Financial Report

INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

31st December 2014

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Report for the financial condition

	Notes	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Assets			
Non-current assets			
Property, plant and equipment	6	12 567	12 499
Investment property	7	36 143	37 986
Investment in subsidiaries	9	5	5
Other receivables	14	1 785	2 137
Non-current assets		**50 500**	**52 627**
Current assets			
Work-in-progress	11	1 062	1 070
Trade accounts receivables	12	4 000	436
Advance payments	13	214	190
Receivables from related parties	33	1 931	1 567
Other receivables	14	708	2 452
Cash and cash equivalents	15	57	103
Current assets		**7 972**	**5 818**
Total assets		58 472	58 445

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

Date: 28th March 2015

Certified in accordance with Auditor's report from 31st March 2015

Registered auditor, responsible for the report preparation:
Ofelia Slavkova, TEU with diploma № 0613

Specialized auditing firm "Audit Advisers" Ltd. №152
Date: 28th March 2015

Report for the financial condition

	Notes	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Shareholders' equity			
Share capital	16.1	6 011	6 011
Issue premiums		7 651	7 651
Revaluation reserve	16.2	5 267	5 164
General reserves		1	1
Undistributed profit		9 437	9 437
Uncovered loss		(23 655)	(18 234)
Current profit/loss		(1 599)	(5 421)
Total shareholder's equity		**3 113**	**4 609**
Liabilities			
Non-current liabilities			
Liabilities to financial institutions	17	191	3 041
Bonds	17	4 890	5 867
Financial leasing	10	1 436	2 108
Other liablities	22	182	182
Total non-current liabilities		**6 699**	**11 198**
Current liabilities			
Liabilities to financial institutions	17	21 127	17 322
Bonds	17	978	665
Financial leasing	10	808	5 099
Liabilities to suppliers and customers	18	4 488	4 337
Customers` advance receivables	19	8 809	8 675
Short-term liabilities to related parties	33	2 010	1 484
Tax payables	20	87	378
Social security payables and salaries payables	21	84	37
Other liabilities	22	10 269	4 641
Total current liabilities		**48 660**	**42 638**
Total liabilities		**55 359**	**53 836**
Total shareholder's equity and liabilities		**58 472**	**58 445**

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

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Comprehensive Income Statement

	Notes	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Revenue from sales	23.1	688	1 965
Other revenue	23.2	200	7 644
Expenses for materials	24	(57)	(61)
Expenses for external services	25	(913)	(1 057)
Expenses for salaries	27	(138)	(166)
Expenses for depreciation	6	(56)	(55)
Other expenses	27	(2 431)	(171)
Book value of assets sold	28	(352)	(1 900)
Change in the inventories of finished goods and work in progress	11	(8)	(5 176)
Operating profit/loss		**(3 067)**	**1 023**
Financial expenses	29	1 566	(3 692)
Changes in the fair value of the investment property		**(98)**	**(2 752)**
Net profit/ (loss)		**(1 599)**	**(5 421)**
Earnings per share	32	**(0.27)**	**(0.90)**
Other comprehensive income			
Profit from revaluation of land		103	4 449
Total annual comprehensive income		**(1 496)**	**(972)**

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Statement of Changes in Equity

All amounts are in '000 BGN	**Share Capital**	**Premium Reserves**	**Other Reserves**	**Undistributed Earnings**	**Uncovered loss**	**Total equity**
Balance 1st January 2013	**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**
Profit/Loss	-	-	-	-	(1 599)	(1 599)
Other comprehensive income	-		-	-	-	-
Revaluation of non-current assets	-		103	-	-	103
Total comprehensive income	**-**		**103**	**-**	(1 599)	**(1 496)**
Balance 31st December 2014	**6 011**	**7 651**	**5 268**	**9 437**	**(25 254)**	**3 113**

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Cash Flow Statement

	Notes	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Cash flow from operating activities			
Customers` receivables		1809	2 841
Suppliers` payables		(538)	(1 009)
Salaries and social securities payables		(79)	(157)
Other operating activities` payments, net		(256)	(46)
Net cash flow from operating activities		**936**	**1 629**
Cash flow from investment activity			
Acquisition of property, plant and equipment		(11)	(1)
Net cash flow from investment activity		**(11)**	**(1)**
Cash flow from financing activity			
Proceeds on loans		-	755
Payments of bank loans		(671)	(489)
Payments of interest, fees and commissions		(280)	(821)
Payments on leases		(20)	(1 070)
Net cash flow from financing activity		**(971)**	**(1 625)**
Net change in cash and cash equivalents		**(46)**	**3**
Cash and cash equivalents at the beginning of the period		103	100
Cash and cash equivalents at the end of the period	**15**	**57**	**103**

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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.
- AHELOY 2012 EOOD, represented by the Manager Nicolay Stefanov Chergilanov

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 40 688 thousand for 2014 and with BGN 36 820 thousand for 2013, 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. In support of this statement are the arguments that in 2014 the Company has improved its financial performance compared to the previous year with BGN 3 822 thousand, which constitutes a 71% increase. Furthermore, management has prepared a plan for financial stabilization of the company. In accordance with it / the plan for financial stabilization of the company / 2015 contains measures for taking effective action to cut costs, restructure its debts and increase its revenue.

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 2014.

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. Management is still analyzing the effects of changes in classification of investments of the Company.

IFRS 11 – "Joint Arrangements", effective from 1 January 2014, adopted by the EU on 11th December 2012

IFRS 11 "Joint Arrangements"replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories – joint operation and joint venture. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed. 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.

IFRS 12 "Disclosures of Interests in Other Entities", effective from 1 January 2014, adopted by the EU on 11th December 2012

IFRS 12 "Disclosure of Interests in Other Entities" includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new and more extensive qualitative and quantitative disclosures are also required.

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.

IFRS 10, IFRS 12 and IAS 27: Investment Entities (Amendments), effective since 1 January 2014, adopted by the EU in November 2013

The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

IAS 28 "Investments in Associates and Joint Ventures" (Revised) effective from January 1, 2014, adopted by the EU on December 11, 2012

IAS 28 "Investments in Associates and Joint Ventures" (Revised) requires the application of the equity method in accounting for associates and joint ventures. The changes in the scope of the standard are carried out due to the publication of IFRS 11 "Joint Arrangements".

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

IFRIC 21 "Taxes", effective January 1, 2014, adopted by the EU in June 2014

The interpretation addresses the accounting of the payment obligations of lanatsn other than income taxes imposed by the state. Obligating event is the activity as a result of which should be taxed according to legislative norms. Companies have no constructive obligation to pay taxes for future operations, if they are economically forced to continue operations in future periods.

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, 2014 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 9 "Financial Instruments" (amended) - Hedge accounting, effective January 1, 2018, has not yet been adopted by the EU

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

IFRS 11 "Joint Arrangements" (amended) - Acquisition of stake in the joint venture, effective January 1, 2016, not yet adopted by the EU

This amendment provides guidance on the appropriate accounting treatment of the acquisition pa share in the joint venture, which is a business.

IFRS 14 "Deferred accounts in regulated industries" effective from January 1, 2016, not yet adopted by the EU

IFRS 14 allows companies applying IFRS for the first time, to continue the recognition of amounts related to regulated prices in accordance with their previous accounting basis when applying IFRS. In order to improve the comparability of accounts of a company Conto already apply IFRS and do not recognize such amounts, the standard required to be presented separately the effects of regulated prices.

IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" (amended) effective from 1 January 2016, not yet adopted by the EU

These amendments clarify that the use of methods for the calculation of depreciation, based on revenue, is not appropriate, since the revenue generated by an activity with tangible or intangible assets does not reflect the use of the economic benefits expected from the assets.

IAS 19 "Employee Benefits" (amended) - Contributions from employees, effective July 1, 2014, not yet adopted by the EU
Amendments to IAS 19:
clarifying the requirements of IAS 19 on the contributions of employees or third parties
allow contributions that do not depend on the number of years of service, to be treated as a reduction of cost of current practice in the period in which the services are provided.

Annual improvements 2012 in force from July 1, 2014, not yet adopted by the EU.

These changes include changes of 2010-12 cycle of the project for annual improvements affecting 7 standard:
IFRS 2 "Share-based Payment Shares"
IFRS 3 "Business Combinations"
IFRS 8 "Operating Segments"
IFRS 13 "Fair Value Measurement"
IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"
IFRS 9 "Financial Instruments" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
IAS 39 "Financial Instruments: Recognition and Measurement".

Annual improvements 2013 in force from July 1, 2014, not yet adopted by the EU.
These changes include changes of 2010-12 cycle of the project for annual improvements that affect the standard 4:

IFRS 1 "First-time Adoption of IFRS"
IFRS 3 "Business Combinations"
IFRS 13 "Fair Value Measurement"
IAS 40 "Investment Property".

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

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:

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

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

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 31.12.2014 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	Machinery	Computer and other equipment	Work in progress	Total
	'000 BGN	**'000 BGN**	**'000 BGN**	**'000 BGN**	**'000 BGN**
Book Value					
Balance as of 1st January 2014	5 074	545	4	7 052	12 675
Newly acquired assets	-	-	-	21	21
Modification as a result of revaluation	103	-	-	-	103
Written-off assets	-	-	-	-	-
Balance as of 31st December 2014	**5 177**	**545**	**4**	**7 073**	**12 799**
Depreciation					
Balance as of 1st January 2014	-	(173)	(3)	-	(176)

Written-off depreciation	-	-	-	-	-
Depreciation	-	(55)	(1)	-	(56)
Balance as of 31st December 2014	**-**	**(228)**	**(4)**	**-**	**(232)**
Book Value as of 31st December 2014	**5 177**	**317**	**-**	**7 073**	**12 567**

	Land	Equipment	Computer and other equipment	Work in progress	Total
	‘000 BGN	**‘000 BGN**	**‘000 BGN**	**‘000 BGN**	**‘000 BGN**
Book Value					
Balance as of 1st January 2013	4 504	545	3	-	5 052
Newly acquired assets	208	-	1	5346	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)

Property, plant and equipment - continued

Balance as of 31st December 2013	**-**	**(173)**	**(3)**		**(176)**
Book Value as of 31st December 2013	**5 074**	**372**	**1**	**7 052**	**12 499**

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 31.12.2014 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 2014 and 2013.

	31.12.2014
	'000 BGN
Book value as of January 01, 2014	**37 986**
Written-off assets	(1 745)
Net profit from changes in fair value	(98)
Book value as of December 31, 2014	**36 143**

	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**

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 1 062 thousand is reflected as a work in progress, from which BGN 801 thousand represent 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. The other 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:

1. Towards "Piraeus Bank Bulgaria" AD

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 04.12.2009, № 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 purchase of receivables subject to which are credit № 716/18.09.2008 and credit №717/18.09.2008 (Cession) dated 18.12.2013, pursuant to which the creditor of the Company

DSK Bank EAD has transfereed its receivables from the above mentioned contracts for credit to Grand Borovets 2013 EOOD on total value of EUR 5 832 886.58.

- 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.
- Pledge contract on receivables from contracts for sale of real estate properties, described in detail in an enclosure to the Loan contract № 717/2008 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, 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 removal of the mortgage was registered on 21.1.2014.
During 2014 the mortgage on commercial sites located in "Marina Cape" city. Aheloy, Pomorie municipality, Bourgas region was also removed, which also covers the current receivable of "Grand Borovets 2013" EOOD to "Intercapital Property Development" ADSIC.

3) Towards “BG Invest Properties” AD

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

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

4). Teximbank AD:

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

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

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, 2014	3	3
Balance at December 31, 2014	**3**	**3**
Depreciation and impairment		
Balance at January 01, 2014	(3)	(3)
Balance at December 31, 2014	**(3)**	**(3)**
Book value at December 31, 2014	**-**	**-**

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	**-**	**-**

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	**31.12.2014** **'000 BGN**	**% ownership**	**31.12.2013** **'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:

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Assets	4 813	4 088
Liabilities	4 728	4 202
Revenues	2 182	2 418

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 2011. 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 was EUR 2 927 724.36, excl. VAT. Initially, the lease price was to be paid within a 2-year period for the lease payments or 24 monthly lease installments, with grace period of 6 months and annual interest of 9%. By mutual agreement between the parties in 2014, the repayment of lease payments was extended to 20.12.2019, as a result of which the leasing price was changed to EUR 3 183 968.45 excluding VAT. 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.

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.

The 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	**31.12.2014 '000 BGN**	**31.12.2013 '000 BGN**
"Marina Cape" project*	1 062	1 070
Total:	**1 062**	**1 070**

As of 31.12.2014 the Company accounts BGN 1 062 thousand as "work-in-progress". 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 31.12.2014 there are no properties in "Marina Cape" that are reported in the item "work-in-progress". The reported value of BGN 1 062 thousands (for 2013 BGN 1 070 thousand) represents expenses for property sales – brokerage commissions and advertising expenses for the real estate properties in the "Marina Cape" project amounting to BGN 801 thousand (BGN 809 thousand in 2013), 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 2013) 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	**31.12.2014 '000 BGN**	**31.12.2013 '000 BGN**
Local and foreign individuals	94	619
Vila OOD	9	9
Bulgarian Bo EOOD	8	8
R S Company EOOD	4	4
Grand Borovetz 2013 EOOD	4 096	-
Other	-	7
Impairment	(211)	(211)
Total	**4 000**	**436**

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	**31.12.2014 BGN '000**	**31.12.2013 BGN '000**
Ventenergy OOD	175	175
Impairment of advance granted to Ventenergy OOD	(44)	(44)
Trace Bourgas EOOD	170	170
Impairment of advance granted to Trace Bourgas EOOD	(170)	(170)
Buildimex OOD	61	61
Impairment of advance granted to Buildimex OOD	(61)	(61)
Technos OOD	47	47
Others	81	58
Impairment of others	(45)	(46)
Total	**214**	**190**

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.

14 Other receivables

	31.12.2014 '000 BGN	**31.12.2013 '000 BGN**
Non-current:		
Deferred expenses under a leaseback	1 785	2 137
Non-current other receivables	**1 785**	**2 137**
Current:		
Deferred expenses under a leaseback	446	2 137
Prepaid expenses	-	56
Others	262	259
Current other receivables	**708**	**2 452**

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:

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Money in cash and in bank accounts:		
• BGN	36	55
• EUR	21	48
Total	**57**	**103**

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.

	31.12.2014 '000 BGN	31.12.2013 '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

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Bonds		
Incl. long-term liabilities	4 890	5 867
Incl. short-term (up to 1 year) liabilities	978	665
Total	**5 868**	**6 532**
Bank Loans		
Incl. long-term liabilities	191	3 041
Incl. short-term (up to 1 year) liabilities	21 127	17 322
Total	**21 318**	**20 363**

The next table presents the loans received by the Company from financial institutions divided by liabilities as of 31.12.2014 according to the obligation's maturity.

Name of the credit institution	Short-term obligation in EUR	Long-term obligation in EUR	Maturity
PIRAEUS BANK AD	3 131 180.38	-	30.10.2015
PIRAEUS BANK AD	2 562 680.06	-	30.01.2014
PIRAEUS BANK AD	2 535 185.53	-	30.01.2014
Texim Bank AD	130 000.00	97 500.00	20.12.2014

The main details of the Company's credits are presented in the following table:

Name of the credit institution	Short-term obligation in EUR	Long-term obligation in EUR	Maturity
PIRAEUS BANK AD	3M Euribor + 7%	30.01.2014	Euro
PIRAEUS BANK AD	3M Euribor + 7%	30.01.2014	Euro
PIRAEUS BANK AD	3M Euribor + 7%	30.10.2015	Euro
Texim Bank AD	BIR in EUR +1.25%	20.12.2016	Euro

	annually		

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 were to 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 was to be paid at the end of the period, and the interests to be 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. Collateral under Art. 100z, par. 1 of the Law on the Public Offering of Securities: 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.

At the General Meeting held on 6th February 2013 of the bondholders of Intercapital Property Development ADSIC was adopted proposal to restructure the Company's bond loan.

The proposed agenda was 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:

2013 г.		**2014 г.**		**2015 г.**		**2016 г.**		**2017 г.**		**2018 г.**	
date	**amount (euro)**	**date**	**amount (euro)**	**date**	**amount (euro)**	**date**	**amount (euro)**	**date**	**amount (euro)**	**date**	**amount (euro)**
14.02.	62 500	14.02.	62 500	14.02.	125 000	14.02.	187 500	14.02.	250 000	14.02.	250 000
14.05.	62 500	14.05.	62 500	14.05.	125 000	14.05.	187 500	14.05.	250 000	14.05.	250 000
14.08.	62 500	14.08.	62 500	14.08.	125 000	14.08.	187 500	14.08.	250 000	14.08.	250 000
14.11.	62 500	14.11.	62 500	14.11.	125 000	14.11.	187 500	14.11.	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>6.1. 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>6.2. 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, as of the date of the meeting, 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 31.12.2014.

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Midia AD	2 174	2 174
Telelink AD	344	354
IP Intercapital Markets AD	441	313
BG Invest Properties AD	290	290
VEI Project AD	156	156
Water Supply and Sewerage EAD, Burgas	89	78
Others	994	972
Total	**4 488**	**4 337**

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 2015.

The most significant obligation is to the main constructor "Midia" AD. 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)	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Foreign individuals	5 503	5 260

Guarantee deposits from clients under contracts	2 825	2 825
Midia AD	481	481
Others	-	109
Total	**8 809**	**8 675**

20 Tax payables

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
VAT for payment	57	359
Amounts due under personal taxes law	7	-
Obligations for property tax and garbage tax	23	19
Total	**87**	**378**

21 Amounts due to the staff and social security entities

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Salaries Due	68	36
Social contributions due	16	1
Total	**84**	**37**

22 Other Liabilities

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Non-cuurent:		
Penalty liability towards ICM IMO EAD	182	182
	182	**182**
Current:		
Cessioned liabilities under loan contract with Grand Borovets 2013 EOOD	3 858	4 058
Liabilities towards BGI Imo EAD	3 756	-
Others	2 665	577
Total	**10 269**	**4 641**

23 Sales Revenues

Sales revenues include:

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Sale of investment properties	290	1 430

Management of investment properties	398	535
Total	**688**	**1 965**

23.2 Other revenue

Other revenue includes:

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Written-off liabilities	200	2 294
Sale of fixed assets under leaseback agreement	-	5 350
Total	**200**	**7 644**

24 Expenses for materials

Expenses for materials include:

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Expensese for electricity and heat	(55)	(59)
Other	(2)	(2)
Total	**(57)**	**(61)**

25 Expenses for external services

Expenses for eternal services include:

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Maintenance and management services	(560)	(609)
Fees and other services	(162)	(270)
Consulting expenses	(76)	(91)
Advertisement	(3)	(1)
Sales expenses – brokerage commissions	-	(6)
Rent	(17)	(16)
Telecommunications services	(25)	(51)
Other	(70)	(13)
Total	**(913)**	**(1057)**

"Audit Advisers" Ltd. is an Auditor firm with responsible auditor Ophelia Slavkova and remuneration is made for an independent financial audit of the financial statements. During the year the auditor did not provide other services.

26 Expenses for salaries and social security contributions

The salary expenses include:

	31.12.2014 '000 BGN	31.12.2013 '000 BGN

Expenses for salaries	(122)	(148)
Expenses for social security contributions	(16)	(18)
Total	**(138)**	**(166)**

27 Other expenses

Other expenses include:

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Impairment of trade and other liabilities	-	(167)
Loss of sale of leaseback	(2 043)	-
Other	(388)	(4)
Total	**(2 530)**	**(171)**

28 Book value of assets sold

In the item "Book value of sold assets" the Company records the book value of the alienated investment properties, BGN 352 000.

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. In determining the date of disposal of an investment property, the Company applies the IAS 18 for revenue recognition from sale of goods or uses the Appendix to IAS 18.

Book value of assets sold (incl. Investment property) is 352 thousand (2013: 1,900 thousand).

29 Financial expenses and financial income

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

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Income from gains from transactions with financial assets and instr.	2 796	-
Other proceeds	543	-
Interest expenses	(1 766)	(3 179)
Losses from foreign exchange operations	(1)	(2)
Other financial expenses (fees on renegotiation of bank loans and forfeits	(6)	(511)
Total financial expenses/income	**(1 566)**	**(3 692)**

30 Changes in the fair value of investment properties

The negative change in the valuation of the investment properties in 2014 amounts to BGN 399 thousand. The positive revaluation of the investment properties reported amounts to BGN 301 thousand. The total net revaluations in 2014 amounted to a loss of BGN 98 thousand. The total net revaluations in 2013 amounted to a loss of BGN 2 752 thousand.

31 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.

32 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:

	31.12.2014 BGN	31.12.2013 BGN
Profit / (Loss) for distribution (in BGN '000)	(1 599)	(5 421)
Weighted average number of shares (in '000)	6 011	6 011
Basic profit / (loss) per share (in BGN)	**(0.27)**	**(0.90)**

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

33 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.

33.1 Transactions with subsidiaries:

	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Sale of goods and services		
- sale of services to "Marina Cape Management" EOOD	478	536
Purchase of goods and services		
- purchase of services from "Marina Cape Management" EOOD	672	609

33.2 Related party balances at year end:

Receivables from subsidiaries	31.12.2014 '000 BGN	31.12.2013 '000 BGN
Current:		
Marina Cape Management EOOD	1 931	1 567
Total current receivables from related parties	**1 931**	**1 567**

Liabilities to subsidiaries	**31.12.2014 '000 BGN**	**31.12.2013 '000 BGN**
Current:		
Marina Cape Management EOOD	2 010	1 484
Total current liabilities to subsidiaries	**2 010**	**1 484**

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 BGN. On the other hand, almost all other earnings are negotiated in EUR. In a currency board and fixed exchange rate of the lev against the euro, currency risk for the company is virtually none.

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

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

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

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

reduction in market prices of real estate and the income from them would reduce revenues, respectively would reduce the Company's financial results, of which 90% is distributed as a dividend.
The financial crisis in Bulgaria led to a sharp decrease in the economic activity, a drop in foreign investments, an increase in the unemployment rate and a credit crunch. This has a strong negative effect on the real estate sector leading to a sharp drop in demand, price levels and activity. A large number of developers and construction companies were faced with the challenge of trying not to cease their activities or fall into bankruptcy, which had a negative effect on the employment in the sector.
In 2014, there was a revival in the real estate sector, as experts' projections for 2015 are also optimistic, and in their view this year is expected further activation of this market with the highest growth again in the segment of agricultural land. Expectations for growth in the transactions with land are based mostly on the fact that the country has good conditions for the development of modern agriculture, to which European programs have contributed. In respect of residential property according to calculations BULGARIAN PROPERTIES based NSI data, property prices in Sofia have increased nominally by + 2.9% in 2014 with a national average nominal growth of + 0.5%. After inflation adjustment, annual data become even more explicit - real growth of prices in Sofia for 2014 is + 4.5% and the national average is + 2.1%.

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.

(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.

(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.

36 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.

37 Contingent assets and liabilities

Thowards the Company there are lawsuits totaling BGN 331 thousand. At a stage of enforcement proceedings are lawsuits in the amount of BGN 232 thousand.

38 Events after the end of the reporting period

On 2nd November 2015, at a General Meeting of Bondholders of corporate bonds with ISIN code BG2100019079, issued by the ICPD. Pursuant to Art. 214 para. 1 of the CA, the General Meeting of Bondholders was convened by the representative of bondholders Commercial Bank "INVESTBANK" AD. At the meeting were adopted the following decisions on the relevant agenda items:

On item one was given the consent to reschedule the 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 24 months (as from 14 August 2018 until 14 August 2020);

2. The principal repayment schedule is amended as follows:

2.1. Principal (amortisation) payments:

2015		2016		2017		2018		2019		2020	
Date	Amount	Date	Amount	Date	Amount	Date	Amount	Date	Amount	Date	Amount (EUR)

	(EUR)		(EUR)		(EUR)		(EUR)		(EUR)		
14.02.	62 500	14.02.	62 500	14.02.	125 000	14.02.	125 000	14.02.	187 500	14.02.	250 000
14.05.	62 500	14.05.	62 500	14.05.	125 000	14.05.	125 000	14.05.	187 500	14.05.	250 000
14.08.	62 500	14.08.	62 500	14.08.	125 000	14.08.	125 000	14.08.	187 500	14.08.	250 000
14.11.	62 500	14.11.	62 500	14.11.	125 000	14.11.	125 000	14.11.	187 500		

2.2 Interest payments are due under the following conditions:

a) The agreed interest rate on the bond issue is reduced to 6% annually, as of 14.02.2015

b) The possibility is reserved of applying on the interest rate of the bond loan a reduction step of 0.25% (zero point twenty five percent), provided that there is a prompt payment of interest and principal payments, until an interest of 5% annually is reached. The principal and interest payments are paid on time in the event that the total amount payable for the previous three-month period is wired to the bank account of Central Depository AD, servicing the payments of the bond issue, not later than two working days before the relevant maturity.

c) Interest on the bond loan is payable every three months on the dates listed in the table below:

Date of interest payments	Number of days in interest period	Number of days	Interest rate	Amount of interest due (EUR)
14.02.2015	92	365	7,00%	52 932
14.05.2015	89	365	6,00%	42 976
14.08.2015	92	365	5,75%	41 668
14.11.2015	92	365	5,50%	38 990
14.02.2016	92	366	5,25%	36 291
14.05.2016	90	366	5,00%	33 043
14.08.2016	92	366	5,00%	32 992
14.11.2016	92	366	5,00%	32 206
14.02.2017	92	365	5,00%	31 507
14.05.2017	89	365	5,00%	28 955
14.08.2017	92	365	5,00%	28 356
14.11.2017	92	365	5,00%	26 781
14.02.2018	92	365	5,00%	25 205

14.05.2018	89	365	5,00%	22 860
14.08.2018	92	365	5,00%	22 055
14.11.2018	92	365	5,00%	20 479
14.02.2019	92	365	5,00%	18 904
14.05.2019	89	365	5,00%	16 002
14.08.2019	92	365	5,00%	14 178
14.11.2019	92	365	5,00%	11 815
14.02.2020	92	366	5,00%	9 426
14.05.2020	90	366	5,00%	6 148
14.08.2020	92	366	5,00%	3 142

1. If, within three (3) days before the expiration of the thirty-day period from the maturity of any outstanding principal and / or interest payment, the Issuer fails to submit to the bondholders' trustee proper document that the relevant payment is made to the bank account of "Central Depository" AD, servicing the payments on the bond loan, it is considered to be the event of default on the bond issue and "Investbank" AD may exercise its rights as a bondholders' Trustee, according to its contract with the Issuer and the applicable laws.
2. The bondholders agree that any payment under the terms of issue, made within the period under item. 3 will be considered for payment of the issue and will not give rise to any adverse effects on the Issuer. A payment that satisfies the conditions of the previous sentence can be done both by the Issuer and by any third party.
3. All other terms and conditions of the "Intercapital Property Development" ADSIC bond issue, except those expressly stated above, shall remain in force and remain in effect as originally agreed, respectively renegotiated by the General Meeting of Bondholders.

Under Item Two was adopted an amendment in the conditions under which the Issuer presents collateral by the meaning of art. 100z, para 1 from the Law on Public Offering of Securities and representing insurance from Euro Ins AD, covering the risk of non-payment of interest and principal on the Corporate Bond Issue with ISIN Code BG2100019079.

39 Approval of the financial statements

The financial statements as of 31st December 2014 (including the comparable data) have been approved and adopted by the Board of Directors on 28th March 2015.