

REPORT OF THE INDEPENDENT AUDITOR

To the Shareholders of Intercapital Property Development

Report on the Consolidated Financial Report

Qualified Opinion

We have performed an audit of the consolidated financial report of the company Intercapital Property Development, Special Purpose Investment Company (SPIC), which comprises the Statement of account as of 31.12.2017 and the Comprehensive Income Statement, the Changes in Equity Statement, Cash Flow Statement for the year ending on this date, as well as the explanatory annexes to the Financial Report, including the summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the “Basis for Qualified Opinion” section of the Report, the attached Financial Report gives a true and fair view in all essential aspects, of the financial position of the Company as of 31 December 2017 as well as of its financial performance and its financial results from its activities and cash flows for the year then ended, in conformity with the International Financial Reporting Standards (IFRS), accepted by the European Union (EU).

Basis for expressing a Qualified Opinion

The Statement of account of the Company as of 31 December 2017 presents trade and other receivables in the amount of BGN 5 197 thous. as disclosed in Notes 10. Trade and other receivables. The Company has over 90% overdue, unimpaired receivables of over one year. In our opinion, concerning receivables in the amount of BGN 3 068 thous., the value of receivables exceeds the value of the net assets of the debtors, which gives rise to uncertainty whether the Company will be able to collect the full amount of its receivables.

As a result, we did not succeed in obtaining sufficient assurance that the carrying amount of the receivables presented in the Statement of account as of 31 December 2017 does not exceed their recoverable value. For this reason, we are not in a position to determine whether and what are the effects of the receivables presented like that, on the net assets of the Company as of 31 December 2017.

We have performed our audit in conformity with the International Standards on Auditing (ISA). Our responsibilities according to these standards are described in the section of our Report - Auditor’s Responsibility for the Audit of the Consolidated Financial Report.

We are independent from Intercapital Property Development Special Purpose Investment Company in compliance with the Code of Ethics for professional accountants of the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements, applicable to our audit of the Consolidated Financial Report in the Republic of

Bulgaria, and we have fulfilled our other ethical responsibilities in conformity with the requirements of the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are the ones which according to our professional judgment have been most significant in the audit of the Consolidated Financial Report for the current period. These issues were examined as part of our audit of the Consolidated Financial Report as a whole and the formation of our opinion on it, while we don't provide a separate opinion on these matters.

Investment Properties – Assessment See Note (7) to the Financial Report

Key audit issue	<i>How this key audit matter was addressed in the audit we performed</i>
The Company possesses investment properties with carrying amount of BGN 26 669 thous. The properties are evaluated at fair value. The Company uses the services of an independent evaluator to determine the fair values of the investment properties. This is an important evaluation, since it accounts for 66% of the Company's assets. It is possible that the evaluation is not appropriate. A risk that the said properties are not correctly presented in the Financial Report exists.	In this respect our audit procedures included a verification of the adequacy of the assessment of the management and the prepared market evaluation by an independent evaluator of the investment properties. We made additional calculations of the obtained comparative values. We tested selected data on which the evaluation of investment properties was based, by comparing with alternative information sources. We found that the assumptions and the estimates derived from them were balanced.

Considerable uncertainty, associated with the assumption of going concern

We draw the attention to Note to the Financial Report - Principle of Going Concern, which describes the uncertainty connected with the ability of the Company to realize sufficient cash flows through its activity, which in turn does not allow it to currently pay its liabilities.

These conditions are an indication that there is material uncertainty, which might give rise to significant doubts concerning the ability of the Company to continue functioning as a going concern. Our opinion has not been modified with respect to this issue.

Other Matters

The Financial Report of the Company for the year ended on 31 December 2016 was audited by another auditor, who expressed a qualified opinion on this Report, according to Report dated 31 March 2017.

Report on other legal and regulatory Requirements

In addition to our responsibility and reporting in conformity with ISA, with respect to the Activity Report we have also performed the procedures added to the ones required under ISA. These procedures refer to checks of the availability, as well as checks of the form and content of this other information aiming to help us in forming our opinion on whether that other information includes the disclosures and reporting, foreseen in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Article 100n, (10) of POSA in conjunction with Article 100n (8), it.3) and it.4) of POSA) applicable in Bulgaria.

Opinion in connection with Article 37 (6) of Accountancy Act

On the basis of performed procedures, our opinion is that:

- The information contained in the Activity Report for the financial year for which the Consolidated Financial Report was drawn up, is in conformity with the Consolidated Financial Report .
- The Activity Report was drawn up in compliance with the requirements of Chapter Seven of Accountancy Act and Article 100(n), (7) of Public Offering of Securities Act.
- The Report on Corporate Governance for the financial year, for which the Consolidated Financial Report was drawn up, is presented in conformity with the requirement of Chapter Seven of Accountancy Act and Article 100(n) (8) of the Public Offering of Securities Act.

Opinion in connection with Article 100(n (10)), in conjunction with Article 100 n (8), it 3) and 4) of Public Offering of Securities Act

On the basis of the performed procedures and of the acquired knowledge and understanding of the activity of the enterprise and environment in which it operates, in our opinion, the description of the basic characteristics of the internal control and risk management systems of the enterprise in connection with the financial reporting process, which is part of the Activity Report (as an element of the content of the Report on Corporate Governance) and the information as per Article 10 (1) c), d),f), h), i) and i) of Directive 2004/25/EC of the European Parliament and the Council of 21 April 2004 regarding the acquisition proposals do not contain cases of material incorrect reporting.

Other information different from the financial report and the auditors' report on it

The management shall be responsible for the other information. The other information comprises a report for the activity, developed by the management according to chapter seventh of the Accountancy act, but it does not conclude the financial report and our auditors' report on it.

Our opinion on the Consolidated Financial Report does not comprise the other information and we do not express any form of conclusion for certain as far as it is concerned, unless it is explicitly specified in our report and to the extent specified.

In relation to our audit of the Consolidated Financial Report , our responsibility is to read the other information and thus to judge whether that other information is materially inconsistent with the Consolidated Financial Report or with our knowledge, obtained during the audit, or in another way seems to contain significant incorrect reporting. If on the basis of the work we have done, we have reached a conclusion that significant incorrect reporting exists in that other information, we are required to report this fact.

We have nothing to report in this regard.

Responsibilities of the management for the Financial Report

The Management bears responsibility for the development and proper presentation of this Financial Report in accordance with the International accounting standards, adopted by the European Union and for such internal control system, as the management determines necessary for ensuring the production of financial reports, which do not contain significant incorrect reporting, regardless whether these are a result of deceit or a mistake.

Upon developing the Consolidated Financial Report the management is responsible for evaluating the capacity of the company to continue functioning as a going concern, disclosing, when appropriate, issues related to the assumption for a going concern and using the accounting basis on the grounds of the assumption for a going concern, unless the management intends to liquidate Intercapital property development ICPD or to discontinue its activity, or if in fact the management does not have other alternative but to act this way.

The persons, empowered with the general management, shall be responsible for making supervision on the process of financial reporting of the company.

Responsibilities of the auditor for the audit of the financial report

Our intentions are to obtain a reasonable level of certainty in regards to the fact whether the financial report as a whole does not contain significant diversions, regardless whether these are a result of deceit or a mistake, and to issue an auditors' report, which contains our opinion. The reasonable level of certainty is a high level of certainty, but it is not a guarantee that an audit, made in accordance with the International auditing standards (IAS), shall always reveal a significant diversion, when such diversion exists. The diversions may appear as a result of a deceit or a mistake and they are considered as being significant if it would be expected that they, independently or as a whole, shall influence the economic decisions of the consumers, taken on the basis of this auditors' report.

Further details about our responsibility are placed in Enclosure to the present report.

Certified auditor:
Nikolay Polinchev
Date: 27.04.2018

ENCLOSURE to a report of the independent auditor on the Consolidated Financial Report of Intercapital property development ICPD for 2017

Responsibilities of the auditor for the audit of the Consolidated Financial Report

As a part of the audit in accordance with the IAS, we hereby use a professional evaluation and we keep professional skepticism during the entire audit.

We also:

- Identify and assess the risks of significant diversions in the financial report, regardless whether due to deceit or mistake, we develop and implement auditing procedures as a response to these risks and we obtain auditing evidence, which should appear sufficient and proper in order to provide grounds for our opinion. The risk that a significant diversion resulting from deceit may not be revealed, is higher than the risk of significant diversion, which is a result of a mistake, because the deceit might comprise secret agreement, falsification, intentional omissions, statements misleading the auditor, as well as neglecting or avoiding the internal control.
- We obtain understanding about the internal control, related to the audit, in order to develop auditing procedures, which to be appropriate at the particular circumstances, but not with intention to express opinion regarding the internal control of the company;
- We evaluate the relevance of the used accounting policies and the rationality of the accounting estimates and the related disclosures made by the management;
- We draw conclusion regarding appropriateness of use from the management of the accounting basis, on the grounds of the assumption for a going concern and, on the basis of the received auditing evidence, regarding (the fact) whether material uncertainty concerning events or conditions, which could rise significant doubts as regards the capacity of the company to continue functioning as a going concern exists. If we reach to a conclusion that material uncertainty exists, we are required to draw attention in the auditors' report to the disclosures in the financial report related to that uncertainty or in case these disclosures appear inadequate, (we are required) to modify our opinion. Our conclusions are based on the auditing evidence, received till the date of our auditors' report. Future events or conditions however may be a reason for the company to suspend its functioning as a going concern.
- We evaluate the entire presentation, structure and contents of the financial report, including the disclosures and whether the financial report presents the underlying transactions and events in a way, which reaches reliable presentation.

We communicate with the persons, entrusted with general management, along with the other issues, the planned scope and time of the audit implementation and the significant findings of

the audit, including significant faults in the internal control, which we identify during the audit we make.

We also provide the persons, entrusted with general management, with a statement that we have implemented the applicable ethical requirements in connection with the independency and that we shall communicate to them (these persons) all relations and other issues, which could reasonably be considered as related to our independence and when applicable, the related protective measures.

Amongst the issues, communicated with the persons, entrusted with general management, we determine these issues, which have been of greatest importance upon the audit of the financial report for the current period and which therefore appear key auditing issues. We describe these issues in our auditors' report, except in the cases, when the law or normative act prevents the public disclosure of information on that issue or when in exceptionally rare cases we decide that a certain issue should not be communicated in our report, because it would be reasonably expected that the unfavorable consequences of such action would exceed the benefits as far as the public interest of such communication is concerned.