Interim Consolidated Financial Statements

Intercapital Property Development ADSIC

31st March 2016

Consolidated Report for the Financial Condition

Assets	Notes	31.03.2016 '000 BGN	31.12.2015 '000 BGN
Long-term assets			
Property, Plant and Equipment	7	12 945	12 976
Investments reported by the method of owned capital		-	-
Investment property	8	35 970	35 970
Intangible assets	9	6	6
Other receivables	12	1 227	1 339
Deferred tax assets		21	21
Long-term assets		**50 168**	**50 312**
Current assets			
Inventories	10	1 032	1 032
Work in progress	10	1 056	1 056
Advances given		241	230
Derivatives		-	-
Trades accounts receivables	11	4 871	5 152
Tax receivables	11	68	65
Other receivables	12	1 653	1 672
Cash and cash equivalents	13	77	147
Current assets		**8 998**	**9 354**
Total Assets		**59 166**	**59 666**

Consolidated Report for the Financial Condition
(continued)

Liabilities and Shareholders' equity	Notes	31.03.2016 '000 BGN	31.12.2015 '000 BGN
Shareholders' equity			
Share capital	14a	6 011	6 011
Issue premiums	14b	7 651	7 651
Revaluation reserves	14b	5 224	5 224
General Reserves	14b	1	1
Retained Earnings		9 426	9 216
Accumulated Loss		(25 102)	(25 102)
Current profit/loss		(141)	210
Total Shareholders' Equity		**3 070**	**3 211**
Liabilities			
Long-term Liabilities			
Liabilities to financial institutions	15		8
Bonds	15	4 645	4 890
Finance lease payables	15.1	1 716	1 775
Other liabilities	18	1 766	1 737
Deferred tax liabilities		-	-
Total long-term liabilities		**8 127**	**8 410**
Current Liabilities			
Liabilities to financial institutions	15	22 665	22 400
Finance lease payables	15.1	235	235
Liabilities on bond issue	15	611	489
Trade payables	16	4 794	4 788
Customers advance receivables		8 343	8 337
Salaries and social securities payables		166	177
Tax payables	17	245	245
Other liabilities	18	10 948	11 374
Total current liabilities		**47 969**	**48 045**
Total Liabilities		**56 096**	**56 455**
Total Liabilities and Shareholders' Equity		**59 166**	**59 666**

Consolidated Income Statement

	Notes	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Sales revenue	19	63	51
Other revenue	20	550	765
Expenses for materials	21	(31)	(32)
Expenses for external services	22	(86)	(96)
Personnel expenses	14c	(39)	(54)
Depreciation		(32)	(37)
Book value of assets sold		-	(1)
Change in the inventories of finished goods and work in progress			(1)
Other expenses	24	(112)	(116)
Operating profit / (loss)		**313**	**479**
Financial income / expenses	25	(454)	(505)
Changes in the fair value of investment properties	25		
Profit/(Loss) before tax		**(141)**	**(26)**
Corporate income tax		**-**	**-**
Net Profit / (Loss) for the year after taxation		**(141)**	**(26)**
Other comprehensive income		**-**	**-**
Profit/loss from property revaluation		**-**	**-**
Total comprehensive income		**(141)**	**(26)**

Consolidated Statement of Changes in Equity

All amounts are in '000 BGN	Share Capital	Premium Reserves	Other Reserves	Retained Earnings / (Accumulated Loss)	Total Equity
Balance as of 1st January 2015	**6 011**	**12 203**	**716**	**(15 895)**	**3 035**
Fundamental errors				9	9
Revaluated balance as of 1st January 2015	**6 011**	**12 203**	**716**	**(15 886)**	**3 044**
Profit / (Loss)				210	210
Other comprehensive income:					
Revaluation of long-term assets:					
Increases					
Decreases		(43)			(43)
Total comprehensive income		**(43)**		**210**	**(167)**
Balance as of 31st December 2015	**6 011**	**12 160**	**716**	**(15 676)**	**3 211**

All amounts are in '000 BGN	Share Capital	Premium Reserves	Other Reserves	Retained Earnings / (Accumulated Loss)	Total Equity
Balance as of 1st January 2016	**6 011**	**12 160**	**716**	**(15 676)**	**3 211**
Fundamental errors					
Revaluated balance as of 1st January 2016	**6 011**	**12 160**	**716**	**(15 676)**	**3 211**
Profit / (Loss)				(141)	
Revaluation of long-term assets:					
Increases					
Decreases					
Total comprehensive income				**(141)**	**(141)**
Balance as of 31th March 2016	**6 011**	**12 160**	**716**	**(15 817)**	**3 070**

Consolidated Cash Flow Statement

	Notes	31.03.2016 '000 BGN	31.03.2016 '000 BGN
Operating activities			
Customers receivables		39	343
Suppliers Payables		(32)	(96)
Salaries and Social Securities Payables		(49)	(57)
Paid / Refunded taxes (except for corporate tax)		(7)	(-)
Corporate taxes paid		-	-
Foreign currency exchange rate gains/losses net		(-)	-
Other payables from operating activities		(5)	(85)
Net cash flow from operating activities		**(54)**	**275**
Investment activities			
Purchase of long-term assets		-	(-)
Net cash flow from investing activities		**-**	**(-)**
Financial activities			
Loans received			
Loan payments		(14)	(122)
Financial lease payments			
Proceeds from securities issued			
Payments of interest and fees		(2)	(104)
Dividend payments	26b		
Net cash flow from financing activities		(16)	(226)
Net change in cash and cash equivalents		**(70)**	**49**
Cash and Cash equivalents in the beginning of the period		**147**	**81**
Cash and Cash equivalents in the end of the period	0	**77**	**130**

Explanatory Notes

1. General Information

1. "Intercapital Property Development" ADSIC – parent company

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

The Company is registered in the Republic of Bulgaria as a joint-stock company and is initially entered in the Sofia City Court with Decision № 1 as of 29.03.2005 with company file № 3624/2005, batch № 92329, volume 1204, reg. 1, page 23. Up until this moment, the Company has been registered in the Commercial Registry of the Trade Registry Agency with UIC 131397743. The legal seat and the address of the Company`s management is 7A Aksakov Str., Sofia.
The Board of directors is composed as follows:

- Velichko Klingov,
- Tsvetelina Hristova.
- AHELOY 2012 OOD, represented by the Manager Nicolay Stefanov Chergilanov

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

The Company`s shares are listed for trading on the Bulgarian Stock Exchange – Sofia AD as well as on the Polish NewConnect market, organized by the Warsaw Stock Exchange.

2. Basis for preparing the financial statements

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

The consolidated financial reports are prepared in BGN, which is the functional currency of the Company. All amounts are presented in thousands ('000 BGN) (including the comparative information for 2014), unless otherwise stated.

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

In 2014, the Group reports a loss for the period amounting to 1 374 thousand BGN and a positive cash flow from activity amounting to 140 thousand BGN. The Current liabilities are with 39 622 thousand BGN more than the current assets.

As of 31.12.2015, the Company reports a profit in the amount of 210 thousand BGN and a positive cash flow from activity amounting to 347 thousand BGN. The Current liabilities are with 38 691 thousand BGN more than the current assets.

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

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

- The Group has rescheduled its short-term debt to creditor banks, which would considerably improve the financial condition of the Group from the point of view of the current assets-to-current liabilities ratio.
- The Group undergoes a policy for optimization of costs, material reserves and other elements of the turnover capital. It is expected that this measure would considerably reduce the inventories, which would improve the liquidity of the turnover capital of the Group. As of 31.03.2016, the Group reports as work in progress only expenses of the parent company related to property sales – brokerage commissions and advertising expenses related to the real estate property in vacation complex Marina Cape, which would be recognized at the moment of recognizing the revenue (upon final transfer of the property or establishment of an entitlement for usage).

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

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

3. Changes in accounting policies

3.1. General Provisions

Application of new and revised International Financial Reporting Standards (IFRS)

Changes to IFRS that are compulsory for application for the current year

The Company applies the following new standards, amendments and interpretations of the IFRS, prepared and published by the IASB, which are mandatory for application for the annual period starting on 1 January 2015:

Amendments to IAS 19 Employee benefits under defined benefit plans

The Company has applied the changes for the first time in the current year. Before the amendments the Company reported discretionary contributions of employees to defined benefit plans as a reduction of cost of service when the contributions are paid to plans, and reports contributions of employees given in defined benefit plans as a reduction of cost of service when the service was provided.

The amendments require the Company to take into account the contributions of employees as follows:

Discretionary contributions for employees are reported as a reduction of cost of services under payment plans

The contributions of employees given for the defined benefit plans are recorded as a reduction of cost of services only if such contributions are related to services. In particular, when the amount of these contributions depends on the number of years, the reduction in cost of services is made by contributions refer to time served in the same way as it applies to income. On the other hand, when such payments are determined based on a fixed percentage of the salary (i.e. regardless of the number of years), the Company recognizes a reduction in service costs in the period in which they are provided with appropriate services.

These changes have been applied retrospectively. The application of these amendments has no effect on the disclosures or the amounts recognized in the financial statements of the Company.

Annual Improvements to IFRSs 2010-2012 Cycle and Cycle 2011-2013

The Company has applied the amendments to IFRS included in the annual improvements to IFRSs cycle 2010-2012 and 2011-2013 cycle for the first time in the current year

One of the annual improvements requires companies to disclose management judgments in applying the criteria for aggregation given in paragraph 12 of IFRS 8 Operating Segments. The Company has aggregated several operating segments into a single operating segment and has made the necessary disclosures in note 6 with amendments

Implementation of other changes had no effect on the disclosures or the amounts recognized in the financial statements of the Company.

The Company has not applied the following new or revised IFRS issued and become effective for periods beginning on or after January 1, 2016, which permitted early adoption

IFRS 9 Financial Instruments

IFRS 15 Revenue from contracts with customers

Amendments to IFRS 11 Accounting for the acquisition of interests in joint operations

Amendments to IAS 1 Initiative disclosure

Amendments to IAS 16 and IAS 38 Explanation of methods allowed for depreciation and amortization

Amendments to IAS 16 and IAS 41 Sale or payment by assets between the investor and its subsidiary or joint venture

Amendments to IFRS 10 and IAS 28 Investment companies: application of exceptions to the consolidation of the annual improvements to IFRSs 2012-2014 cycle

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

4. Accounting Policy

4.1. General Conditions

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

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

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

4.2. Presenting the Consolidated Financial report

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

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

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

4.3. Base for Consolidation

In the financial report of the Group are consolidated the financial reports of the parent Company and all subsidiaries as of 31th December 2015. Subsidiaries are all entities, upon which the Group exerts control over their financial and operating policies. The parent company acquires and exerts control when it holds more than half of the total number of votes. All subsidiaries have a reporting period, ending on 31th December 2015.

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

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

4.4. Transactions in foreign currency

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

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

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

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

4.5. Revenues

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

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

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

The revenues are recognized when the following conditions are met:

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

4.5.1. Sale of investment properties

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

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

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

4.5.2. Goods for sale

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

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

4.5.3. Provision of Services

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

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

4.5.4. Income from interest and dividends

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

4.5.5. Operating expenses

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

4.5.6. Interest expenses and payment of loans

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

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

4.6. Intangible assets

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

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

Subsequent costs, which are incurred in connection with other intangible assets after their initial recognition, are recognized in the Consolidated Income Statement in the period when they have been incurred, unless the costs generate economic benefits of the asset in excess of the expected ones and can be reliably measured and thus, attributed to the asset. If these conditions are met, the costs can be added to the cost of the asset.

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

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

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

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

5. Joint Ventures

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

	31.03.2016 '000 BGN	31.12.2015 '000 BGN
Non-current assets	572	591
Current assets	5002	5034
Total assets	**5574**	**5625**
Long-term liabilities	(1766)	(1745)
Short-term liabilities	(3769)	(3777)
Total liabilities	**(5535)**	**(5522)**
Income	63	1835
Expenses	(129)	(1815)

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

6. Investments accounted for using the equity method

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

7. Property, machinery, facilities and equipment

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

	Land	Buildings and constructions	Machinery and equipment	Transport vehicles and others	Costs for acquiring constructed assets	Total
	'000 BGN	**'000 BGN**	**'000 BGN**	**'000 BGN**	**'000 BGN**	**'000 BGN**
Gross book value						
Balance at 1 January 2015	5 177	503	315	1 353	7 073	14 421
Correction of balance	-	-	12	(89)	-	(77)
Correction of balance as of 01.January.2015	**5 177**	**503**	**327**	**1 264**	**7 073**	**14 344**
Newly acquired assets			3			3
Obsolete assets						
Revaluation:						
Increase	(43)					(43)
Decrease						
Balance at 31 March 2015	**5 134**	**503**	**330**	**1 264**	**7 073**	**14 304**
Depreciation and impairment						
Balance at 1 January 2015		(100)	(315)	(874)	(-)	(1 289)
Correction of the balance	-	-	(5)	93	-	88
Correction of the balance as of 01.January.2015	**(-)**	**(100)**	**(320)**	**(781)**	**(-)**	**(1 201)**
Depreciation	(-)	(20)	(3)	(104)	(-)	(127)
Balance at 31 December 2014	(-)	**(120)**	**(323)**	**(973)**		**(1 328)**
Book value at 31 December 2015	**5 134**	**383**	**7**	**379**	**7 073**	**12 976**

	Land	Buildings and constructions	Machinery and equipment	Transport vehicles and others	Cost of acquiring constructed assets	Total
	'000 BGN	**'000 BGN**	**'000 BGN**	**'000 BGN**	**'000 BGN**	**'000 BGN**
Gross book value						
Balance at 1st January 2016	5 134	503	330	1 264	7 073	14 304

Newly acquired assets						
Obsolete assets						
Revaluation:						
Increase						
Decrease						
Balance at 31st March 2016	**5 134**	**503**	**330**	**1 264**	**7 073**	**14 304**
Depreciation and impairment						
Balance at 1st January 2016		(120)	(323)	(885)	(-)	(1 328)
Depreciation	(-)	(5)	(1)	(25)	(-)	(31)
Balance at 31st March 2016	(-)	**(125)**	**(324)**	**(910)**		**(1 359)**
Book value at 31st March 2016	**5 134**	**378**	**6**	**360**	**7 073**	**12 945**

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

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

8. Investment property

The properties that are built and for which the Company has received Certificate for exploitation and that are not sold and respectively transferred to clients are reported in the item "Investment property", because the parent company is restricted to operate the constructed assets by itself and it could realize income through assigning the management of those assets to third parties.
The investment properties are valuated initially at their direct cost which includes all the expenditures that are directly related to the particular investment property – such as construction-assembly works, project services, legal fees and other expenditures.
After their initial recognition the investment properties are reported through the use of the model of the fair value. Pursuant to the Special Purpose Vehicles Act the Board of Directors assigned the completion of revaluation as of 31.12.2015 of all the company's real estate properties to the independent appraisers – "Dobi 02" Ltd. the results of which was reported in the final annual financial statement of the Company.
The next tables present the changes in the value of the investment property in 2015 and 2016.

	Investment property '000 BGN
Book value as of 1st January 2015	**36 143**
Newly acquired assets	-
Net loss from changes in fair value	
Book value as of 31st December 2015	**36 143**
Newly acquired assets	-
Written-off assets	(76)
Net profit from changes in fair value	(97)
Book value as of 31st December 2015	**35 970**

	Investment property '000 BGN

Book value as of 1st January 2016	**35 970**
Newly acquired assets	-
Net loss from changes in fair value	-
Book value as of 31th March 2016	**35 970**
Newly acquired assets	-
Written-off assets	-
Net profit from changes in fair value	-
Book value as of 31th March 2016	**35 970**

9. Intangible assets

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

Intangible assets	**Software programs and products ‘000 BGN**	**Total ‘000 BGN**
Carrying value	**66**	**66**
Balance as of 1st January 2015		
Newly-acquired assets		
Written-off assets		
Balance as of 31st December 2015	66	66
Depreciation and impairment		
Balance as of 1st January 2015	(56)	(56)
Written-off assets		
Depreciation	(4)	(4)
Balance as of 31st December 2015	(60)	(60)
Book value as of 31st December 2015	**6**	**6**

Intangible assets	**Software programs and products ‘000 BGN**	**Total ‘000 BGN**
Carrying value	**66**	**66**
Balance as of 1st January 2016		
Newly-acquired assets		
Balance as of 31st March 2016	66	66
Depreciation and impairment		
Balance as of 1st January 2016	(60)	(60)
Written-off assets		
Depreciation	(1)	(1)
Balance as of 31st March 2016	(61)	(61)
Book value as of 31st March 2016	**5**	**5**

10. Inventory

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

	31.03.2016 '000 BGN	31.12.2015 '000 BGN
Materials and goods	1 032	1 014
Work-in-progress	1 056	1 062
Inventory	**2 088**	**2 076**

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

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

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

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

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

The inventories are not pledged as collaterals on obligations.

11. Trade receivables

	31.12.2015 '000 BGN	31.12.2014 '000 BGN
Vei Project AD	-	
Al Litvinov	-	4
L. Oleynichenko	.	
N. Bolshakova		
BG Invest Properties AD	288	567
Grand Borovetz 2013 EOOD	4 096	4096
Others	487	485
Trade receivables	**4 871**	**5 152**

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

The Group has client receivables with current nature which are due in 180 to 360 days.

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

All trade receivables are exposed to credit risk.

The tax receivables due to overpaid VAT are in the amount of BGN 68 thousand.

12. Other receivables

	31.03.2016	31.12.2015
Current receivables:	**'000 BGN**	**'000 BGN**
Personnel receivables	64	56
Deferred expenses under a leaseback agreement	449	450
Others	1 140	1 166
Total:	**1 653**	**1 672**
Non-current receivables:		
Deferred expenses under a leaseback agreement	1 227	**1 339**
	1 227	**1 339**

13. Cash and cash equivalents

The cash and cash equivalents include the following elements:

	31.03.2016 '000 BGN	31.12.2015 '000 BGN
Cash and cash in banks:		
- Cash	19	30
- Cash in demand deposits	16	59
- Blocked money	42	58
Cash and cash equivalents	**77**	**147**

The Group has blocked cash and cash equivalents.

14. Shareholders' equity

a. Share capital

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

	31.03.2016 '000 BGN	31.12.2015 '000 BGN
Issued and fully paid shares:		
- at the beginning of the year	6 011 476	6 011 476
- issued during the year		
Total shares, authorized as of 31st March 2016	**6 011 476**	**6 011 476**

b. Revaluation reserve

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

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

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

In that case the price of the property is formed on the base of research of realized deals on the market with comparable real estate. The market approach looks for the supposed market price of properties that are similar in quality to the valuated one.
When calculating the market value of the property information is used about three properties similar to the valuated one. These properties have to be in the same location and also it is needed there to be realized deals with them in the last six months during the previous year. The sale prices of the three properties are adjusted with an area coefficient that removes the differences between them.
In 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 evaluation of the assets of the parent company is assigned to the independent appraiser – Dobi-02 OOD.

	31.03.2016 '000 BGN	31.12.2015 '000 BGN
Premium reserves from shares' issuance	7 651	7 651
Other reserves	1	1
Revaluation reserves of assets	5 224	5 224
Total reserves	**12 876**	**12 876**

c. Staff expenses

The expenses for remuneration of the staff include:

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Expenses for salaries	(33)	(47)
Social security expenses	(6)	(7)
Personnel expenses	**(39)**	**(54)**

The average number of employees in the group is 52 people. There are no accruals for holiday provisions.

15. Loans

The loans include the following financial liabilities:

	Current		Long-term	
	2016 '000 BGN	2015 '000 BGN	2016 '000 BGN	2015 '000 BGN
Bank loans	22665	22400		8
Bond loans	611	489	4645	4890
Finance leases	235	235	1617	1775
Total loans	**23 511**	**23 124**	**6 262**	**6 673**

15.1 Finance leases as a lessee

The Group has acquired under finance leases land and buildings under construction. The net book value of the assets acquired under finance leases amounts to BGN 9 953 thousand. The assets are included in "Land" and "Assets under construction" under "Property, Plant and Equipment".

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

On 17 December 2013 the Company has concluded a contract with Bulgaria Leasing EAD for financial leasing of real estate subject to which is the investment project “Grand Borovets”, property of Intercapital Property Development ADSIC. Initially lease price had to be paid within two years of passing possession of the leased premises, from which six months was a grace period, by 24 lease payments due on the 20th day of the month, for which the contribution is payable at a fixed annual interest rate of 9%. By mutual agreement between the parties from 2014 the deadline for repayment of lease payments was extended to 20.12.2019, as a result of which the leasing price was changed to EUR 3 183 968.45 without VAT. Under this contract of December 17, 2013 Intercapital Property Development ADSIC has transferred by notary ownership of land with ID 65231.918.189 located in Samokov, Sofia region, and built in the property building representing hotel apartment complex service sites with ID 65231.918.189.2, to the lessor "Bulgarian Leasing" EAD. As a result, and under the conditions of a leaseback agreement Intercapital Property Development ADSIC has received by the lessor possession of the properties subject to finance lease contracts.

16. Trade payables

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

Current:	**31.03.2016 ‘000 BGN**	**31.12.2015 ‘000 BGN**
Telelink AD	344	344
Midia AD	1 830	1 830
ViK Bourgas	64	110
Optima Audit AD	63	72
Aheloy 2012	58	58
IP Intercapital Markets AD	300	297
BG Invest Properties EAD	-	290
Vei Project AD	156	156
Other	1 979	1 631
Total trade payables:	**4 794**	**4 788**

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

17. Tax payables

The tax payables include:

	31.03.2016 ‘000 BGN	**31.12.2015 ‘000 BGN**
Value added tax	112	153
Other	95	92
Total	**207**	**245**

The tax payables are in the amount of BGN 207 thousand as of 31.03.2016; they represent value added tax and personal income tax for 2014 and 2015, which will be paid in 2016.

18. Other payables

The other obligations can be summarized as follows:

	31.03.2016 '000 BGN	31.12.2015 '000 BGN
Long-term:		
Other long-term liabilities	1 766	1 737
	1 766	**1 737**
Short-term:		
Other short-term liabilities	10 948	11 374
Total	**10 948**	**10 374**

The other long-term liabilities of the Group are formed as follows:
Obligations under a finance leaseback agreement with "Bulgaria Leasing" and other obligations

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

Ceded obligations under loan agreements to "Grand Borovets 2013" EOOD; ceded obligations under a loan contract to "BG Invest Properties" EAD; matured interest under a contract with "VEI Project" AD; a contractual obligation to "ICM IMO" EAD; penalty obligations to "Technos" OOD; liabilities to "Titan Bulgaria" OOD under a debt substitution contract.

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

19. Sales revenues

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

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Revenues from sale of investment property	-	-
Revenues from sale of finished goods	-	2
Revenues from sale of goods for sale	1	4
Revenues from sale of services	62	45
Other	830	111
Total	**2269**	**1913**

20. Other revenues

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Written off liablities	550	762
Other revenues	-	-
Total	**550**	**762**

21. Expenses for materials

The expenses for materials include:

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Expenses for materials	(1)	(1)
Expenses for furniture	(24)	(23)

Expenses for elevators	(6)	(8)
Expenses for heat and electricity		
Other expenses		
Total	**(31)**	**(32)**

22. Expenses for external services

The expenses for external services include:

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Expenses for maintenance	(-)	(8)
Accounting services	(10)	(-)
Consulting services	(2)	(16)
Expenses on sales, commission	()	(-)
Other	(74)	(72)
Total	**(86)**	**(96)**

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

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

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Revenues from sales	-	-
Book value of the sold non-current assets	(-)	(-)
Profit / (Loss) from sale of non-current assets	**(-)**	**(-)**

24. Other expenses

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Other	(-)	(4)
Loss due to reverse financial lease	(112)	(112)
Other expenses	(112)	(116)

25. Financial revenues and expenses

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

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Interest expenses	(453)	(505)
Expenses on foreign exchange operations	(-)	()
Other financial expenses	(-)	(-)
Financial expenses	**(453)**	**(505)**

Financial revenues

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Positive differences from operations with financial assets and instruments		
Others	-	3
Financial revenues	**-**	**3**

26. Expenses for income tax

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

27. Profit/ (Loss) per shares and dividends

a. Profit/(Loss) per share

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

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

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Profit/ (loss), subject to distribution (BGN)	(141)	(26)
Weighted average number of shares	6 011	6 011
Basic profit/ (loss) per share (in BGN per share)	**(0.02)**	**(0.004)**

b. Dividends

In 2014 the Group has not paid out dividends due to the fact that in 2013 the Company's result is a loss. In 2015 the Group has not paid out dividends due to the fact that in 2014 the Company's result is a loss.

28. Transactions with related parties

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

a. Accounts with subsidiaries:

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Sale/purchase of goods and services		
- Services carried out by "Marina Cape Management" EOOD to ICPD	2 471	2 010
- Services carried out by ICPD to "Marina Cape Management" EOOD (due to a contract)	2 343	1 931

b. Transactions with key management personnel

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

	31.03.2016 '000 BGN	31.03.2015 '000 BGN
Short-term remunerations:		
Salaries of the management personnel in the Group	33	47
Total remunerations	**33**	**47**

29. Risks, related to the financial instruments

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

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

The risk management of the Group is carried out by the Board of Directors of the parent company, assisted by IP Intercapital Markets AD, with which the Company has a contract for risk management and evaluation in collaboration with the Board of Directors. A priority of the Company's management is to ensure the short-terms and the medium-term cash flows by reducing the credit exposure. The long-term financial investments are managed so as to bring long-term yield.

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

a. Analysis of the market risk

Currency risk

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

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

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

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

Interest 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 Group are property (land or those under construction). It could be assumed that these assets are fixed-price or income because their price is not affected directly by changes in interest rates. The Group will seek to finance these assets with debt instruments, which also to be fixed rate. Where this is not possible or not favorable to the Group, it may use and a floating-rate debt. In these cases the Company will constantly analyze forecasts on interest rates. In case of significant risks of a large increase in interest rates, which have a significant negative impact on the profits of the company, it may use derivatives or other financial instruments to hedge this risk. This could be a swap of floating payments at a fixed interest rate, futures or other instruments. As of 31.03.2016 most of the obligations of the Company are floating rate based on EURIBOR. In this connection, the Group is at risk from rising interest rates in the Eurozone.

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

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

b. Analysis of the credit risks

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

c. Analysis of the liquidity risk

Liquidity risk arises with regard to securing funding for the activities of the Group and the management of its positions. It has two dimensions – the risk that the Group will not be able to meet its obligations when they fall due and the risk of being unable to realize its assets at an appropriate price and within reasonable terms. The Group aims to maintain a balance between maturity of funding and flexibility of the use of funds with varying maturity structure. The Group aims to reduce the risks of a shortage of cash by making investments and undertaking construction works only when the financing is secured with its own funds, advances from customers or borrowings. The Group monitors closely the financial markets and the opportunities for raising additional funds (own or debt). The Group seeks to shorten the time for raising such funds if necessary.

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 Group to continue to exist in compliance with the going concern principle

and

- to ensure adequate return for the shareholders by determining the price of its products and services in accordance with the level of risk.

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

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

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

	31.03.2016 '000 BGN	**31.12.2015 '000 BGN**
Share capital	6011	6011
+Increase		
- Reduction		
Adjusted capital	**6011**	**6011**
Total share capital:	**6011**	**6011**