

# Consolidated Interim Financial Report

## INTERCAPITAL PROPERTY DEVELOPMENT ADSIC

30 June 2018

## Consolidated Report for the financial condition

	Notes	30.06.2018 ‘000 BGN	31.12.2017 ‘000 BGN
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	13 428	13 477
Investment property	7	25 945	26 699
Investment in subsidiaries	9	-	-
Other receivables	10.2	446	447
Deferred tax assets		21	21
Non-current assets		<b>39 840</b>	<b>40 644</b>
<b>Current assets</b>			
Materials and goods	9.1	1 072	1 060
Work-in-progress	9.2	328	328
Tax receivables	12	-	10
Commercial and other receivables	10.1	5 088	4 750
Cash and cash equivalents	11	87	172
Current assets		<b>6 575</b>	<b>6 320</b>
<b>Total assets</b>		<b>46 415</b>	<b>46 964</b>

**Accountant:**  
 /Optima Audit AD/

**Executive Director:**  
 /Velichko Klingov/

**Date: 21.08.2018**

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## Consolidated report for the financial condition (continued)

Equity and Liabilities	Notes	30.06.2018 '000 BGN	31.12.2017 '000 BGN
<b>Equity</b>			
Main/Share capital	13.1	6 011	6 011
Issue premiums	13.2	7 651	7 651
Revaluation reserve	13.2	5 963	5 963
General reserves	13.2	1	1
Cumulative loss, net		(16 326)	(15 460)
<b>Total own capital</b>		<b>3 300</b>	<b>4 166</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Liabilities to financial institutions	14.2	16 095	16 095
Bonds	14.3	-	-
Financial leasing	14.1	1 511	1 570
Other liabilities	17	898	873
Total non-current liabilities		<b>18 504</b>	<b>18 538</b>
<b>Current liabilities</b>			
Liabilities to financial institutions	14.2	685	386
Financial leasing	14.1	309	366
Bonds	14.3	4 407	4 407
Commercial Liabilities	15	6 975	7 304
Social security payables and salaries payables		377	296
Tax payables	16	491	467
Other liabilities	17	11 367	11 034
Total current liabilities		<b>24 611</b>	<b>24 260</b>
<b>Total liabilities</b>		<b>43 115</b>	<b>42 798</b>
<b>Total Equity and Liabilities</b>		<b>46 415</b>	<b>46 964</b>

Date: 21.08.2018

Accountant: \_\_\_\_\_  
/Optima Audit AD/

Executive Director: \_\_\_\_\_  
/Velichko Klingov/

## Consolidated report for the profit or loss and other comprehensive income

	Notes	30.06.2018 '000 BGN	30.06.2017 '000 BGN
Revenue from sales	18	1 192	455
Other revenue	19	-	550
Expenses for materials	20	(144)	(88)
Expenses for external services	21	(142)	(226)
Expenses for salaries	22	(160)	(125)
Expenses for depreciation	6	(49)	(55)
Other expenses	23	(1 071)	(284)
<b>Operating profit/(loss)</b>		<b>(374)</b>	<b>227</b>
Financial expenses	24	(492)	(823)
Changes in the fair value of the investment property		-	-
<b>Profit/ (loss) before taxes</b>		<b>(866)</b>	<b>(596)</b>
<b>Expenses for current corporate income tax</b>		<b>-</b>	<b>-</b>
<b>Profit/(loss)for the year after taxation</b>		<b>(866)</b>	<b>(596)</b>
<b>Income per share</b>		<b>(0.14)</b>	<b>(0.1)</b>
<b>Other comprehensive income</b>			
Profit from revaluation of properties			
<b>Total annual comprehensive income</b>		<b>(866)</b>	<b>(596)</b>

Accountant: \_\_\_\_\_  
 /Optima Audit AD/

Executive Director: \_\_\_\_\_  
 /Velichko Klingov/

Date: 21.08.2018

## Consolidated Report for the Changes in Equity

All amounts are in '000 BGN	Share Capital	Premium Reserves	Other Reserves	Undistributed Earnings/Accu- mulated loss)	Total Equity
<b>Balance as of 1<sup>st</sup> January 2017</b>	<b>6 011</b>	<b>12 051</b>	<b>716</b>	<b>(15 803)</b>	<b>2 975</b>
Profit/ Loss				343	343
Other comprehensive income					
Revaluation of long-term assets Increases		848			848
<b>Total comprehensive income</b>		<b>848</b>		<b>343</b>	<b>1 191</b>
<b>Balance as of 31<sup>st</sup> December 2017</b>	<b>6 011</b>	<b>12 899</b>	<b>716</b>	<b>(15 460)</b>	<b>4 166</b>
Profit/ Loss				(866)	(866)
<b>Other comprehensive income</b>					
Revaluation of long-term assets					
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(866)</b>	<b>(866)</b>
<b>Balance as of 30 June 2018</b>	<b>6 011</b>	<b>12 899</b>	<b>716</b>	<b>(16 326)</b>	<b>3 300</b>

Accountant: \_\_\_\_\_  
 / Optima Audit AD /

Executive Director:

\_\_\_\_\_  
 /Velichko Klingov/

Date: 21.08.2018

## Consolidated Cash Flow Statement

Notes	30.06.2018 ‘000 BGN	30.06.2017 ‘000 BGN
<b>Cash flow from operating activities</b>		
Customers receivables	311	292
Suppliers payables	(278)	(237)
Salaries and social securities payables	(68)	(49)
Paid /recovered taxes (excluding corp. tax)	-	(3)
Paid corporate taxes	-	-
Other operating activities payments	(50)	(114)
<b>Net cash flow from operating activities</b>	<b>(85)</b>	<b>(111)</b>
<b>Cash flow from investment activity</b>		
Purchase of long-term assets	-	-
<b>Net cash flow from investment activity</b>	<b>-</b>	<b>-</b>
<b>Cash flow from financing activity</b>		
Proceeds on loans	-	-
Payments on loans	-	-
Payments of interest, taxes	-	-
<b>Net cash flow from financing activity</b>	<b>-</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>	<b>(85)</b>	<b>(111)</b>
Cash and cash equivalents at the beginning of the year	172	412
<b>Cash and cash equivalents at the end of the period</b>	<b>87</b>	<b>301</b>

Accountant: \_\_\_\_\_  
/ Optima Audit AD /

Executive Director: \_\_\_\_\_  
/Velichko Klingov/

Date: 27.08.2018

# Explanatory Notes

## **1 General information**

“Intercapital Property Development” ADSIC- the parent company.

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

The Company is registered as a stock company and is entered in the Commercial Registry in the Sofia City Court, company case № 3624/2005, batch № 92329, volume 1204, reg. 1, page 23. The Bulstat Code is 131397743. The legal seat and the address of the Company`s management is Dobrudja Str. № 6, 4th floor, Sofia.

The Board of directors is composed as follows:

- Velichko Klingov,
- Tsvetelina Hristova.
- AHELOY 2012 EOOD

Currently, the Company has no Investor Relations Director appointed.

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.

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.

## **2 Basis for the preparation of the consolidated financial report**

The Company`s consolidated financial report is prepared in compliance with the International Financial Reporting Standards, developed and published by the International Accounting Standards Board (IASB) and adopted by the European Commission.

The financial reports of the company have been prepared in compliance with the international standard for financial reports, adopted by the Commission of the EU. 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 of their application and the future standards and interpretations for their application prepared by the International Accounting Standards Board (IASB).

The financial statements are prepared in BGN which is the functional currency of the Company. All amounts quoted are in thousands of BGN ('000 lv) (including the comparative information for 2017) unless otherwise specified.

### **3 Going concern**

The consolidated financial report has been compiled in compliance with the going concern principle.

As of 30.06.2018 the company registers a loss for the period in the amount of BGN 866 thousand and a negative cash flow from operating activities in the amount of BGN 85 thousand. The sum of current liabilities exceeds the sum of current assets by BGN 18 036 thousand.

In 2017 the company declared a profit for the period in the amount of 331 thousand BGN and a negative cashflow from operating activities in the amount of 242 thousand BGN. The current liabilities exceeded the current assets by 17 939 thousand BGN.

These circumstances show considerable uncertainty which may result in considerable doubt regarding the company's ability to continue to function as a going company without the support of the owners and other financing sources.

The Company has failed to generate enough cash flows and therefore failed to pay off the due interest as of 14.08.2017 in the amount of EUR 32 610 and principal in the amount of EUR 125 000. As a result, on 24.10.2017 the company was notified that the trustee of the issue, Investbank AD, announces the entire bond issue of the issuer as a pre-term chargeable. For more details, please note.14.3. Bond issue.

The management has taken the following, more considerable measures to improve the financial condition of the Company:

- The Company has rescheduled its short-term obligations towards the banks, as a result of which interest payables have been written off in the amount of BGN 12 604 thousand which improved the company's financial condition.
- As a result of the rescheduling of the obligations, mortgages have been raised on part of the company's property which has enabled it to fulfill a large part of its obligations towards its clients.
- The Company carries out expense optimizing policies, inventories, and other elements of the working capital. The expected result from these measures is considerably improving the liquidity of the Company.

The management believes that based on the forecasts for the future development of the Company and the measures taken, and the support of some shareholders and the thorough work of the Board in restructuring of the financing and searching for new low interest financing, it will be able to continue its activities and the repayment of its obligations without selling assets and without undertaking any substantial changes in its activities.

### **4 Amended accounting standards**

This financial statement has been prepared according to the adopted accounting policy in the last annual financial statement as of December 31, 2017 with the exception of the application of the following new standards, changes of standards and interpretations:

### ***New and amended standards***

The Company has taken into consideration the following new standards, changes and interpretations of IFRS, developed and published by IASB, which are mandatory for application since the reporting period beginning on 1<sup>st</sup> January 2017, but have no substantial effect on their application to the financial result and the financial position of the Company:

**IAS 7 (amended) “Report for cash flows” – regarding a disclosure initiative in force for annual periods since 01.01.2017.** This change is an important explanation of the standard itself with guidance on the information provided to the users of financial statements, who can improve their understanding about the liquidity and the financial operations of the Company. The change requires an additional disclosure and explanation to be made in regards to the changes in the Company’s liabilities in relation to: (a) changes from the funding activity resulted from operations, leading to changes in the cash flow; or (b) from changes resulted from non-cash flow transactions such as acquisitions and exemptions, accruals of interest, exchange rate effects, changes in the fair values and other similar ones. Changes in financial assets should be included in this disclosure if cash flows arising as a result are distributed to the financing activity (for example, in certain hedge operations). It is acceptable the inclusion of changes of other objects as part of the disclosure, as they are displayed below:

**IAS 12 (amended) “Income taxes” in force for annual periods, beginning on/or after 01.01.2017** – the recognition of deferred tax assets for unrealized losses. This change explains the deferred taxes in those cases when an asset is assessed at fair value and the assessment at fair value is lower from the tax base. The explanation includes: a) temporary differences occur no matter if the book value of the asset is lower than the tax base; b) the undertaking concerned should consider when determining its future tax profits whether it could deduct a larger amount from the book value of the asset or not; c) if according to the tax legislation there are any restrictions for the use of tax profits against which certain deferred tax assets could be refunded, then the review and the evaluation of the refunding of the deferred tax assets should be made in combination with the rest of the deferred tax assets from the same sort; d) the tax deductions, resulting from the reverse manifestation of the deferred tax assets are excluded from the forecast for future tax profits, used for evaluation of the refunding of these assets;

**“Improvements in IFRS Cycle 2014-2016” (December 2016) – improvements in IFRS 12 in force for annual periods from 01.01.2017, IFRS 1 and IAS 28 in force for annual periods from 01.01.2018.** These improvements bring about partial changes and editing in the standards accordingly, mainly in order to eliminate the existing inconsistency or vagueness in the application of the rules and the requirements of the separate standards, as well as to bring in more precise terminology of concepts. Basically the changes are directed towards the following objects or operations: a) the scope and the disclosure requirements according to IFRS 12 are valid and for companies, classified by the order IFRS as held for sale, for distribution or as discontinued operations; b) waiving of certain exceptions for the application of IFRS 1; and c) the choice of venture capital funds or other similar enterprises in regards to the evaluation of their holdings in associated or joined enterprises at fair value in the profit or loss, which choice could be made on an individual investment basis upon its initial recognition (IAS 28);

***New standards and interpretations, which are published but still are not in force***

At the date of approval of this financial report new standards, amendments and interpretations to the already existing standards are published, which are still not in force and are not adopted by the EU for the financial years, starting after 1<sup>st</sup> January 2017, and have not been applied from an earlier date by the Company. They are not expected to have significant effect on the financial reports of the Company. The management expects all standards and amendments to be applied during the first period, starting after the date of their entry into force.

**IFRS 9 “Financial instruments” in force for annual periods from 01.01.2018.** This standard is a new standard for financial instruments. Its ultimate purpose is to replace completely IAS 39. It establishes new principles, rules and criteria for classification, evaluation and writing off the financial assets and liabilities, incl. the hybrid contracts. IFRS 9 introduces a requirement the classification of the financial assets to be made based on the business model of the Company for their management and the characteristics of the agreed cash flows of the assets concerned. It defines only two main categories of assessments – at amortizable and at fair value. The new rules will lead to changes majorly in the accounting of financial assets as debt instruments and of financial liabilities accepted for accounting at fair value throughout the current profits and losses (for the credit risk). A peculiarity at the classification and the assessment model for the financial assets at fair value is added the category – with an assessment at fair value during the other comprehensive income (for some debt and equity instruments). Hedge accounting – for this purpose a new chapter is introduced in IFRS 9, by which a new model for hedge accounting is introduced which allows consequent and complete coverage of all financial and non-financial risk exposures, subject to hedging operations, and better presentation of risk management activities in the financials statements, especially their relationship with the hedging deals and the scope and the sort of documentation, which to be used. Further, it is introduced the option the accounting of the changes at the fair value of the own debts, assessed at fair value through profit or loss, but in the part, due to changes in the quality of the own creditworthiness of the Company, to be presented in the other comprehensive income instead of profit or loss. The enterprises applying IAS 7, will be able to accept this option as a policy, as well as, will be able to continue applying the requirements for the accounting of hedges at fair value at interest rate exposure according to the requirements of IAS 39, even after IFRS 9 takes effect. The methodology of determining the impairment – the change offers an application of the “expected loss” model. According to this model all expected losses of an amortizable financial instrument (asset) are recognized at three stages depending on the change of its credit quality, and not only when the event crystallizes, as it is in the current model in IAS 39. The three stages are: the primary recognition of a financial asset – impairment for 12-month period or for the whole life of the asset; and accordingly – when the actual impairment occurs. They define how to be measured the losses from the impairment and respectively the application of the effective interest rate;

**IFRS 15 “Revenues from customers’ contracts” in force for annual periods from 01.01.2018.** This standard is a completely new standard. It introduces a comprehensive set of principles, rules and approaches for the recognition, accounting, and the information disclosure in regards to the sort, amount, period and the insecurities in relation to the revenues and cash flows, arising from contracts with counterparties. The standard will replace the current standards related to the recognition of revenues, mainly IAS 18 and IAS 11. The leading principle of the new standard is in the creation of a model of steps, through which the determination of parameters and the time of revenue are commensurated with the obligation of each party to their dealings among them. The key components are: a) contracts with customers of commercial

nature and an estimate of the probability of collecting the contracted amounts from the enterprise according to the conditions in the given contract; b) identification of the separate liabilities for execution in the contract for goods and services – delimitation from the rest of the taken commitments in the contract, from which the client could take advantage of; c) determining the price of the transaction – the amount, which the enterprise expects to have the right to receive against the transfer of the respective goods or services to the customer – special attention is given on the changeable component in the price, the financial component, as well as in the component, received in kind; d) distribution of the price of the transaction between the separate obligations for the execution of the contract – usually on the basis of an independent sale price of each component; and e) the moment or the period of income recognition – at the successful execution of the obligation in the contract through transferring the control over the promised goods or services, for a given moment or for a certain period in time. The assumption is that the introduction of this standard can lead to the following changes: a) in complex contracts with tied sales of goods and services – it will be necessary a clear differentiation between good and services of each component and a condition in the contract; b) probability of change of the moment of sale's recognition; c) increase of the disclosures; and d) introducing of additional rules for income recognition from a certain type of contracts – licenses, consignations, one-off pre-tax charges, guarantess and others. The standard permits not only a full retrospective application, but also a modified retrospective application, from the beginning of the current reporting period, with defined disclosures for the previous periods;

IFRS 15 Revenues from customers' contracts – explanations (in force for annual periods from 01.01.2018 – it is not accepted by the EC). These explanations are related to a) identifying of the obligations for execution on the basis of concrete promises for the stock or service delivery, b) identifying whether the Company is a principal or an agent in the supply of goods or services, and c) transfer of licenses. Also, this change provides reliefs with the transition to the new standard;

The management intends to apply the standard retrospectively, recognizing the cumulative effect of the primary application of this standard as a change in the initial balances of the non-distributed profit at the date of the initial application. According to this method IFRS 15 will be applied only in contracts, which have not been terminated to 1<sup>st</sup> January 2018.

**IFRS 16 “Leasings” in force from January 1, 2019.** This standard is with a completely changed concept. It introduces new principles for recognition, measurement and presentation of the leasing by imposing a new model in order to ensure more credible and adequate presentation of this deal for the lessee and the lessor. This standard replaces the instructions of IAS 17. a) the main principle of this new standard is the introduction of one-type model for the accounting treatment of the leasings of the lessees – for all leasing contracts with duration of more than 12 months will be recognized an asset under the form of “right of use”, which will be amortized for the period of the contract, and respectively, will be accounted a financial liability for the obligation in these contracts. This is a significant change in the current accounting practice. For any short-term or leasings of inferior assets, it is allowed an exception and preservation of the practice; b) at the site of the the lessors there should not be any significant changes and they could continue to account the leasings similarly to the old standard IAS 17 – like operative and financial. As far as the new standard gives a more complete concept, one more detailed analysis of the conditions in the contracts follows to be made and from their site and it is possible that at the lessors can happen grounds for reclassification of certain leasing deals. The new standard requires expansion of the disclosures. The management of the Company is in the process of a thorough research of the eventual effects and the cases of contracts for rent and leasing with clients, where changes in the current book-keeping policy will occur;

**IFRSIC 22 (amended) – transactions with foreign currency and advance payments in force for annual periods from 01.01.2018.** This explanation refers to the accounting of transactions or part of the transaction in foreign currency when receiving the advance payments, before recognizing of the asset itself, cost or revenue. In these cases the enterprises report an asset with pre-paid amounts (pre-payments for supply of assets and services) or obligations for deferred income (received advances from customers of sales) and they are treated for non-monetary. When receiving such advance payments in foreign currency, the date of the transaction is used for defining of the exchanged rate, and if there are many payments – the date of the transaction is defined for each separate payment.

The change in the accounting policy is applied retrospectively.

There are no other IFRS or IFRSIC explanations, which are still not in force, which could be expected to have an effect on the financial statement.

## **5 Accounting Policy**

### **5.1 General Position**

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

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

It should be noted that in preparing the consolidated financial report, accounting valuations and assumptions have been used. Although they are based on information, presented to the management as of issuing the consolidated financial report, the real results may differ from the valuations and assumptions.

### **5.2 Presenting the consolidated financial report**

The consolidated financial report is presented according to IAS1 “Presenting financial reports”. The company has accepted to present the consolidated report for the comprehensive income in a unified report: consolidated report for the comprehensive income.

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

- a) Applies accounting policies retrospectively;
- b) Recalculates retrospectively positions in consolidated the financial report; or
- c) Reclassifies positions in the financial report

### **5.3 Basis for consolidation**

The company's financial report has the consolidated financial reports of the parent enterprise and all subsidiaries as of 30.06.2018. Subsidiaries are all companies for which the company controls their financial and operational activities.

The parent company acquires and exercises control by owning more than half of the voting rights. All subsidiaries have an accounting period ending 30.06.2018.

All inside deals and balances are eliminated, including unrealized profit and loss from transactions within the companies. When the unrealized losses from inside company sales of assets are eliminated, the corresponding assets are tested for impairment from the point of view of the companies. The sums presented in the financial reports of subsidiaries are corrected, where necessary in order to have compliance with the accounting policy used by the companies.

Profit or loss from other comprehensible income of subsidiaries, acquired or sold during the year are recorded as of the date of acquiring or their sale.

### **Investment in subsidiaries**

Subsidiaries included in the consolidation as follows:

Name of subsidiary	Country of establishment and main place of business	Main activity	30.06.2018 ownership %	2017 ownership %
Marina Cape Management EOOD	Bulgaria	Renting and exploitation of real estate	100%	100%
Marina Cape Tours EOOD	Bulgaria	Tour operator activities	100%	100%

### **5.4 Transactions in foreign currency**

Transactions in foreign currency are recorded in the functional currency of the company at the official exchange rate at the date of the transaction (as per the rates of the Bulgarian National Bank). Profits and losses from rate differences arising when settling the transactions and the revaluation of cash positions in foreign currency at the end of the accounting period are recorded in the profit or loss.

Non-monetary positions, valued at historic price in foreign currency are recorded at the exchange rate at the day of the transaction (they are not reevaluated). Non-monetary positions, valued at fair value in foreign currency are recorded at the exchange rate on the day, on which the fair value is determined.

The consolidated financial report of the group, where all assets, liabilities and transactions of the separate companies are in the functional currency, different from BGN (the presentation currency of the group) are recalculated in BGN in the consolidation. The functional currency of the separate companies of the Group is not changed during the accounting period.

At consolidation, all assets and liabilities are revalued in BGN at the final rate at the date of the consolidated financial report. Income and expenses are revalued in the presentation currency of the group at the average rate for the accounting period. Currency rate differences lead to increase or decrease of the other comprehensible income and are recorded in the revaluation reserve of equity. In case of sale of net investment in foreign activity, the currency differences accrued from revaluation, recorded in equity, are reclassified in the profit or loss and are recorded as part of profit or loss from the sale. The reputation and corrections connected to determining the fair value at the date of acquirement, are treated as assets and liabilities of the foreign company and are revalued at BGN at the final rates.

## **5.5 Revenues and Expenses**

The revenues include revenues from sales of finished goods, investment property and services. Main income - from investment properties, goods and services are presented in the notes.

The revenues are valued at fair value of the received or receivable compensation, whereas VAT, commercial discounts and quantity rebates, made by the Company, have not been taken into account.

The group often concludes transactions which include the sale of several types of products and services (multi-component sales). The group applies the criteria for recording income, presented below, for each component for this type of deal for sale, in order to reflect its essence. The received remuneration from such a sale transaction is distributed between the separate components based on the ratio of their fair values.

The income is recorded if the following criteria are met:

- 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;
- The recording criteria, specific to each separate activity of the Group, have been met. They are determined depending on the products or services provided to the customer and in accordance with the contractual conditions set out below.

### **5.5.1 Sale of investment properties**

Income from sale of investment properties is recorded when the Group values at fair value the received of the receivable payment or compensation, whereas the sum of all commercial discounts and qualitative rebates is taken into account. When exchanging similar assets with similar price, the exchange is not considered as a transaction generating income. Income is recorded at the time of their realization and expenses are recorded by following the principle of comparability with realized revenue.

According to the fair value model all investment properties are valued at fair (market) value at 31.12 of the accounting year, whereas the difference between the balance and fair value is recorded as income or loss from revaluation of investment properties in the Income statement. No depreciation of the investment properties is recorded.

The Group writes off their investment properties at their sale or their permanent *Групата отписва инвестиционните си имоти при продажбата им или при трайното им decommissioning* in case that no economical benefits are expected from their sale. Profit or loss, arising from their decommissioning or sale are recorded in the Income statement (comprehensible income) and are determined as the difference between the net proceeds from sale and balance value of the asset.

### **5.5.2 Sale of Goods**

Income is recorded when the Group has transferred to the buyer the considerable benefits and risks from ownership of the goods. It is considered that the considerable risks and benefits have been transferred to the buyer when the client has accepted the goods without objection.

When the sale of goods includes promotions for loyal customers, the received remuneration is distributed between the separate components of the sale contract based on their fair value. Income of this type of sale is recorded when the client exchanges the received promotion with products, provided by the Group.

### **5.5.3 Services**

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

Income from services is recorded when the services are provided in compliance with the degree of

completion of the contract at the date of the consolidated financial report (see below for more information regarding the method degree of completion).

#### **5.5.4 Income from interest and dividends**

Income from interest is recorded currently at the method of the effective interest rate. The income from dividends, different from the income from investment in associated companies, are recorded at the moment of occurrence of the right to receive payment.

#### **5.5.5 Operational expenses**

The operational expenses are recorded in the profit or loss at the time of use of services or the date of their occurrence. The expenses for guarantees are recorded and deducted from their linked provisions at recording the income.

##### **5.5.5 Interest and loan expenses**

Interest expenses are recorded currently at the method of the effective interest rate.

The loan expenses mainly are interests on loans of the Group. Loan expenses are recorded as expenses for the period they have occurred in the consolidated income report at row: "Financial expenses".

### **5.6 Intangible assets**

The intangible assets include Program products. They are recorded at acquisition price including all duty taxes paid, irrecoverable taxes, and direct expenses made in relation to asset use preparation, whereas the capitalized costs are depreciated at the linear method during the period of valuation of useful life of assets, which is considered limited. When acquiring intangible assets as a result of business combination, its cost is equal to the fair value at the day of acquisition.

The following valuation is carried out at acquisition price, decreased by the accrued depreciation and impairment losses. The impairment is recorded as expenses and are recorded in the consolidated income report for the period.

The following expenses, arising in relation to other intangible assets after their initial recording, are recorded in the consolidated income report at the period of their occurrence, unless as a result of them, the asset can generate more than the initially estimated future economic benefits and these expenses can reliably be valued and applied at the asset. If these conditions are met, the expenses are added to the cost of the asset.

The residual value and useful life of other intangible assets are determined by the management of the Group at each reporting date.

The chosen threshold of materiality for properties, machinery and equipment for the Group is set at 700 BGN.

Depreciation is calculated by using the linear method on the valued useful term of use of the separate assets as follows:

- Buildings 25 years
- Machinery 3,3 years
- Cars 4 years
- Commercial inventory 6,67 years
- Equipment 10 years
- Computers 2 years
- Others 6,67 years (software)

## 6 Property, plant and equipment

The properties, machinery and equipment, of the Group include land, Computer equipment, transport vehicles. Their book value can be analyzed as follows;

	Land	Buildings	Machinery	Transport vehicles and others	Expenses for acquiring assets	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
<b>Book Value</b>						
Balance as of 1 <sup>st</sup> January 2018	5 873	503	111	996	7 073	14 556
Newly acquired assets						
Written-off assets						
<b>Преценка:</b>						
Revaluation						
Balance as of 30 <sup>th</sup> June 2018	<b>5 873</b>	<b>503</b>	<b>111</b>	<b>996</b>	<b>7 073</b>	<b>14 556</b>
<b>Depreciation</b>						
Balance as of 1 <sup>st</sup> January 2018		(159)	(93)	(827)	(-)	(1 079)
Depreciation		(10)	(1)	(38)	(-)	(49)
Written-off depreciation						
Balance as of 30 <sup>th</sup> June 2018		<b>(169)</b>	<b>(94)</b>	<b>(865)</b>	<b>(-)</b>	<b>(1 128)</b>
<b>Book Value as of 30<sup>th</sup> June 2018</b>	<b>5 873</b>	<b>334</b>	<b>17</b>	<b>131</b>	<b>7 073</b>	<b>13 428</b>

	Land	Buildings	Machinery	Transport vehicles and others	Expenses for acquiring assets	Total
	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN	'000 BGN
<b>Book Value</b>						
Balance as of 1 <sup>st</sup> January 2017	5 025	503	333	1 264	7 073	14 198
Newly acquired assets			2	4		6
Written off			(224)	(273)		(496)
Revaluation						
Increases	848					848
<b>Balance as of 31<sup>st</sup> December 2017</b>	<b>5 873</b>	<b>503</b>	<b>111</b>	<b>996</b>	<b>7 073</b>	<b>14 556</b>

## Depreciation

Balance as of 1 <sup>st</sup> January 2017	(140)	(326)	(984)	(-)	(1 450)
Depreciation	(19)	(4)	(90)	(-)	(113)
Written off depreciation		237	247	(-)	484
Balance as of 31 <sup>st</sup> December 2017	<b>(159)</b>	<b>(93)</b>	<b>(827)</b>	-	<b>(1 079)</b>
<b>Book Value as of 31<sup>st</sup> December 2017</b>	<b>5 873</b>	<b>344</b>	<b>18</b>	<b>7 073</b>	<b>13 477</b>

All depreciation and impairment costs are included in the consolidated income statement under "Amortization and impairment of non-financial assets".

The Group has not pledged property, plant and equipment as collateral on its liabilities.

## 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 valued initially at their direct cost which includes all the expenditures that are directly related to the particular investment property – such as construction-assembly works, project services, legal fees and other expenditures. After their initial recognition the investment properties are reported through the use of the model of the fair value.

Pursuant to the Special Purpose Vehicles Act the Board of Directors has assigned the completion of revaluation as of 31.12.2017 of all the company's real estate properties to the independent appraiser – "Dobi 02" Ltd.,

The next table presents the changes in the value of the investment property in 2017 and 2018.

	<b>Investment properties '000 BGN.</b>
<b>Book value as of January 01, 2018</b>	<b>26 699</b>
Newly acquired assets	-
Written-off assets	(754)
Net loss from the change in fair value of the inv. properties	-
<b>Book value as of June 30, 2018</b>	<b>25 945</b>
	<b>Investment properties '000 BGN.</b>

<b>Book value as of January 01, 2017</b>	<b>35 637</b>
Written-off assets	263
Newly acquired assets	(4 694)
Net loss from the change in fair value	(4 507)
<b>Book value as of December 31, 2017</b>	<b>26 699</b>

## 8 Intangible 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	<b>Program Products '000 BGN.</b>	<b>Total '000 BGN.</b>
<b>Carrying value</b>	<b>66</b>	<b>66</b>
Balance at June 30, 2018	66	66
<b>Depreciation</b>		
Balance at January 01, 2018	(66)	(66)
Write-off assets	-	-
Depreciation	-	-
Balance at June 30, 2018	(66)	(66)
<b>Book value at June 30, 2018</b>	<b>-</b>	<b>-</b>

Intangible assets	<b>Program Products '000 BGN.</b>	<b>Total '000 BGN.</b>
<b>Carrying value</b>	<b>66</b>	<b>66</b>
Balance at December 31, 2017	66	66
<b>Depreciation</b>		
Balance at January 01, 2017	(63)	(63)
Write-off assets		
Depreciation	(3)	(3)
Balance at December 31, 2017	(66)	(66)
<b>Book value at December 31, 2017</b>	<b>-</b>	<b>-</b>

### 9.1 Inventories

The inventories, recorded in the consolidated report for financial condition, can be analyzed as follows:

	<b>30.06.2018 '000 BGN.</b>	<b>31.12.2017 '000 BGN.</b>
Materials	718	706

Goods	354	354
<b>Inventories</b>	<b>1 072</b>	<b>1 060</b>

	30.06.2018	31.12.2017
	'000 BGN.	'000 BGN.
Fuel-lubricant	8	8
Basic materials	692	692
Materials Snack Bar	10	5
Materials Pizza	8	1
<b>Total:</b>	<b>718</b>	<b>706</b>

The main materials form the contents of the product of labour or play a main role in its exploitation activity. These are materials with a short term of use which are directly added in the value of the tourist service. These are linen, appliances, foldable temporary beds, curtains for the serviced apartments, spare parts, metal garbage containers, hygiene materials etc.

	30.06.2018	31.12.2017
	'000 BGN.	'000 BGN.
Goods in stock - furniture	227	227
General stock – goods	126	122
Supermarket	-	5
Fruit and vegetable	1	-
<b>Total:</b>	<b>354</b>	<b>354</b>

The company maintains a high level of goods in stock. This is mainly purchased furniture, appliances, tiles. These goods are realized by direct sale to the clients of the company. The goods in the supermarket and bowling bar are mainly food and are sold without any processing whatsoever.

When writing off goods the moderate value method is used – the average price of the goods and separate reporting groups is used.

## 9.2 Work in progress

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

Work in progress	30.06.2018	31.12.2017
	'000 BGN	'000 BGN
“Marina Cape” project*	328	328
<b>Total:</b>	<b>328</b>	<b>328</b>

The reported work in progress represents expenses for property sales – brokerage commissions and advertising expenses for the real estate properties in the “Marina Cape” project amounting to BGN 328 thousand, 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).

## 10 Trade receivables

### 10.1 Current

	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
Local and foreign persons	262	224
Grand Borovetz 2013 EOOD	3 066	3 068
Advances paid	1	5
Others	591	189
<b>Trade receivables</b>	<b>3 920</b>	<b>3 486</b>
Deferred expenses on leaseback contract	226	446
Others	942	818
<b>Other receivables</b>	<b>1 168</b>	<b>1 264</b>
<b>Current trade and other receivables</b>	<b>5 088</b>	<b>4 750</b>

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

The group has current receivables from clients with a due date within 180 to 360 days.

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

### 10.2 Non-Current other receivables

	<b>30.06.2018</b>	<b>31.12.2017</b>
Deferred expenses under a leaseback contract	446	447
	<b>446</b>	<b>447</b>

The expenses for future periods in the accounting period are formed in relation to a leaseback contract signed on 17.12.2013 between the Company and „Bulgaria Leasing Лизинг“ ЕАД. The result from the sale by means of leaseback is a financial leasing. In accordance to par. 20 from IAC 17 „Leasing“ in the beginning of the lease period of the financial leasing the company records the subject of the lease as an asset and liability in the report for financial condition at a value equal to the fair value of the rented property in the beginning of the lease period or, if lower – of the current value of the minimal lease payments, determined in the beginning of the lease contract. The initial direct expenses, carried out by the Company – surveying taxes, initial tax etc. are added to the amount recorded as an asset. The result from the leaseback is a financial lease. Therefore the realized financial result at the transaction is not final. It is not recorded for the period of the transaction in the profit or loss of both parties, in order to meet the requirement for true and honest presentation.

The difference between income from sale and book value of the sold asset is negative (i.e. the book value is larger in value from the acquired sale price and received proceeds from the sale), as a result of which a loss is generated. It is deferred and will be depreciated during the term of the leasing contract. In the backlease contract, Intercapital Property Development ADSITS realizes a loss – the difference between the book value of the asset and the leasing price is 4274 thousand BGN. This expense, according to IAS 17 is not final and is spread out during the term of the leasing contract.

## 11 Money and money equivalents

Money and money equivalents include the following components:

	<b>30.06.2018</b> <b>'000 BGN.</b>	<b>31.12.2017</b> <b>'000 BGN.</b>
Money in banks and in cash:		
- in cash	63	139
- deposits	24	5
- blocked money	-	28
<b>Money and money equivalents</b>	<b>87</b>	<b>172</b>

## 12 Tax receivables

	<b>30.06.2018</b> <b>'000 BGN.</b>	<b>31.12.2017</b> <b>'000 BGN.</b>
Advance payments corporate tax	-	-
VAT recovery	-	10
<b>Total:</b>	<b>-</b>	<b>10</b>

## 13 Equity

### 13.1 Main/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.

	<b>30.06.2018</b> <b>'000 BGN</b>	<b>31.12.2017</b> <b>'000 BGN</b>
Issued and fully paid shares		
- at the beginning of the year	6 011 476	6 011 476
- issued during the year	-	-
Total shares, authorized as of June 30	<b>6 011 476</b>	<b>6 011 476</b>

### 13.2 Revaluation reserve of assets

According to the theory of business valuation, generally, 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 for calculating the market value, the valuation team has adopted the "Method of comparative value (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 information about three properties similar to the valuated one, located in the same region and for which deals have been realized in the last six months of the previous year, are used. 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.

	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>‘000 BGN.</b>	<b>‘000 BGN.</b>
Premium reserve from issuing	7 651	7 651
Other reserves	1	1
Reserve from following asset evaluations	5 963	5 963
<b>Total reserves</b>	<b>13 615</b>	<b>13 615</b>

## **14 Loans**

The loans include the following financial liabilities:

	<b>Current</b>		<b>Non-current</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>‘000 BGN.</b>	<b>‘000 BGN.</b>	<b>‘000 BGN.</b>	<b>‘000 BGN.</b>
Bank loans	685	386	16 095	16 095
Bonds	4407	4 407	-	-
Financial leasing	309	366	1 511	1 570
<b>Total loans</b>	<b>5 401</b>	<b>5 159</b>	<b>17 606</b>	<b>17 665</b>

### **14.1 Financial leasing as a lessee**

The Group has acquired by means of financial leasing land and buildings in construction. The net book value of the assets, acquired by means of contracts for financial leasing is 9 953 thousand BGN. The assets are included in the groups “Land” and “Assets in process of construction from “Properties, machinery and equipment”.

The Group has signed two contracts for financial leasing with “Bulgaria Leasing” EAD on December 17, 2013 and with “VEI Prodict” AD from December 30, 2011. The liabilities of the financial leasings are secured by the relevant assets, acquired by means of the financial leasing.

On December 17 2013, the parent company has signed a contract for financial leasing for properties with “Bulgaria Leasing” EAD – lease subject – investment project “Grand Borovets”, owned by “Intercapital Property Development” ADSITS. Initially the leasing price should have been paid in 2 years from transferring the right to use the leasing objects, with a grace period during the first six months and 25 leasing payments due on the 20<sup>th</sup> of the month, at a fixed interest rate of 9 %. By mutual agreement from 2014, the term for making the leasing payments was extended to 20.12.2019 as a result of which the

leasing price was changed to 3 183 968.45 euro without VAT. In the end of 2016 the parties signed a new agreement, according to which the term for making the leasing payments was extended to 20.12.2021 and the leasing price was changed to 3 411 746 euro without VAT. According to this contract, on 17.12.2013 “Intercapital Property Development” ADSITS has transferred by notary means the right of ownership on property with identifier 65231.918.189, located in Samokov, Samokov Municipality, Sofia district, as well as the building in the property, namely a hotel apart complex with service units with identifier 65231.918.189.2, to the lessor “Bulgaria Leasing” EAD. As a result of the latter and at the conditions of a leaseback “Intercapital Property Development” ADSITS received possession of the properties, subject of the financial lease, from the lessor

## 14.2 Bank Loans

The table below presents the principal liabilities of the received credits from financial institutions with allocation of the liability as of 31.12.2016, depending on the maturity:

<b>Name of creditor</b>	<b>Short term liability, EUR</b>	<b>Long term liability, EUR</b>	<b>Maturity</b>
Futures Capital		8 229 046	31.12.2027
Texim Bank AD	25 000.00	-	20.12.2018

On 18.08.2017 “Intercapital Property Development” ADSITS was informed by Marina Cape Properties OOD that according to a contract for transfer of liabilities, Marina Cape Properties OOD, EIK 204372411 has transferred to Futures Capital AD, EIK 201624613 the liabilities on principals from the contracts for investment credit, signed with Piraeus Bank Bulgaria AD, in particular for investment credit №736/2008 from 07.07.2008 and contract for investment credit № 327/2009 from 14.12.2009. The total value of the transferred liabilities from principals is 8 229 045.97 euro.

The table below shows the main details of the Company’s credits as of 30.06.2018

<b>Name of creditor</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Currency in which payments are made</b>
Futures Capital	3.8%	30.01.2027	Euro
Texim Bank AD	BIR in euro + 1.25 %	20.12.2018	Euro

## 14.3 Bond issue

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 9% annually. The initial maturity date of the issue was August 14, 2010.

**On August 6<sup>th</sup>, 2010 the 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. Collateral under Art. 100h, para. 1 of the Civil Insurance Act: Insurance of Euro Ins AD, covering the risk of non-payment by the Issuer of interest or principal for the new term of the issue.
  - 3.2. Additional collateral: Establishment of second mortgage on 7 835.99 sq. M. Marina Cape, Aheloy (described in the appendix to the written materials), in favor of the trustee of the bondholders CB Investbank AD within not more than one month after the date of this General Meeting.

The Company has the right to repay all or part of the remaining principal on the bonds ahead of schedule. Repayment may be made only on an interest payment date and after one month's notice to the bondholders. The minimum amount the company can repay in part and early is EUR 250,000 or 5% of the initial issue amount.

In fulfilment of the obligations in relation to renegotiating the conditions of the bonds and for securing the receivables of the bondholders a second in line mortgage was established on 24 (twenty four) separate commercial properties of total area of 7 835,99 m<sup>2</sup>, owned by the company, located in Marina Cape, Aheloy, Pomorie Municipality, Burgas district. The mortgage contract was signed by notary deed for contractual mortgage on 01.09.2010, № 158, vol. IV, reg. № 3289, case № 732/2010 of Gergana Nedina – notary public.

In addition, in connection with the conclusion of insurance with Euro Ins AD covering the risk of non-payment by the Company of interest or principal for the new term of the issue, and in order to secure the receivable of Euro Ins AD to Intercapital Property Development of an amount of EUR 84,000, representing a part of the value of the insurance premium payable under the insurance policy, amounting to EUR 104,000, a first contractual mortgage was established in favor of Euro Ins SA on two separate sites with a total built-up area an area of 108.65 square meters, own t of the Company, located in Marina Cape town. Aheloy, Municipality Pomorie, Burgas. The mortgage contract was concluded under a Notarial Deed for the Establishment of a Contractual Mortgage of August 9, 2010, No 81, Volume IV, Reg. No. 2884, Case No 656/2010 to Notary Gergana Nedina.

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

The proposed agenda was as follows:

Giving consent for rescheduling and restructuring of the obligations on emission ISIN code BG2100019079, through renegotiation of some of the conditions as follows:

1. Extension of the term of the issue by 60 months (as from 14 August 2013 until 14 August 2018);
2. Interest (coupon) payments within the extended term:
  - 2.1. 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;
  - 2.2. 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;

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;

4. 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

5. Other terms and ratios:

5.1. Ratio between Equity and Secured Debt: 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.

5.2. Maximum ratio of Liabilities to Assets according to their book value: 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.

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.

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.

**On 11/02/2015, there was 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 General Meeting of Bondholders was convened by the representative of the bondholders “InvestBank” AD. At the meeting the following decisions on relevant agenda items were adopted.

**On the first point** was given for rescheduling and restructuring of the obligations on the issue of corporate bonds with ISIN code BG2100019079, by renegotiating the terms of the issue as follows:

1. Extension of the issue 24 months (from 14.08.2018 years - until 14.08.2020 years);
2. Scheme for repayment of the bond loan and interest shall be amended as follows:
  - 2.1. The principal shall be paid to the following contributions:

2015	2016	2017	2018	2019	2020
Date/amount (euro)					
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	

3. Interest payments are due under the following conditions:

3.1. The agreed interest rate on the bond loan will be reduced to 6% on an annual basis from 14.02.2015.

3.2. The possibility of applying a step for the reduction of the interest rate on the bond loan in the amount of 0.25% (zero point twenty five percent) is retained only on condition that there is prompt payment of interest and principal payments, until the interest rate reaches 5% annually. The principles and interest payments are considered to be paid on time in the event that the total amount payable for the preceding quarter, was ordered to the bank account of the "Central Depository" AD servicing debenture loan payments no later than two working days before the corresponding maturity.

3.3. Interest on the debenture loan is payable quarterly on the dates indicated in the table below:

Date of interest payment	Days in interest period	Days	Interest rate	Amount of due interest (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

4. If, within three (3) days before the expiration of 30 days from the maturity of any outstanding principle and/or interest payment the issuer fails to submit to the bondholders' trustee the document that the payment is made in a bank account "Central Depository" AD, servicing debenture loan payments, it is considered to be the event of default on the bond issue as "Investbank" AD may exercise their rights of bondholders' trustee, under contract with the Issuer and the relevant laws.

5. The bondholders agree that any payment under the terms of the issue within the period prescribed under p. 3 will be considered for payment under the issue and will not give rise to any

adverse effect on the Issuer. Payment to meet the conditions of the previous sentence can be done both by the Issuer and by any third party.

6. All other conditions of the bond issue issued by "Intercapital Property Development " ADSIC, except from the expressly stated above shall remain in force and retain their effect as originally agreed, respectively renegotiated by the General Meeting of Bondholders.

As the Company failed to pay the interest due on 14.08.2017 in the amount of EUR 32,610 and principal amounting to EUR 125,000, the Company informed Investbank AD, FSC, BSE and the public that on the grounds of Item 1, Section VII of Insurance Policy No 29 - 0000 - 1753 / 06.08.2010, as amended by Addendum No 4 of 11.02.2015, it will be considered that on September 13, 2017 at 17:30, there is an insurance event whereas the occurrence of an insurance event in respect of a specific three-month principal payment and / or contractual interest does not automatically lead to the occurrence of an insured event with regard to subsequent payments.

By letter with reference number No 2989/6 of 03.10.2017, EUROINS AD as an insurance policyholder concluded in connection with the provision of collateral to the bondholders on the bond issue issued by ICPD ADSIC, notified Investbank AD, in its capacity of trustee of the bondholders acting as insured person and secured creditor of the receivables of all bondholders, and ICPD ADSIC, that from 00.00 h on 03.10.2017 the insurer terminates the insurance contract from 11.02.2015 with insurance policy number 29-0000- 1753.

The notification states that in connection with an application filed by "Investbank" AD No 2989/4 / 28.09.2017 for payment of an insurance indemnity for the aforementioned insurance policy for a total amount of EUR 157,609.59 (one hundred and fifty seven thousand six hundred nine euro 59 eurocents) representing the amount of the due interest and principal payment under the bond loan as of 14.08.2017, the "EUROINS" AD will exercise its right under Art. 364, para. 4 CC in the event of a terminated insurance policy and will apply a 50% (fifty percent) reduction of the indemnity for an insurance event occurring prior to the date of termination of the insurance contract.

As a result on October 5<sup>th</sup> 2017, a partial depreciation payment of EUR 78,805 was made on the bond issue issued by the "Intercapital Property Development" ADSIC, which had matured on 14.08.2017. The amount for the above amortization payment on the debenture loan issued by "Intercapital Property Development" ADSIC was deposited in a bank account of the Central Depository AD by EUROINS AD as an insurance policyholder concluded in connection with the provision of collateral to the bondholders of the bond issue issued by the Company.

On 24.10.2017 "Intercapital Property Development" ADSIC was informed by Investbank AD that the trustee declared the entire debenture loan of the issuer due early due to the fact that the dropping of the contracted debt insurance collateral constituted a material breach of the issuer's obligations under the prospectus as well as due to the circumstance, that the overdue of part of the obligations on the issue (due on 14.08.2017) lasts more than 30 days.

At a meeting of the Board of Directors of BSE-Sofia AD under Protocol No. 55 / 26.10.2017 and on the grounds of Art. 39, para. 1, item 4 of Part III Rules for admission to trading by the Rules and Regulations of BSE-Sofia AD, the Board of Directors of BSE-Sofia has finally ceased the registration of the issue of bonds issued by ICPD ADSIC with effect from 27.10.2017.

## **15 Trade payables**

The trade payables. Recorded in the consolidated report for financial condition, they include:

<b>Current:</b>	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
Water Supply and Sewerage EAD, Burgas	148	183
Ventededgy OOD	157	157
Marina Cape Properties OOD	156	156
IP Intercapital Markets AD	297	269
Advances from clients	5 175	5 371
Others	1 042	1 168
	<b>6 975</b>	<b>7 304</b>

The net book value of the trade payables is accepted as reasonable approximate valuation of their fair value.

## 16 Tax payables

Tax payables include:

	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
VAT	304	294
Others	187	173
	<b>491</b>	<b>467</b>

**Tax payables** in the amount of 467 thousand BGN as of 31.12.2017 are VAT, income tax for the accounting period – 467 thousand BGN for 2015, 2016 and 2017 which will be paid in 2018.

## 17 Other Liabilities

The other liabilities can be summarized as follows:

	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
<b>Non-current:</b>		
Other non-current liabilities	898	873
	<b>898</b>	<b>873</b>
<b>Current:</b>		
Other current liabilities	11 367	11 034
	<b>11 367</b>	<b>11 034</b>

The other non-current liabilities of the group are formed as follows:

Towards Marina Cape Imoti, according to contract for transfer of liabilities and others.

The other current liabilities of the group are formed as follows:

Ceded liabilities according to contracts for loans towards Grand Borovets 2013 EOOD; ceded liabilities according to loan contract towards BG Invest Properties AD. Interest according to contract with VEI Project AD, liability according to contract with ICM IMMO EAD and others.

## 18 Sales Revenues

Sales revenues of the group can be analyzed as follows:

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
Income from sale of investment properties	767	-
Income from sale of production	57	36
Income from sale of goods	11	26
Income from sale of services	353	392
Other income	4	1
	<b>1 192</b>	<b>455</b>

## **19 Other revenues**

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>'000 BGN</b>	<b>'000 BGN</b>
Written-Off Revenues	-	550
<b>Total</b>	<b>-</b>	<b>550</b>

A main part of the written-off liabilities during 2017 represents written-off interest on loans to Piraeus Bank Bulgaria AD. According to an agreement dated 27.12.2017, Intercapital Property Development ADSIC and Marina Cape Properties OOD have agreed that the debt of ICPD ADSIC to Marina Cape Properties OOD, acquired as a result of the Cession of the obligation to Piraeus Bank Bulgaria AD, in the amount of EUR 6 444 263.63, is extinguished by giving instead of execution, and until 31.03.2018:

- an amount of EUR 30 000 is paid;
- ICPD ADSIC transferred to Marina Cape Properties OOD all the shares in the capital of Marina Cape Management EOOD.

In 2017 an additional BGN 1 170 thousand was written-off from the obligation of Intercapital Property Development ADSIC to “Grand Borovetz 2013” EOOD, arising under the Agreement for the purchase and sale of receivables under Credit Agreement № 716 / 18.09.2008 and Contract № 717 / 18.09.2008 (Cession) dated 18.12.2013, by virtue of which the creditor of DSK Bank EAD has transferred its receivables under the two credit agreements referred to above to a total amount of EUR 5,832,886.58 to “Grand Borovets 2013” EOOD.

Another part of the amount of BGN 1 057 thousand are income from written-off liabilities to customers/ counterparties of the Company, with a higher percentage of liabilities being written-off in connection with the expiration of a limitation period.

## **20 Expenses for materials**

Expenses for materials include:

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
Expenses for materials	(93)	(25)
Expenses for electricity and heat	(51)	(40)
Other expenses	-	(23)
	<b>(144)</b>	<b>(88)</b>

## 21 Expenses for external services

Expenses for external services include:

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
Communication services	(28)	(80)
Taxes, accounting, auditor and consultant services	(24)	(37)
Others	(90)	(109)
	<b>(142)</b>	<b>(226)</b>

## 22 Personnel Expenses

The salary expenses include:

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
Salary expenses	(135)	(105)
Salary for social security contributions	(25)	(20)
<b>Personnel expenses</b>	<b>(160)</b>	<b>(125)</b>

On average the listed personnel in the Group is 35 people. There are no accruals for provisions for holiday leave.

## 23 Other expenses

Other expenses include:

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
Book value of sold assets	(764)	(17)
Changes in production stock and uncompleted production (Sold production)	-	(28)
Acknowledgment of loss from backlease	(223)	(223)
Written off receivables	-	-
Sales expenses	-	-
Other expenses	(84)	(16)
	<b>(1 071)</b>	<b>(284)</b>

## 24 Financial Income/Expenses

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

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
<b>Financial expenses</b>	<b></b>	<b></b>

Interest expenses	487	(821)
Other financial expenses	5	(2)
<b>Total Financial expenses</b>	<b>492</b>	<b>(823)</b>
<b>Financial income</b>		
Others	-	-
<b>Financial income total</b>	<b>-</b>	<b>-</b>
<b>Financial income/expenses, net</b>	<b>(492)</b>	<b>(823)</b>

## 25 Income Tax Expenses

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

In 2017 the subsidiary Marina Cape Management EOOD was charged income tax in the amount of 39 thousand BGN.

## 26 Earning/(Loss) per share and dividends

### 26.1 Earning/(Loss) per share

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

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

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>'000 BGN</b>	<b>'000 BGN</b>
Profit / (loss), attributable to shareholders (in '000 BGN)	(866)	(596)
Weighted Average Number of Shares (in '000 BGN)	6 011	6 011
Basic Earnings per Share (in '000 BGN.)	(0.14)	(0.10)

### 26.2 Dividends

The group has not paid out dividends in 2018 and 2017

## 27 Related party Transactions/ Insider Transactions

Insiders to the company include the shareholders of the Company, key management personnel and other related persons described below.

### Transactions with key management personnel

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

<b>30.06.2018</b>	<b>30.06.2017</b>
<b>'000 BGN.</b>	<b>'000 BGN.</b>

Remunerations:	17	17
Remunerations of the management personnel in the Group	20	20
<b>Total remunerations</b>	<b>37</b>	<b>37</b>

## **28 Conditional liabilities**

Arbitration Case No. 10/2015 on the inventory of the Arbitration Court for Commercial Disputes - Bourgas, formed by MIDIA AD for payment of an amount by agreement of 25.10.2010 between MIDIA AD and INTERCAPITAL PROPERTY DEVELOPMENT ADSIC.

The cost of the claims is BGN 500,000 as a partial claim of BGN 6,430,457.72. By judgment of 29.02.2016, the claims are fully respected and the decision entered into force. Based on the decision, a writ of execution was issued against "INTERCAPITAL PROPERTY DEVELOPMENT" ADSIC.

On 07.03.2016 "INTERCAPITAL PROPERTY DEVELOPMENT" ADSIC was informed that the claim was transferred to AVI CONSULT EOOD, UIC 131397729.

On 05.09.2017, Intercapital Property Development ADSIC, with UIC 131397743, received notice on enforcement case No 850/2016 on the inventory of the private enforcement agent Ivanka Mindova, registered with Registry No 704 of CPEA, informing the company, that by a decree of 19.07.2016 on the enforcement case AVI CONSULT EOOD 131397729 was joined as a creditor for the amount of the amount due to the amount of BGN 542 773.75 including the following amounts: principal; BGN 161 736.95 - indemnification; BGN 238 263.05 - contractual interest rate; BGN 26,125.15 - legal costs, BGN 157.00 - fees and expenses related to the enforcement case.

In addition, the Company was informed that the joined creditor "AVI Consult" EOOD exercises the right of detention, according to art. 136, par.4, second proposal of the Law for liabilities and contracts regarding Intercapital Property Development ADSIC's properties located in Aheloy, Pomorie, Marina Cape Complex, for which a record in relation to the enforcement case was carried out, or namely:

- Property in building with identifier 0833.5.409.20.101, with area 46.00 m2.;
- Property in building with identifier 0833.5.409.18.13, with area 59.00 m2.;
- Property in building with identifier 0833.5.409.19.29, with area 63.00 m2.;
- Property in building with identifier 0833.5.409.20.35, with area 46.00 m2.;
- Property in building with identifier 0833.5.409.20.85, with area 42.00 m2.;
- Property in building with identifier 0833.5.409.22.12 with area 37.00 m2.;

## **29 Risk related to financial instruments**

### **Aims and policy of the management regarding risk management**

The Group is exposed to various risks in relation to its financial instruments, the most important of which are: market risk, credit risk and liquidity risk.

The risk management of the Group is carried out by the BD of the parent company, assisted by IP Intercapital Markets AD, which has a contract for valuation and risk management of the

Group in collaboration with the BD. It is a priority for the BD to supply the short term and long term cash flows by reducing its credit exposition. Long term financial investment are managed to generate long term return.

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

The structure of the Company's financial assets and liabilities as of 30<sup>th</sup> June by category is shown below. It includes all financial assets in a group - "loans and receivables", and all financial liabilities in one group - "other financial liabilities":

	<b>30.06.2018</b>	<b>31.12.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
<b><i>Credits and receivables</i></b>		
<b>Financial Assets</b>		
Receivables from clients and other receivables	5 088	4 760
Money	87	172
<b>Total</b>	<b>5 175</b>	<b>4 932</b>
<b><i>Other financial liabilities</i></b>		
<b>Financial liabilities</b>		
Liabilities towards suppliers and other liabilities	43 115	42 798
<b>Total:</b>	<b>43 115</b>	<b>42 798</b>

*(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.

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.

The financial assets and liabilities, which are denominated in foreign currency are revalued in BGN at the end of the accounting period

*Interest rate risk*

The Group may be exposed to interest rate risk if there is a mismatch between the type (fixed or floating income, respectively interest) of assets and liabilities. The main assets of the 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 Group will seek to finance these assets in debt instruments, which also have a fixed rate. Where this is not possible or not favorable to the company, it may use 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. These may be contracts for swap payments from floating to fixed interest rate, futures or other

instruments. As of June 30, 2018, the bigger part of the liabilities of the Group are with floating rate, based on EURIBOR. In this regard, the company is exposed to risk if the base interest in the Eurozone rises.

It must be noted that, the possible increase of market interest rates will possibly reflect unfavorably on the prices and demand for properties as a large part of these deals is financed through loans.

The policy of the Group is towards minimizing the interest rate risk during long term financing.

*(b) Analysis of the 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 receivables (including the sale with deferred payment). Group policy provides for the avoidance of advances as much 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.

*(c) 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 making 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.

### **30 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 Group manages the equity based on the ratio of corrected equity to net debt.

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.

The equity for the presented reporting periods may be analyzed as follows:

	<b>30.06.2018</b>	<b>30.06.2017</b>
	<b>'000 BGN.</b>	<b>'000 BGN.</b>
Equity	6 011	6 011
+Increase	-	-
- Decrease	-	-
<b>Corrected equity</b>	<b>6 011</b>	<b>6 011</b>
<b>Total equity:</b>	<b>6 011</b>	<b>6 011</b>

### **31 Information regarding events after the balance sheet reporting date**

At the Annual General Meeting of Shareholders held on 29.06.2018 were approved the proposed amendments to the Articles of Association of the Company, approved by the FSC by Decision № 539-ADSIC from 23.05.2018, representing changes in the address and the Statute - Sofia, Sredets district, 6 Dobrudja Street, floor 4. Changes was announced in the electronic file of the Company in the Commercial Register on 11.07.2018, according to an entry with № 20180711121630.

As of 01.08.2018 the employment relations of Milen Maksimov Bozhilov with Intercapital Property Development ADSIC, who held the position of " Investor relations director " in the Company were terminated.