Their book value for the current reporting period can be presented by the following way:

Intangible assets	Software programs and products ‘000 BGN	Total ‘000 BGN
Carrying value	52	52
Balance as of 1 January 2012	1	1
Newly-acquired assets		
Written-off assets		
Balance as of 31 December 2012	53	53
Depreciation and impairment		
Balance as of 1 January 2012	(37)	(37)
Written-off assets		
Depreciation	(7)	(7)
Balance as of 31 December 2012	(44)	(44)
Book value as of 31 December 2012	9	9

Intangible assets	Software programs and products ‘000 BGN	Total ‘000 BGN
Carrying value	53	53
Balance as of 1 January 2013		
Newly-acquired assets	1	
Balance as of 31 December 2013	54	53
Depreciation and impairment		
Balance as of 1 January 2013	(44)	(44)
Written-off assets		
Depreciation	(6)	(6)
Balance as of 31 December 2013	(50)	(50)
Book value as of 31 December 2013	4	4

10. Inventory

The inventory, recognized in the consolidated report for the financial statement can be analyzed as follows:

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Materials and goods	977	871
Work-in-progress	1070	8347
Inventory	2047	9218

The parent company carries out its activity only through assignment of the particular kind of activities to separate sub-contractors, i.e. the Company does not have its own staff and assigns all activities to outside companies. The direct cost of the work-in-progress includes the project expenses, the expenses for construction-assembly works, advertisement, construction supervision, fees and others. The direct cost of the finished goods includes the expenses on loans borrowed for the construction of a particular object pursuant to the provisions of IAS 23 (amended IAS 23, effective as of 1 January 2009).

The direct costs are accumulated at the time they are made in batches for the particular objects and the indirect costs are allocated proportionately to the direct costs made for the particular object.

At the cessation of the construction-assembly works the reporting of expenses on interests, fees and commissions on received financing to the work-in-progress shall be ceased and they shall be reported in the current financial result.

The Group determines the expenses for inventories through the use of the weighted average cost.

At the sale of inventories their book value is recognized as expense in the period when the respective income is recognized.

The inventories are not pledged as collaterals on obligations.

11. Trade receivables

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Vei Project AD	-	-
Al. Litvinov	4	-
L. Oleynichenko	71	189
N. Bolshakova	54	-
Al. Solovyov	50	-
Others	417	185
Trade receivables	596	374

The customers' receivables represent non-paid amounts on contracts for transfer of real estate properties in the vacation complex "Marina Cape" which are due to the Group as well as owed fees for the maintenance of these properties. The book value of the trade receivables is assumed for reasonable approximate estimate of their fair value.

The Group has client receivables which are current in nature and are with term to maturity within 180 to 360 days.

All trade receivables of the Company are revised for impairment indications.

The Company does not have expectations that the due customers payments will not be paid pursuant to the advanced concluded contracts.

All trade receivables are exposed to credit risk.

The tax receivables are due to overpaid income tax – BGN 15 thousand and VAT recoveries – BGN 8 thousand.

12. Other receivables

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Current:		
Personnel receivables	200	298
Deferred expenses under a contract for leaseback	2137	-
Others	693	101
Total:	3030	399
Non-Current:		
Deferred expenses under a contract for leaseback	2137	-
Total:	2137	-

13. Cash and cash equivalents

The cash and cash equivalents include the following elements:

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Cash and cash in banks:		
- Cash	40	892
- Cash in demand deposits		11
- Blocked cash	105	99
Cash and cash equivalents	145	1002

The Group has blocked cash and cash equivalents.

14. Shareholders' equity

a. Share capital

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

	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 as of December 31st	6 011 476	6 011 476

b. Revaluation reserve

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

By using the expenditure and market approach the objects are treated as they are in the moment of the valuation. When using the income approach the specified value of the valued object recognizes the prospect of its development - its profitability.

In accordance with the objective of the valuations as the most approximate approach of calculating the market value is adopted the market approach.

In that case the price of the property is formed on the base of research of realized deals on the market with comparable real estate. The market approach looks for the supposed market price of properties that are similar in quality to the valued one.

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

In comprising the evaluation the following was used:

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

With resolution of the Board of Directors the evaluation of the assets of the parent company is assigned to the independent appraiser – Dobi-02 OOD.

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Premium reserves from shares’ issuance	7651	7651
Other reserves	1	1
Revaluation reserves of assets	5164	715
Total reserves	12816	8367

c. Personnel expenses

The expenses for remuneration of the staff include:

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Expenses for salaries	(423)	(464)
Social security expenses	(67)	(73)
Personnel expenses	(490)	(537)

Average number of staff in the group is 48 people. There are no charges for provisions for holidays.

15. Loans

The loans include the following financial liabilities:

	Current		Long-term	
	2013 ‘000 BGN	2012 ‘000 BGN	2013 ‘000 BGN	2012 ‘000 BGN
Bank loans	22421	25947	3087	3040
Bond loans	665	6929	5867	-
Total loans	23 086	32 876	8 954	3 040

15.1. 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 amounts to BGN 9 953 thousand. The assets are included in the groups "Land" and "Assets under construction" from "Property, Plant and Equipment".

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 Intercapital Property Development ADSIC has transferred by notary ownership of land with ID 65231.918.189 located in Samokov, Sofia region, and built in the property building representing hotel apartment complex service sites with ID 65231.918.189.2, to the lessor "Bulgarian Leasing" EAD. As a result, and under the conditions of a leaseback agreement Intercapital Property Development ADSIC has received by the lessor possession of the properties subject to finance lease contracts.

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.

16. Trade payables

The trade payables, reported in the consolidated report for the financial condition, include:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Текущи:		
Vei Project AD	-	1647
Telelink AD	354	498
Midia AD	2174	2174
IP Intercapital Markets AD	313	198
BG Invest Properties AD	290	-
Intercapital Solicitors AD	27	27
Other	1470	1203
Total trade payables:	4628	5747

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

17. Tax payables

The tax payables include:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Value added tax	541	653
Other	83	59
Total	624	712

The tax payables in the amount of BGN 624 thousand as of 31.12.2013 represent mainly value added tax in the amount of BGN 541 thousand for 2011, 2012 and 2013, personal income tax – BGN 64 thousand, real estate tax and solid waste tax – BGN 19 thousand, which shall be paid in the first quarter of 2014.

18. Other payables

The other obligations can be summarized as follows:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Long-term:		
Other long-term liabilities	3891	1333
	3891	1333

Short-term:

Other short-term liabilities

Total

	4884	301
	4884	301

The other long-term liabilities of the Group are formed as follows:

Liabilities under a finance leaseback with "Bulgaria Leasing" AD and other liabilities.

The other short-term liabilities of the Group are formed as follows:

Ceded liabilities under a loan contract to "Grand Borovets 2013" EOOD. Ceded liabilities under a loan contract to "BG Properties Invest Properties" EAD. Matured interest under contract with "VEI Project" AD. A contractual obligation to "ICM IMO" EAD. Obligations for penalty to "Technos" OOD. Liabilities to "Titan Bulgaria" OOD under a contract for replacement in debt.

Pursuant to a contract concluded between the subsidiary company "Marina Cape Management" EOOD and "Intercapital" EOOD, part of the receivables due to signed agreements for maintenance of the common parts of the vacation complex "Marina Cape" are ceded and the contract provides for the possibility, in case of payment on behalf of clients to bank accounts of "Marina Cape Management" EOOD, the accrued amounts to be refunded or the receivables to be exchanged by the cessionary – Intercapital EOOD.

19. Sales revenues

The sales revenues of the Group can be analyzed as follows:

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Revenues from sale of investment property	1430	1742
Revenues from sale of finished goods	369	381
Revenues from sale of goods	194	199
Revenues from sale of services	1178	1105
Other	7714	1849
Total	10885	5276

20. Expenses for materials

The expenses for materials include:

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Expenses for materials	(173)	(218)
Expenses for equipment		(-)
Expenses for elevators		(-)
Expenses for heat and electricity	(263)	(283)
Other expenses	(3)	(5)
Total	(439)	(506)

21. Expenses for external services

The expenses for external services include:

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Expenses for maintenance and management	(103)	(60)
Accounting services	(92)	(84)
Consulting services	(91)	(197)
Expenses on sales	(1)	(115)
Other	(527)	(522)

Total	(814)	(978)
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The expenses for consulting services are due to a contract for consulting activity with IP Intercapital Markets AD. The company is chosen by the Constitutive Assembly of the shareholders of ICPD ADSIC and is obliged to present investment advices, to prepare motivated proposals for changes in the investment objectives and directions in the investment activity as well as to advise ICPD in the preparation of prospectuses for public offering of securities and to cooperate in the organization and the realization of public issues of securities and etc. In item "other" the expenses for brokerage commissions, rent, advertisement, etc. are included.

22. Profit / (Loss) from sale of non-current assets

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Revenues from sales	1430	1742
Book value of the sold non-current assets	(1692)	(2175)
Profit / (Loss) from sale of non-current assets	(262)	(433)

23. Other expenses

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Other expenses	(263)	(591)
Total	(263)	(591)

24. Financial revenues and expenses

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

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Interest expenses	(3229)	(3308)
Expenses on foreign exchange operations	(2)	(3)
Other financial expenses	(528)	(196)
Financial expenses	(3 759)	(3 507)

Impairment of the investment properties for the reporting periods can be analyzed as follows:

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Changes in the fair value of the investment properties-compensated	(2752)	(709)
	-	-
Changes in the fair value of the investment properties	(2752)	(709)

25. Expenses for income tax

The financial result of the parent company is not subject to corporate profit tax pursuant to Art. 175 of the Law on the corporate profit taxation.

26. Profit/ (Loss) per shares and dividends

a. Profit/(Loss) per share

The basic profit/(loss) per share and the profit/ (loss) with reduced value are calculated as the net profit/(loss) subject to distribution among the shareholders of the parent company is used for a numerator.

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

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Profit/ (loss), subject to distribution (BGN)	(5187)	(4346)
Weighted average number of shares	6011	6011
Basic profit/ (loss) per share (in BGN per share)	(0.86)	(0.72)

d. Dividends

In 2012 the Group has not paid out dividends due to the fact that in 2011 the Company’s result is a loss. In 2013 the Group has not paid out dividends due to the fact that in 2012 the Company’s result is a loss.

27. Transactions with related parties

The related parties of the Company include the shareholders, key management personnel and other related parties pointed below:

Accounts with subsidiaries:

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Sale/purchase of goods and services		
- ICPD sells equipment to “Marina Cape Management” EOOD		
- Services carried out by “Marina Cape Management” EOOD to ICPD	1484	988
- Services carried out by ICPD to “Marina Cape Management” EOOD (due to a contract)	1567	1250

a. Transactions with key management personnel

The key management personnel of the Group include the members of the Board of Directors / management board and supervisory board. The remunerations of the key management personnel include the following expenses:

	31.12.2013 ‘000 BGN	31.12.2012 ‘000 BGN
Short-term remunerations:		
Salaries of the management personnel in the Group	140	143
Total remunerations	140	143

28. Risks, related to the financial instruments

Objectives and goals of the Board of Directors regarding the risk management

The Group is exposed to different kind of risks with regard to its financial instruments. The most important financial risks to which the Group is exposed are the market risk, the credit risk and the liquidity risk.

The risk management of the Group is carried out by the Board of Directors of the parent company, assisted by IP Intercapital Markets AD, with which the Company has a contract for risk management and evaluation in collaboration with the Board of Directors / management board. A priority of the Company’s management is to

ensure the short-terms and the medium-term cash flows by reducing the credit exposure. The long-term financial investments are managed so as to bring long-term yield.

The parent company does not have the right to trade on financial markets.

a. Analysis of the market risk

Currency risk

The expenses of the Group are denominated in BGN or in EUR. The expenses denominated in BGN are related to the construction and the operation of the real estate properties. The cost of the real estate properties most often is negotiated in EUR. On the other hand all earnings of the Group are negotiated in EUR, but all the payments in cash are in BGN. In the terms of currency board and fixed exchange rate of the BGN to the EUR, there is practically no currency risk for the Company.

In conducting of transactions in foreign currency there are currency gains and expenses which are included in the Income Statement. The Company has been only exposed to a currency risk in conducting transactions with currencies other than BGN and EUR in the presented reporting periods.

The policy on currency risk management applied by the Group is not to have substantial operations and not to maintain open positions in foreign currencies other than Euro.

The financial assets and the liabilities denominated in foreign currency are converted into BGN as of the end of the reporting period.

Interest risk

The Group may be exposed to interest rate risk if there is a mismatch between the type (fixed or floating income, respectively interest) of assets and liabilities. The main assets of the Group are property (land or those under construction). It could be assumed that these assets are fixed-price or income because their price is not affected directly by changes in interest rates. The Group will seek to finance these assets with debt instruments, which also to be fixed rate. Where this is not possible or not favorable to the Group, it may use and a floating-rate debt. In these cases the Company will constantly analyze forecasts on interest rates. In case of significant risks of a large increase in interest rates, which have a significant negative impact on the profits of the company, it may use derivatives or other financial instruments to hedge this risk. This could be a swap of floating payments at a fixed interest rate, futures or other instruments. At the end of 2010 most of the obligations of the Company are floating rate based on EURIBOR. In this connection, the Group is at risk from rising interest rates in the Eurozone. Since most of the debts of the Group are long term, the governing body intends to purchase futures on EURIBOR, to neutralize the risk of increased interest on borrowings, having in mind the fact that overcoming the effects of the financial crisis the countries from the Eurozone shall begin to withdraw the measures for stimulation of their economies, including to increase the prime rates which will directly affect the level of EURIBOR.

Here it should be pointed that a possible increase of the market interest rates will probably have a negative effect on the prices and the demand of real estate properties, due to the fact that a large part of these transactions are financed by loans.

The policy of the Group is aimed at minimizing the interest rate risk for long-term financing.

b. Analysis of the credit risks

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

c. Analysis of the liquidity risk

Liquidity risk arises with regard to securing funding for the activities of the Group and the management of its positions. It has two dimensions – the risk that the Group will not be able to meet its obligations when they

fall due and the risk of being unable to realize its assets at an appropriate price and within reasonable terms. The Group aims to maintain a balance between maturity of funding and flexibility of the use of funds with varying maturity structure. The Group aims to reduce the risks of a shortage of cash by making investments and undertaking construction works only when the financing is secured with its own funds, advances from customers or borrowings. The Group monitors closely the financial markets and the opportunities for raising additional funds (own or debt). The Group seeks to shorten the time for raising such funds if necessary.

29. Policy and procedures for capital management

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

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

The Group monitors the capital on the basis of the ratio between the adjusted share capital and the net liabilities.

The Group manages the capital structure and makes the necessary adjustments in accordance with changes in the economic environment and risk characteristics of the respective assets. To maintain or adjust the capital structure the Group may change the amount of the dividends distributed to the shareholders, may return capital to the shareholders, may issue new shares and may sell assets in order to reduce its liabilities.

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

	31.12.2013 '000 BGN	31.12.2012 '000 BGN
Share capital	6011	6011
+Increase		
- Reduction		
Adjusted capital	6011	6011
Total share capital:	6011	6011